

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

**FORM S-1
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933**

CONFLUENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware
 (State or other jurisdiction of
 incorporation or organization)

7372
 (Primary Standard Industrial
 Classification Code Number)

47-1824387
 (I.R.S. Employer
 Identification Number)

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 (800) 439-3207

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

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

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Class A Common Stock, \$0.00001 par value per share	\$	\$

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued _____, 2021.

Shares



CLASS A COMMON STOCK

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

We have applied to list our Class A common stock on the _____ under the symbol “_____”.

We have two classes of authorized common stock: Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion, and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to 10 votes and is convertible at any time into one share of Class A common stock. Outstanding shares of Class B common stock will represent approximately _____ % of the voting power of our outstanding capital stock immediately following this offering, with our directors, executive officers, and principal stockholders representing approximately _____ % of such voting power.

We are an “emerging growth company” as defined under the federal securities laws, and as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to do so in future filings. Investing in our Class A common stock involves risks. See “[Risk Factors](#)” beginning on page 24.

PRICE \$ _____ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Confluent
Per Share	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

(1) See the section titled “Underwriters” for additional information regarding compensation payable to the underwriters.

The underwriters do not have an option to purchase additional shares of Class A common stock from us at the initial public offering price less the underwriting discount.

The Securities and Exchange Commission and state regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on _____, 2021.

MORGAN STANLEY
BofA SECURITIES

J.P. MORGAN

GOLDMAN SACHS & CO. LLC
CITIGROUP

, 2021.

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Through and including _____, 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Neither we nor any of the underwriters has authorized anyone to provide you with any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. Neither we nor any of the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our Class A common stock. Our business, financial condition, results of operations, and future growth prospects may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our Class A common stock and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the sections titled “Risk Factors,” “Special Note Regarding Forward-Looking Statements,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, all references in this prospectus to “we,” “us,” “our,” “our company,” and “Confluent” refer to Confluent, Inc. and its consolidated subsidiaries. Unless otherwise indicated, references to our “common stock” include our Class A common stock and Class B common stock.

CONFLUENT, INC.

Confluent is on a mission to set data in motion. We have pioneered a new category of data infrastructure designed to connect all the applications, systems, and data layers of a company around a real-time central nervous system. This new data infrastructure software has emerged as one of the most strategic parts of the next-generation technology stack, and using this stack to harness data in motion is critical to the success of modern companies as they strive to compete and win in the digital-first world.

Our way of life has shifted to a digital-first paradigm, and the digital realm has become the new competitive battlefield in the global economy. In order to compete and win in today’s world, organizations must continually innovate on software systems that are increasingly critical to how they do business.

Being digital-first is not just a matter of adding an application or automating an existing process. It is an end-to-end reimagining of business. It means creating rich, digital front-end customer experiences as a primary way of interacting with customers. It means transitioning to real-time, software-driven back-end operations as a business. In retail, this is the difference between accurate inventory tracking across multiple channels to ensure a consumer can have an up-to-date snapshot of what is actually in-store, versus leaving a consumer disappointed on arrival when the product that they thought was available is out-of-stock. In manufacturing, this is the difference between harnessing a real-time flow of data from Internet of Things, or IoT, sensors to deliver predictive maintenance and reduce downtime, versus episodic, manual inspections of equipment.

This is a matter of life or death for companies. Tech disruptors are delivering rich, digital customer experiences and setting the standard for customer expectations. Businesses in every industry are in full mobilization to rebuild their businesses around the new experiences made possible with software and data. Organizations that get it right can experience stronger growth and improved customer loyalty and gain significant competitive advantage. Conversely, organizations that fail to deliver a real-time customer experience that is intuitive, informed, and reliable can expect frustration, dissatisfaction, and churn.

These innovations in front-end customer experiences and back-end business operations reflect a larger technology trend—the fundamental shift in the role of software in the modern organization. Today, software is no longer simply used as a set of applications to increase employee productivity (such as email and expense reporting). Instead, software is directly orchestrating customer experiences and operations that run the business. It is not just that companies are using more software—in a very real sense, they are actually *becoming* software.

Several waves of technology innovation have driven this changing role of software. Cloud has re-imagined infrastructure as code, making it easier than ever for developers to build applications. Mobile has extended enormous amounts of computing power to fit in the palms of our hands, making usage of technology ubiquitous in our lives. Meanwhile, machine learning is extending the scope and role of software to new domains and processes.

However, in order to complete this transition, another fundamental wave is required. The operation of the business needs to happen in real-time and cut across infrastructure silos. Organizations can no longer have disconnected applications around the edges of their business with piles of data stored and siloed in separate databases. These sources of data need to integrate in real-time in order to be relevant, and applications need to be able to react continuously to everything happening in the business as it occurs. To accomplish this, businesses need data infrastructure that provides connectivity across the entire organization with real-time flow and processing of data, and the ability to build applications that react and respond to that data flow. As companies increasingly *become* software, they need a central nervous system that connects all of their disparate software systems, unifying their business and enabling them to react intelligently in real-time.

Because of this, we believe that it is no longer enough for an organization to innovate based on the current paradigm of capturing data, storing it, and then querying or analyzing it. Organizations need a strategy, and a foundational data platform, to operate their business in real-time based on data as it is being generated in the moment. This idea of “data in motion” is at least as critical to the operations of a company as “data at rest,” and we believe the new generation of winning organizations will be defined by their ability to take action on it.

Traditional database technologies were not designed for data in motion, but architected for stored data at rest. Despite significant developments in the scalability and speed of analysis in both traditional and more modern databases (such as NoSQL, time-series, and graph databases), they remain limited to data-at-rest use cases and cannot harness data in motion. The leading open source offering for data in motion, Apache Kafka, was originally created by our founders at LinkedIn in 2011 and brought to the mainstream a new paradigm of data processing. However, this was only the beginning. Confluent was founded to create a product that could make data in motion the central nervous system of every company in the world.

Confluent is pioneering this fundamentally new category. Our offering is designed to act as the nexus of real-time data, from every source, allowing it to stream across the organization and enabling applications to harness it to power real-time customer experiences and data-driven business operations. Our offering can be deployed either as a fully-managed, cloud-native SaaS offering available on all major cloud providers or an enterprise-ready, self-managed software offering. Our cloud-native offering works across multi-cloud and hybrid infrastructures, delivering massive scalability, elasticity, security, and global interconnectedness, enabling agile development.

Our open source roots are a key driver of our go-to-market success. Apache Kafka has become the industry standard for data in motion. It is one of the most successful open source projects, estimated to have been used by over 70% of the Fortune 500. Modern applications are expected to integrate with Apache Kafka, and the technical skill set for Kafka has become a critical requirement in the industry. Confluent’s products provide the capabilities of Apache Kafka but do so on a platform built for the cloud, complemented by connectivity to the larger enterprise, and with the ability to process and govern at scale. The developer community understands the benefits of a complete platform for data in motion. Consequently, software developers within our prospective customers’ engineering or IT departments are often very familiar with our underlying technology and value proposition and evangelize on our behalf.

Confluent has built an operationalized customer journey focused on data in motion that ties together product features, go-to-market efforts, and customer success capabilities, and helps take customers from their initial experiments with the technology to organization-wide adoption as one of their most critical data platforms. This starts by landing use cases in a high volume, low-friction manner while projects are still being conceived and the architecture of the solution is being designed. Awareness and use of our offering begin even before our sales efforts, given the widespread adoption of Apache Kafka by developers and the self-service adoption made possible with our cloud product and community downloads. Our enterprise sales force takes these initial engagements and helps users progress to production use cases and paying customers either on a pay-as-you-go

model or with a committed contract. Once customers see the benefits of our product for their initial use cases, they often expand into other use cases and lines of business, divisions, and geographies. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers on this journey. This expansion is helped by a natural network effect in which the value of our platform to a customer increases as more use cases are adopted, more applications and systems are connected, and more data is added. Over time, by enabling data in motion across the organization, Confluent can become the central nervous system for their entire organization, allowing data to be captured and processed as it is generated in real-time across hundreds of teams, systems, and applications throughout the company. This expansion effect is reflected by our dollar-based net retention rate in 2019 and 2020 of 134% and 125%, respectively.

Our business has experienced rapid growth around the world. As of December 31, 2020, we had 513 customers with \$100,000 or greater in annual recurring revenue, or ARR, across a wide range of industries, compared to 337 such customers as of December 31, 2019, representing year-over-year growth of 52%. As of December 31, 2020, we had 56 customers with \$1.0 million or greater in ARR, compared to 27 such customers as of December 31, 2019, representing year-over-year growth of 107%. Our revenue was \$149.8 million and \$236.6 million in 2019 and 2020, respectively, representing year-over-year growth of 58%. Our Confluent Cloud revenue was \$14.4 million and \$31.4 million in 2019 and 2020, respectively, representing year-over-year growth of 117%. Our Confluent Platform revenue was \$115.8 million and \$177.2 million in 2019 and 2020, respectively, representing year-over-year growth of 53%. In 2020, revenue from outside the United States accounted for 34% of our total revenue. In 2019 and 2020, we incurred operating losses of \$98.1 million and \$233.2 million, respectively, and our net loss was \$95.0 million and \$229.8 million, respectively. As of December 31, 2020, we had an accumulated deficit of \$406.1 million.

Industry Background

Important industry and technology trends are fueling the rise of data in motion and are important tailwinds for our business, including:

- ***Businesses Are Evolving from Using Software to Becoming Software.*** Software is no longer simply used as a set of applications to increase employee productivity in an organization (such as email and expense reporting). Instead, software is directly orchestrating the customer experiences and operations that run the business. It is not just that companies are using more software—in a very real sense, they are actually *becoming* software.
- ***Rich and Personalized Experiences Based on Real-Time Data Are the New Imperative.*** With nearly every aspect of life becoming digital, companies and consumers expect digital experiences to be highly available, responsive, and personalized. Historically, running a business on yesterday's data was sufficient to succeed. Today, being unable to respond to customer demand or being even minutes late to integrate current business data can result in customer frustration and business risk.
- ***Data-Driven Back-End Operations Are Driving Efficiency and Speed.*** The software powering the back-end operations of business has traditionally been slow, batch oriented, and lacking intelligence. Organizations need to be able to use data in motion to get ahead of issues, react to data as it is generated, and be proactive rather than reactive to future events. The new generation of winning companies will be defined by how well they leverage data in motion to operate their business in real-time.
- ***Machine Learning Applications Require Increasing Amounts of Data at All Times.*** Machine learning applications have become an important aspect of competitive differentiation for organizations across industries. Today, many of the most powerful insights delivered by machine learning applications and systems depend on massive and continuous volumes of data in motion being processed, connected, and

analyzed all at once. Data in motion can deliver a significant advantage to machine learning models and deliver greater actionable insights and recommendations.

- **IoT Is Becoming Ubiquitous.** The growth of IoT and connected sensors is a significant driver of the exponential growth in the volume of data being generated worldwide. Data generated from connected IoT devices are projected to be 73.1 zettabytes by 2025, almost four times the 18.3 zettabytes generated in 2019. To capture this massive volume of real-time data and build solutions that deliver transformative impact, enterprises need a new foundational data infrastructure designed for data in motion.
- **Proliferation of Microservices Creates an Exponential Increase in Connectivity.** Enterprises are modularizing applications into smaller components through microservices, increasing the complexity of data flow. With this complexity comes even greater delays, unacceptable to the modern enterprise looking to connect all types of data and applications in a seamless fashion.
- **Organizations Are Rapidly Modernizing their Infrastructure to Be Cloud-First and Multi-Cloud.** According to IDC, the global public cloud services market is expected to increase from \$292 billion to \$628 billion, from 2020 to 2024, respectively. According to a recent Gartner cloud adoption survey, more than 75% of organizations are using a multi-cloud adoption model.¹ We believe that companies will adopt a multi-cloud strategy to avoid vendor lock on their cloud adoption journey.
- **The Movement to the Cloud Has Just Begun and the World Will Continue to Be Hybrid.** According to IDC, despite the fast growth in the global cloud computing market, over the past five years, only 17% of the system infrastructure software spend has been made up of spend from public cloud services. Many organizations continue to have massive on-premises deployments. The result is a bifurcated data storage environment with some data stored on-premise and across private clouds and the rest distributed on a variety of public clouds, with data moving between them all.

Traditional Data Infrastructure Is Not Designed for Data in Motion

The traditional approach to how applications are built and deployed has been to pair applications with a database which stores data that is then retrieved by the applications periodically.

This database-centric approach is common in data warehouses and relational and NoSQL databases. Databases grew out of a heritage of data storage. They manage a repository of stored data and allow an application to access that point-in-time dataset on demand through querying. They are, in short, a platform designed for managing *data at rest*. Although there are countless flavors of databases, and they comprise a category worth over \$94 billion in annual spend, all databases are rooted in the paradigm of data at rest and share the resulting limitations.

Databases remain an important category but are no longer sufficient as the central data platform in a company.

The systems that carry out the operation of the business and deliver customer experiences must be integrated and real-time. They must cut across infrastructure silos and continually react, respond, and adapt to an ever-evolving business as events unfold. To accomplish this, data infrastructure must support continuous flows of data from across the organization and enable the building of applications that react, process, and respond to that flow of data in real-time. In other words, to address these challenges, companies need a data platform built for *data in motion*.

This is a fundamental paradigm shift and cuts to the heart of how we think about data and architect applications. Data in motion is not just a missing feature in databases, it is a bottoms-up rethinking of the computer science underlying data systems.

¹ Source: Gartner, *Competitive Landscape: Cloud Service Brokerage 2020*, October 2020.

At their core, databases are designed to bring queries to stored data at rest. The challenge with this construct is that when asked to handle data in motion, the whole paradigm crumbles. Traditional databases allow processing only at a point in time and compute an answer which is immediately out of date as the business continues to evolve around it. Building systems using only the infrastructure for data at rest means businesses must build separate point-to-point connections for every system that needs to be connected, resulting in an overwhelming proliferation of point-to-point connections. This results in an “n-squared” problem as every new system needs to separately connect to every existing system and forces companies to resort to periodic data dumps and “batch” processing. Databases are simply too slow to serve the real-time nature of modern customer experiences and operational needs.

Data in motion flips this design 180 degrees. Rather than bringing queries to data at rest, our platform is architected to stream data in motion through the query. This continuous stream makes the data always available and is what fundamentally enables companies to tap into flows of data being generated anywhere in the company and continually process it.

Our Solution

Confluent is pioneering a fundamentally new category of data infrastructure focused on data in motion for developers and enterprises alike. In order for enterprises to deliver rich customer experiences, it is critical for all of their business functions, departments, teams, applications, and data stores to have complete connectivity, be thoroughly integrated, and be able to analyze data as it is generated. Confluent is designed to be this intelligent connective tissue by having real-time data from multiple sources constantly streamed across an enterprise for real-time analysis.

Our offering enables organizations to deploy production-ready applications that run across cloud infrastructures and data centers, and scales elastically, with enhanced features for security and compliance. Our platform provides the capabilities to fill the structural, operational, and engineering gap that is required for businesses to fully realize the power of data in motion. We enable software developers to easily build their initial applications to harness data in motion, and enable large, complex enterprises to make data in motion core to everything they do. As organizations mature in their adoption cycle, we enable them to build more and more applications that take advantage of data in motion. The results have a dual effect: businesses continuously improve their ability to provide better customer experiences and concurrently drive data-driven business operations. We believe that, over time, Confluent can become the central nervous system for modern digital enterprises, providing ubiquitous real-time connectivity and powering real-time applications across the enterprise.

Confluent’s solution can be deployed either as a fully-managed cloud-native SaaS offering available on-demand, Confluent Cloud, or an enterprise-ready, self-managed software offering, Confluent Platform.

A high-performance, low-latency infrastructure for harnessing data in motion requires operating wherever a customer’s applications and systems reside. Customers with applications in a particular cloud would use Confluent Cloud in that cloud provider and region. Customers with applications on premises, or on a private cloud, would use Confluent Platform in that data center. Customers with both on premises and cloud, or even multiple clouds, need Confluent in each of these environments. Together, these solutions can act as one unified fabric for data streams that connect all of these customer environments.

Our solution has three differentiated elements:

- **Cloud-Native.** Confluent offers true cloud functionality for data in motion. We offer a fully-managed, cloud-native service that is massively scalable, elastic, secure, and globally interconnected, enabling

agile development. This is a completely different experience than what would result from taking on premise software and simply offering it on cloud virtual machines. With Confluent, developers and enterprises alike can focus on their applications and drive value without worrying about the operational overhead of managing data infrastructure.

- **Complete.** We created a complete platform for data in motion, by leveraging capabilities from open source Apache Kafka with our significant proprietary capabilities. Our technology moves and processes data concurrently, with specific tools such as ksqlDB, a native data-in-motion database that allows users to build data-in-motion applications using just a few SQL statements, as well as over 100 connectors.
- **Everywhere.** We have built a truly hybrid and multi-cloud offering. We can support customers in their cloud and multi-cloud environments, on-premises, or a combination of both. From early on, we recognized that the journey to the cloud is not overnight or simple, and in order for our customers to effectively digitally transform, they require a fundamental platform for data in motion that can integrate seamlessly across their entire technology environment. This ability to let customers embrace the new without having to fully replace everything that is old is a critical point of differentiation and a critical element in the cloud adoption strategy of many of our customers.

Confluent Is Becoming the Central Nervous System of Organizations

As Confluent grows within an organization, the network effects we generate create even more value to the organization as a whole. By fundamentally re-architecting how data flows, we are able to replace complexity with simplicity, delays with real-time, and disparate data with a unified view across the modern enterprise software stack.

Most organizations start off with a complex mess of point-to-point connections between their applications, databases, and data warehouses. This is unavoidable when data is primarily at rest, held in storage across the organization, and requiring these connections to be built. Adopting a new technology to connect this mess would be prohibitively slow if there were not an underlying force driving this change. Fortunately, our platform has a unique network effect that helps speed its adoption. The first application that utilizes our platform generally does so for the capabilities in harnessing data in motion. In doing so, it brings into the platform the data streams needed for its usage. However, although these data streams are brought for one application, they are usable by all future applications and bring value to the entire ecosystem. As a result, future applications can connect to the platform to access these data streams, bringing with them their own data streams. As a result, there is a clear virtuous cycle: applications bring data streams, which in turn attract more applications.

As customers expand with our foundational platform, we set more and more data in motion across the organization and replace the various point-to-point connections with our complete platform. This means data can intelligently be made available in real-time to more and more of the organization as applications connect to a single platform. We are able to hold a highly strategic position to create greater value to existing applications and databases as data in motion across the entire organization begins to flow, be directed, and be processed through Confluent. We believe that this eventually leads to Confluent becoming the central nervous system of an organization, allowing data to be captured and processed as it is generated around the whole organization, enabling organizations to react intelligently in real-time.

Key Benefits to Our Customers

Our platform delivers the following key business benefits to our customers:

- **Ability to Deliver Rich Customer Experiences and Data-Driven Business Operations.** By harnessing the power of data in motion, our customers can deliver differentiated customer experiences, such as

suggesting the next show to watch in real time or providing live information on the status of a grocery order. Enterprises can also enable data-driven operations such as real-time, preventive maintenance, IoT analytics, and diagnostics.

- **Accelerated Time-to-Market.** Our fully-managed cloud-native service enables our customers to start developing instantly, without any internal or external operational barriers. And, with the ability to pay-as-you-go, our customers can begin using Confluent without commitment or delay from internal procurement processes. Furthermore, our offering comes with a rich, pre-built ecosystem, making it simple, quick and efficient to integrate Confluent into the enterprise. This enables greater engineering organization efficiency and an accelerated time-to-market.
- **Reduced Total Cost of Ownership.** Confluent significantly reduces the operational barriers and costs associated with shifting to a data-in-motion architecture. Coupled with accelerated time to market, our customers benefit from both reduction in total cost of ownership as well as rapid return on investment, or ROI.
- **Freedom of Choice.** Confluent is hybrid and multi-cloud compatible so customers can deploy on premises or in the cloud. We recognize that enterprises have their data stored in many places and that an effective solution must be able to connect to various data sources.
- **Mission Critical Security and Reliability.** Confluent has enterprise-grade security and governance capabilities to provide confidentiality of critical information. We enable mission-critical reliability and resiliency, allowing data persistence, dynamic backing up of data across replicated partitions, fault-tolerance, and automated client failover.
- **Robust Developer Community.** Apache Kafka has an extremely robust developer community. It is one of the most successful open source projects, with more than 60,000 meet-up members across over 200 global meetup groups, estimated to have been used by over 70% of the Fortune 500. This means that developers outside of Confluent are building connectors, more functionality, and deploying patches to Apache Kafka while Confluent continues to also add features both to Apache Kafka and to Confluent's proprietary offering. This leads to a positive feedback loop as it strengthens the Apache Kafka offering, attracting more developers, who in turn further strengthen Apache Kafka, which benefits us, as users see the benefit of a data-in-motion platform.

Competitive Strengths

Our competitive strengths include the following:

- **Our Founders Are the Original Creators of Apache Kafka.** Our founding team members are the original creators of Apache Kafka and worked on the underlying technology at LinkedIn, prior to founding our company. We are a significant contributor to the open source Apache Kafka platform, and our expertise in and experience with the technology are unrivaled.
- **Our Business Model Protects Our Innovation and Fosters Our Developer Community.** We offer our software under licenses intended to protect our innovation. This includes our Confluent Community License and a traditional proprietary commercial license. Our Confluent Community License allows developers to access our source code to give them a chance to utilize some of our platform features, but explicitly restricts others, including cloud vendors, from taking this source code and using it to offer a competing software-as-a-service, or SaaS, offering.
- **We Serve Leading Enterprises and Disruptive Innovators.** We started by enabling new forms of innovation for some of the most disruptive tech companies and have now become equally integral to the modern digital stack of large global enterprises. These companies and enterprises have exacting requirements that are mission-critical to their business success. They trust us and continue to expand

their use of our platform into larger and more complex use cases as we become embedded in their modern digital stack. As of December 31, 2020, our customers included 124 of the Fortune 500 companies.

- **We Benefit from Network Effects.** Our business benefits from powerful network effects, which create accelerated demand for our offering and provide us with significant competitive advantages. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers on this journey. Our customers typically start with an initial use case, see the benefits of our platform, then often expand into other use cases and lines of business, divisions, and geographies. This expansion often generates a natural network effect. As more use cases are adopted, more applications and systems become connected, which then leads to more data in motion being processed by our platform. Streams of data naturally attract more applications which brings even more streams of data which creates a virtuous expanding flywheel. This network effect increases value to both individual participants and the whole organization. Over time, we not only enable our customers to harness data in motion but can become the central nervous system for their entire organization, allowing data to be captured and processed by the whole organization as it is generated in real-time.
- **End-to-End Approach to Go-To-Market Built for the Unique Customer Journey of Data in Motion.** Data in motion has a unique customer adoption and expansion journey within organizations and our go-to-market mirrors this distinct journey. The widespread adoption of Apache Kafka by developers, and the self-service adoption possible with our cloud product and community downloads, ensure that awareness, mindshare, and adoption begin as new applications are conceived, often long before our sales efforts begin. Our enterprise sales force takes these many initial engagements and helps them progress to production use cases and paying customers with a committed contract. We then drive expansion across the company and help the platform transition from serving individual disconnected projects to being used as a cross-enterprise platform. We believe our expertise is vital to companies who wish to successfully navigate this transition as they reorient their business for data in motion.

Our approach to supporting this end-to-end customer journey is a significant competitive moat for us. Legacy technology vendors cannot easily rebuild their go-to-market to support high volume, low-friction open source and SaaS lands. Startup companies cannot muster the full spectrum of go-to-market tactics and resources needed to support this journey or the heavy investment in customer success required to take customers to scale. Even though large cloud providers have broad go-to-market capabilities, these capabilities are generally focused on the broader transition to the cloud addressing hundreds of products and services. We believe they take a broad but shallow approach that is not built to focus and support the specifics of the data-in-motion customer adoption journey and cannot easily be repurposed without a larger remaking of their go-to-market strategy.

- **We Have Deep Technology Expertise Focused on Data in Motion.** Unlike the vast swath of databases which are built to harness the value of data at rest, our offering is built to harness the value of data in motion. Our construct of streaming data through queries, rather than bringing queries to stored data, enables us to offer differentiated value from other forms of data infrastructure. We leveraged our technical expertise to provide a cloud-native offering, building additional technologies to create a complete platform, and enabling it to work across both cloud and on-premises environments at scale. Our cloud-native service is differentiated from other providers who simply try to deliver their offering in the cloud as a partially-managed service. We have built deep proprietary technology designed to enable data in motion, from the most complex enterprise to the individual developer.
- **Mission-Oriented Values and Team.** Our most important asset is our people. As Confluent continues to evolve and grow, we strive to have our core values remain constant. We are obsessive about the user experience and focused on earning our customers' love by solving backwards from a fantastic customer experience to arrive at the right solution. Our people are empathetic towards our customers, partners,

and each other. We strive to have a team-first mindset and foster an environment where each employee feels valued and respected.

Our Market Opportunity

Confluent is well-positioned to succeed in the large and growing market for data infrastructure. We have intentionally built our technology to support both cloud and on-premises environments because enterprises today are in different stages of their journey to the cloud. This strategy has positioned us to be able to serve every type of company, in every industry, and in every geography.

Today, we believe our product roadmap targets each of the following four core Gartner-defined market segments: Application Infrastructure & Middleware, Database Management Systems, Data Integration Tools and Data Quality Tools,² and Analytics and Business Intelligence.³ According to Gartner's 2021 estimates, the aggregate of these four markets represents a total market size of approximately \$149 billion.

We estimate that we serve approximately \$50 billion of this total market today, broken down as approximately \$31 billion in Application Infrastructure & Middleware (excluding Full Life Cycle API Management, BPM Suites, TPM, RPA, and DXPs), \$7 billion in Database Management Systems (excluding Prerelational-era DBMS), \$7 billion in Analytics and Business Intelligence (excluding Traditional BI Platforms), and \$4 billion in Data Integration Tools and Data Quality Tools (excluding other Data Integration Software). Based upon the above Gartner data and Gartner's estimates for 2024 total market size in these four segments, we have estimated that our total market opportunity will increase to \$91 billion in these four market segments by 2024, representing a 22% compounded annual growth rate.⁴

Our Growth Strategy

We are pursuing our substantial market opportunity with growth strategies that include:

- **Easy and Frictionless Land with Cloud Pay-As-You-Go.** Due to the cloud-native nature of Confluent Cloud, we are able to acquire new customers through a seamless and frictionless self-service motion. Customers can get started via our free cloud trial and easily convert online to become paying customers. We will continue to leverage our cloud-native differentiation to create an easy buying motion and drive our growth.
- **Continue our Focus on Customer Centric Go-To-Market Motion.** Our integrated go-to-market motion is designed to drive business growth by mapping the customer journey from initial interest, to pilot, to first production project, to an integrated platform across the enterprise. We will continue to offer a range of services and training offerings, partnering with our customers to increase the value they realize from our solution and thereby increase their consumption of our offering.
- **Enterprise-Wide Expansion via Solutions Selling.** After acquiring a new customer, we seek to grow our footprint by solving additional use cases for that customer. Since we are a fundamental data infrastructure platform, the use cases we can address are wide-ranging. We enjoy a powerful network effect as we enter organizations; once one application is connected to Confluent, our customers often connect other applications to that first application, which can result in a flywheel where Confluent can permeate the enterprise. We believe Confluent can become the central nervous system of modern

² Source: Gartner, *Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, 4Q20 Update*, December 2020.

³ Source: Gartner, *Forecast: Enterprise Application Software, Worldwide, 2018-2024, 4Q20 Update*, December 2020.

⁴ Calculations performed by Confluent.

enterprises at scale. Our dollar-based net retention rate of 125%, as of December 31, 2020, reflects our ability to rapidly demonstrate our value and address a vast array of use cases for our customers.

- **Extend our Product Leadership and Innovation.** We pioneered the category of harnessing the power of data in motion and are committed to innovating to extend our product leadership. We will continue to build out our platform, add more capabilities, build more applications, and invest in developing technology that increases developer productivity and promotes rapid customer success. From ksqlDB, which is a native data-in-motion database that allows users to build data-in-motion applications using just a few SQL statements, to Project Metamorphosis, where we delivered critical new cloud-native product features and capabilities every month from May 2020 to December 2020, we have continued to innovate and make it easier for any organization to harness data in motion.
- **Continue to Invest in the Open Source Community.** Our open source roots provide a large pool of targeted developers and enterprises who are interested in or have already adopted open source Apache Kafka. We will continue to invest in delivering features to open source Apache Kafka in order to continue adding value to the Apache Kafka community, maintain our leadership standing in the new data-in-motion paradigm, and ensure that the open source benefits to our business continue.
- **Grow and Harness our Partner Ecosystem.** We have built a powerful partner ecosystem encompassing the major cloud providers, global and regional systems integrators, and independent software vendors, or ISVs. Our partners include Accenture, Amazon Web Services (AWS), Microsoft, Google Cloud Platform (GCP), IBM, MongoDB, Elastic, and Snowflake. We intend to continue to invest in these relationships and build further partnerships to ensure our software is widely sold, distributed, and supported.
- **Expand Internationally.** We believe markets outside of the United States present a significant opportunity for additional growth of our business. During 2020, our international revenue represented 34% of our total revenue. We expect to continue to make significant investments to support our growth in our existing international markets and in penetrating additional international markets.
- **Expand the Scope of our Platform with ksqlDB and Other Investments.** We believe that the rise of real-time stream processing of data in motion is still in the early stages of adoption. Our investment in ksqlDB positions us to succeed in this emerging area as it gains adoption with customers. This adoption is expected to lead to significant displacement of batch data processing on traditional databases and a corresponding shift in spend to data in motion technologies, such as Confluent. We believe our investment in ksqlDB positions us to capture this shift and use it to fuel further growth.
- **Grow Further Use Cases Up-The-Stack Leveraging our Strategic Position for Data in Motion.** Data in motion is a disruptive new platform technology. As we grow into our role as a central nervous system within companies, we believe we have an incredibly strategic position from which to grow into use-case specific adjacencies that apply data in motion. We believe we are strategically positioned to understand what these use cases are when reimagined around data in motion and to partner and/or build pre-packaged solutions purpose-built for these use cases.

Risk Factors Summary

Investing in our Class A common stock involves numerous risks, including the risks described in the section titled “Risk Factors” and elsewhere in this prospectus. You should carefully consider these risks before making an investment. Below are some of these risks, any one of which could materially adversely affect our business, financial condition, results of operations, and prospects.

- Our recent rapid growth may not be indicative of our future growth. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

- We have a history of operating losses and may not achieve or sustain profitability in the future.
- Health epidemics, including the COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, operations, and the markets and communities in which we, our partners and customers operate.
- We derive substantially all of our revenue from our platform for data in motion. Failure of our offering to satisfy customer demands or achieve continued market acceptance over competitors, including open source alternatives, would harm our business, results of operations, financial condition, and growth prospects.
- We intend to continue investing significantly in Confluent Cloud, and if it fails to achieve market adoption, our growth, business, results of operations, and financial condition could be harmed.
- Failure to effectively develop and expand our sales and marketing capabilities or improve the productivity of our sales and marketing organization could harm our ability to expand our potential customer and sales pipeline, increase our customer base, and achieve broader market acceptance of our offering.
- If we are unable to attract new customers or expand our potential customer and sales pipeline, our business, financial condition, and results of operations will be adversely affected.
- Our business depends on our existing customers renewing their subscriptions and usage-based minimum commitments, purchasing additional subscriptions and usage-based minimum commitments, and expanding their use of our offering.
- If we fail to maintain and enhance our brand, including among developers, our ability to expand our customer base will be impaired and our business, financial condition, and results of operations may suffer.
- The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition, and results of operations could be harmed.
- If we or third parties who we work with experience a security breach, or if the confidentiality, integrity, or availability of our information technology, software, services, communications, or data is compromised, our offering may be perceived as not being secure, our reputation may be harmed, demand for our offering may be reduced, and we may incur significant liabilities.
- We rely on third-party providers of cloud-based infrastructure to host Confluent Cloud. Any failure to adapt our offering to evolving network architecture technology, disruption in the operations of these third-party providers, limitations on capacity or use of features, or interference with our use could adversely affect our business, financial condition, and results of operations.
- We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our results of operations, our stock price and the value of your investment could decline.
- The dual class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to this offering, including our executive officers, employees, and directors and their affiliates, and limiting your ability to influence corporate matters.

If we are unable to adequately address these and other risks we face, our business may be harmed.

Channels for Disclosure of Information

Following the closing of this offering, we intend to announce material information to the public through filings with the Securities and Exchange Commission, or the SEC, the investor relations page on our website, press releases, public conference calls, public webcasts, and our Twitter account.

Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Corporate Information

We were initially incorporated under the laws of the State of Delaware in September 2014 under the name Infinitem, Inc. We changed our name to Confluent, Inc. in September 2014. Our principal executive offices are located at 899 W. Evelyn Avenue, Mountain View, California 94041. Our telephone number is (800) 439-3207. Our website address is www.confluent.io. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

The Confluent design logos, “Confluent,” and our other registered or common law trademarks, service marks, or trade names appearing in this prospectus are the property of Confluent, Inc. or its affiliates. Other trade names, trademarks, and service marks used in this prospectus are the property of their respective owners.

Implications of Being an Emerging Growth Company

As a company with less than \$1.07 billion in revenue during our last fiscal year, we qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act, or JOBS Act, enacted in April 2012. An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable generally to public companies. These provisions include, but are not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act;
- reduced obligations with respect to financial data, including presenting only two years of audited financial statements;
- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements, and registration statements;
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved; and
- an exemption from compliance with the requirement of the Public Company Accounting Oversight Board regarding the communication of critical audit matters in the auditor’s report on the financial statements.

We may take advantage of these provisions until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our Class A common stock in this offering. However, we will cease to be an emerging growth company prior to the end of such five-year period if (i) we become a “large accelerated filer,” with at least \$700 million of common equity securities held by non-affiliates; (ii) our annual gross revenue exceeds \$1.07 billion; or (iii) we issue more than \$1.0 billion of non-convertible debt in any three-year period, whichever occurs first.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this prospectus is a part and may elect to take advantage of other reduced reporting

requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

In addition, the JOBS Act provides that an “emerging growth company” can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period to enable us to comply with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

THE OFFERING

Class A common stock offered	shares
Class A common stock to be outstanding after this offering	shares
Class B common stock to be outstanding after this offering	shares
Total Class A common stock and Class B common stock to be outstanding after this offering	shares
Use of proceeds	<p>We estimate that our net proceeds from the sale of our Class A common stock in this offering will be approximately \$ _____, assuming an initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. We may also use a portion of the net proceeds for acquisitions of, or strategic investments in, complementary businesses, products, services, or technologies, although we do not currently have any agreements or commitments for any material acquisitions or investments. See the section titled "Use of Proceeds" for additional information.</p>
Voting Rights	<p>We have two classes of common stock: Class A common stock and Class B common stock. Class A common stock is entitled to one vote per share and Class B common stock is entitled to 10 votes per share and is convertible at any time into one share of Class A common stock.</p> <p>Holder of Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering. Once this offering is completed, based on the number of shares outstanding as of December 31, 2020, the holders of our outstanding Class B common stock will beneficially own approximately _____ % of our outstanding shares and control approximately _____ % of the voting power of our outstanding shares, and our executive officers, directors, and stockholders holding more than 5% of our outstanding shares, together with their affiliates, will beneficially own, in the aggregate, approximately _____</p>

% of our outstanding shares and control approximately
% of the voting power of our outstanding shares.

The holders of our outstanding Class B common stock will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. See the sections titled “Principal Stockholders” and “Description of Capital Stock” for additional information.

Risk factors

See the section titled “Risk Factors” and the other information included elsewhere in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.

Proposed trading symbol

“ ”

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on no shares of our Class A common stock and 225,361,511 shares of our Class B common stock (including shares of our redeemable convertible preferred stock and convertible founder stock on an as-converted basis) outstanding as of December 31, 2020 and excludes:

- 71,213,150 shares of Class B common stock issuable upon the exercise of stock options outstanding as of December 31, 2020, with a weighted-average exercise price of \$3.39 per share;
- 13,603,242 shares of Class B common stock issuable upon the exercise of stock options granted subsequent to December 31, 2020, with a weighted-average exercise price of \$15.18 per share;
- 14,000 shares of Class B common stock issuable upon the vesting and settlement of outstanding restricted stock units, or RSUs, granted subsequent to December 31, 2020, subject to a service-based vesting condition as well as a performance-based vesting condition that will be satisfied in connection with this offering;
- 7,105,239 additional shares of Class B common stock reserved for future issuance under our 2014 Stock Plan, or the 2014 Plan, as of December 31, 2020 (after giving effect to (i) an additional 16,000,000 shares of Class B common stock reserved for future issuance under this plan subsequent to December 31, 2020, and (ii) the issuance of stock options and RSUs granted subsequent to December 31, 2020 to purchase 13,617,242 shares of Class B common stock described above), which shares will be transferred to our 2021 Equity Incentive Plan, or the 2021 Plan, at the time it becomes effective upon the execution of the underwriting agreement for this offering;
- shares of Class A common stock reserved for future issuance under our 2021 Plan plus (i) the shares that remain available for grant of future awards under our 2014 Plan at the time our 2021 Plan becomes effective as described above, (ii) any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan, and (iii) shares underlying outstanding stock awards granted under our 2014 Plan that expire, or are forfeited, cancelled, withheld, or reacquired; and
- shares of Class A common stock reserved for future issuance under our 2021 Employee Stock Purchase Plan, or the 2021 ESPP, which will become effective upon the execution of the underwriting agreement for this offering, as well as any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan.

Unless otherwise indicated, the information in this prospectus assumes:

- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, each of which will occur immediately prior to the closing of this offering;
- the reclassification of all 109,447,843 outstanding shares of common stock as of December 31, 2020 into an equal number of shares of Class B common stock and the authorization of our Class A common stock;
- the automatic conversion of 115,277,850 shares of our redeemable convertible preferred stock outstanding as of December 31, 2020 into an equal number of shares of Class B common stock immediately prior to the closing of this offering;
- the automatic conversion of 635,818 shares of our convertible founder stock outstanding as of December 31, 2020 into an equal number of shares of Class B common stock immediately prior to the closing of this offering; and
- no exercise of outstanding options or settlement of outstanding RSUs.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our consolidated financial and other data. We derived the summary consolidated statements of operations data for the years ended December 31, 2019 and 2020 (except for pro forma net loss per share attributable to common stockholders and weighted-average shares used to compute pro forma net loss per share attributable to common stockholders) and the summary consolidated balance sheet data as of December 31, 2020 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary consolidated statement of operations data for the year ended December 31, 2018 from our unaudited consolidated financial statements not included in this prospectus. The unaudited consolidated financial statements were prepared on a basis consistent with our audited consolidated financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected in the future. When you read this summary consolidated financial data, it is important that you read it together with the historical consolidated financial statements and the related notes included elsewhere in this prospectus, as well as the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Year Ended December 31,		
	2018	2019	2020
(in thousands, except share and per share data)			
Consolidated Statements of Operations Data:			
Revenue:			
Subscription	\$ 56,405	\$ 130,206	\$ 208,633
Services	8,762	19,599	27,944
Total revenue	<u>65,167</u>	<u>149,805</u>	<u>236,577</u>
Cost of revenue:			
Subscription ⁽¹⁾	9,312	28,395	49,283
Services ⁽¹⁾	7,067	20,974	26,193
Total cost of revenue	<u>16,379</u>	<u>49,369</u>	<u>75,476</u>
Gross profit	<u>48,788</u>	<u>100,436</u>	<u>161,101</u>
Operating expenses:			
Research and development ⁽¹⁾	22,586	58,090	105,399
Sales and marketing ⁽¹⁾	54,531	115,792	166,361
General and administrative ⁽¹⁾	13,206	24,662	122,516
Total operating expenses	<u>90,323</u>	<u>198,544</u>	<u>394,276</u>
Operating loss	(41,535)	(98,108)	(233,175)
Interest income	936	2,494	4,113
Other income (expense), net	(405)	567	(973)
Loss before provision for (benefit from) income taxes	(41,004)	(95,047)	(230,035)
Provision for (benefit from) income taxes	394	(5)	(207)
Net loss	<u>\$ (41,398)</u>	<u>\$ (95,042)</u>	<u>\$ (229,828)</u>
Net loss per share attributable to common and founder stockholders, basic and diluted ⁽²⁾	<u>\$ (0.49)</u>	<u>\$ (0.99)</u>	<u>\$ (2.21)</u>
Weighted-average shares used to compute net loss per share attributable to common and founder stockholders, basic and diluted ⁽²⁾	<u>84,692,365</u>	<u>96,067,380</u>	<u>104,218,082</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) ⁽³⁾			<u>\$ (1.10)</u>
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) ⁽³⁾			<u>211,262,902</u>

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

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
	(in thousands)		
Cost of revenue - subscription	\$ 327	\$ 1,161	\$ 2,572
Cost of revenue - services	237	994	1,745
Research and development	1,434	6,268	33,755
Sales and marketing	3,483	6,545	14,734
General and administrative	2,742	3,649	90,535
Total stock-based compensation expense	<u>\$ 8,223</u>	<u>\$ 18,617</u>	<u>\$143,341*</u>

* In connection with a tender offer and secondary sales of our common stock and convertible founder stock, stock-based compensation expense for the year ended December 31, 2020 included \$111.9 million of expense related to the amount paid in excess of the estimated fair value of common stock as of the date of the transactions. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

- (2) See Notes 2 and 13 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate basic and diluted net loss per share attributable to common and founder stockholders and the weighted-average number of shares used in the computation of the per share amounts.
- (3) Basic and diluted unaudited pro forma net loss per share attributable to common stockholders for the year ended December 31, 2020 gives effect to (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock as if the conversion had occurred as of the beginning of the period or on the date of issuance, if later; (ii) the automatic conversion of all outstanding shares of convertible founder stock into an equal number of shares of Class B common stock as if such conversion had occurred as of the beginning of the period or on the date of issuance, if later; and (iii) stock-based compensation expense related to stock options subject to service-based and performance-based vesting conditions, for which the performance-based vesting condition will be satisfied in connection with this offering, as further described in Note 2 to our consolidated financial statements included elsewhere in this prospectus. The table presented below sets forth the calculation of basic and diluted unaudited pro forma net loss per share attributable to common stockholders for the year ended December 31, 2020:

	<u>Year Ended December 31, 2020</u>	
	<u>Common</u>	<u>Convertible Founder</u>
	(in thousands, except share and per share data)	
Numerator:		
Net loss attributable to common and founder stockholders	\$ (219,560)	\$ (10,268)
Stock-based compensation expense related to stock options for which the performance-based vesting condition will be satisfied in connection with this offering	(3,002)	—
Pro forma adjustment to reflect reallocation of net loss due to automatic conversion of convertible founder stock to Class B common stock in connection with this offering	(10,268)	10,268
Pro forma net loss attributable to common stockholders	<u>\$ (232,830)</u>	<u>\$ —</u>

	<u>Year Ended December 31, 2020</u>	
	<u>Common</u>	<u>Convertible Founder</u>
	(in thousands, except share and per share data)	
Denominator:		
Weighted-average shares used to compute net loss per share attributable to common and founder stockholders, basic and diluted	99,562,032	4,656,050
Pro forma adjustment to reflect automatic conversion of redeemable convertible preferred stock to Class B common stock in connection with this offering	107,044,820	—
Pro forma adjustment to reflect automatic conversion of convertible founder stock to Class B common stock in connection with this offering	4,656,050	(4,656,050)
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders, basic and diluted	<u>211,262,902</u>	<u>—</u>
Pro forma net loss per share attributable to common stockholders, basic and diluted	<u>\$ (1.10)</u>	<u>\$ —</u>

	<u>December 31, 2020</u>	
	<u>Actual</u>	<u>Pro Forma(1)</u>
	(in thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents, and marketable securities	\$ 288,545	\$ 288,545
Working capital(4)	233,895	233,895
Total assets	526,119	526,119
Total liabilities	257,734	257,734
Redeemable convertible preferred stock	574,634	—
Additional paid-in capital	99,575	677,210
Accumulated deficit	(406,053)	(409,055)
Total stockholders' (deficit) equity	(306,249)	268,385

- (1) The pro forma column in the consolidated balance sheet data table above reflects (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock, of which there were 115,277,850 shares outstanding as of December 31, 2020, into an equal number of shares of Class B common stock as if such conversion had occurred on December 31, 2020; (ii) the automatic conversion of all outstanding shares of convertible founder stock, of which there were 635,818 shares outstanding as of December 31, 2020, into an equal number of shares of Class B common stock as if such conversion had occurred on December 31, 2020; (iii) stock-based compensation expense of \$3.0 million as of December 31, 2020 related to stock options subject to service-based and performance-based vesting conditions, for which the performance-based vesting condition will be satisfied in connection with this offering, as further described in Note 2 to our consolidated financial statements included elsewhere in this prospectus, reflected as an increase to additional paid-in capital and accumulated deficit; and (iv) the filing and effectiveness of our amended and restated certificate of incorporation, each of which will occur in connection with this offering.

- (2) The pro forma as adjusted column in the consolidated balance sheet data table above reflects (i) the pro forma items described immediately above; and (ii) the sale and issuance by us of _____ shares of Class A common stock in this offering at the assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, respectively, the amount of cash, cash equivalents, and marketable securities, additional paid-in capital, and total stockholders' equity by \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase or decrease of 1,000,000 in the number of shares we are offering would increase or decrease the amount of cash, cash equivalents, and marketable securities, additional paid-in capital, and total stockholders' equity by \$ _____ million, assuming the assumed initial public offering price per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.
- (4) We define working capital as current assets less current liabilities. See our consolidated financial statements and the related notes included elsewhere in this prospectus for further details regarding our current assets and current liabilities.

Key Business Metrics

	December 31,		
	2018	2019	2020
Remaining performance obligations ⁽¹⁾ (in thousands)	\$80,072	\$159,595	\$261,741
Customers with \$100,000 or greater in ARR ⁽¹⁾	185	337	513
Dollar-based net retention rate ⁽¹⁾	177%	134%	125%

- (1) See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics" included elsewhere in this prospectus for our definitions of these metrics.

Non-GAAP Financial Measures

To supplement our consolidated financial statements prepared and presented in accordance with generally accepted accounting principles in the United States, or GAAP, we use certain non-GAAP financial measures, as described below, to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We are presenting these non-GAAP financial measures because we believe, when taken collectively, they may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook.

However, non-GAAP financial measures have limitations in their usefulness to investors because they have no standardized meaning prescribed by GAAP and are not prepared under any comprehensive set of accounting rules or principles. For example, these measures exclude expenses associated with our equity compensation plan, although equity compensation has been, and will continue to be, an important part of our compensation strategy.

In particular, we believe that historical and future trends in free cash flow and free cash flow margin, even if negative, provide useful information about the amount of cash generated (or consumed) by our operating

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activities that is available (or not available) to be used for strategic initiatives and investments. Free cash flow and free cash flow margin are non-GAAP financial measures used by management to understand and evaluate our liquidity and to generate future operating plans. Further, we believe that the exclusion of capital expenditures and amounts capitalized for internal-use software development facilitates comparisons of our liquidity on a period-to-period basis and excludes items that we do not consider to be indicative of our liquidity. However, free cash flow is not a substitute for cash used in operating activities. The utility of free cash flow and free cash flow margin is limited as these measures do not reflect our future contractual commitments and do not represent the total increase or decrease in our cash balance for any given period.

In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. As a result, our non-GAAP financial measures are presented for supplemental informational purposes only and should not be considered in isolation or as a substitute for our consolidated financial statements presented in accordance with GAAP.

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except percentages)		
Revenue	\$ 65,167	\$ 149,805	\$ 236,577
Gross profit	\$ 48,788	\$ 100,436	\$ 161,101
Non-GAAP gross profit	\$ 49,352	\$ 102,592	\$ 165,443
Gross margin	75%	67%	68%
Non-GAAP gross margin	76%	68%	70%
Operating loss	\$ (41,535)	\$ (98,108)	\$ (233,175)
Non-GAAP operating loss	\$ (33,312)	\$ (79,385)	\$ (89,314)
Operating margin	(64)%	(65)%	(99)%
Non-GAAP operating margin	(51)%	(53)%	(38)%
Net cash used in operating activities	\$ (21,961)	\$ (68,834)	\$ (82,057)
Net cash (used in) provided by investing activities	\$ (72,167)	\$ 35,641	\$ (176,859)
Net cash provided by financing activities	\$ 129,940	\$ 13,432	\$ 276,758
Free cash flow	\$ (22,553)	\$ (71,763)	\$ (86,707)
Net cash used in operating activities as a percentage of revenue	(34)%	(46)%	(35)%
Free cash flow margin	(35)%	(48)%	(37)%

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, respectively, excluding stock-based compensation expense and employer taxes on employee stock transactions.

The following table presents a reconciliation of our non-GAAP gross profit to our GAAP gross profit and of our non-GAAP gross margin to our GAAP gross margin for the periods presented:

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except percentages)		
Revenue	\$65,167	\$149,805	\$236,577
Gross profit	\$48,788	\$100,436	\$161,101
Add: Stock-based compensation expense ⁽¹⁾	564	2,155	4,317
Add: Employer taxes on employee stock transactions	—	1	25
Non-GAAP gross profit	<u>\$49,352</u>	<u>\$102,592</u>	<u>\$165,443</u>
Gross margin	75%	67%	68%
Non-GAAP gross margin	76%	68%	70%

(1) In connection with a tender offer and secondary sales of our common stock and convertible founder stock, stock-based compensation expense for the year ended December 31, 2020 included \$0.6 million of expense related to the amount paid in excess of the estimated fair value of common stock as of the date of the transactions. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

Non-GAAP Operating Loss and Non-GAAP Operating Margin

We define non-GAAP operating loss and non-GAAP operating margin as GAAP operating loss and GAAP operating margin, respectively, excluding stock-based compensation expense and employer taxes on employee stock transactions.

The following table presents a reconciliation of our non-GAAP operating loss to our GAAP operating loss and of our non-GAAP operating margin to our GAAP operating margin for the periods presented:

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except percentages)		
Revenue	\$ 65,167	\$149,805	\$ 236,577
Operating loss	\$(41,535)	\$(98,108)	\$(233,175)
Add: Stock-based compensation expense ⁽¹⁾	8,223	18,617	143,341
Add: Employer taxes on employee stock transactions	—	106	520
Non-GAAP operating loss	<u>\$(33,312)</u>	<u>\$(79,385)</u>	<u>\$(89,314)</u>
Operating margin	(64)%	(65)%	(99)%
Non-GAAP operating margin	(51)%	(53)%	(38)%

(1) In connection with a tender offer and secondary sales of our common stock and convertible founder stock, stock-based compensation expense for the year ended December 31, 2020 included \$111.9 million of expense related to the amount paid in excess of the estimated fair value of common stock as of the date of the transactions. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

Free Cash Flow and Free Cash Flow Margin

We define free cash flow as net cash used in operating activities, less capitalized internal-use software costs and capital expenditures. Free cash flow margin is calculated as free cash flow divided by total revenue.

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The following table presents a reconciliation of free cash flow and free cash flow margin to net cash used in operating activities for the periods presented:

	Year Ended December 31,		
	2018	2019	2020
	(in thousands, except percentages)		
Revenue	\$ 65,167	\$ 149,805	\$ 236,577
Net cash used in operating activities	(21,961)	(68,834)	(82,057)
Add: Capitalized internal-use software costs	—	(975)	(3,610)
Add: Capital expenditures	(592)	(1,954)	(1,040)
Free cash flow	\$ (22,553)	\$ (71,763)	\$ (86,707)
Net cash used in operating activities as a percentage of revenue	(34)%	(46)%	(35)%
Free cash flow margin	(35)%	(48)%	(37)%
Net cash (used in) provided by investing activities	\$ (72,167)	\$ 35,641	\$ (176,859)
Net cash provided by financing activities	\$ 129,940	\$ 13,432	\$ 276,758

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this prospectus, including our consolidated financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. The risks described below are not the only ones we face. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, or results of operations. In such case, the trading price of our Class A common stock could decline, and you may lose some or all of your original investment.

Risks Related to Our Business and Operations

Our recent rapid growth may not be indicative of our future growth. Our rapid growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

Our revenue was \$65.2 million, \$149.8 million, and \$236.6 million for the years ended December 31, 2018, 2019, and 2020, respectively. You should not rely on the revenue growth of any prior period as an indication of our future performance. Even if our revenue continues to increase, we expect that our revenue growth rate will decline in the future as a result of a variety of factors, including the maturation of our business. Overall growth of our revenue depends on a number of factors, including our ability to:

- market and price our offering effectively so that we are able to attract new customers and expand sales to our existing customers;
- successfully develop a substantial customer and sales pipeline for our products;
- expand the features and functionality of our offering to enable additional use cases for our customers;
- hire new sales personnel to support our growth, and reduce the time for new sales personnel to achieve desired productivity levels;
- extend our product leadership to expand our addressable market;
- differentiate our offering from open source alternatives and products offered by our competitors;
- maintain and expand the rates at which new customers purchase and existing customers renew subscriptions and committed use of our offering;
- provide our customers with support that meets their needs;
- expand our partner ecosystem, including with major cloud providers, ISVs, and regional and global systems integrators;
- increase awareness of our brand on a global basis to successfully compete with other companies; and
- expand to new international markets and grow within existing markets.

We may not successfully accomplish any of these objectives, and as a result, it is difficult for us to forecast our future results of operations. If the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or if we are unable to maintain consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. You should not rely on our revenue for any prior quarterly or annual periods as any indication of our future revenue or revenue growth.

In addition, we expect to continue to expend substantial financial and other resources on:

- expansion and enablement of our sales, services, and marketing organization to increase brand awareness and drive adoption of our offering;

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- product development, including investments in our product development team and the development of new products and new features and functionality for our offering to expand use cases and provide feature parity across third-party public cloud platforms, as well as investments in further differentiating our existing offering;
- our cloud infrastructure technology, including systems architecture, scalability, availability, performance, and security;
- technology and sales channel partnerships, including cloud marketplaces;
- international expansion;
- acquisitions or strategic investments; and
- general administration, including increased legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue in our business. If we are unable to maintain or increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, and other unknown factors that may result in losses in future periods. If our revenue does not meet our expectations in future periods, our business, financial position, and results of operations may be harmed.

We have a history of operating losses and may not achieve or sustain profitability in the future.

We have experienced net losses in each period since inception. We generated a net loss of \$41.4 million, \$95.0 million, and \$229.8 million for the years ended December 31, 2018, 2019, and 2020, respectively. As of December 31, 2020, we had an accumulated deficit of \$406.1 million. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will obtain a high enough volume of sales to achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future results of operations if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our offering, including by introducing new offerings and features and functionality, and to expand our sales, marketing, and services teams to drive new customer adoption, expand the use of our offering by existing customers, support international expansion, and implement additional systems and processes to effectively scale operations. We will also face increased compliance costs associated with growth, the planned expansion of our customer base and pipeline, international expansion, and being a public company. In addition, Confluent Cloud operates on public cloud infrastructure provided by third-party vendors, and our costs and gross margins are significantly influenced by the prices we are able to negotiate with these public cloud providers, which in many cases are also our competitors. To the extent we are able to successfully increase the percentage of our revenue attributable to Confluent Cloud, we may incur increased costs related to our public cloud contracts which would negatively impact our gross margins. Our efforts to grow our business may be costlier than we expect, or the rate of our growth in revenue may be slower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. In addition, our efforts and investments to implement systems and processes to scale operations may not be sufficient or may not be appropriately executed. As a result, we may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications or delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and Class A common stock may significantly decrease.

We have a limited operating history, which makes it difficult to forecast our future results of operations.

We were founded in 2014. As a result of our limited operating history, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for

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and model future growth. Our historical revenue growth should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including shifts in our offering and revenue mix, slowing demand for our offering, increasing competition, decreased productivity of our sales and marketing organization, and effectiveness of our sales and marketing efforts to acquire new customers, failure to retain existing customers or expand existing subscriptions and usage-based minimum commitments, changing technology, a decrease in the growth of our overall market, or our failure, for any reason, to continue to take advantage of growth opportunities. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described in this prospectus. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect or change, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

Health epidemics, including the COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, operations, and the markets and communities in which we, our partners, and customers operate.

Our business and operations could be adversely affected by health epidemics, including the COVID-19 pandemic, impacting the markets and communities in which we, our partners, and customers operate. The ongoing global COVID-19 pandemic has adversely impacted, and may continue to adversely impact, many aspects of our business. As certain of our customers or potential customers experience downturns or uncertainty in their own business operations and revenue resulting from the spread of COVID-19, they have and may continue to decrease or delay their technology spending, request pricing concessions or payment extensions, or seek renegotiations of their contracts, any of which have resulted in and may continue to result in delayed or decreased revenue for us. The extent of the impact of the COVID-19 pandemic on our customers and our customers' response to the COVID-19 pandemic is difficult to assess or predict, and we may be unable to accurately forecast our revenues or financial results, especially given that the long term impact of the pandemic remains uncertain. Our results of operations could be materially above or below our forecasts, which could adversely affect our results of operations, disappoint analysts and investors, and/or cause our stock price to decline.

In response to the COVID-19 pandemic, many state, local, and foreign governments have put in place, and others in the future may put in place, quarantines, executive orders, shelter-in-place orders, and similar government orders and restrictions in order to control the spread of the disease. Such orders or restrictions, or the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions, and cancellation or postponement of events, among other effects that could negatively impact productivity and disrupt our operations and those of our partners and customers. Starting in March 2020, we have temporarily required employees to work remotely, suspended non-essential travel by our employees, and required events to be held virtually. We may take further actions that alter our operations as may be required by federal, state, or local authorities, or which we determine are in our best interests. For activities that may be conducted remotely, there is no guarantee that we will be as effective while working remotely. Because our team is dispersed, some employees have experienced, and may continue to experience, less capacity to work due to increased personal obligations (such as childcare, eldercare, or caring for family who become sick), some have become sick themselves and been unable to work, or may be otherwise negatively affected, mentally or physically, by the COVID-19 pandemic and prolonged social distancing. Decreased effectiveness and availability of our team could adversely affect our results due to slow-downs in our sales cycles and recruiting and onboarding efforts, delays in our entry into customer contracts, delays in addressing performance issues, delays in product development, delays and inefficiencies among various operational aspects of our business, including our financial organization, or other decreases in productivity that could seriously harm our business. Furthermore, we postponed, and may decide to further postpone or cancel, certain planned investments in our business in response to changes in our business as a result of the spread of COVID-19. For example, during the second and third quarters of 2020, we temporarily reduced the pace of our

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employee hiring across all functions. In particular, the pause in employee hiring for our sales and marketing organization may negatively impact our growth, business, and revenue. The pause in employee hiring for our research and development organization has caused delays in development and releases of new features and functionality for our offering, which may also harm our competitive positioning as well as our growth, business, and revenue. These actions may also impact our ability to attract and retain customers and our rate of innovation, either of which could harm our business.

The global impact of COVID-19 continues to evolve, and we will continue to monitor the situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, operations, ability to access capital, or the global economy as a whole. While the spread of COVID-19 may be contained or mitigated, there is no guarantee that a future outbreak of this or any other widespread epidemics will not occur, or that the global economy will recover, either of which could harm our business.

We derive substantially all of our revenue from our platform for data in motion. Failure of our offering to satisfy customer demands or achieve continued market acceptance over competitors, including open source alternatives, would harm our business, results of operations, financial condition, and growth prospects.

We derive and expect to continue to derive substantially all of our revenue from sales of, and additional services related to, our platform for data in motion. We have directed, and intend to continue to direct, a significant portion of our financial and operating resources to developing more features and functionality for such offering. Our growth will depend in large part on enabling additional use cases for our customers after they initially adopt our offering, ranging from industry-specific use cases to use cases generated by the network effects of connecting multiple applications within an enterprise. In addition, the success of our business is substantially dependent on the actual and perceived viability, benefits, and advantages of our offering as a preferred platform for data in motion, particularly when compared to open source alternatives developed internally by customers. As such, market adoption of our offering is critical to our continued success. Demand for our offering is affected by a number of factors, including increased market acceptance of our offering by existing customers and potential new customers, effectiveness of our sales and marketing strategy, the extension of our offering to new applications and use cases, the timing of development and release of new offerings by us and our competitors, technological change, and growth or contraction of the market in which we compete. Failure to successfully address these factors, satisfy customer demands, achieve continued market acceptance over competitors, including open source alternatives, and achieve growth in sales of our offering would harm our business, results of operations, financial condition, and growth prospects.

We have historically derived a substantial portion of our revenue from Confluent Platform, and any loss in market acceptance or reduction in sales of Confluent Platform would harm our business, results of operations, financial condition, and growth prospects.

Our business is substantially dependent on Confluent Platform, our enterprise-ready, self-managed software offering. In 2019 and 2020, Confluent Platform contributed 89% and 85% of our subscription revenue, respectively. We expect to continue to rely on customer adoption and expansion of Confluent Platform as a component of our future growth. In particular, we are dependent on Confluent Platform serving as a fundamental self-managed, data-in-motion offering to generate wide-ranging use cases for our customers and increase our dollar-based net retention rate with existing customers. If we experience loss in market acceptance, reduced customer renewals or new customer adoption, or limited use case expansion among existing customers of Confluent Platform, our growth, business, financial condition, and results of operations may be harmed.

We intend to continue investing significantly in Confluent Cloud, and if it fails to achieve market adoption, our growth, business, results of operations, and financial condition could be harmed.

We intend to continue investing significantly in developing and growing Confluent Cloud as a fully-managed, cloud-native service. We have less experience marketing, determining pricing for, and selling

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Confluent Cloud, and we are still determining how best to market, price, and support adoption of Confluent Cloud. As a result, any shift in our sales strategy focused on customer acquisition for Confluent Cloud could result in near term fluctuations in our financial results as compared to prior periods, particularly if previous Confluent Platform customers shift to Confluent Cloud, given that sales of Confluent Cloud have historically had a lower average price compared to subscriptions to Confluent Platform. Our sales strategy for Confluent Cloud also involves landing customers at low entry points, including starting with our free Confluent Cloud trial and pay-as-you-go, which have no commitments. There can be no assurance that such customers will enter into usage-based minimum commitments with us, expand their existing commitments, or ramp their usage of Confluent Cloud. In addition, there can be no assurance as to the length of time required to attain substantial market adoption of Confluent Cloud, if at all. To expand our potential customer and sales pipeline for Confluent Cloud, we will need to increase brand awareness, cultivate relationships with potential customers in key industries and sectors and rapidly convert the sales pipeline into new customers. To increase market adoption and expand the customer base for Confluent Cloud, we also intend to target the commercial customer segment, comprised of small to medium-sized companies, including early stage companies, as part of our overall sales and marketing strategy for Confluent Cloud. These customers typically demand faster deployment of Confluent Cloud within their organizations and prioritize ease of use. In addition, the sales cycle for these customers is typically shorter, requiring accelerated ramp time of our sales force and higher velocity marketing strategies. If we are unsuccessful in these and our other efforts to drive market adoption of and expand the customer base for Confluent Cloud, or if we do so in a way that is not profitable, fails to compete successfully against our current or future competitors, or fails to adequately differentiate Confluent Cloud from open source alternatives, our growth, business, results of operations, and financial condition could be harmed.

We may not be able to successfully manage our growth, and if we are not able to grow efficiently, our business, financial condition, and results of operations could be harmed.

As usage and adoption of our offering grows, we will need to devote additional resources to improving our offering's capabilities, features, and functionality. In addition, we will need to appropriately scale our internal business operations and our services organization to serve our growing customer base. Any failure of or delay in these efforts could result in impaired product performance and reduced customer satisfaction, resulting in decreased sales to new customers, lower dollar-based net retention rates, or the issuance of service credits or requested refunds, which would hurt our revenue growth and our reputation. Further, any failure in optimizing the costs associated with our third-party cloud services as we scale could negatively impact our gross margins. Our expansion efforts will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies, vulnerabilities or service disruptions as a result of our efforts to scale our internal infrastructure, which may result in extended outages, loss of customer trust, and harm to our reputation. We cannot be sure that the expansion of and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could harm our business, financial condition, and results of operations.

The markets in which we participate are competitive, and if we do not compete effectively, our business, financial condition, and results of operations could be harmed.

Our platform for data in motion combines and expands upon functionality from numerous traditional product categories, and hence we compete in each of these categories with products from a number of different vendors. Our primary competition, especially on-premise, is internal IT teams that develop data infrastructure software using open source software, including Apache Kafka. Our principal competitors in the cloud are the well-established public cloud providers that compete in all of our markets. These enterprises are developing and have released fully-managed, real-time data ingestion and data streaming products, such as Azure Event Hubs (Microsoft Corporation), Amazon Kinesis and Amazon DynamoDB Streams (AWS), and Cloud Pub/Sub and Cloud Dataflow (Google). On premise, there are a number of vendors with legacy products that have pivoted into this space including TIBCO Streaming, Cloudera Dataflow, Redhat (IBM), AMQ Streams, and Oracle Cloud Infrastructure Streaming.

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We currently offer Confluent Cloud on the public clouds provided by AWS, Azure, and GCP, which are also some of our primary actual and potential competitors. There is risk that one or more of these public cloud providers could use their respective control of their public clouds to embed innovations or privileged interoperating capabilities in competing products, bundle competing products, provide us unfavorable pricing, leverage their public cloud customer relationships to exclude us from opportunities, and treat us and our customers differently with respect to terms and conditions or regulatory requirements compared to similarly situated customers. In addition, if public cloud providers develop a data-in-motion offering that operates across multiple public clouds or on premise, we would face increased competition from these providers. Further, they have the resources to acquire or partner with existing and emerging providers of competing technology and thereby accelerate adoption of those competing technologies. All of the foregoing could make it difficult or impossible for us to provide subscriptions and services that compete favorably with those of the public cloud providers.

With the introduction of new technologies, market entrants, and open source alternatives, including those based on Apache Kafka, we expect that the competitive environment will remain intense going forward. Because Apache Kafka is open source and there are few technological barriers to entry into the open source market, it may be relatively easier for competitors, some of which may have greater resources than we have, to enter our markets and develop data-in-motion alternatives based on Apache Kafka. In addition, the data infrastructure market is large and continues to grow rapidly, and our future success will depend in part on differentiating our product offering from open source alternatives, including Apache Kafka, and core data-in-motion product offerings. If we are unable to sufficiently differentiate our offering from Apache Kafka or other offerings based on or derived from Apache Kafka, we may not be successful in achieving market acceptance of our offering, which would limit our growth and future revenue. Certain existing and prospective customers may have access to certain of our data-in-motion platform functions under free-to-use licenses, which can reduce demand for our offering. Such existing or prospective customers may also have reservations about deploying proprietary software like our offering and may instead opt to use solely open source software based on the perception that this will lower long-term costs and reduce dependence on third-party vendors. In addition, our existing customers have chosen or could in the future choose to develop similar capabilities in-house and strengthen their use of open source software, rather than continue to purchase our offering.

Some of our actual and potential competitors have been acquired by other larger enterprises and have made or may make acquisitions or may enter into partnerships or other strategic relationships that may provide more comprehensive offerings than they individually had offered or achieve greater economies of scale than us. Any trend toward industry consolidation may negatively impact our ability to successfully compete and may impose pressure on us to engage in similar strategic transactions, including acquisitions, which would be costly and may divert management's attention. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. As we look to market and sell our offering and platform capabilities to potential customers with existing solutions, we must convince their internal stakeholders that the capabilities of our offering are superior to their current solutions.

We compete on the basis of a number of factors, including:

- ease of deployment, integration, and use;
- enterprise-grade data in motion;
- the cloud-native capabilities of our offering;
- the ability to operate at scale and offer elasticity, end-to-end security, and reliability;
- the completeness of our offering, including as a complete platform for data in motion, and our ability to offer rich SQL-based stream processing, integrated governance capabilities, and connectors to existing applications and IT and cloud infrastructure;
- the availability of our offering, including in multiple public clouds, and for use in private clouds and in on-premise data centers;

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- quality of professional services and customer support;
- price and total cost of ownership;
- flexible pricing, such as pay-as-you-go delivery;
- sales and marketing productivity and expertise;
- brand recognition and reputation; and
- adherence to industry standards and certifications.

Our competitors vary in size and in the breadth and scope of the products offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships and installed customer bases, larger marketing budgets and greater resources than we do. Further, other potential competitors not currently offering competitive solutions may expand their product offerings to compete with our offering and platform capabilities, or our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and product offerings in our addressable market. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our offering. In addition to product and technology competition, we face pricing competition. Some of our competitors offer their solutions at a lower price, which has resulted in, and may continue to result in, pricing pressures.

For all of these reasons, we may not be able to compete successfully against our current or future competitors, and this competition could result in the failure of our offering to continue to achieve or maintain market acceptance, any of which would harm our business, results of operations, and financial condition.

The market for our offering may develop more slowly or differently than we expect.

It is difficult to predict customer adoption rates and demand for our offering, the entry of competitive products or the future growth rate and size of the data infrastructure market. The expansion of this market depends on a number of factors, including the cost, performance, and perceived value associated with data infrastructure platforms as an alternative or supplement to legacy systems such as traditional databases, as well as the ability of platforms for data in motion to address heightened data security and privacy concerns. If we have a security incident or third-party cloud service providers experience security incidents, loss of customer data, disruptions in delivery or other similar problems, which is an increasing focus of the public and investors in recent years, the market for products as a whole, including our offering, may be negatively affected. In addition, many of our potential customers have made significant investments in alternative data infrastructure platforms and may be unwilling to invest in new products, such as our offering. If data-in-motion technology does not continue to achieve market acceptance, or there is a reduction in demand caused by a lack of customer acceptance, technological challenges, weakening economic conditions, data security or privacy concerns, governmental regulation, competing technologies and products, decreases in information technology spending or otherwise, the market for our offering might not continue to develop or might develop more slowly than we expect, which would adversely affect our business, financial condition, and results of operations.

We expect fluctuations in our financial results, making it difficult to project future results, and if we fail to meet the expectations of securities analysts or investors with respect to our results of operations, our stock price and the value of your investment could decline.

Our results of operations have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control. As a result, our past results may not be indicative of our future performance. In addition to the other risks described herein, factors that may affect our results of operations include the following:

- changes in our revenue mix and related changes in revenue recognition;

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- changes in actual and anticipated growth rates of our revenue, customers, and key operating metrics;
- fluctuations in demand for or pricing of our offering;
- fluctuations in usage of Confluent Cloud under usage-based minimum commitments and pay-as-you-go arrangements;
- our ability to attract new customers;
- our ability to retain our existing customers, particularly large customers, and secure renewals of subscriptions and usage-based minimum commitments, as well as the timing of customer renewals or non-renewals;
- customer retention rates and the pricing and quantity of subscriptions renewed, as well as our ability to accurately forecast customer expansions and renewals;
- downgrades in customer subscriptions;
- customers and potential customers opting for alternative products, including developing their own in-house solutions or opting to use only the free version of our offering;
- timing and amount of our investments to expand the capacity of our third-party cloud service providers;
- seasonality in sales, results of operations, and remaining performance obligations, or RPO;
- investments in new offerings, features, and functionality;
- fluctuations or delays in development, release, or adoption of new features and functionality for our offering;
- delays in closing sales, including the timing of renewals, which may result in revenue being pushed into the next quarter, particularly because a large portion of our sales occur toward the end of each quarter;
- fluctuations or delays in purchasing decisions in anticipation of new offerings or enhancements by us or our competitors;
- changes in customers' budgets and in the timing of their budget cycles and purchasing decisions;
- our ability to control costs, including hosting costs associated with Confluent Cloud and our operating expenses;
- the amount and timing of payment for operating expenses, particularly research and development and sales and marketing expenses, including commissions;
- timing of hiring personnel for our research and development and sales and marketing organizations;
- the amount and timing of non-cash expenses, including stock-based compensation expense and other non-cash charges;
- the amount and timing of costs associated with recruiting, educating, and integrating new employees and retaining and motivating existing employees;
- the effects of acquisitions and their integration;
- general economic conditions, both domestically and internationally, as well as economic conditions specifically affecting industries in which our customers participate;
- fluctuations in foreign currency exchange rates;
- the impact of new accounting pronouncements;
- changes in revenue recognition policies that impact our subscriptions and services revenue;

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- changes in regulatory or legal environments that may cause us to incur, among other things, expenses associated with compliance;
- the impact of changes in tax laws or judicial or regulatory interpretations of tax laws, which are recorded in the period such laws are enacted or interpretations are issued and may significantly affect the effective tax rate of that period;
- health epidemics or pandemics, such as the COVID-19 pandemic;
- changes in the competitive dynamics of our market, including consolidation among competitors or customers; and
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our offering.

Any of these and other factors, or the cumulative effect of some of these factors, may cause our results of operations to vary significantly. If our quarterly results of operations fall below the expectations of investors and securities analysts who follow our stock, the price of our Class A common stock could decline substantially, and we could face costly lawsuits, including securities class action suits.

Our revenue mix may result in fluctuations in our results across periods, making it difficult to assess our future growth.

Our revenue mix is varied based on the revenue recognition principles applicable to our offering. We recognize a portion of revenue from sales of subscriptions to Confluent Platform up front when our term-based license is delivered. The remainder, constituting post-contract customer support, maintenance, and upgrades, referred to together as PCS, comprises the majority of the revenue and is recognized ratably over the subscription term. Customers may use Confluent Cloud either without a minimum commitment contract, which we refer to as pay-as-you-go, or on a usage-based minimum commitment contract of at least one year in duration. Pay-as-you-go customers are billed, and revenue from them is recognized, based on usage. Customers with usage-based minimum commitments are typically billed annually in advance, and we recognize revenue from such subscriptions based on usage by the customer. Historically, our Confluent Cloud sales have been individually smaller, with varied usage levels from such customers over time, which may continue as we target the commercial customer segment as part of our sales strategy for Confluent Cloud. As a result, there may be fluctuations in revenue period over period as revenue is dependent on varying patterns of customer consumption as well as timing of sales of Confluent Platform, which can result in larger upfront revenue recognition upon delivery of the term-based licenses. In addition, we may experience fluctuations in margins as a result of high cloud infrastructure costs resulting from increased Confluent Cloud sales. Future fluctuations in our revenue and results across periods, including due to further changes in our revenue mix, may make it difficult to assess our future growth and performance.

Downturns or upturns in our sales may not be immediately reflected in our financial position and results of operations.

We recognize a significant portion of our revenue ratably over the term of Confluent Platform subscriptions. As a result, any decreases in new subscriptions or renewals in any one period may not immediately be fully reflected as a decrease in revenue for that period but would negatively affect our revenue in future quarters, even though such a decrease would be reflected in certain of our key metrics as of the end of such period, including RPO. This also makes it difficult for us to rapidly increase our revenue through the sale of additional subscriptions in any period, as revenue is recognized over the term of the subscription. In addition, fluctuations in usage under our usage-based Confluent Cloud offering or monthly subscriptions for our pay-as-you-go offering could affect our revenue on a period-over-period basis. If our quarterly results of operations fall below the expectations of investors and securities analysts who follow our stock, the price of our Class A common stock would decline substantially, and we could face costly lawsuits, including securities class actions.

Seasonality may cause fluctuations in our sales, results of operations, and remaining performance obligations.

Historically, we have experienced seasonality in RPO and new customer bookings, as we typically sell a higher percentage of subscriptions to new customers and renewal subscriptions with existing customers in the fourth quarter of the year. We believe that this results from the procurement, budgeting and deployment cycles of many of our customers, particularly our enterprise customers. We expect that this seasonality will continue to affect our bookings, RPO, and results of operations in the future and might become more pronounced as we continue to target larger enterprise customers.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, or to changing customer needs, requirements, or preferences, our offering may become less competitive.

Our ability to attract new users and customers and increase revenue from existing customers depends in large part on our ability to enhance, improve, and differentiate our existing offering, increase adoption and usage of our offering, and introduce new offerings and capabilities. The market in which we compete is relatively new and subject to rapid technological change, evolving industry standards, and changing regulations, as well as changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. Because the market for our offering is relatively new, it is difficult to predict customer adoption, increased customer usage and demand for our offering, the size and growth rate of this market, the entry of competitive products, or the success of existing competitive products. If we were unable to enhance our offering and keep pace with rapid technological change, or if new technologies emerge that are able to deliver competitive products at lower prices, more efficiently, more conveniently or more securely than our offering, our business, financial condition, and results of operations could be adversely affected.

To remain competitive, we need to continuously modify and enhance our offering to adapt to changes and innovation in existing and new technologies. We expect that we will need to continue to differentiate our data-in-motion platform capabilities, as well as expand and enhance our platform to support a variety of adjacent use cases. This development effort will require significant engineering, sales, and marketing resources. Any failure to effectively offer solutions for these adjacent use cases could reduce customer demand for our offering. Further, our offering must also integrate with a variety of network, hardware, mobile, cloud, and software platforms and technologies, and we need to continuously modify and enhance our offering to adapt to changes and innovation in these technologies. This development effort may require significant investment in engineering, support, marketing, and sales resources, all of which would affect our business and results of operations. Any failure of our offering to operate effectively with widely adopted, future data infrastructure platforms, applications, and technologies would reduce the demand for our offering. If we are unable to respond to customer demand in a cost-effective manner, our offering may become less marketable and less competitive or obsolete, and our business, financial condition, and results of operations could be adversely affected.

The competitive position of our offering depends in part on its ability to operate with third-party products and services, including those of our partners, and if we are not successful in maintaining and expanding the compatibility of our offering with such products and services, our business may be harmed.

The competitive position of our offering depends in part on its ability to operate with products and services of third parties, including software companies, software services, and infrastructure, and our offering must be continuously modified and enhanced to adapt to changes in hardware, software, networking, browser, and database technologies. In the future, one or more technology companies, whether our partners or otherwise, may choose not to support the operation of their software, software services, and infrastructure with our offering, or our offering may not support the capabilities needed to operate with such software, software services, and infrastructure. In addition, to the extent that a third party were to develop software or services that compete with

ours, that provider may choose not to support our offering. We intend to facilitate the compatibility of our offering with various third-party software, software services, and infrastructure offerings by maintaining and expanding our business and technical relationships. If we are not successful in achieving this goal, our business, financial condition, and results of operations may be harmed.

Unfavorable conditions in our industry or the global economy, or reductions in information technology spending, could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers and potential customers. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, international trade relations, political turmoil, natural catastrophes, warfare, and terrorist attacks on the United States, Europe, the Asia Pacific region, including Japan, or elsewhere, could cause a decrease in business investments, including spending on information technology, and negatively affect the growth of our business. Competitors, many of whom are larger and have greater financial resources than we do, may respond to challenging market conditions by lowering prices in an attempt to attract our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our offering. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry.

If we are unable to successfully manage the growth of our professional services business and improve our margins from these services, our business, financial condition, and results of operations will be harmed.

Our professional services business, which engages with customers to help them in their strategy, architecture, and adoption of a platform for data in motion, has grown as we have scaled our business. We believe our investment in professional services facilitates the adoption of our offering, especially with larger customers. As a result, our sales efforts have focused on marketing our offering to larger customers, rather than the profitability of our professional services business. If we are unable to successfully manage the growth of this business and improve our profit margin from these services, our business, financial condition, and results of operations will be harmed.

We will face risks associated with the growth of our business with certain heavily regulated industry verticals.

We market and sell our offering to customers in heavily regulated industry verticals, including the banking and financial services industries. As a result, we face additional regulatory scrutiny, risks, and burdens from the governmental entities and agencies which regulate those industries. Entering new heavily regulated verticals and expanding in those verticals in which we are already operating will continue to require significant resources, and there is no guarantee that such efforts will be successful or beneficial to us. If we are unable to successfully penetrate these verticals, maintain our market share in such verticals in which we already operate, or cost-effectively comply with governmental and regulatory requirements applicable to our activities with customers in such verticals, our business, financial condition, and results of operations may be harmed.

Sales to government entities are subject to a number of challenges and risks.

We sell to U.S. federal, state, and local, as well as foreign and governmental agency customers. Sales to such entities are subject to a number of challenges and risks. Selling to such 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 contracting requirements may change and in doing so restrict our ability to sell into the government sector until we have obtained any required government certifications. Further, achieving and maintaining government certifications, such as U.S. Federal Risk and Authorization Management Program certification for Confluent Cloud, may require significant upfront cost, time, and resources. If we do not obtain U.S. Federal Risk and Authorization Management Program certification for Confluent Cloud, we will not

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be able to sell Confluent Cloud to certain federal government and public sector customers as well as private sector customers that require such certification for their intended use cases, which could harm our growth, business, and results of operations. This may also harm our competitive position against larger enterprises whose competitive offerings are certified. Further, there can be no assurance that we will secure commitments or contracts with government entities even following such certifications, which could harm our margins, business, financial condition, and results of operations. Government demand and payment for our offering are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offering.

Further, governmental entities may demand contract terms that differ from our standard arrangements and are less favorable than terms agreed with private sector customers. Such entities may have statutory, contractual or other legal rights to terminate contracts with us or our partners for convenience or for other reasons. Any such termination may adversely affect our ability to contract with other government customers as well as our reputation, business, financial condition, and results of operations. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could adversely affect our results of operations and reputation.

Our customers also include certain non-U.S. governments, to which government procurement law risks similar to those present in U.S. government contracting also apply, particularly in certain emerging markets where our customer base is less established. In addition, compliance with complex regulations and contracting provisions in a variety of jurisdictions can be expensive and consume significant management resources. In certain jurisdictions, our ability to win business may be constrained by political and other factors unrelated to our competitive position in the market. Each of these difficulties could harm our business and results of operations.

Acquisitions, strategic investments, joint ventures, or alliances could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business and culture, dilute stockholder value, and adversely affect our business, financial condition, and results of operations.

We have in the past and may in the future seek to acquire or invest in businesses, joint ventures, products and platform capabilities, technologies, or technical know-how that we believe could complement or expand our platform capabilities, enhance our technical capabilities, or otherwise offer growth opportunities. Further, our anticipated proceeds from this offering increase the likelihood that we will devote resources to exploring larger and more complex acquisitions and investments than we have previously attempted. Any such acquisition or investment may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable opportunities, whether or not the transactions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products and platform capabilities, personnel, or operations of any acquired companies, particularly if the key personnel of an acquired company choose not to work for us, their software is not easily adapted to work with our platform, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. These transactions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. We may also have difficulty establishing our company values with personnel of acquired companies, which may negatively impact our culture and work environment. Any such transactions that we are able to complete may not result in any synergies or other benefits we had expected to achieve, which could result in impairment charges that could be substantial. In addition, we may not be able to find and identify desirable acquisition targets or business opportunities or be successful in entering into an agreement with any particular strategic partner. These transactions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our results of operations. In addition, if the resulting business from such a transaction fails to meet our expectations, our business, financial condition, and results of operations may be adversely affected or we may be exposed to unknown risks or liabilities.

We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity financings and sales of our offering. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, results of operations, and financial condition. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our Class A common stock and diluting their interests.

Risks Related to Cybersecurity and Data Privacy

If we or third parties who we work with experience a security breach, or if the confidentiality, integrity, or availability of our information technology, software, services, communications, or data is compromised, our offering may be perceived as not being secure, our reputation may be harmed, demand for our offering may be reduced, and we may incur significant liabilities.

Our offering involves the transmission and processing of data, which can include personal information and our or our customers' or other third parties' sensitive, proprietary, and confidential information. Security breaches compromising the confidentiality, integrity, and availability of this information could result from cyber-attacks, computer malware, viruses, social engineering (including phishing), ransomware, supply chain attacks, credential stuffing, efforts by individuals or groups of hackers and sophisticated organizations, including state-sponsored organizations, errors or malfeasance of our personnel, and security vulnerabilities in the software or systems on which we rely. Such incidents have become more prevalent in our industry, particularly against cloud services, and may in the future result in the unauthorized, unlawful, or inappropriate access to, inability to access, disclosure of, or loss of the sensitive, proprietary, and confidential information that we handle. Additionally, due to the ongoing COVID-19 pandemic, certain functional areas of our workforce remain in a remote work environment and outside of our corporate network security protection boundaries, which imposes additional risks to our business, including increased risk of industrial espionage, phishing, and other cybersecurity attacks, and unauthorized dissemination of sensitive, proprietary, or confidential information.

We also rely on third parties to operate our critical business systems and process the sensitive, proprietary, and confidential information that we handle. These third parties may not have adequate security measures and could experience a security breach that compromises the confidentiality, integrity, or availability of the systems they operate for us or the information they process on our behalf. Cybercrime and hacking techniques are constantly evolving, and we or third parties who we work with may be unable to anticipate attempted security breaches, react in a timely manner, or implement adequate preventative measures, particularly given increasing use of hacking techniques designed to circumvent controls, avoid detection, and remove or obfuscate forensic artifacts.

While we have taken steps designed to protect the confidentiality, integrity, and availability of our systems and the sensitive, proprietary, and confidential information under our control, our security measures or those of third parties who we work with have been, and could from time to time in the future be, breached or may otherwise not be effective against security threats.

In addition, we do not control content that our customers transmit and process using our offering. If our customers use our offering for the transmission or storage of personal information and our security measures are

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or are believed to have been breached, our business may suffer and we could incur significant liability. In addition, our remediation efforts may not be successful.

Any security breach or other incident that results in the compromise of the confidentiality, integrity, or availability of our systems or the sensitive, proprietary, or confidential information under our control, or the perception that one has occurred, could result in a loss of customer confidence in the security of our platform and damage to our brand, reduce the demand for our offering, disrupt business operations, require us to spend material resources to investigate or correct the breach and to prevent future security breaches and incidents, expose us to legal liabilities, including litigation, regulatory enforcement and indemnity obligations, claims by our customers or other relevant parties that we have failed to comply with contractual obligations to implement specified security measures, and adversely affect our business, financial condition, and results of operations. We cannot assure you that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages.

These risks are likely to increase as we continue to grow and process, store, and transmit increasingly large amounts of data.

Additionally, we cannot be certain that our insurance coverage will be adequate or otherwise protect us with respect to claims, expenses, fines, penalties, business loss, data loss, litigation, regulatory actions, or other impacts arising out of security breaches, or that such coverage will continue to be available on acceptable terms or at all. Any of these results could adversely affect our business, financial condition, and results of operations.

Real or perceived errors, failures, bugs, or defects in our offering could adversely affect our reputation and harm our business.

Our offering and platform for data in motion are complex and, like all software, may contain undetected defects or errors. We are continuing to evolve the features and functionality of our data-in-motion platform through updates and enhancements, and as we do so, we may introduce additional defects or errors that may not be detected until after deployment by our customers. In addition, if our platform is not implemented or used correctly or as intended, inadequate performance and disruptions in service may result. Moreover, if we acquire companies or integrate into our platform technologies developed by third parties, we may encounter difficulty in incorporating the newly-obtained technologies into our platform and maintaining the quality standards that are consistent with our reputation. Since our customers use our platform for data in motion for important aspects of their business, any actual or perceived errors, defects, bugs, or other performance problems could damage our customers' businesses. Any defects or errors in our data-in-motion platform, or the perception of such defects or errors, could result in a loss of, or delay in, market acceptance of our offering, loss of existing or potential customers, and delayed or lost revenue and could damage our reputation and our ability to convince enterprise users of the benefits of our offering.

In addition, errors in our data-in-motion platform could cause system failures, loss of data or other adverse effects for our customers that may assert warranty and other claims for substantial damages against us. Although our agreements with our customers typically contain provisions that seek to limit our exposure to such claims, it is possible that these provisions may not be effective or enforceable under the laws of some jurisdictions. While we seek to insure against these types of claims, our insurance policies may not adequately limit our exposure to such claims. These claims, even if unsuccessful, could be costly and time consuming to defend and could harm our business, financial condition, results of operations, and cash flows.

Interruptions or performance problems associated with our offering may adversely affect our business, financial condition, and results of operations.

Our continued growth depends in part on our ability to provide a consistently reliable platform for data in motion. If we are unable to do so due to vulnerabilities in programming, coding errors, outages caused by our

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platform's complexity or scale or due to disruptions in cloud services, or because the systems complexity and scale result in extended outages, we may experience a loss of customers, lost or delayed market acceptance of our offering, delays in payment to us by customers, injury to our reputation and brand, legal claims against us, and the diversion of our resources.

It may become increasingly difficult to maintain and improve the performance of Confluent Cloud as our customer base grows and Confluent Cloud become more complex. We may experience, disruptions, outages, and other performance problems in Confluent Cloud due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, denial of service attacks, issues with third-party cloud hosting providers, or other security-related incidents. In addition, to the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business, financial condition, and results of operations may be adversely affected.

Complying with increasingly stringent laws and requirements relating to privacy, data security, and data protection may be expensive and disruptive to our business, and our failure or perceived failure to comply with them could harm our business.

We, our customers, and third parties who we work with are subject to numerous evolving and increasingly stringent foreign and domestic laws and requirements relating to privacy, data security, and data protection that are increasing the cost and complexity of operating our business.

Many states have enacted privacy and data security laws. For example, the California Consumer Privacy Act, or CCPA, which took effect on January 1, 2020, gives California residents expanded rights to access and delete their personal information, opt-out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States. California has already adopted a new law, the California Privacy Rights Act of 2020, or CPRA, that will substantially expand the CCPA effective January 1, 2023. Virginia has similarly enacted a comprehensive privacy law, the Consumer Data Protection Act, which emulates the CCPA and CPRA in many respects, and proposals for comprehensive privacy and data security legislation are advancing in several other states. A patchwork of differing state privacy and data security requirements would increase the cost and complexity of operating our business and increase our exposure to liability.

Foreign laws relating to privacy, data security, and data protection are also undergoing a period of rapid change and have become more stringent in recent years. For example, the General Data Protection Regulation, or GDPR, took effect in the European Union, or EU, in May 2018 and has also been transposed into national law in the United Kingdom, or the UK. The GDPR subjects noncompliant companies to fines of up to the greater of 20 million Euros or 4% of their global annual revenues, potential bans on processing of personal information, and private litigation. The GDPR requires companies to give detailed disclosures about how they collect, use, and share personal information; contractually commit to data protection measures in contracts with customers and vendors; maintain adequate data security measures; notify regulators and affected individuals of certain data breaches; meet extensive privacy governance and documentation requirements; and honor individuals' data protection rights, including their rights to access, correct, and delete their personal information. The GDPR also requires controllers to conduct data protection impact assessments for certain types of processing and requires processors to assist controllers with such assessments, which may be complex and burdensome to conduct. Laws in EU member states and the UK also impose restrictions on direct marketing communications and the use of cookies and similar technologies online, and a new regulation proposed in the EU called the e-Privacy Regulation may make such restrictions more stringent.

European privacy, data security, and data protection laws, including the GDPR, also generally restrict the transfer of personal information from Europe, including the European Economic Area, or EEA, the UK, and

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Switzerland, to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal information. The safeguard on which we have primarily relied for such transfers has been implementation of the European Commission's Standard Contractual Clauses, or SCCs, in our relevant data transfer agreements. However, a July 2020 decision of the Court of Justice of the EU has raised questions about the viability of the SCCs as a compliance mechanism for transfers to the United States or most other countries. Authorities in Switzerland have since raised similar questions about the SCCs as a mechanism for complying with Swiss data transfer requirements. At present, there are few, if any, viable alternatives to the SCCs. In addition, the regulation of data transfers between the EU and UK remains subject to post-Brexit uncertainty. If our efforts to comply with Europe's highly dynamic cross-border data transfer requirements are not successful, we will face increased risk of substantial fines by European regulators and bans on importing personal information. These requirements may also result in reduced demand for our services from customers subject to the GDPR and require us to increase our data processing capabilities and other operations in Europe at significant expense.

Privacy, data security, and data protection rules are also becoming more stringent beyond Europe. For example, in recent years Brazil and Japan have enacted new and amended laws that seek to align those countries' data protection rules more closely with the GDPR, and companies that violate them face substantial penalties. Proposals for new comprehensive privacy, data security, and data protection legislation are also advancing in China, India, and Canada. Foreign data localization laws requiring certain data to be stored in the jurisdiction of origin have also become increasingly common.

Like our legal obligations, the demands our customers place on us relating to privacy, data protection, and data security are becoming more stringent. Privacy, data security, and data protection laws including the GDPR and CCPA increasingly require companies to impose specific contractual restrictions on their service providers. In addition, customers that use certain of our products to process protected health information may require us to sign business associate agreements that subject us to the privacy and security requirements under the U.S. Health Insurance Portability and Accountability Act of 1996 and the U.S. Health Information Technology for Economic and Clinical Health Act, as well as state laws that govern the privacy and security of health information. Our customers' increasing privacy, data security, and data protection standards also increase the cost and complexity of ensuring that the third parties we rely on to operate our business and deliver our services can meet these standards. If we or our vendors are unable to meet our customers' demands or comply with the increasingly stringent legal or contractual requirements they impose on us relating to privacy, data security, and data protection, we may face increased legal liability, customer contract terminations and reduced demand for our services.

Finally, we publish privacy policies and other documentation regarding our collection, use, disclosure, and other processing of personal information. Although we endeavor to adhere to these policies and documentation, we and the third parties on which we rely may at times fail to do so or may be perceived to have failed to do so. Such failures could subject us to regulatory enforcement action as well as costly legal claims by affected individuals or our customers.

We strive to comply with applicable privacy, data security, and data protection laws and requirements, but we cannot fully determine the impact that current or future such laws and requirements may have on our business or operations. Such laws or requirements may be inconsistent from one jurisdiction to another, subject to differing interpretations, and courts or regulators may deem our efforts to comply as insufficient. If we or the third parties we rely on to operate our business and deliver our services fail to comply, or are perceived as failing to comply, with our legal or contractual obligations relating to privacy, data security or data protection, or our policies and documentation relating to personal information, we could face governmental enforcement action; litigation with our customers, individuals or others; fines and civil or criminal penalties for us or company officials; obligations to cease offering our services or to substantially modify them in ways that make them less effective in certain jurisdictions; negative publicity and harm to our brand and reputation; and reduced overall demand for our services. Such developments could adversely affect our business, financial condition, and results of operations.

Risks Related to Our Sales and Marketing Efforts and Brand

Failure to effectively develop and expand our sales and marketing capabilities or improve the productivity of our sales and marketing organization could harm our ability to expand our potential customer and sales pipeline, increase our customer base, and achieve broader market acceptance of our offering.

Our ability to increase our customer base, achieve broader market adoption and acceptance of our offering, and expand our potential customer and sales pipeline and brand awareness will depend to a significant extent on our ability to expand and improve the productivity of our sales and marketing organization. We plan to continue expanding our direct sales force, both domestically and internationally. We also plan to dedicate significant resources to sales and marketing programs, including to decrease the time required for our sales personnel to achieve desired productivity levels. Historically, newly hired sales personnel have needed several quarters to achieve desired productivity levels. During the second and third quarters of 2020, we temporarily reduced the pace of hiring for our sales and marketing function due to the COVID-19 pandemic. While we have since ramped up hiring, the temporary reduction may delay overall productivity of our sales force, particularly as the newly hired sales personnel take time to achieve desired productivity. Our increased sales and marketing efforts will also involve investing significant financial and other resources, which could result in increased costs and negatively impact margins. Our business and results of operations will be harmed if our sales and marketing efforts fail to successfully expand our potential customer and sales pipeline, including through increasing brand awareness, new customer acquisition, and market adoption of our offering, particularly for Confluent Cloud, or generate significant increases in revenue or result in increases that are smaller than anticipated. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel, on the whole, are unable to achieve desired productivity levels in a reasonable period of time or at all, or if our sales and marketing programs are not effective.

If we fail to maintain and enhance our brand, including among developers, our ability to expand our customer base will be impaired and our business, financial condition, and results of operations may suffer.

We believe that maintaining and enhancing the Confluent brand, including among developers, is important to support the marketing and sale of our existing and future offerings to new customers and expansion of sales to existing customers. We believe that the importance of brand recognition will increase as competition in our market increases. In particular, we believe that enhancing the Confluent brand will be critical to the growth and market adoption and acceptance of Confluent Cloud due to the presence of open source alternatives, competing large public cloud providers with widespread name recognition, such as AWS, Azure, and GCP, and other data infrastructure platforms. Software developers, including those within our customers' IT departments, are often familiar with our underlying technology and value proposition. We rely on their continued adoption of our offering to evangelize on our behalf within their organizations and increase reach and mindshare within the developer community. Actions that we have taken in the past or may take in the future with respect to Apache Kafka or our community license, including the development and growth of our proprietary offering, may be perceived negatively by the developer community and harm our reputation. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts, our ability to provide reliable products that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and use cases, our ability to successfully differentiate our offering and its capabilities from competitive products, including open source alternatives, and our ability to increase our reach and mindshare in the developer community. Our brand promotion activities may not generate customer awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, our business, financial condition, and results of operations may suffer.

We have a limited history with pricing models for our offering, and we may need to adjust the pricing terms of our offering, which could have an adverse effect on our revenue and results of operations.

We have limited experience with respect to determining the optimal prices for our offering, and we have changed our pricing model from time to time and expect to continue to do so in the future. For example, in late 2019, we transitioned the primary purchase model for Confluent Cloud from a defined configuration paid annually in advance to a model based on actual monthly usage and committed annual spend. We also expect to continue providing additional features and functionality for our offering as we work toward expanding applications and use cases for our offering, which will require us to continuously evaluate optimal pricing for our offering. If we do not optimally adjust pricing for our offering, our revenue and margins as well as future customer acquisitions may be negatively impacted. As the markets for our offering mature, or as new competitors introduce new products or services that compete with ours, we may be unable to attract new customers at the same price or on the same terms. Moreover, enterprise customers may demand greater price concessions, or we may be unable to increase prices to offset increases in costs, including hosting costs associated with Confluent Cloud. As a result, in the future we may be required to reduce our prices or increase our discounting, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

Sales to enterprise customers involve risks that may not be present or that are present to a lesser extent with respect to sales to smaller organizations.

As of December 31, 2020, we had 513 customers with \$100,000 or greater in ARR. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics” for a description of ARR. Sales to enterprise customers and large organizations involve risks that may not be present or that are present to a lesser extent with sales to smaller customers, including the commercial customer segment. These risks include longer sales cycles, more complex customer requirements, substantial upfront sales costs and less predictability in completing some of our sales. For example, enterprise customers may require considerable time to evaluate and test our offering and those of our competitors prior to making a purchase decision and placing an order. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our offering, the discretionary nature of purchasing and budget cycles, the COVID-19 pandemic, and the competitive nature of evaluation and purchasing approval processes. Since the process for deployment, configuration and management of our offering is complex, we are also often required to invest significant time and other resources to train and familiarize potential customers with our offering. Customers may engage in extensive evaluation, testing, and quality assurance work before making a purchase commitment, which increases our upfront investment in sales, marketing, and deployment efforts, with no guarantee that these customers will make a purchase or increase the scope of their subscriptions. In certain circumstances, an enterprise customer’s decision to use our offering may be an organization-wide decision, and therefore, these types of sales require us to provide greater levels of education regarding the use and benefits of our offering. As a result, the length of our sales cycle, from identification of the opportunity to deal closure, has varied, and may continue to vary, significantly from customer to customer, with sales to large enterprises and organizations typically taking longer to complete. Moreover, large enterprise customers often begin to deploy our offering on a limited basis but nevertheless demand configuration, integration services, and pricing negotiations, which increase our upfront investment in the sales effort with no guarantee that these customers will deploy our offering widely enough across their organization to justify our substantial upfront investment.

Given these factors, it is difficult to predict whether and when a sale will be completed and when revenue from a sale will be recognized due to the variety of ways in which customers may purchase our offering. This may result in lower than expected revenue in any given period, which would have an adverse effect on our business, results of operations, and financial condition.

The estimates of market opportunity and forecasts of market growth included in this prospectus may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

The estimates of market opportunity and forecasts of market growth included in this prospectus may prove to be inaccurate. Market opportunity estimates and growth forecasts included in this prospectus, including those we have generated ourselves or relating to the expected growth in our market, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, including due to the risks described in this prospectus. In addition, our market opportunity estimates are derived from four core market segments with different attributes. As a result, our market opportunity may not be comparable to similarly situated companies, which may result in difficulty in evaluating our future growth prospects. Even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable users or companies covered by our market opportunity estimates will purchase our offering at all or generate any particular level of revenue for us. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our platform for data in motion and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this prospectus, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth included in this prospectus should not be taken as indicative of our future growth.

Risks Related to Our Customers

If we are unable to attract new customers or expand our potential customer and sales pipeline, our business, financial condition, and results of operations will be adversely affected.

To increase our revenue, we must continue to generate market acceptance of our brand and attract new customers and expand our potential customer and sales pipeline. Our success will depend to a substantial extent on the widespread adoption of our offering as an alternative to competing solutions, including open source alternatives. In addition, as our market matures, our offering evolves, and competitors introduce lower cost or differentiated products that compete with our offering, our ability to sell our offering could be impaired. Similarly, our sales efforts could be adversely impacted if customers or users within these organizations perceive that features incorporated into competitive products reduce the need for our offering or if they prefer to purchase competing products that are bundled together with other types of products, such as data infrastructure platforms offered by public cloud providers. Our existing sales and marketing strategies for new customer acquisition may also be unsuccessful. For example, we offer free, limited evaluation and developer usage of Confluent Platform and free introductory usage of Confluent Cloud to encourage awareness, usage, familiarity, and adoption, and a pay-as-you-go arrangement for Confluent Cloud without minimum usage commitments. If we are unable to successfully convert these free users into paying customers, or convert pay-as-you-go customers into customers with usage-based minimum commitments, we will not realize the intended benefits of this marketing and adoption strategy. As a result of these and other factors, we may be unable to attract new customers or expand our potential customer and sales pipeline, which may have an adverse effect on our business, financial condition, and results of operations.

Our business depends on our existing customers renewing their subscriptions and usage-based minimum commitments, purchasing additional subscriptions and usage-based minimum commitments, and expanding their use of our offering.

Our future success depends in part on our ability to expand our customers' use of our offering into additional use cases, our customers renewing their subscriptions and usage-based minimum commitments, and our ability to develop our offering for additional use cases and applications. The terms of our subscriptions and

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usage-based minimum commitments are primarily one to three years in duration, with one-year terms being most typical. Our customers have no obligation to renew after the expiration of the applicable term. In order for us to maintain or improve our results of operations, it is important that our customers enter into relationships with us that increase in value over time, and renew and expand their subscriptions with us, including through the use of our offering for additional use cases and applications. Although we seek to increase our revenue through expanded use of our offering by customers in additional use cases, we may not be successful in such efforts. Our dollar-based net retention rate has historically declined or fluctuated, and may further decline or fluctuate, as a result of a number of factors, including loss of one or more customers, the timing and size of any such losses, business strength or weakness of our customers, customer usage of our offering, customer satisfaction with the capabilities of our offering and our level of customer support, our prices, the capabilities and prices of competing products, decisions by customers to use open source alternatives, mergers and acquisitions affecting our customer base, the effects of global economic conditions, or reductions in our customers' spending on IT solutions or their spending levels generally. In addition, as some customers transition from Confluent Platform to Confluent Cloud, our dollar-based net retention rate may fluctuate or decline, at least in the short term, as those customers replace subscriptions to Confluent Platform with usage-based minimum commitments. Historically, some of our customers have elected not to renew their subscriptions with us for a variety of reasons, including as a result of competing products, internally developed or managed solutions, including those based on Apache Kafka or other open source alternatives, and the effects of the COVID-19 pandemic. These factors may also be exacerbated if our customer base of larger enterprises continues to grow, which may require increasingly sophisticated and costly sales efforts, and if large enterprises further develop internal capabilities. If our customers do not renew their subscriptions and/or usage-based minimum commitments, expand their use of our offering, and purchase additional products from us, our revenue may decline and our business, financial condition, and results of operations may be harmed.

If we or any of our partners fail to offer high-quality support, our reputation could suffer.

Our customers rely on our or our channel partners' support personnel to resolve issues and realize the full benefits that our offering provides. High-quality support is also important for the continuation and expansion of our relationships with existing customers. The importance of these support functions will increase as we expand our business and pursue new customers. In certain cases, such as when we sell our offering through channel partners, our partners may be responsible for providing support and support personnel for our customers. We often have limited to no control or visibility in such cases. If we or our partners do not help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our sales to existing and new customers could suffer, and our reputation with existing or potential customers could suffer.

The loss of one or more of our key customers, or a failure to renew our subscription agreements with one or more of our key customers, could negatively affect our ability to market our offering.

We rely on our reputation and recommendations from key customers in order to promote our offering. The loss of any of our key customers, or a failure of some of them to renew, could have a significant impact on our revenue, reputation, and our ability to obtain new customers. In addition, acquisitions of our customers could lead to cancellation of our subscriptions and usage-based commitments with those customers or by the acquiring companies, thereby reducing the number of our existing and potential customers. Acquisitions of our partners could also result in a decrease in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our offering.

Incorrect implementation or use of our offering, or our customers' failure to update Confluent Platform, could result in customer dissatisfaction and negatively affect our reputation, business, operations, financial results, and growth prospects.

Our offering is often operated in large scale, complex IT environments. Our customers and some partners require education and experience in the proper use of and the benefits that can be derived from our offering to

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maximize their potential. If users of our offering do not implement, use, or update our offering correctly or as intended, then inadequate performance and/or security vulnerabilities may result. Because our customers rely on our offering to manage a wide range of operations, the incorrect implementation or use of our offering, or our customers' failure to update Confluent Platform, or our failure to train customers on how to use our offering productively may result in customer dissatisfaction, and negative publicity, and may adversely affect our reputation and brand. Our failure to effectively provide education and implementation services to our customers could result in lost opportunities for follow-on sales to these customers and decrease subscriptions by new customers, which would adversely affect our business and growth prospects.

Indemnity provisions in various agreements to which we are party potentially expose us to substantial liability for infringement, misappropriation, or other violation of intellectual property rights, data protection, and other losses.

Certain of our agreements with our customers and other third parties include indemnification provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of infringement, misappropriation or other violation of intellectual property rights, data protection, compliance with laws, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services, platform, our acts or omissions under such agreements, or other contractual obligations. From time to time, our customers and other third parties have requested, and may in the future request, us to indemnify them for such claims or liabilities. In certain circumstances, our agreements provide for uncapped indemnity liability for certain intellectual property infringement claims. Large indemnity payments could harm our business, financial condition, and results of operations. Although we attempt to contractually limit our liability with respect to such indemnity obligations, we are not always successful and may still incur substantial liability related to them, and we may be required to cease use of or modify certain functions of our offering as a result of any such claims. Any dispute with a customer or other third party with respect to such obligations could have adverse effects on our relationship with such customer or other third party and other existing or prospective customers, reduce demand for our subscriptions and services and adversely affect our business, financial condition, and results of operations. In addition, although we carry general liability insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed or otherwise protect us from liabilities or damages with respect to claims alleging unauthorized access to or disclosure of customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

We typically provide service-level commitments under our customer agreements. If we fail to meet these commitments, we could face customer terminations, a reduction in renewals, and damage to our reputation, which would lower our revenue and harm our business, financial condition, and results of operations.

Our agreements with our customers contain uptime and response service-level commitments. If we fail to meet these commitments, we could face customer terminations or a reduction in renewals, which could significantly affect both our current and future revenue. Any service-level commitment failures could also damage our reputation. In addition, if we are unable to meet the stated uptime requirements described in our agreements, we may be contractually obligated to provide these customers with service credits, which could significantly affect our revenue in the periods in which the failure occurs and the credits are applied. Any of these outcomes or failures could also adversely affect our business, financial condition, and results of operations.

Risks Related to Our Intellectual Property

We use third-party open source software in our offering, which could negatively affect our ability to sell our offering or subject us to litigation or other actions.

We use third-party open source software in our offering, most significantly Apache Kafka, and we expect to continue to incorporate such open source software in our offering in the future. Many open source software licenses, including the Apache License, Version 2.0, state that any work of authorship licensed under it may be reproduced and distributed provided that certain conditions are met. However, we may be subject to suits by

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parties claiming ownership rights in what we believe to be permissively licensed open source software or claiming non-compliance with the applicable open source licensing terms. It is possible that a court would hold the Apache License, Version 2.0 to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under it. Any ruling by a court that this license is not enforceable, or that open source components of our offering may not be reproduced or distributed, may negatively impact our distribution or development of all or a portion of our offering.

In addition, some open source licenses require end-users who distribute or make available across a network software and services that include open source software to make available all or part of such software, which in some circumstances could include valuable proprietary code. While we employ practices designed to monitor our compliance with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that is inconsistent with our applicable policies, or that exposes us to claims of non-compliance with the terms of their licenses, including claims of intellectual property rights infringement or breach of contract. Furthermore, there exists today an increasing number of types of open source software licenses, almost none of which have been tested in courts of law to provide guidance of their proper legal interpretations. From time to time, there have been claims challenging the ownership rights in open source software against companies that incorporate it into their offerings, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. As a result, we and our customers could be subject to lawsuits by parties claiming ownership rights in what we believe to be permissively licensed open source software. Resulting litigation could be costly for us to defend and harm our reputation, business, financial condition, and results of operations. If our activities were determined to be out of compliance with the terms of any applicable “copyleft” open source licenses, we may be required to publicly release certain portions of our proprietary source code for no cost, we could face an injunction for our offering, and we could also be required to expend substantial time and resources to re-engineer some or all of our software.

We also regularly contribute source code under open source licenses and have made some of our own software available under open source or source-available licenses, and we include third-party open source software in our offering. Because the source code for any software we contribute to open source projects, including Apache Kafka, or distribute under open source or source-available licenses is publicly available, our ability to protect our intellectual property rights with respect to such source code may be limited or lost entirely, and we may be limited in our ability to prevent our competitors or others from using such contributed source code. While we have policies in place that govern such submissions, there is a risk that employees may submit proprietary source code or source code embodying our intellectual property, in either case, not intended to be distributed in such a manner, to such open source projects. In addition, the use of third-party open source software may expose us to greater risks than the use of third-party commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may publicize vulnerabilities or otherwise make it easier for hackers and other third parties to determine how to compromise our platform. Any of the foregoing could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

Our offering has evolved from Apache Kafka and other open source software, which are widely available, and therefore, we do not own the exclusive rights to the use of Apache Kafka and other open source software, nor are we able to control the evolution, enhancement, and maintenance of Apache Kafka and other open source software.

The technology underlying our offering has evolved from certain open source software, such as Apache Kafka, and as a result we cannot exclude other companies from adopting and modifying certain common elements of our software and that of such open source software. With open source software, competitors can also develop competing products without the amount of overhead and lead time required for traditional proprietary software development. In

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addition, if competing products are also based on or compatible with Apache Kafka, existing customers may also be able to easily transfer their applications to competing products. Competitors with greater resources than ours or members of the Apache Kafka community may create similar or superior offerings, or modify Apache Kafka with different, superior features, and could make such products available to the public free of charge. Our competitors or members of the open source community may also develop a new open source project or a closed-source proprietary product that is similar to and superior to Apache Kafka in terms of feature or performance, in turn gaining popularity or replacing Apache Kafka as the new standard for data-in-motion technology among developers and other users. As a result, the future of Apache Kafka and other open source software could change dramatically and such change in trajectory, use and acceptance in the marketplace and resulting competitive pressure could result in reductions in the prices we charge for our offering, loss of market share, and adversely affect our business operations and financial outlook. Additionally, the development and growth of our proprietary offering may result in the perception within the open source community of a diminution of our commitment to Apache Kafka and other open source platforms. Such perceptions may negatively affect our reputation within the developer community, which may adversely affect market acceptance and future sales of our offering.

Any failure to obtain, maintain, protect, or enforce our intellectual property and proprietary rights could impair our ability to protect our proprietary technology and our brand.

Our success depends to a significant degree on our ability to obtain, maintain, protect and enforce our intellectual property rights, including our proprietary technology, know-how, and our brand. We rely on a combination of trademarks, trade secret laws, patents, copyrights, service marks, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to obtain, maintain, protect, and enforce our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and develop and commercialize substantially identical products, services, or technologies. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks or other intellectual property rights that we have or may obtain may be challenged or circumvented by others or invalidated or held unenforceable through administrative process, including re-examination, *inter partes* review, interference and derivation proceedings, and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings), or litigation.

We have a limited patent portfolio and no patent applications. Even if we continue to seek patent protection in the future, we may be unable to obtain or maintain patent protection for our technology. In addition, our issued patents or any patents issued from future patent applications or licensed to us in the future may not provide us with competitive advantages or may be successfully challenged by third parties. There may be issued patents of which we are not aware, held by third parties that, if found to be valid and enforceable, could be alleged to be infringed by our current or future technologies or offerings. There also may be pending patent applications of which we are not aware that may result in issued patents, which could be alleged to be infringed by our current or future technologies or offerings. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our offering and use information that we regard as proprietary to create products that compete with ours. Patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our offering is available.

The value of our intellectual property could diminish if others assert rights in or ownership of our trademarks and other intellectual property rights, or trademarks that are similar to our trademarks. We may be unable to successfully resolve these types of conflicts to our satisfaction. In some cases, litigation or other actions may be necessary to protect or enforce our trademarks and other intellectual property rights. Furthermore, third parties may assert intellectual property claims against us, and we may be subject to liability, required to enter into costly license agreements, or required to rebrand our offering or prevented from selling our offering if third parties successfully oppose or challenge our trademarks or successfully claim that we infringe, misappropriate or

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otherwise violate their trademarks or other intellectual property rights. In addition, the laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our offering and proprietary information will likely increase. Moreover, policing unauthorized use of our technologies, trade secrets, and intellectual property may be difficult, expensive, and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other third parties, including suppliers and other partners. However, we cannot guarantee that we have entered into such agreements with each party that has or may have had access to our proprietary information, know-how, and trade secrets. Moreover, no assurance can be given that these agreements will be effective in controlling access to, distribution, use, misuse, misappropriation, reverse engineering, or disclosure of our proprietary information, know-how, and trade secrets. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offering and platform capabilities. These agreements may be breached, and we may not have adequate remedies for any such breach.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect such rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights, and if such defenses, counterclaims, or countersuits are successful, we could lose valuable intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our offering and platform capabilities, impair the functionality of our offering and platform capabilities, delay introductions of new solutions, result in our substituting inferior or more costly technologies into our offering, or injure our reputation.

We may become subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

We may become subject to intellectual property disputes. Our success depends, in part, on our ability to develop and commercialize our offering without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. However, we may not be aware that our offering is infringing, misappropriating or otherwise violating third-party intellectual property rights, and such third parties may bring claims alleging such infringement, misappropriation or violation. Lawsuits are time-consuming and expensive to resolve, and they divert management's time and attention. The software industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights. Companies in the software industry are often required to defend against litigation claims based on allegations of infringement, misappropriation or other violations of intellectual property rights. Our technologies may not be able to withstand any third-party claims against their use. In addition, many companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. We do not currently have a large patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. Any litigation may also involve patent holding companies or other adverse patent owners that have no relevant product revenue, and therefore, our patent applications may provide little or no deterrence as we would not be able to assert them

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against such entities or individuals. If a third party is able to obtain an injunction preventing us from accessing such third-party intellectual property rights, or if we cannot license or develop alternative technology for any infringing aspect of our business, we would be forced to limit or stop sales of our offering or cease business activities related to such intellectual property. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. We cannot predict the outcome of lawsuits and cannot ensure that the results of any such actions will not have an adverse effect on our business, financial condition or results of operations. Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using offerings that incorporate the intellectual property rights that we allegedly infringe, misappropriate or violate;
- make substantial payments for legal fees, settlement payments, or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing offerings to avoid infringement, misappropriation or violation, which could be costly, time-consuming, or impossible.

Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and harm our business and results of operations. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our Class A common stock. We expect that the occurrence of infringement claims is likely to grow as the market for our platform for data in motion and our offering grows. Accordingly, our exposure to damages resulting from infringement claims could increase, and this could further exhaust our financial and management resources.

Risks Related to Our Dependence on Third Parties

We rely on third-party providers of cloud-based infrastructure to host Confluent Cloud. Any failure to adapt our offering to evolving network architecture technology, disruption in the operations of these third-party providers, limitations on capacity or use of features, or interference with our use could adversely affect our business, financial condition, and results of operations.

We outsource all of the infrastructure relating to Confluent Cloud to AWS, Azure, and GCP, as selected by our customers. Customers of our Confluent Cloud service need to be able to access our service at any time, without interruption or degradation of performance, and we provide them with service-level commitments with respect to uptime. Our Confluent Cloud service depends on the ability of the cloud infrastructure hosted by these third-party providers to allow for our customers' configuration, architecture, features, and interconnection specifications, as well as secure the information stored in these virtual data centers, which is transmitted through third-party internet service providers. Any limitation on the capacity of our third-party hosting providers, including due to technical failures, natural disasters, fraud, or security attacks, could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, and results of operations. In addition, our third-party cloud service providers run their own platforms that we access, and we are, therefore, vulnerable to service interruptions at these providers. Any incident affecting our providers' infrastructure, including any incident that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, and other similar events beyond our control could negatively affect our Confluent Cloud service. In some instances, we may not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers. A prolonged service disruption affecting our service for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current

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and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the third-party cloud services we use. Features and functionality for Confluent Cloud may also not be available on the same basis or at all on one or more infrastructure platforms, which may hinder adoption of Confluent Cloud, reduce usage, and harm our brand, business, and results of operations. Any of the above circumstances or events may harm our reputation, cause customers to stop using our products, impair our ability to increase revenue from existing customers, impair our ability to grow our customer base, and otherwise harm our business, results of operations, and financial condition.

In the event that our service agreements with our third-party cloud service providers are terminated or amended, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, access to Confluent Cloud could be interrupted and result in significant delays and additional expense as we arrange or create new facilities and services or re-architect our Confluent Cloud service for deployment on a different cloud infrastructure service provider, which could adversely affect our business, financial condition, and results of operations. To the extent that we do not effectively anticipate capacity demands, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and results of operations may be adversely affected.

If we are unable to develop and maintain successful relationships with partners to distribute our products and generate sales opportunities, our business, results of operations, and financial condition could be harmed.

We have established, and intend to continue seeking opportunities for, partnership arrangements with certain channel partners to distribute our products and generate sales opportunities, particularly internationally. We believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with our existing and potential channel partners that can drive revenue growth in more geographies and market segments, particularly for government customers, and provide additional features and functionality to our customers. Our agreements with our existing channel partners are non-exclusive, meaning our channel partners may offer customers the products of several different companies, including products that compete with ours. They may also cease marketing our products with limited or no notice and with little or no penalty. We expect that any additional channel partners we identify and develop will be similarly non-exclusive and not bound by any requirement to continue to market our products. As our channel partnerships come to an end or terminate, we may be unable to renew or replace them on comparable terms, or at all. In addition, winding down channel partnerships can result in additional costs, litigation, and negative publicity. If we fail to identify additional channel partners in a timely and cost-effective manner, or at all, or are unable to assist our current and future channel partners in independently distributing and deploying our products, our business, results of operations, and financial condition could be harmed. When we enter into channel partnerships, our partners may be required to undertake some portion of sales, marketing, implementation services, engineering services, support services, or software configuration that we would otherwise provide, including due to regulatory constraints. In such cases, our partner may be less successful than we would have otherwise been absent the arrangement and our ability to influence, or have visibility into, the sales, marketing, and related efforts of our partners may be limited. Further, if our channel partners do not effectively market and sell our products, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be harmed.

We depend and rely on SaaS technologies from third parties to operate our business, and interruptions or performance problems with these technologies may adversely affect our business and results of operations.

We rely on hosted SaaS applications from third parties in order to operate critical functions of our business, including enterprise resource planning, order management, billing, project management, human resources, technical support, and accounting and other operational activities. If these services become unavailable due to extended outages, interruptions or because they are no longer available on commercially reasonable terms, our expenses could increase, our ability to manage finances could be interrupted and our processes for managing

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sales of our offering and supporting our customers could be impaired until equivalent services, if available, are identified, obtained, and implemented, all of which could adversely affect our business and results of operations.

Risks Related to Our Employees and Culture

We rely on the performance of highly skilled personnel, including senior management and our engineering, services, sales and technology professionals. If we are unable to retain or motivate key personnel or hire, retain and motivate qualified personnel, our business will be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our senior management team, particularly Jay Kreps, our Chief Executive Officer and co-founder, as well as our other key employees in the areas of research and development and sales and marketing.

From time to time, there may be changes in our executive management team or other key employees resulting from the hiring or departure of these personnel. Our executive officers and certain other key employees are employed on an at-will basis, which means that these personnel could terminate their employment with us at any time. The loss of one or more of our executive officers, or the failure by our executive team to effectively work with our employees and lead our company, could harm our business. We also are dependent on the continued service of our existing software engineers because of the complexity of our offering.

In addition, to execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers experienced in designing and developing cloud-based infrastructure products and for experienced sales professionals. If we are unable to attract such personnel at appropriate locations, we may need to hire in new regions, which may add to the complexity and costs of our business operations. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that these employees or we have breached certain legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, experiences significant volatility, or increases such that prospective employees believe there is limited upside to the value of our equity awards, it may adversely affect our ability to recruit and retain key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects would be harmed.

Our company values have contributed to our success. If we cannot maintain these values as we grow, we could lose certain benefits we derive from them, and our employee turnover could increase, which could harm our business.

We believe that our company values have been and will continue to be a key contributor to our success. We have rapidly increased our workforce across all departments, and we expect to continue to hire aggressively across our business. Our anticipated headcount growth, combined with our transition from a privately-held to a publicly-traded company, may result in changes to certain employees' adherence to our core company values. If we do not continue to maintain our adherence to our company values as we grow, including through any future acquisitions or other strategic transactions, we may experience increased turnover in a portion of our current employee base and may not continue to be successful in hiring future employees. Moreover, following this offering, many of our employees may be eligible to receive significant proceeds from the sale of Class A common stock in the public markets. This may lead to higher employee attrition rates. If we do not replace departing employees on a timely basis, our business and growth may be harmed.

Risks Related to Our International Operations

If we are not successful in expanding our operations and customer base internationally, our business and results of operations could be negatively affected.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. Customers outside the United States generated 34% of our revenue as of December 31, 2020. We are continuing to adapt to and develop strategies to expand in international markets, but there is no guarantee that such efforts will have the desired effect. For example, we anticipate that we will need to establish relationships with new channel partners in order to expand into certain countries, and if we fail to identify, establish, and maintain such relationships, we may be unable to execute on our expansion plans. As of December 31, 2020, approximately 28% of our full-time employees were located outside of the United States, with 10% of our full-time employees located in the UK. We expect that our international activities will continue to grow for the foreseeable future as we continue to pursue opportunities in existing and new international markets, which will require significant dedication of management attention and financial resources. If we invest substantial time and resources to further expand our international operations and are unable to do so successfully and in a timely manner, our business and results of operations will suffer.

We are subject to risks inherent in international operations that can harm our business, results of operations, and financial condition.

Our current and future international business and operations involve a variety of risks, including:

- slower than anticipated availability and adoption of cloud infrastructure or cloud-native products by international businesses;
- changes in a specific country's or region's political or economic conditions, including in the UK as a result of the UK exiting the EU, or Brexit;
- the need to adapt and localize our offering for specific countries;
- greater difficulty collecting accounts receivable and longer payment cycles;
- potential changes in trade relations, regulations, or laws;
- unexpected changes in laws, regulatory requirements, or tax laws;
- more stringent regulations relating to privacy, data security, and data localization requirements and the unauthorized use of, or access to, commercial and personal information;
- differing and potentially more onerous labor regulations, especially in Europe, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing, and the increased costs associated with, an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs that are specific to each jurisdiction;
- potential changes in laws, regulations, and costs affecting our UK operations and local employees due to Brexit;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems, and regulatory systems;
- increased travel, real estate, infrastructure, and legal compliance costs associated with international operations;
- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we choose to do so in the future;

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- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- laws and business practices favoring local competitors or general market preferences for local vendors;
- limited or insufficient intellectual property protection or difficulties obtaining, maintaining, protecting, or enforcing our intellectual property rights, including our trademarks and patents;
- political instability or terrorist activities;
- health epidemics or pandemics, such as the COVID-19 pandemic;
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act, or FCPA, U.S. bribery laws, the UK Bribery Act, and similar laws and regulations in other jurisdictions; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

The occurrence of any one of these risks could harm our international business and, consequently, our results of operations. Additionally, operating in international markets requires significant management attention and financial resources. We cannot be certain that the investment and additional resources required to operate in other countries will produce desired levels of revenue or profitability.

Legal, political, and economic uncertainty surrounding the exit of the UK from the EU may be a source of instability in international markets, create significant currency fluctuations, adversely affect our operations in the UK and pose additional risks to our business, financial condition, and results of operations.

Following the result of a referendum in 2016, the UK left the EU on January 31, 2020, commonly referred to as Brexit. Following the end of the transitional period on December 31, 2020, during which period EU rules continued to apply in the UK, an agreement outlining the future trading relationship between the EU and the UK, referred to as the Trade and Cooperation Agreement, became effective. The Trade and Cooperation Agreement does not cover financial services in any meaningful way and, while it has been approved by the UK Parliament, remains subject to approval by the EU Parliament. The agreement will apply provisionally until April 30, 2021. Notwithstanding the Trade and Cooperation Agreement, uncertainty concerning the UK's legal, political, and economic relationship with the EU may continue to be a source of instability in the international markets, create significant currency fluctuations, or otherwise adversely affect trading agreements or similar cross-border co-operation arrangements (whether economic, tax, fiscal, legal, regulatory, or otherwise).

These developments have had and may continue to have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and limit the ability of key market participants to operate in certain financial markets. In particular, it could also lead to a period of considerable uncertainty in relation to the UK financial and banking markets, as well as on the regulatory process in Europe. Asset valuations, currency exchange rates, and credit ratings may also be subject to increased market volatility. The long-term effects of Brexit will depend on any further agreements, in particular on financial services, (or lack thereof) between the UK and the EU.

Such a withdrawal from the EU is unprecedented, and it is unclear how the UK's access to the European single market for goods, capital, services, and labor within the EU, or single market, and the wider commercial, legal, and regulatory environment, will impact our UK operations and customers. Our UK operations service customers in the UK as well as in other countries in the EU and EEA, and these operations could be disrupted by Brexit.

We may also face new regulatory costs and challenges as a result of Brexit that could have an adverse effect on our operations. For example, the UK could lose the benefits of global trade agreements negotiated by the EU

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on behalf of its members, which, if not replicated by the UK, may result in increased trade barriers. There may continue to be economic uncertainty surrounding the consequences of Brexit that adversely impact customer confidence resulting in customers reducing their spending budgets on our offering, which could harm our business.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our results of operations.

Our subscriptions and services are billed in U.S. dollars, and therefore, our revenue is not subject to foreign currency risk. However, a strengthening of the U.S. dollar could increase the real cost of our offering to our customers outside of the United States, which could adversely affect our results of operations. In addition, an increasing portion of our operating expenses are incurred outside the United States. These operating expenses are denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. While we do not currently hedge against the risks associated with currency fluctuations, if our foreign currency risk increases in the future and we are not able to successfully hedge against the risks associated with currency fluctuations, our results of operations could be adversely affected.

Risks Related to Our Tax, Legal, and Regulatory Environment

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

Our offering is subject to U.S. export controls, including the Export Administration Regulations, and we incorporate encryption technology into our offering. Our offering and the underlying technology may be exported outside of the United States only with the required export authorizations, including by license, a license exception, or other appropriate government authorizations, including the filing of an encryption classification request or self-classification report, as applicable.

Furthermore, we are required to comply with economic and trade sanctions laws and regulations administered by governments where our offering is provided, including the U.S. government (including regulations administered and enforced by the Office of Foreign Assets Control of the U.S. Treasury Department and the U.S. Department of State). These economic and trade sanctions prohibit or restrict the shipment of most products and services to embargoed jurisdictions or sanctioned parties, unless required export authorizations are obtained. Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

While we have taken certain precautions to prevent our offering from being provided in violation of export control and sanctions laws, and are in the process of enhancing our policies and procedures relating to export control and sanctions compliance, our products may have been in the past, and could in the future be, provided inadvertently in violation of such laws. Violations of U.S. sanctions or export control regulations can result in significant fines or penalties and possible incarceration for responsible employees and managers.

If our channel partners fail to obtain appropriate import, export, or re-export licenses or permits, we may also be adversely affected through reputational harm, as well as other negative consequences, including government investigations and penalties.

Also, various countries, in addition to the United States, regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit our ability to distribute our offering or could limit our end-customers' ability to implement our offering in those countries. Changes in our offering or future changes in export and import regulations may create delays in the introduction of our offering in international markets, prevent our end-customers with international operations from deploying our offering globally or, in some cases, prevent the export or import of our offering to certain countries, governments or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology. Any change in export or import regulations, economic sanctions

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or related legislation, increased export and import controls, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our offering by, or in our decreased ability to export or sell our offering to, existing or potential end-customers with international operations. Any decreased use of our offering or limitation on our ability to export or sell our offering would adversely affect our business, results of operations, and growth prospects.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and similar laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business, financial condition, and results of operations.

We are subject to the FCPA, U.S. domestic bribery laws, the UK Bribery Act, and other anti-corruption and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. As we increase our international sales and business and sales to the public sector, we may engage with business partners and third-party intermediaries to market our offering and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we have policies and procedures to address compliance with such laws, our employees and agents may take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

Detecting, investigating and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption, anti-bribery or anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions, suspension, or debarment from contracting with certain persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, financial condition, and results of operations could be harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

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

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

In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease of use, accessibility, and quality of service. The performance of the internet and its

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acceptance as a business tool have been adversely affected by “ransomware,” “viruses,” “worms,” “malware,” “phishing attacks,” “data breaches,” and similar malicious programs, behavior, and events, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If the use of the internet is adversely affected by these issues, demand for our subscription offering and related services could suffer.

Changes in tax laws or tax rulings could harm our financial position and results of operations.

The tax regimes we are subject to or operate under, including income and non-income taxes, are unsettled and may be subject to significant change. Changes in tax laws, regulations, or rulings, or changes in interpretations of existing laws and regulations, could materially affect our financial position and results of operations. For example, the 2017 Tax Cuts and Jobs Act, or the Tax Act, made broad and complex changes to the U.S. tax code, including changes to U.S. federal tax rates, additional limitations on the deductibility of interest, both positive and negative changes to the utilization of future net operating loss, or NOL, carryforwards, allowing for the expensing of certain capital expenditures, and putting into effect the migration from a “worldwide” system of taxation to a territorial system. The issuance of additional regulatory or accounting guidance related to the Tax Act could materially affect our tax obligations and effective tax rate in the period issued. In addition, many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in the countries where we do business or require us to change the manner in which we operate our business.

The Organization for Economic Cooperation and Development has been working on a Base Erosion and Profit Shifting Project, and issued a report in 2015, an interim report in 2018, and is expected to continue to issue guidelines and proposals that may change various aspects of the existing framework under which our tax obligations are determined in many of the countries in which we do business. Similarly, the European Commission and several countries have issued proposals that would change various aspects of the current tax framework under which we are taxed. These proposals include changes to the existing framework to calculate income tax, as well as proposals to change or impose new types of non-income taxes, including taxes based on a percentage of revenue. For example, several countries have proposed or enacted taxes applicable to digital services, which could apply to our business.

Due to the large and expanding scale of our international business activities, these types of changes to the taxation of our activities could increase our worldwide effective tax rate and increase the amount of taxes imposed on our business. Such changes may also apply retroactively to our historical operations and result in taxes greater than the amounts estimated and recorded in our consolidated financial statements. Any of these outcomes could harm our financial position and results of operations.

We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our clients would have to pay for our offering and adversely affect our results of operations.

An increasing number of states have considered or adopted laws that attempt to impose tax collection obligations on out-of-state companies. Additionally, the Supreme Court of the United States recently ruled in *South Dakota v. Wayfair, Inc. et al, or Wayfair*, that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer’s state. In response to *Wayfair*, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect and remit taxes on sales in their jurisdictions. A successful assertion by one or more states requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar

obligations on our competitors, and decrease our future sales, which could have a material adverse effect on our business and results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2020, we had NOL carryforwards for federal and state income tax purposes of \$264.5 million and \$145.5 million, respectively, which may be available to offset taxable income in the future, and which expire in various years beginning in 2034 for federal purposes and 2027 for state purposes if not utilized. In addition, as of December 31, 2020, we had foreign NOL carryforwards of \$6.3 million. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” (as defined under Section 382 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs to offset future taxable income. We may experience a future ownership change (including, potentially, in connection with this offering) under Section 382 of the Code that could affect our ability to utilize the NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to reduce future income tax liabilities, including for state tax purposes. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our results of operations and financial condition.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Tax Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations or administrative appeals; and
- limitations or adverse findings regarding our ability to do business in some jurisdictions.

Any of these developments could adversely affect our results of operations.

Risks Related to Our Accounting Policies and Internal Controls

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

GAAP are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions already completed before the announcement of a change.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying

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notes appearing elsewhere in this prospectus. 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 titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments involve revenue recognition, deferred contract costs, and the valuation of our stock-based compensation awards, including the determination of fair value of our Class A common stock, among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting for the year ending December 31, 2023. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company.” We have recently commenced the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404, but we may not be able to complete our evaluation, testing and any required remediation in a timely fashion once initiated. Our compliance with Section 404 will require that we incur substantial expenses and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404.

During the evaluation and testing process of our internal controls, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

Risks Related to Ownership of Our Class A Common Stock

The dual class structure of our common stock as contained in our amended and restated certificate of incorporation has the effect of concentrating voting control with those stockholders who held our stock prior to this offering, including our executive officers, employees, and directors and their affiliates, and limiting your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock, which is the stock we are offering in this initial public offering, has one vote per share. Stockholders who hold shares of Class B common stock, including our executive officers and directors and their affiliates, will together hold approximately % of the voting power of our outstanding capital stock following this offering, and our Chief Executive Officer, Mr. Kreps, will hold approximately % of our outstanding classes of common stock as a whole, but will control approximately % of the voting power of our outstanding common stock, following this offering. As a result, our executive officers, directors, and other affiliates and potentially our Chief Executive Officer on his own will have significant influence over our management and affairs and over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of the company or our assets, for the foreseeable future. Even if Mr. Kreps is no longer employed with us, he will continue to have the same influence over matters requiring stockholder approval.

In addition, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the 10-to-1 voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock even when the shares of Class B common stock represent as little as 10% of the combined voting power of all outstanding shares of our Class A common stock and Class B common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

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

Our stock price may be volatile, and the value of our Class A common stock may decline.

The market price of our Class A common stock may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition or results of operations;
- variance in our financial performance from our forecasts or the expectations of securities analysts;
- changes in our revenue mix;
- changes in the pricing of our offering;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our offering;

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- announcements by us or our competitors of significant business developments, acquisitions, or new offerings;
- significant data breaches, disruptions to or other incidents involving our offering;
- our involvement in litigation;
- future sales of our Class A common stock and Class B common stock by us or our stockholders, as well as the anticipation of lock-up releases;
- changes in senior management or key personnel;
- the trading volume of our Class A common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic and market conditions.

Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may also negatively impact the market price of our Class A common stock. In addition, technology stocks have historically experienced high levels of volatility. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial expenses and divert our management's attention.

No public market for our Class A common stock currently exists, and an active public trading market may not develop or be sustained following this offering.

No public market for our Class A common stock currently exists. An active public trading market for our Class A common stock may not develop following the closing of this offering or, if developed, it may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

We have not granted the underwriters an option to purchase additional shares of Class A common stock from us and the trading price of our Class A common stock may be more volatile as a result.

We have not granted the underwriters an option to purchase additional shares of Class A common stock from us at the initial public offering price less underwriting discounts and commissions, which is a common feature in initial public offerings. Without this option, the underwriters may choose not to engage in certain transactions that stabilize, maintain, or otherwise affect the market price of our Class A common stock, such as short sales, stabilizing transactions, and purchases to cover positions created by short sales, to the extent they would have engaged in any such transactions had we granted the underwriters such an option. As a result, the price of our Class A common stock may be more volatile than it might have been had we granted the underwriters such an option. These fluctuations could cause you to lose part of your investment in our Class A common stock because you might be unable to sell your shares at or above the price you paid in this offering.

We will have broad discretion in the use of the net proceeds to us from this offering and may not use them effectively.

We will have broad discretion in the application of the net proceeds to us from this offering, including for any of the purposes described in the section titled "Use of Proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the

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number and variability of factors that will determine our use of the net proceeds from this offering, our ultimate use may vary substantially from our currently intended use. Investors will need to rely on the judgment of our management with respect to the use of proceeds. Pending use, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities, such as money market funds, corporate notes and bonds, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government that may not generate a high yield for our stockholders. If we do not use the net proceeds that we receive in this offering effectively, our business, financial condition, results of operations, and prospects could be harmed, and the market price of our Class A common stock could decline.

Future sales of our Class A common stock in the public market could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock in the public market following the closing of this offering, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our existing equity holders have substantial unrecognized gains on the value of the equity they hold based upon the price of this offering, and therefore, they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our Class A common stock.

All of our directors and officers and holders of substantially all of our common stock and securities exercisable for or convertible into our common stock, are subject to lock-up agreements that restrict their ability to transfer such securities during the period ending on the earlier of (i) 181 days after the date of this prospectus and (ii) the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, provided that:

- (A) up to 15% of the vested shares (including shares issuable upon exercise of vested options or settlement of RSUs) held by current employees (but excluding current officers and directors and excluding founders and investors) may be sold beginning at the commencement of trading on the first trading day on which our Class A common stock is traded on the _____, which we refer to as the first release period; and
- (B) up to 25% of the vested shares (including shares issuable upon exercise of vested options or settlement of RSUs and in addition to any shares that may be sold pursuant to clause (A) that have not been sold) held by current employees (including officers), directors, founders (as such term is defined in the investors' rights agreement, or IRA) and their respective affiliates, and other investors holding an aggregate of approximately _____ shares may be sold beginning at the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, which we refer to as the second release period.

If not earlier released, all of our shares of Class A common stock, other than those sold in this offering which are freely tradable, will become eligible for sale upon expiration of the lock-up period, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act.

In addition, after this offering, up to 71,213,150 shares of our Class B common stock may be issued upon exercise of outstanding stock options as of December 31, 2020, and _____ shares of our Class A common stock are available for future issuance under our 2021 Plan and our 2021 ESPP, and will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, exercise limitations, the lock-up agreements and Rule 144 and Rule 701 under the Securities Act. We intend to register all of the shares of Class A common stock and Class B common stock issuable upon exercise of outstanding options and RSUs or other equity incentive awards we may grant in the future for public resale under the Securities Act. Shares of Class A common stock will become eligible for sale in the public market to the extent such options are exercised and RSUs settle, subject to the lock-up agreements described above and compliance with applicable

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securities laws. If these additional shares of Class A common stock are sold, or if it is perceived that they will be sold, in the public market, the trading price of our Class A common stock could decline.

Further, based on shares outstanding as of _____, holders of approximately _____ shares, or _____ % of our capital stock after the closing of this offering, will have rights, subject to some conditions and the lock-up agreements described above, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders.

We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We expect to grant equity awards to employees, directors and consultants under our equity incentive plans. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies, products or technologies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our Class A common stock to decline.

You will experience immediate and substantial dilution in the net tangible book value of the shares of Class A common stock you purchase in this offering.

The initial public offering price of our Class A common stock is substantially higher than the pro forma net tangible book value per share of our Class A common stock immediately after this offering. If you purchase shares of our Class A common stock in this offering, you will suffer immediate dilution of \$ _____ per share, representing the difference between our pro forma as adjusted net tangible book value per share after giving effect to the sale of Class A common stock in this offering and the assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus. See the section titled "Dilution."

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our Class A common stock.

We have never declared or paid any cash dividends on our capital stock, and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, you may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment.

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

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including the auditor attestation requirements of Section 404, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our Class A common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards.

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We will remain an emerging growth company until the first to occur of: (1) the last day of the year following the fifth anniversary of this offering; (2) the last day of the first year in which our annual gross revenue is \$1.07 billion or more; (3) the date on which we have, during the previous rolling three-year period, issued more than \$1 billion in non-convertible debt securities; and (4) the date we qualify as a “large accelerated filer,” with at least \$700 million of equity securities held by non-affiliates.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future results of operations may not be as comparable to the results of operations of certain other companies in our industry that adopted such standards. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we will incur significant legal, accounting, and other expenses that we did not incur as a private company, which we expect to further increase after we are no longer an “emerging growth company.” The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the , and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

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

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws, as they will be in effect immediately prior to the closing of this offering, may have the effect preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws will include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights, and preferences determined by our board of directors that may be senior to our Class A common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, our chief executive officer, or our president (in the absence of a chief executive officer);
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that our directors may be removed for cause only upon the vote of at least 66 2/3% of our outstanding shares of voting stock;

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- provide that vacancies on our board of directors may be filled only by the affirmative vote of a majority of directors then in office, even though less than a quorum, or by a sole remaining director; and
- require the approval of our board of directors or the holders of at least 66 2/3% of our outstanding shares of voting stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our Class A common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our Class A common stock in an acquisition.

Our amended and restated certificate of incorporation will designate the Court of Chancery of the State of Delaware and the federal district courts of the United States of America as the exclusive forums for certain disputes between us and our stockholders, which will restrict our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation, to be effective immediately prior to the closing of this offering, will provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders; (iii) any action or proceeding asserting a claim against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; (iv) any action or proceeding to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (including any right, obligation, or remedy thereunder); (v) any action or proceeding as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action or proceeding asserting a claim against us or any of our current or former directors, officers, or other employees that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court’s having personal jurisdiction over the indispensable parties named as defendants. This provision would not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended, or the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction, or the Securities Act. In addition, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation to be effective immediately prior to the closing of this offering will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, including all causes of action asserted against any defendant named in such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created

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by the Securities Act or the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such provision. Our amended and restated certificate of incorporation, to be effective immediately prior to the closing of this offering, will further provide that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. Investors also cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and we cannot assure you that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business.

General Risk Factors

Any future litigation against us could be costly and time-consuming to defend.

We may become subject to legal proceedings and claims that arise in the ordinary course of business, such as intellectual property claims, including trade secret misappropriation and breaches of confidentiality terms, alleged breaches of non-competition or non-solicitation terms, or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, financial condition, and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially harming our business, financial position, and results of operations.

If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, the market price and trading volume of our Class A common stock could decline.

The market price and trading volume of our Class A common stock following the closing of this offering will be heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, our stock price would be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our Class A common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our Class A common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our Class A common stock.

Our business could be disrupted by catastrophic events.

Occurrence of any catastrophic event, including earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunction, cyber-attack, war, or terrorist attack, explosion, or pandemic could impact our business. In particular, our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity, and are thus vulnerable to damage in an earthquake. Our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural

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disaster. Additionally, we rely on third-party cloud providers and enterprise applications, technology systems, and our website for our development, marketing, operational support, hosted services, and sales activities. In the event of a catastrophic event, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our product development, lengthy interruptions in our services, and breaches of data security, all of which could have an adverse effect on our future results of operations. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster and to execute successfully on those plans in the event of a disaster or emergency, our business would be harmed.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “toward,” “will,” “would,” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, revenue mix, expenses, and other results of operations;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to increase consumption of our offering and expand features and functionalities;
- our ability to achieve or sustain our profitability;
- future investments in our business, our anticipated capital expenditures, and our estimates regarding our capital requirements;
- the costs and success of our sales and marketing efforts and our ability to promote our brand;
- our growth strategies for our offering;
- the estimated addressable market opportunity for our offering;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- our ability to effectively manage our growth, including international expansion;
- our ability to protect our intellectual property rights and any costs associated therewith;
- the effects of the COVID-19 pandemic or other public health crises;
- our ability to compete effectively with existing competitors and new market entrants;
- the growth rates of the markets in which we compete; and
- our expected use of proceeds from this offering.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, and results of operations. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. The results, events, and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this prospectus. While we believe such information provides a reasonable basis for these statements, such information may be

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limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information, actual results, revised expectations, or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

MARKET, INDUSTRY, AND OTHER DATA

This prospectus contains estimates and information concerning our industry, including market size and growth of the markets in which we participate, that are based on industry publications and reports. In some cases, we do not expressly refer to the sources from which these estimates and information are derived. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled “Risk Factors.” These and other factors could cause results to differ materially from those expressed in these publications and reports.

The sources of certain statistical data, estimates, and forecasts contained in this prospectus are:

- Gartner, *Forecast: Enterprise Application Software, Worldwide, 2018-2024, 4Q20 Update*, December 2020;
- Gartner, *Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, 4Q20 Update*, December 2020;
- Gartner, *Competitive Landscape: Cloud Service Brokerage 2020*, October 2020;
- IDC, *Business Models for the Long-Term Storage of Internet of Things Use Case Data*, July 2020;
- IDC, *IDC Semiannual Public Cloud Services Tracker*, November 2020; and
- IDC, *IDC Semiannual Software Tracker*, November 2020.

The Gartner content described herein, or the Gartner Content, represents research opinions or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc., or Gartner, and are not representations of fact. The Gartner Content speaks as of its original publication date (and not as of the date of this prospectus), and the opinions expressed in the Gartner Content are subject to change without notice.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$ _____ million based on an assumed initial public offering price of \$ _____ per share of Class A common stock, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ _____ per share of Class A common stock would increase (decrease) the net proceeds to us from this offering by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1,000,000 shares of Class A common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$ _____ million, assuming the assumed initial public offering price per share remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility and create a public market for our Class A common stock. We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. We cannot specify with certainty all of the particular uses for the remaining net proceeds to us from this offering. We may also use a portion of the net proceeds for acquisitions of, or strategic investments in, complementary businesses, products, services, or technologies. However, we do not have any agreements or commitments to enter into any material acquisitions or investments at this time. We will have broad discretion over how we use the net proceeds from this offering. Pending the use of the proceeds from this offering as described above, we intend to invest the net proceeds from the offering that are not used as described above in investment-grade, interest-bearing instruments such as money market funds, corporate notes and bonds, certificates of deposit, commercial paper, and guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant. In addition, our ability to pay dividends may be restricted by agreements we may enter into in the future.

CAPITALIZATION

The following table sets forth our cash, cash equivalents, and marketable securities and our capitalization as of December 31, 2020 on:

- an actual basis;
- a pro forma basis, to reflect (i) the automatic conversion of all outstanding shares of redeemable convertible preferred stock, of which there were 115,277,850 shares outstanding as of December 31, 2020, into an equal number of shares of Class B common stock as if such conversion had occurred December 31, 2020; (ii) the automatic conversion of all outstanding shares of convertible founder stock, of which there were 635,818 shares outstanding as of December 31, 2020, into an equal number of shares of Class B common stock as if such conversion had occurred on December 31, 2020; (iii) stock-based compensation expense of \$3.0 million as of December 31, 2020 related to stock options subject to service-based and performance-based vesting conditions, for which the performance-based vesting condition will be satisfied in connection with this offering, as further described in Note 2 to our consolidated financial statements included elsewhere in this prospectus, reflected as an increase to additional paid-in capital and accumulated deficit; and (iv) the filing and effectiveness of our amended and restated certificate of incorporation, each of which will occur in connection with this offering; and
- a pro forma as adjusted basis, to reflect the adjustments described above and further reflect the sale and issuance by us of _____ shares of Class A common stock in this offering, at the assumed initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information below is illustrative only, and our capitalization following the closing of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this information together with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

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	December 31, 2020		Pro Forma as Adjusted ⁽¹⁾
	Actual	Pro Forma	
	(in thousands, except share and per share data)		
Cash, cash equivalents, and marketable securities	\$ 288,545	\$ 288,545	
Redeemable convertible preferred stock, par value \$0.00001 per share; 115,277,850 shares authorized, issued, and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma as adjusted	\$ 574,634	\$ —	
Stockholders' (deficit) equity:			
Preferred stock, par value \$0.00001 per share; no shares authorized, issued, and outstanding, actual; 10,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	
Common stock, par value \$0.00001 per share; 323,000,000 shares authorized, 109,447,843 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma as adjusted	1	—	
Convertible founder stock, par value \$0.00001 per share; 635,818 shares authorized, 635,818 shares issued and outstanding, actual; no shares authorized, issued, and outstanding, pro forma and pro forma as adjusted	—	—	
Class A common stock, par value \$0.00001 per share; no shares authorized, issued, and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted	—	—	
Class B common stock, par value \$0.00001 per share; no shares authorized, issued, and outstanding, actual; shares authorized, 225,361,511 shares issued and outstanding, pro forma and pro forma as adjusted	—	2	
Additional paid-in capital	99,575	677,210	
Accumulated other comprehensive income	228	228	
Accumulated deficit	(406,053)	(409,055)	
Total stockholders' (deficit) equity	(306,249)	268,385	
Total capitalization	\$ 268,385	\$ 268,385	

- (1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, respectively, the amount of cash, cash equivalents, and marketable securities, additional paid-in capital, and total stockholders' equity by \$ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase or decrease of 1,000,000 in the number of shares we are offering would increase or decrease the amount of cash, cash equivalents, and marketable securities, additional paid-in capital, and total stockholders' equity by \$ million, assuming the assumed initial public offering price per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on no shares of our Class A common stock and 225,361,511 shares of our Class B common stock (including shares of our redeemable convertible preferred stock and convertible founder stock on an as-converted basis) outstanding as of December 31, 2020, and excludes:

- 71,213,150 shares of Class B common stock issuable upon the exercise of stock options outstanding as of December 31, 2020, with a weighted-average exercise price of \$3.39 per share;
- 13,603,242 shares of Class B common stock issuable upon the exercise of stock options granted subsequent to December 31, 2020, with a weighted-average exercise price of \$15.18 per share;
- 14,000 shares of Class B common stock issuable upon the vesting and settlement of outstanding RSUs granted subsequent to December 31, 2020, subject to a service-based vesting condition as well as a performance-based vesting condition that will be satisfied in connection with this offering;
- 7,105,239 additional shares of Class B common stock reserved for future issuance under our 2014 Plan as of December 31, 2020 (after giving effect to (i) an additional 16,000,000 shares of Class B common stock reserved for future issuance under this plan subsequent to December 31, 2020, and (ii) the issuance of stock options and RSUs granted subsequent to December 31, 2020 to purchase 13,617,242 shares of Class B common stock described above), which shares will be transferred to our 2021 Plan at the time it becomes effective upon the execution of the underwriting agreement for this offering;
- shares of Class A common stock reserved for future issuance under the 2021 Plan, plus (i) the shares that remain available for grant of future awards under our 2014 Plan at the time our 2021 Plan becomes effective as described above, (ii) any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan, and (iii) shares underlying outstanding stock awards granted under our 2014 Plan that expire, or are forfeited, cancelled, withheld, or reacquired; and
- shares of Class A common stock reserved for future issuance under our 2021 ESPP, which will become effective upon the execution of the underwriting agreement for this offering, as well as any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan.

DILUTION

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

Our historical net tangible book deficit as of December 31, 2020 was \$354.0 million, or \$3.22 per share. Historical net tangible book deficit represents the amount of our total tangible assets less our total liabilities and redeemable convertible preferred stock, divided by the number of shares of common and convertible founder stock outstanding as of December 31, 2020.

Our pro forma net tangible book value as of December 31, 2020 was \$220.6 million, or \$0.98 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of common stock outstanding as of December 31, 2020, after giving effect to the automatic conversion of all 115,277,850 outstanding shares of redeemable convertible preferred stock as of December 31, 2020 into an equal number of shares of Class B common stock, and the automatic conversion of all outstanding shares of convertible founder stock, of which there were 635,818 shares outstanding as of December 31, 2020, into an equal number of shares of Class B common stock immediately prior to the closing of this offering.

After giving further effect to the sale of shares of Class A common stock that we are offering at an assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2020 would have been \$ million, or \$ per share of Class A common stock. This amount represents an immediate increase in pro forma net tangible book value of \$ per share to our existing stockholders and immediate dilution in pro forma as adjusted net tangible book value of approximately \$ per share to new investors purchasing shares of Class A common stock in this offering.

Dilution per share to new investors is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by new investors. The following table illustrates this dilution:

Assumed initial public offering price per share		\$
Historical net tangible book deficit per share as of December 31, 2020	\$ (3.22)	
Increase per share attributable to the pro forma adjustments described above	4.20	
Pro forma net tangible book value per share as of December 31, 2020, before giving effect to this offering	0.98	
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution in pro forma as adjusted net tangible book value per share to new investors in this offering		\$

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. Each \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately \$ per share, and increase (decrease) the dilution in the pro forma as adjusted net tangible book value per share to new investors by approximately \$ per share, in each case, assuming that the number of Class A

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shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1,000,000 shares in the number of shares of Class A common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by approximately \$ per share and increase (decrease) the dilution to investors participating in this offering by approximately \$ per share, in each case assuming that the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, on the pro forma as adjusted basis described above, as of December 31, 2020, the differences between the number of shares of our Class B common stock purchased from us by our existing stockholders and our Class A common stock purchased from us by new investors purchasing shares in this offering, the total consideration paid to us in cash, the average price per share paid by existing stockholders for shares of common stock issued prior to this offering, and the price to be paid by new investors for shares of common stock in this offering. The calculation below is based on the assumed initial public offering estimated price of \$ per share, the midpoint of the price range set forth on the cover page of the prospectus, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price per Share
	Number	Percent	Amount	Percent	
Existing stockholders	225,361,511	%	\$ 504,993,715	%	\$ 2.24
New investors					
Total		%	\$	%	

The number of shares of our Class A common stock and Class B common stock that will be outstanding after this offering is based on no shares of our Class A common stock and 225,361,511 shares of our Class B common stock (including shares of our redeemable convertible preferred stock and convertible founder stock on an as-converted basis) outstanding as of December 31, 2020, and excludes:

- 71,213,150 shares of Class B common stock issuable upon the exercise of stock options outstanding as of December 31, 2020, with a weighted-average exercise price of \$3.39 per share;
- 13,603,242 shares of Class B common stock issuable upon the exercise of stock options granted subsequent to December 31, 2020, with a weighted-average exercise price of \$15.18 per share;
- 14,000 shares of Class B common stock issuable upon the vesting and settlement of outstanding RSUs granted subsequent to December 31, 2020, subject to a service-based vesting condition as well as a performance-based vesting condition that will be satisfied in connection with this offering;
- 7,105,239 additional shares of Class B common stock reserved for future issuance under our 2014 Plan as of December 31, 2020 (after giving effect to (i) an additional 16,000,000 shares of Class B common stock reserved for future issuance under this plan subsequent to December 31, 2020, and (ii) the issuance of stock options and RSUs granted subsequent to December 31, 2020 to purchase 13,617,242 shares of Class B common stock described above), which shares will be transferred to our 2021 Plan at the time it becomes effective upon the execution of the underwriting agreement for this offering;
- shares of Class A common stock reserved for future issuance under the 2021 Plan, plus (i) the shares that remain available for grant of future awards under our 2014 Plan at the time our 2021 Plan becomes effective as described above, (ii) any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan, and (iii) shares underlying outstanding stock awards granted under our 2014 Plan that expire, or are forfeited, cancelled, withheld, or reacquired; and

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- shares of Class A common stock reserved for future issuance under our 2021 ESPP, which will become effective upon the execution of the underwriting agreement for this offering, as well as any automatic increases in the number of shares of Class A common stock reserved for future issuance under this plan.

To the extent any outstanding options are exercised, or new stock options or RSUs are issued under our equity incentive plans, or we issue additional equity or convertible debt securities in the future, there will be further dilution to investors participating in this offering. If all outstanding options and RSUs under our 2014 Plan as of December 31, 2020 were exercised or settled, then our existing stockholders, including the holders of these options would own % and our new investors would own % of the total number of shares of our Class A common stock and Class B common stock outstanding on the closing of this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. References to 2019 and 2020 refer to the year ended December 31, 2019 and the year ended December 31, 2020, respectively.

Overview

Confluent is on a mission to set data in motion. We have pioneered a new category of data infrastructure designed to connect all the applications, systems, and data layers of a company around a real-time central nervous system. This new data infrastructure software has emerged as one of the most strategic parts of the next-generation technology stack, and using this stack to harness data in motion is critical to the success of every modern company as they strive to compete and win in the digital-first world.

Confluent is designed to be the intelligent connective tissue enabling real-time data, from multiple sources, to constantly stream across the organization and power real-time customer experiences and data-driven operational efficiencies. Our offering enables organizations to deploy production-ready applications that run across cloud infrastructures and data centers, and scales elastically, with enhanced features for security and compliance. Our platform provides the capabilities to fill the structural, operational, and engineering gap that is required for businesses to fully realize the power of data in motion. We enable software developers to easily build their initial applications to harness data in motion, and enable large, complex enterprises to make data in motion core to everything they do. As organizations mature in their adoption cycle, we enable them to build more and more applications that take advantage of data in motion. The results have a dual effect: businesses continuously improve their ability to provide better customer experiences and concurrently drive data-driven business operations. We believe that Confluent, over time, will become the central nervous system for modern digital enterprises, providing ubiquitous real-time connectivity and powering real-time applications across the enterprise.

We were founded in 2014 to pioneer this fundamentally new category of data infrastructure for data in motion and bring it to organizations around the world. Prior to Confluent, our founders created the open source software project Apache Kafka, a technology that has been central to enabling data in motion. Since our founding, we have heavily invested in product development to build a complete, cloud-native platform for data in motion with the features and functionality that organizations need to succeed.

Our consistent focus on innovation has allowed us to achieve the following significant milestones:

- September 2014: Confluent founded by Jay Kreps, Jun Rao, and Neha Narkhede
- January 2015: Announced Confluent Platform 1.0
- November 2017: General availability of Confluent Cloud
- December 2017: First customer over \$1.0 million ARR
- March 2018: General availability of ksqlDB
- April 2019: Exceeded \$100 million ARR
- September 2019: 50% of all customers on Confluent Cloud

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- November 2019: Confluent Cloud available on AWS, GCP, and Microsoft Azure
- February 2020: Reached over 100 pre-built connectors
- March 2020: Exceeded 1,000 customers
- August 2020: Confluent Cloud available through the marketplaces of the three leading cloud providers
- December 2020: Completed Project Metamorphosis, which delivered critical new cloud-native product features and capabilities

We generate the majority of our revenue from the sale of subscriptions to our offering that can be deployed in two different ways. Confluent Platform is an enterprise-ready, self-managed software offering that can be deployed in our customers' on-premise, private cloud, and public cloud environments. Confluent Cloud is a fully-managed, cloud-native SaaS offering available on all of the leading cloud providers. These two core offerings can be leveraged independently or together, spanning the various public cloud, private cloud, and on-premise environments in which our customers operate.

Confluent Platform customers receive access to our proprietary features and various tiers of customer support. We recognize a portion of revenue from sales of Confluent Platform at a point in time, upon delivery and transfer of control of the underlying license to the customer, with post-contract customer support, maintenance, and upgrades, referred to together as PCS, which comprises the substantial majority of the revenue, recognized ratably over the subscription term. The substantial majority of our Confluent Platform subscriptions have one-year terms, with some up to three years, and are primarily billed annually in advance per software instance. A software instance is a component of Confluent Platform running on a physical or virtual computing machine. Confluent Cloud customers may purchase subscriptions either without a minimum commitment contract on a month-to-month basis, which we refer to as pay-as-you-go, or under a usage-based minimum commitment contract of at least one year in duration. Pay-as-you-go customers are billed, and revenue from them is recognized, based on usage. Customers with usage-based minimum commitments are typically billed annually in advance, and we recognize revenue from such subscriptions based on usage by the customer. As a result, our revenue may fluctuate from period to period due to varying patterns of customer consumption. In 2020, revenue from Confluent Platform was \$177.2 million, representing a 53% increase from 2019, and revenue from Confluent Cloud was \$31.4 million, representing a 117% increase from 2019. Revenue from our pay-as-you-go arrangements represented an immaterial portion of revenue from Confluent Cloud in 2019 and 2020.

We are focused on the acquisition of new customers and expanding within our current customers. Our go-to-market model benefits from our self-service motions driven by our cloud-native platform, our widespread mindshare among developers through Apache Kafka, community downloads, and our enterprise sales force. We are able to acquire new customers through seamless and frictionless self-service cloud adoption and free cloud trials as well as community downloads. For example, after users get started with our free cloud trial, they can easily convert online to become paying customers either on a pay-as-you-go model or with a minimum commitment contract. Once customers see the benefits of our platform for their initial use cases, they often expand into other use cases and lines of business, divisions, and geographies. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers on this journey. This expansion often generates a natural network effect in which the value of our platform to a customer increases as more use cases are adopted, more applications and systems are connected, and more data is added. This go-to-market strategy of "land-and-expand" is a key driver for our subscription revenue growth. Subscription revenue, which includes all of our Confluent Platform and Confluent Cloud revenue, accounted for 87% and 88% of our total revenue during 2019 and 2020, respectively, representing year-over-year growth of 60% in 2020. The remainder of our revenue comes from professional services and education services.

We have experienced significant growth, with revenue increasing from \$149.8 million in 2019 to \$236.6 million in 2020, representing year-over-year revenue growth of 58%. In 2019 and 2020, we incurred

operating losses of \$98.1 million and \$233.2 million, respectively, and our net loss was \$95.0 million and \$229.8 million, respectively.

Impact of COVID-19

The ongoing COVID-19 pandemic has caused general business disruption worldwide. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows, and financial condition will depend on certain developments, including the duration and spread of the pandemic, related public health measures, how national, state, and local governments continue to respond, and the pandemic's impact on the global economy generally and our customers specifically, all of which remain highly uncertain and cannot be accurately predicted.

During 2020, we experienced, and may continue to experience in 2021, a modest adverse impact on certain parts of our business due to decreases in customer spending on our offering, which resulted in a decrease in our dollar-based net retention rate, delays in delivery of professional services and education services to customers, and a lengthening in the sales cycle for some prospective customers. As certain of our customers or partners experience downturns or uncertainty in their own business operations or revenue resulting from the ongoing COVID-19 pandemic, they may continue to decrease or delay their spending, request pricing discounts, or seek renegotiations of their contracts, any of which may result in decreased revenue, dollar-based net retention rate, and cash receipts for us.

Despite the adverse impacts described above, the pandemic has caused more of our existing and potential customers to accelerate their digital transformation efforts. As a result, we believe the value of our offering is becoming even more evident, which may result in a positive impact on our business over the long term.

We adopted several measures in response to the COVID-19 pandemic to focus on maintaining business continuity and preparing for the long-term success of our business. We have temporarily required employees to work remotely, suspended non-essential travel by our employees, and required events to be held virtually. As a result of these measures and global travel restrictions and stay-at-home or similar orders, we temporarily reduced, and may reduce in the future, certain operating expenses due to reduced business travel and the virtualization or cancellation of customer and employee events. During the second and third quarters of 2020, we also temporarily reduced the pace of our employee hiring across all functions, which resulted in reduced operating expenses for those periods. However, this may have a negative impact on our growth rates, business, and results of operations. In particular, the reduction in employee hiring for our sales and marketing organization may negatively impact our near- to medium-term growth rate and revenue. In addition, the reduction in employee hiring for our research and development organization has caused delays in development and the release of new features and functionality for our offering. By the end of the third quarter of 2020, we ramped up hiring for our sales and marketing and research and development organizations and continue to make investments in research and development to enhance our offering and achieve our business objectives. We may take further actions as may be required by government authorities or that we determine are in the best interests of our business, employees, customers, and business partners.

The global impact of COVID-19 continues to rapidly evolve, and while the broader implications of the ongoing COVID-19 pandemic on our results of operations and overall financial performance remain uncertain, we will continue to monitor the situation and the effects on our business and operations.

Key Factors Affecting Our Performance

Developing Innovative, Market-Leading Offerings and Expanding Developer Mindshare

We are focused on delivering market-leading offerings. We believe it is critical for us to maintain our product leadership position and further increase the strength of our brand and reputation to drive revenue growth. For example, we developed Confluent Cloud, our cloud-native SaaS offering, in 2017 to capitalize on the existing demand for a fully-managed cloud service for Apache Kafka. Confluent Cloud has grown rapidly since

launch, as organizations have been making significant investments in digital infrastructure with the goal of both driving efficiencies across their businesses, and better leveraging the data that powers their processes and customer experiences. In addition, we continue to release new product enhancements and features to simplify application development and real-time analytics and enhance security and data governance. We intend to continue investing in our engineering capabilities and marketing activities to maintain our strong position within the developer community. Our results of operations may fluctuate as we make these investments to drive increased customer adoption and usage.

Increasing Adoption of Confluent Cloud

We believe our cloud-native Confluent Cloud offering represents an important growth opportunity for our business. Organizations are increasingly looking for a fully-managed offering to seamlessly leverage data in motion across a variety of environments. In some cases, customers that have been self-managing deployments through Confluent Platform subsequently have become Confluent Cloud customers. We offer customers a free cloud trial and a pay-as-you-go arrangement to encourage adoption and usage over time. We will continue to leverage our cloud-native differentiation to drive our growth. We expect Confluent Cloud's contribution to our subscription revenue to increase over time. Our Confluent Cloud revenue grew 117% from 2019 to 2020, going from \$14.4 million to \$31.4 million and representing 11% and 15% of our subscription revenue, respectively.

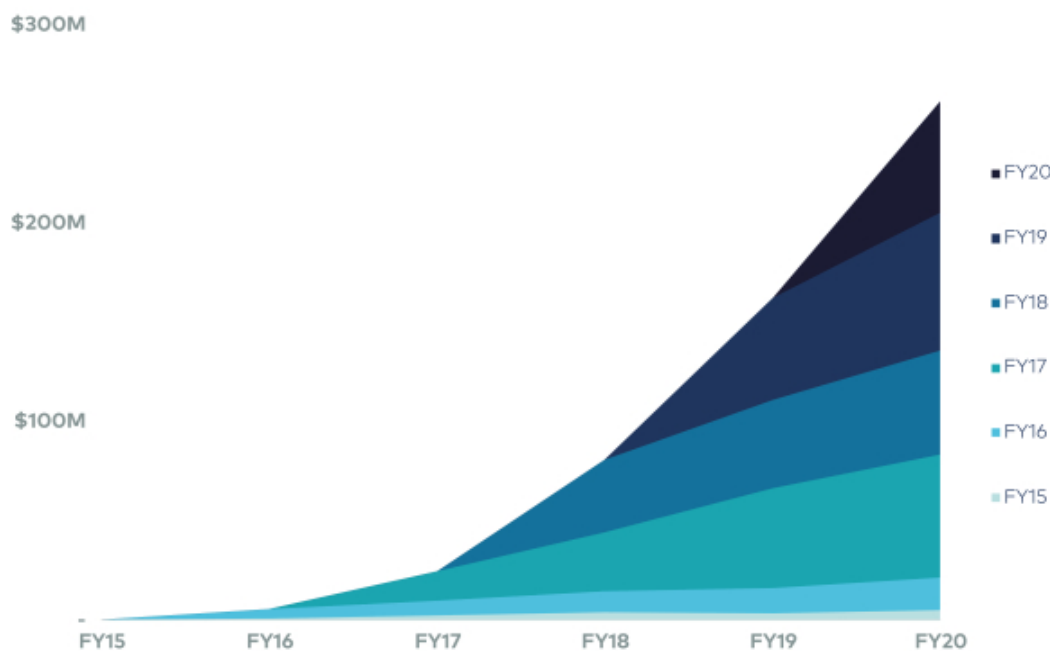
Growing Our Customer Base and Extending Our Global Reach

We are intensely focused on continuing to grow our customer base. We have invested and continue to invest heavily in our sales and marketing efforts and developer community outreach, which are critical to driving customer acquisition. We historically focused on large enterprise customers with significant expansion opportunities and built a go-to-market motion around this approach. As we grew our cloud offering and created more self-serve opportunities, we have significantly broadened our reach of customers and are able to attract a greater array of customers. This is evidenced by our significant increase in customer count in recent years, driven by Confluent Cloud customers. Our ability to attract new customers will depend on a number of factors, including our success in recruiting and scaling our sales and marketing organization, our ability to accelerate ramp time of our sales force, the impact of marketing efforts to enhance our brand, and competitive dynamics in our target markets. We estimate that we had approximately 820 customers in 40 countries as of December 31, 2019, compared to 2,100 customers in over 60 countries as of December 31, 2020, spanning organizations of all sizes and industries. Our customer count treats affiliated entities with the same parent organization as a single customer and includes pay-as-you-go customers. No single end customer represented more than 3% of our total revenue for 2020, illustrating the diversity of our customer base. During 2020, 34% of our total revenue came from outside of the United States.

Retaining and Expanding Revenue from Existing Customers

Our business model is driven by customer renewals and increasing existing customer subscriptions over time. We believe that there is a significant opportunity to drive additional sales to existing customers, and we expect to invest in sales and marketing and customer success to achieve additional revenue growth from existing customers. We believe we have significant opportunities to increase our revenue as customers expand their use of our offering in connection with migrating more data to the public cloud, identifying new use cases, and realizing the benefits of data in motion. We have historically experienced significant expansion. The chart below illustrates this by presenting the ARR from each customer cohort over the years presented. The cohort for a given year represents customers that acquired their initial subscription purchase from us in that year. For example, the fiscal year 2017 cohort represents all customers that made their initial subscription from us between January 1, 2017 and December 31, 2017. The fiscal year 2017 cohort increased their initial ARR from \$15 million to \$62 million in fiscal year 2020, representing a multiple of 4.1x.

ARR Contribution by Cohort



A further indication of how our customer relationships have expanded over time is through our dollar-based net retention rate. We believe that our dollar-based net retention rate provides useful information about the evolution of our existing customers and our future growth prospects. Our dollar-based net retention rate was 134% as of December 31, 2019 and 125% as of December 31, 2020. We expect our dollar-based net retention rate to fluctuate based on customer satisfaction or dissatisfaction with our subscriptions and services, loss of large customers including timing of any such loss, the impact of the COVID-19 pandemic, competition, pricing, economic conditions, overall changes in our customers' spending levels, mix of commercial and enterprise customers, the initial impact of existing customers transitioning to our usage-based Confluent Cloud offering, and the impact of existing customers who become a larger portion of both our overall customer base and ARR.

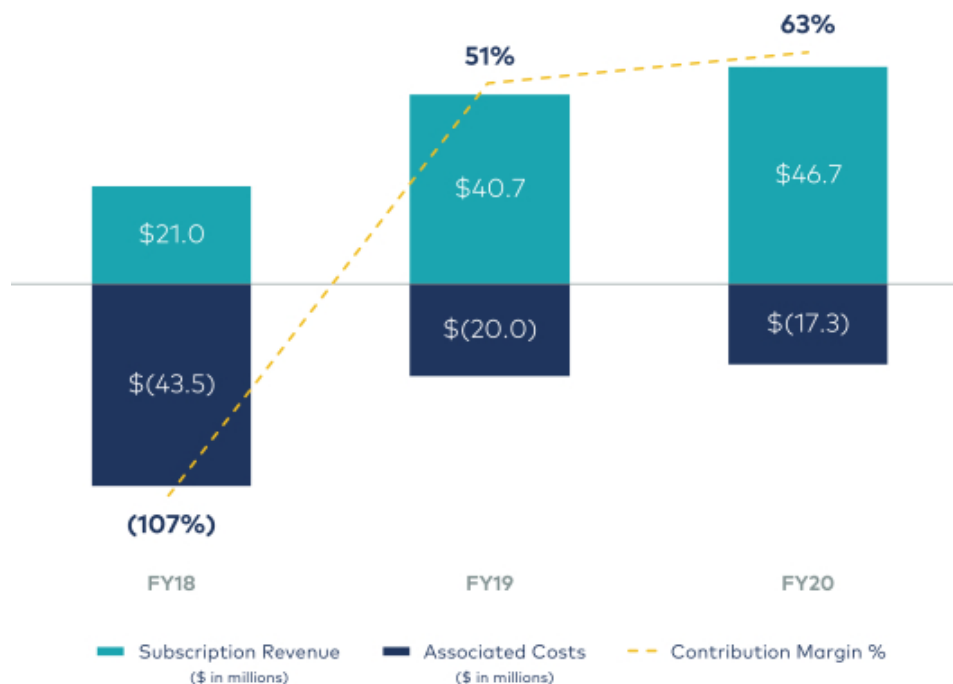
Investing in Growth and Scaling our Business

We believe our market opportunity is significant, and we are focused on continuing to make substantial investments in our long-term revenue and profitability potential. We believe it is critical to scale across all organizational functions, including our sales and marketing organization, in order to capture this opportunity. Any investments we make in our sales and marketing organization will occur in advance of experiencing the benefits from such investments, and it may be difficult for us to determine if we are efficiently allocating resources within the organization. We have increased our sales and marketing headcount from 415 employees as of December 31, 2019 to 579 employees as of December 31, 2020. We intend to continue to invest heavily to grow our business to take advantage of our expansive market opportunity rather than optimize for profitability or cash flow in the near future.

Contribution Margin Analysis

To provide a further understanding of the economics of our customer relationships, we are providing a contribution margin analysis of the customers we acquired during the year ended December 31, 2018, which we refer to as the 2018 Cohort.

Contribution Margin Analysis



We believe the 2018 Cohort is a fair representation of our overall customer base because it includes customers across industries and geographies and includes customers that have expanded their subscriptions as well as those who have reduced or not renewed their subscriptions. We define contribution margin as the subscription revenue from the customer cohort less the associated cost of subscription revenue and estimated allocated sales and marketing expenses, which we collectively refer to as associated costs. We define contribution margin percentage as contribution margin divided by the subscription revenue associated with a cohort in a given period.

Cost of subscription revenue includes the costs of providing ongoing support and costs related to cloud hosting. Cost of subscription revenue for purposes of calculating contribution margin is estimated by multiplying the cost of subscription revenue as a percentage of subscription revenue for 2018 by the subscription revenue in a given period for the cohort. Estimated allocated sales and marketing expenses for purposes of calculating contribution margin include personnel costs, including salaries, sales commissions earned, including the effect of capitalizing and amortizing commission costs and benefits, and marketing program expenses. The majority of our sales and marketing expenses is typically associated with the newest cohort in a given period. We allocate sales expenses to new and renewal business based on the commissions earned in the relevant period on new business activity (including acquiring new customers and expanding subscriptions with existing customers) and renewal business activity. Marketing expenses for purposes of calculating contribution margin are allocated to new business activity in the period as we believe our marketing programs are associated with new business activity.

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rather than renewal activity. We then allocate sales and marketing expenses associated with new business activity between sales to new customers and expanding subscriptions with existing customers based on the estimated relative effort involved in acquiring new customers as compared to expanding subscriptions with existing customers. This allocation is calculated using the proportion of time that our sales team spends selling to new customers and the associated subscription value as compared to that of expanding subscriptions with existing customers. Associated cost of subscription revenue and estimated allocated sales and marketing expenses included in this contribution margin analysis exclude stock-based compensation expense. In addition, we exclude all research and development and general and administrative expenses from this analysis because these expenses support the growth of our business broadly and benefit all customers.

As of December 31, 2018, the 2018 Cohort accounted for \$21.0 million in subscription revenue and \$43.5 million in associated costs, representing a contribution margin of \$(22.5) million, or a contribution margin percentage of (107)%. As of December 31, 2019, the 2018 Cohort accounted for \$40.7 million in subscription revenue and \$20.0 million in associated costs, representing a contribution margin of \$20.7 million, or a contribution margin percentage of 51%. As of December 31, 2020, the 2018 Cohort accounted for \$46.7 million in subscription revenue and \$17.3 million in associated costs, representing a contribution margin of \$29.4 million, or a contribution margin percentage of 63%.

The performance of the 2018 Cohort may not be representative of the performance of any other group of customers or periods, in particular due to changes in our revenue mix, including between Confluent Platform and Confluent Cloud. We expect that the contribution margin and contribution margin percentage of our customer cohorts will fluctuate from one period to another depending upon the number of customers remaining in each cohort, our ability to increase their subscription revenue, other changes in their subscriptions and changes in our revenue mix, as well as changes in our associated costs. We may not experience similar financial outcomes from future customers. The subscription revenue, associated costs, contribution margins, and contribution margin percentages from other cohorts could vary.

The relationship of subscription revenue to associated costs is not necessarily indicative of future performance, and we cannot predict whether future contribution margin analyses will be similar to the above analysis. Contribution margin is an operational measure. It is not a financial measure of profitability and is not intended to be used as a proxy for the profitability of our business. Other companies may calculate contribution margin differently and, therefore, the analyses of other companies may not be directly comparable to ours. We have not yet achieved profitability, and even if our revenue exceeds our associated costs over time, we may not be able to achieve or maintain profitability.

Key Business Metrics

We monitor the key business metrics set forth below to help us evaluate our business and growth trends, establish budgets, measure our performance, and make strategic decisions. The calculation of the key metrics discussed below may differ from other similarly titled metrics used by other companies, securities analysts, or investors.

	December 31,	
	2019	2020
Remaining performance obligations (in thousands)	\$159,595	\$261,741
Customers with \$100,000 or greater in ARR	337	513
Dollar-based net retention rate	134%	125%

Remaining Performance Obligations

RPO as a metric represents the amount of contracted future revenue that has not yet been recognized as of the end of each period, including both deferred revenue that has been invoiced and non-cancelable committed amounts that will be invoiced and recognized as revenue in future periods. RPO as a metric excludes pay-as-you-go arrangements.

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RPO as a metric is not necessarily indicative of future revenue growth because it does not account for the timing of customers' consumption or their consumption of more than their contracted capacity. RPO may also fluctuate due to a number of factors, including the timing of renewals, average contract terms, seasonality, and dollar amount of customer contracts. Due to these factors, it is important to review RPO in conjunction with revenue and other financial metrics disclosed elsewhere in this prospectus.

Customers with \$100,000 or Greater in ARR

We define ARR as the subscription revenue we would contractually expect to receive from customers over the following 12 months assuming no increases or reductions in their subscriptions. ARR excludes services and pay-as-you-go arrangements. Similar to RPO, ARR as a metric is not necessarily indicative of future revenue growth because it does not account for the timing of customers' consumption or their consumption of more than their contracted capacity. Large customer relationships lead to scale and operating leverage in our business model. Compared with smaller customers, large customers present a greater opportunity for us because they have larger budgets, greater potential for migrating more applications over time, and a wider range of potential use cases for data in motion. As a measure of our ability to scale with our customers and attract large enterprises to our offering, we count the number of customers that contributed \$100,000 or greater in ARR as of period end. Our customer count may also fluctuate due to acquisitions, consolidations, spin-offs, and other market activity.

Dollar-Based Net Retention Rate

We calculate our dollar-based net retention rate as of a period end by starting with the ARR from the cohort of all customers as of 12 months prior to such period end, or Prior Period Value. We then calculate the ARR from these same customers as of the current period end, or Current Period Value, which includes any growth in the value of subscriptions and is net of contraction or attrition over the prior 12 months. Services and pay-as-you-go arrangements are excluded from the calculation of ARR. We then divide the Current Period Value by the Prior Period Value to arrive at our dollar-based net retention rate. The dollar-based net retention rate includes the effect, on a dollar-weighted value basis, of our subscriptions that expand, renew, contract, or attrit, but excludes ARR from new customers in the current period. Our dollar-based net retention rate is subject to adjustments for acquisitions, consolidations, spin-offs, and other market activity. We believe that our dollar-based net retention rate provides useful information about the evolution of our existing customers and our future growth prospects.

Components of Results of Operations

Revenue

We derive revenue primarily from subscriptions and, to a lesser extent, services.

Subscription Revenue. Our subscription revenue consists of revenue from term-based licenses that include PCS, which we refer to as Confluent Platform, and our SaaS offering, which we refer to as Confluent Cloud. We recognize a portion of the revenue from our term-based licenses at a point in time, upon delivery and transfer of control of the underlying license to the customer, which is typically the effective start date. Revenue from PCS, which represents a substantial majority of the revenue from our term-based license subscriptions, is recognized ratably over the contract term. The majority of our revenue from Confluent Cloud in 2020 was based on usage-based minimum commitments and is recognized in the period that the usage occurs based on the amount that we expect to be entitled to under the terms of the subscription. A smaller portion of revenue from Confluent Cloud in 2020 was derived from contracts that are not usage-based, with revenue from these contracts recognized ratably over the non-cancelable term of the subscription for such contracts, generally beginning on the date that the service is made available to the customer. In 2019, the majority of our revenue from Confluent Cloud was derived from contracts that are not usage-based, as our usage-based offering for Confluent Cloud became available in late 2019. Our subscriptions are generally non-cancelable and non-refundable, and the substantial majority of them have one-year terms, with some up to three years. We also provide pay-as-you-go arrangements, which consist of month-to-month SaaS contracts. These arrangements have historically represented an immaterial portion of our subscription revenue.

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Services Revenue. Services revenue consists of revenue from professional services and education services, which are generally sold on a time-and-materials basis. Revenue for professional services and education services is recognized as these services are delivered.

We expect our total revenue may vary from period to period based on, among other things, the timing and size of new subscriptions, the rate of customer renewals and expansions, delivery of professional services, ramp time and productivity of our salesforce, the impact of significant transactions, seasonality, and fluctuations in customer consumption for our usage-based offering.

Cost of Revenue

Cost of Subscription Revenue. Cost of subscription revenue primarily includes personnel-related costs, including salaries, bonuses and benefits, and stock-based compensation, for employees associated with customer support and maintenance, third-party cloud infrastructure costs, amortization of internal-use software, and allocated overhead. We expect our cost of subscription revenue to increase in absolute dollars as our subscription revenue increases.

Cost of Services Revenue. Cost of services revenue primarily includes personnel-related costs, including salaries, bonuses and benefits, and stock-based compensation, for employees associated with our professional services and education services, travel-related costs, and allocated overhead. We expect our cost of services revenue to increase in absolute dollars as our services revenue increases.

Gross Profit and Gross Margin

Gross Profit. Gross profit represents revenue less cost of revenue.

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 subscriptions and services, changes in our revenue mix, including the mix of revenue between our Confluent Platform, Confluent Cloud, and service offerings, volume-based pricing discounts for purchases of third-party cloud infrastructure costs, and infrastructure optimization. We expect our gross margin to fluctuate over time depending on the factors described above.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel-related costs are the most significant component of each category of operating expenses. Operating expenses also include allocated overhead costs for facilities, information technology, and recruiting.

Research and Development. Research and development expenses consist primarily of personnel-related costs, including salaries, bonuses and benefits, and stock-based compensation, net of capitalized amounts, contractor and professional services fees, software and subscription services dedicated for use by our research and development organization, and allocated overhead. We expect our research and development expenses will continue to increase in absolute dollars as our business grows and we continue to invest in our offering.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel-related costs, including salaries, sales commissions, bonuses and benefits, and stock-based compensation, costs related to marketing programs, travel-related costs, amortization of deferred contract acquisition costs, which consist of sales commissions, and allocated overhead. Marketing programs consist of advertising, events, corporate communications, and brand-building and developer-community activities. We expect our sales and marketing expenses will increase in absolute dollars over time and continue to be our largest operating expense for the foreseeable future as we expand our sales force, increase our marketing resources, and expand into new markets.

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General and Administrative. General and administrative expenses consist primarily of personnel-related costs, including salaries, bonuses and benefits, and stock-based compensation for administrative functions including finance, legal, and human resources, professional fees, software and subscription services dedicated for use by our general and administrative functions, and allocated overhead. Following the closing of this offering, we expect to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations, and increased expenses for investor relations and professional services. We expect that our general and administrative expenses will increase in absolute dollars as our business grows.

Interest Income

Interest income consists primarily of interest earned on our cash equivalents and marketable securities.

Other Income (Expense), Net

Other income (expense), net consists primarily of amortization of premiums and accretion of discounts on marketable securities, gains and losses from foreign currency transactions, and realized gains and losses on marketable securities.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists primarily of income taxes in certain foreign and state jurisdictions in which we conduct business. We maintain a full valuation allowance against our U.S. deferred tax assets because we have concluded that it is more likely than not that the deferred tax assets will not be realized.

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Results of Operations

The following table sets forth our consolidated results of operations for the periods presented:

	Year Ended December 31,	
	2019	2020
(in thousands)		
Revenue:		
Subscription	\$ 130,206	\$ 208,633
Services	19,599	27,944
Total revenue	<u>149,805</u>	<u>236,577</u>
Cost of revenue:		
Subscription(1)	28,395	49,283
Services(1)	20,974	26,193
Total cost of revenue	<u>49,369</u>	<u>75,476</u>
Gross profit	<u>100,436</u>	<u>161,101</u>
Operating expenses:		
Research and development(1)	58,090	105,399
Sales and marketing(1)	115,792	166,361
General and administrative(1)	24,662	122,516
Total operating expenses	<u>198,544</u>	<u>394,276</u>
Operating loss	(98,108)	(233,175)
Interest income	2,494	4,113
Other income (expense), net	567	(973)
Loss before benefit from income taxes	(95,047)	(230,035)
Benefit from income taxes	(5)	(207)
Net loss	<u>\$ (95,042)</u>	<u>\$ (229,828)</u>

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

	Year Ended December 31,	
	2019	2020
(in thousands)		
Cost of revenue - subscription	\$ 1,161	\$ 2,572
Cost of revenue - services	994	1,745
Research and development	6,268	33,755
Sales and marketing	6,545	14,734
General and administrative	3,649	90,535
Total stock-based compensation expense	<u>\$ 18,617</u>	<u>\$ 143,341*</u>

* In connection with a tender offer and secondary sales of our common stock and convertible founder stock, stock-based compensation expense for the year ended December 31, 2020 included \$111.9 million of expense related to the amount paid in excess of the estimated fair value of common stock as of the date of the transactions. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

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The following table sets forth our consolidated results of operations expressed as a percentage of revenue for the periods indicated:

	Year Ended December 31,	
	2019	2020
Percentage of Revenue Data:		
Revenue:		
Subscription	87%	88%
Services	13	12
Total revenue	100	100
Cost of revenue:		
Subscription	19	21
Services	14	11
Total cost of revenue	33	32
Gross profit	67	68
Operating expenses:		
Research and development	39	45
Sales and marketing	77	70
General and administrative	16	52
Total operating expenses	132	167
Operating loss	(65)	(99)
Interest income	2	2
Other income (expense), net	0	0
Loss before benefit from income taxes	(63)	(97)
Benefit from income taxes	0	0
Net loss	(63)%	(97)%

Comparison of the Years Ended December 31, 2019 and 2020

Revenue

	Year Ended December 31,		Change	
	2019	2020	\$	%
(in thousands)				
Subscription	\$130,206	\$208,633	\$78,427	60%
Services	19,599	27,944	8,345	43%
Total revenue	\$149,805	\$236,577	\$86,772	58%

Subscription revenue increased by \$78.4 million during 2020 compared to 2019. Approximately 88% of this increase was due to expansion from customers during 2020 and the remaining increase was attributable to sales to new customers. A further indication of our ability to expand from existing customers is through our dollar-based net retention rate of 125% as of December 31, 2020. We had 513 customers with \$100,000 or greater in ARR as of December 31, 2020, increasing from 337 as of December 31, 2019. During 2020, we experienced a modest adverse impact on our subscription revenue growth as a result of decreases in customer spending on our offering and a lengthening in the sales cycle for some prospective customers, both primarily due to the effects of the COVID-19 pandemic. Confluent Platform and Confluent Cloud contributed 85% and 15% of our subscription revenue in 2020, respectively, compared to 89% and 11% in 2019, respectively. Our usage-based offering for

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Confluent Cloud became available in late 2019. As a result, the majority of our revenue from Confluent Cloud in 2020 was derived from usage-based contracts, which is recognized in the period that usage occurs. The majority of our revenue from Confluent Cloud in 2019 was derived from contracts that are not usage-based, which is recognized ratably over the non-cancelable term of the subscription.

Services revenue increased by \$8.3 million during 2020 compared to 2019. This was primarily due to an increase in delivery of professional services as we expanded our professional services organization to help our customers further realize the benefits of our platform.

Cost of Revenue, Gross Profit, and Gross Margin

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(in thousands)			
Cost of revenue:				
Subscription	\$ 28,395	\$ 49,283	\$20,888	74%
Services	20,974	26,193	5,219	25%
Total cost of revenue	\$ 49,369	\$ 75,476	\$26,107	53%
Gross profit	\$100,436	\$161,101	\$60,665	60%

	Year Ended December 31,	
	2019	2020
Gross margin:		
Subscription	78%	76%
Services	(7)%	6%
Total gross margin	67%	68%

Cost of subscription revenue increased by \$20.9 million during 2020 compared to 2019. This increase was primarily attributable to an increase of \$9.8 million in personnel-related costs, including an increase of \$1.4 million in stock-based compensation expense as a result of increased headcount, an increase of \$7.3 million in third-party cloud infrastructure costs, and an increase of \$0.8 million in amortization of internal-use software.

Cost of services revenue increased by \$5.2 million during 2020 compared to 2019. This increase was primarily due to an increase of \$6.2 million in personnel-related costs, including an increase of \$0.8 million in stock-based compensation expense as a result of increased headcount, and an increase of \$1.1 million in consulting services, which were partially offset by a decrease of \$1.7 million in travel-related costs primarily due to COVID-19 travel restrictions.

Our subscription gross margin decreased primarily due to the change in our revenue mix as a result of growth in the use of our SaaS offering, Confluent Cloud, and associated increase in third-party cloud infrastructure costs. In addition, our cost of subscription revenue included higher personnel-related costs from headcount growth. Our services gross margin increased primarily due to the increase in services revenue and decrease in travel-related costs in light of COVID-19 travel restrictions.

Research and Development

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(in thousands, except percentages)			
Research and development	\$58,090	\$105,399	\$47,309	81%
Percentage of revenue	39%	45%		

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Research and development expenses increased by \$47.3 million during 2020 compared to 2019 primarily due to an increase of \$48.1 million in personnel-related expenses as a result of increased headcount and stock-based compensation expense, partially offset by an increase of \$3.1 million in capitalized internal-use software costs. The increase in personnel-related expenses included an increase of \$27.5 million of stock-based compensation expense, net of amounts capitalized, of which \$23.9 million related to a tender offer and a secondary sale of our common and convertible founder stock during 2020. In these transactions, we facilitated sales by directors, employees, and non-employees to existing and new investors at a per share purchase price in excess of estimated fair value. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

Sales and Marketing

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(in thousands, except percentages)			
Sales and marketing	\$115,792	\$166,361	\$50,569	44%
Percentage of revenue	77%	70%		

Sales and marketing expenses increased by \$50.6 million during 2020 compared to 2019 primarily due to an increase of \$49.5 million in personnel-related expenses as a result of increased headcount and an increase of \$3.3 million in advertising costs and marketing programs, which were partially offset by a decrease of \$5.4 million in travel-related costs due to COVID-19 travel restrictions. The increase in personnel-related expenses included an increase of \$8.5 million of expenses associated with sales commissions, including amortization of deferred contract acquisition costs, as well as an increase of \$8.2 million of stock-based compensation expense, of which \$3.5 million related to the tender offer described under “—Research and Development.” See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

General and Administrative

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(in thousands, except percentages)			
General and administrative	\$24,662	\$122,516	\$97,854	397%
Percentage of revenue	16%	52%		

General and administrative expenses increased by \$97.9 million during 2020 compared to 2019, reflecting an increase of \$95.0 million in personnel-related expenses primarily as a result of an increase of \$86.9 million in stock-based compensation expense, an increase in bad debt expense of \$0.7 million, and an increase of \$0.7 million in professional services fees. The increase in stock-based compensation expense included \$83.9 million related to the tender offer and secondary sales described under “—Research and Development.” See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

Interest Income

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(in thousands)			
Interest income	\$2,494	\$4,113	\$1,619	65%

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Interest income increased by \$1.6 million during 2020 compared to 2019 primarily due to the effect of higher cash, cash equivalents, and marketable securities balances, partially offset by lower returns on marketable securities.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(in thousands)			
Other income (expense), net	\$567	\$(973)	\$(1,540)	(272)%

Other income (expense), net decreased by \$1.5 million during 2020 compared to 2019 primarily due to an increase in net amortization (accretion) of premiums (discounts) on marketable securities, partially offset by gains from foreign currency transactions.

Quarterly Results of Operations

The following tables summarize our selected unaudited quarterly consolidated statements of operations data and the percentage of revenue that each line item represents for each of the eight quarters in the period ended December 31, 2020. The information for each of these quarters has been prepared on the same basis as our audited annual consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for the fair statement of the results of operations for these periods. This data should be read in conjunction with our audited consolidated financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected in the future.

Consolidated Statements of Operations Data

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands)							
Revenue:								
Subscription	\$ 24,979	\$ 28,906	\$ 34,514	\$ 41,807	\$ 43,943	\$ 46,973	\$ 54,498	\$ 63,219
Services	4,196	5,128	3,982	6,293	6,961	6,879	6,999	7,105
Total revenue	<u>29,175</u>	<u>34,034</u>	<u>38,496</u>	<u>48,100</u>	<u>50,904</u>	<u>53,852</u>	<u>61,497</u>	<u>70,324</u>
Cost of revenue:								
Subscription(1)	4,900	6,099	7,718	9,678	11,014	11,734	12,373	14,162
Services(1)	3,918	4,952	5,527	6,577	6,799	5,956	6,683	6,755
Total cost of revenue	<u>8,818</u>	<u>11,051</u>	<u>13,245</u>	<u>16,255</u>	<u>17,813</u>	<u>17,690</u>	<u>19,056</u>	<u>20,917</u>
Gross profit	<u>20,357</u>	<u>22,983</u>	<u>25,251</u>	<u>31,845</u>	<u>33,091</u>	<u>36,162</u>	<u>42,441</u>	<u>49,407</u>
Operating expenses:								
Research and development(1)	10,227	13,202	16,609	18,052	19,742	18,875	44,921	21,861
Sales and marketing(1)	21,060	25,809	31,037	37,886	38,317	36,447	43,759	47,838
General and administrative(1)	4,725	5,924	6,398	7,615	8,415	8,334	93,758	12,009
Total operating expenses	<u>36,012</u>	<u>44,935</u>	<u>54,044</u>	<u>63,553</u>	<u>66,474</u>	<u>63,656</u>	<u>182,438</u>	<u>81,708</u>
Operating loss	(15,655)	(21,952)	(28,793)	(31,708)	(33,383)	(27,494)	(139,997)	(32,301)
Interest income	656	643	647	548	443	1,303	1,259	1,108
Other income (expense), net	435	(75)	(176)	383	(307)	(211)	(153)	(302)
Loss before provision for (benefit from) income taxes	(14,564)	(21,384)	(28,322)	(30,777)	(33,247)	(26,402)	(138,891)	(31,495)
Provision for (benefit from) income taxes	79	(40)	121	(165)	388	(106)	(750)	261
Net loss	<u>\$ (14,643)</u>	<u>\$ (21,344)</u>	<u>\$ (28,443)</u>	<u>\$ (30,612)</u>	<u>\$ (33,635)</u>	<u>\$ (26,296)</u>	<u>\$ (138,141)</u>	<u>\$ (31,756)</u>

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

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
	(in thousands)							
Cost of revenue - subscription	\$ 136	\$ 204	\$ 366	\$ 455	\$ 462	\$ 524	\$ 883	\$ 703
Cost of revenue - services	102	160	324	408	350	312	671	412
Research and development	1,137	1,310	1,803	2,018	2,046	2,250	26,522	2,937
Sales and marketing	1,015	1,384	1,914	2,232	2,373	2,735	6,379	3,247
General and administrative	728	848	993	1,080	1,220	1,251	85,619	2,445
Total stock-based compensation expense	<u>\$ 3,118</u>	<u>\$ 3,906</u>	<u>\$ 5,400</u>	<u>\$ 6,193</u>	<u>\$ 6,451</u>	<u>\$ 7,072</u>	<u>\$ 120,074</u>	<u>\$ 9,744</u>

In connection with a tender offer and secondary sales of our common stock and convertible founder stock, stock-based compensation expense for the three months ended September 30, 2020 included \$111.9 million of expense related to the amount paid in excess of the estimated fair value of common stock as of the date of the transactions. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for further details.

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Percentage of Revenue Data

	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Revenue:								
Subscription	86%	85%	90%	87%	86%	87%	89%	90%
Services	14	15	10	13	14	13	11	10
Total revenue	100	100	100	100	100	100	100	100
Cost of revenue:								
Subscription	17	17	20	20	22	22	20	20
Services	13	15	14	14	13	11	11	10
Total cost of revenue	30	32	34	34	35	33	31	30
Gross profit	70	68	66	66	65	67	69	70
Operating expenses:								
Research and development	35	40	44	37	38	35	74	31
Sales and marketing	72	76	81	79	75	68	71	68
General and administrative	16	17	17	16	17	15	152	17
Total operating expenses	123	133	142	132	130	118	297	116
Operating loss	(53)	(65)	(76)	(66)	(65)	(51)	(228)	(46)
Interest income	2	2	2	1	1	2	2	1
Other income (expense), net	1	0	0	1	(1)	0	0	0
Loss before provision for (benefit from) income taxes	(50)	(63)	(74)	(64)	(65)	(49)	(226)	(45)
Provision for (benefit from) income taxes	0	0	0	0	(1)	0	1	0
Net loss	(50)%	(63)%	(74)%	(64)%	(66)%	(49)%	(225)%	(45)%

Quarterly Revenue Trends

Our quarterly subscription revenue increased sequentially for all periods presented due to renewals and expansion of existing customers and the addition of new customers. Our quarterly services revenue generally increased sequentially for all periods presented, other than the three months ended September 30, 2019, primarily as a result of timing of delivery of professional services and education services. We have in the past and expect in the future to experience seasonal fluctuations in our sales from time to time with the fourth quarter historically being our strongest quarter for new customer sales, renewals, and expansion as a result of large enterprise buying patterns. We have also experienced, and expect to continue to experience, fluctuations in revenue from our usage-based offering, as the amount and timing of revenue recognition is driven by customer usage. In addition, we may experience greater variability and reduced comparability of our quarterly revenue with respect to contracts that contain a term-based license, given that revenue associated with such licenses is recognized at a point in time, upon delivery and transfer of control of the underlying license to the customer.

Quarterly Cost of Revenue Trends

Our quarterly cost of revenue generally increased sequentially as a result of increased personnel-related costs as we continued to build out our customer support and services organization and increased third-party cloud infrastructure costs from the increase in usage of Confluent Cloud.

Quarterly Gross Margin Trends

Fluctuations in our quarterly gross margin were primarily driven by changes in our revenue mix. In particular, we experienced a shift in the mix of subscriptions sold to our customers as our revenue from Confluent Cloud as a percentage of our total revenue increased. Despite this shift and resulting increase in associated third-

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party cloud infrastructure costs, our gross margin improved during the last four quarters presented primarily due to higher volume-based discounts for third-party cloud infrastructure and infrastructure optimization.

Quarterly Expense Trends

Total operating expenses generally increased sequentially for all periods presented primarily due to the addition of personnel in connection with the expansion of our business. However, as a result of the COVID-19 pandemic, we have seen slower growth in certain operating expenses due to reduced business travel, the virtualization or cancellation of customer and employee events, and a reduced pace of employee hiring during the second and third quarters of 2020, which began ramping up by the end of the third quarter of 2020. Operating expenses also decreased from the three months ended September 30, 2020 to the three months ended December 31, 2020 as a result of stock-based compensation expense recognized in connection with the tender offer and secondary sales during the three months ended September 30, 2020.

Liquidity and Capital Resources

As of December 31, 2020, we had cash, cash equivalents, and marketable securities totaling \$288.5 million. Our cash and cash equivalents primarily consist of bank deposits and money market funds. Our marketable securities consist of corporate notes and bonds, commercial paper, and U.S. agency obligations.

To date, we have financed our operations principally through proceeds from sales of our redeemable convertible preferred stock and payments received from our customers. We believe our existing cash, cash equivalents, and marketable securities will be sufficient to fund our operating and capital needs for at least the next 12 months.

We have generated significant operating losses and negative cash flows from operations. As of December 31, 2020, we had an accumulated deficit of \$406.1 million. We expect to continue to incur operating losses and negative cash flows from operations in the future and may require additional capital resources to execute strategic initiatives to grow our business. 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 and international operations, and the continuing market acceptance of our subscriptions and services. We may be required 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, results of operations, and financial condition would be adversely affected.

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

	Year Ended December 31,	
	2019	2020
	(in thousands)	
Net cash used in operating activities	\$ (68,834)	\$ (82,057)
Net cash provided by (used in) investing activities	\$ 35,641	\$ (176,859)
Net cash provided by financing activities	\$ 13,432	\$ 276,758

Cash Flows from Operating Activities

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are for personnel-related expenses, sales and marketing expenses, third-party cloud infrastructure costs, and overhead expenses.

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Cash used in operating activities mainly consists of our net loss adjusted for certain non-cash items, including depreciation and amortization expense, amortization (accretion) of premiums (discounts) on marketable securities, amortization of deferred contract acquisition costs, non-cash operating lease costs, stock-based compensation expense, net of amounts capitalized, deferred income taxes, and changes in operating assets and liabilities during each period.

Cash used in operating activities of \$82.1 million for 2020 primarily consisted of our net loss of \$229.8 million, adjusted for non-cash charges of \$173.5 million and net cash outflows of \$25.7 million from changes in our operating assets and liabilities. Our non-cash charges include \$143.3 million of stock-based compensation expense (\$111.9 million of which related to a tender offer and secondary sales transactions involving purchase prices in excess of estimated fair value of the shares sold), net of amounts capitalized, \$16.0 million of amortization of deferred contract acquisition costs, and \$11.9 million of non-cash operating lease costs. The main drivers of the changes in operating assets and liabilities were a \$41.6 million increase in accounts receivable and a \$38.1 million increase in deferred contract acquisition costs due to our increased sales and expanding customer base. These amounts were partially offset by a \$64.1 million increase in deferred revenue corresponding with our increased sales.

Cash used in operating activities of \$68.8 million for 2019 primarily consisted of our net loss of \$95.0 million, adjusted for non-cash charges of \$27.8 million, including \$18.6 million of stock-based compensation expense, net of amounts capitalized, and \$8.9 million of amortization of deferred contract acquisition costs, and net cash outflows of \$1.6 million from changes in our operating assets and liabilities. The main drivers of the changes in operating assets and liabilities were a \$27.1 million increase in accounts receivable and a \$19.7 million increase in deferred contract acquisition costs due to our increased sales and expanding customer base. These amounts were partially offset by a \$41.0 million increase in deferred revenue corresponding with our increased sales.

Cash Flows from Investing Activities

Cash used in investing activities of \$176.9 million for 2020 was due to purchases of marketable securities of \$329.6 million, capitalized internal-use software development costs of \$3.6 million, and purchases of property and equipment of \$1.0 million, partially offset by sales and maturities of marketable securities totaling \$157.4 million.

Cash provided by investing activities of \$35.6 million for 2019 was primarily due to net maturities, sales, and purchases of marketable securities totaling \$38.3 million, partially offset by purchases of property and equipment of \$2.0 million and capitalized internal-use software development costs of \$1.0 million.

Cash Flows from Financing Activities

Cash provided by financing activities of \$276.8 million for 2020 was primarily due to \$259.8 million in net proceeds from the issuance of our Series E redeemable convertible preferred stock and \$17.1 million in proceeds from the issuance of common stock upon exercises of stock options, net of repurchases.

Cash provided by financing activities of \$13.4 million for 2019 was due to proceeds from the issuance of common stock upon exercises of stock options, net of repurchases.

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Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2020:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease commitments	\$ 56,798	\$ 12,482	\$ 18,406	\$ 18,679	\$ 7,231
Purchase obligations	167,224	44,759	80,965	41,500	—
Total	<u>\$ 224,022</u>	<u>\$ 57,241</u>	<u>\$ 99,371</u>	<u>\$ 60,179</u>	<u>\$ 7,231</u>

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum, or variable price provisions, and the approximate timing of the actions under the contracts. Our operating lease commitments, net of sublease receipts, relate primarily to our office space. Our purchase obligations relate to non-cancelable agreements for third-party cloud infrastructure agreements, under which we are granted access to use certain cloud services. Our long-term purchase commitments may be satisfied earlier than in the payment periods presented above as we continue to grow and scale our business.

Off-Balance Sheet Arrangements

As of December 31, 2020, we did not have any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We have operations both within the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

Interest Rate Risk

As of December 31, 2020, we had \$288.5 million of cash, cash equivalents, and marketable securities in a variety of securities, including money market funds, corporate notes and bonds, commercial paper, and U.S. agency obligations. In addition, we had \$1.0 million of restricted cash as of December 31, 2020 in support of letters of credit in connection with non-cancelable operating lease agreements for our office spaces. Our cash, cash equivalents, and marketable securities are held for working capital purposes. We do not enter into investments for trading or speculative purposes. The effect of a hypothetical 10% relative change in interest rates would not have a material impact on our financial condition, results of operations, or cash flows for the years ended December 31, 2019 and 2020.

Foreign Currency Risk

Our reporting currency and the functional currency of our wholly-owned foreign subsidiaries is the U.S. dollar. All of our sales contracts are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. A portion of our operating expenses is incurred outside the United States and denominated in foreign currencies and is subject to fluctuations due to changes in foreign exchange rates. Additionally, fluctuations in foreign exchange rates may cause us to recognize additional transaction gains and losses in our consolidated statements of operations. The effect of a hypothetical 10% relative change in

foreign exchange rates would not have a material impact on our financial condition, results of operations, or cash flows for the years ended December 31, 2019 and 2020. Given that the impact of foreign exchange rates has not been material to our historical results of operations, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency should become more significant. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign exchange rates.

Critical Accounting Policies and Estimates

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

We believe that the accounting policies described below involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations.

Revenue Recognition

We generate revenue from the sale of subscriptions and services. Subscription revenue consists of revenue from term-based licenses that include post-contract customer support, maintenance, and upgrades, referred to together as PCS, which we refer to as Confluent Platform, and our SaaS offering, which we refer to as Confluent Cloud. Confluent Cloud customers may purchase subscriptions either without a minimum commitment contract on a month-to-month basis, which we refer to as pay-as-you-go, or under a usage-based minimum commitment contract of at least one year in duration. Our pay-as-you-go arrangements have historically represented an immaterial portion of revenue. We primarily enter into subscription contracts with one-year terms, with some up to three years, and subscription contracts are generally non-cancelable and non-refundable. Services revenue consists of revenue from professional services and education services. We generate sales of our subscriptions and services directly through our sales teams and self-service channel and indirectly through resellers and online marketplaces.

The consolidated financial statements reflect our accounting for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, or ASC 606. Under ASC 606, we recognize revenue when customers obtain control of promised subscriptions or services in an amount that reflects the consideration that we expect to receive in exchange for those subscriptions or services. In determining the appropriate amount of revenue to be recognized as we fulfill our obligations under each of our agreements, the following steps are performed:

(i) *identification of the contract with a customer*

We generally contract with customers through order forms, which are governed by master sales agreements. We determine that we have a contract with a customer when there is a signed agreement, including by electronic acceptance or acceptance of a purchase order as a contractual agreement, each party's rights regarding the subscriptions or services to be transferred and the payment terms for the services can be identified, we have determined the customer has the ability and intent to pay, and the contract has commercial substance. We apply judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, reputation, and financial or other information pertaining to the customer.

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When a contract is entered into, we evaluate whether the contract is part of a larger arrangement and should be accounted for with other contracts, and whether the combined or single contract includes more than one performance obligation.

(ii) identification of the performance obligations in the contract

Performance obligations are identified based on the subscriptions and services that will be transferred to the customer that are both (1) capable of being distinct, whereby the customer can benefit from the subscriptions or services either on their own or together with other resources that are readily available from third parties or from us, and (2) are distinct in the context of the contract, whereby the transfer of the subscriptions and services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised subscriptions or services, we apply judgment to determine whether promised subscriptions or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, or if performance obligations follow the same pattern of recognition, the promised subscriptions or services are accounted for as a combined performance obligation. We have concluded that our contracts with customers do not contain warranties that give rise to a separate performance obligation.

(iii) measurement of the transaction price

The transaction price is the total amount of consideration we expect to be entitled to in exchange for the subscriptions and services in a contract. The transaction price in a usage-based SaaS contract is typically equal to the minimum commitment in the contract, less any discounts provided. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. Our contracts do not contain a significant financing component.

(iv) allocation of the transaction price to the performance obligations

If a contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, we allocate the transaction price using a relative standalone selling price, or SSP, allocation based on a point estimate of the SSPs of each performance obligation. We also consider if there are any additional material rights inherent in a contract, and if so, we allocate revenue to the material right as a performance obligation. We determine each SSP based on multiple factors, including past history of selling such performance obligations as standalone subscriptions and services. In cases where directly observable standalone sales are not available, such as when license and PCS are not sold on a standalone basis, we establish the SSP by considering the license and PCS provided within a bundle and by considering the historical selling price of performance obligations in similar transactions as well as other factors including but not limited to our pricing of similar subscriptions and services, other software vendors' pricing, other aspects of the performance obligations, and current pricing practices, which can require significant judgment and are subject to change based on continuous reevaluation. There is typically more than one SSP for individual subscriptions and services due to the stratification of subscription support tiers and services.

(v) recognition of revenue when we satisfy each performance obligation

We recognize revenue at the time the related performance obligation is satisfied, in an amount that reflects the consideration we expect to be entitled to in exchange for those subscriptions or services. We record revenue net of any withholding, value added, or sales tax, as well as any discounts or marketing development funds.

Subscription Revenue

Our subscription revenue includes revenue from Confluent Platform for licenses sold in conjunction with PCS. The license provides the right to access licensed proprietary software features, which represents significant standalone functionality and is therefore deemed a distinct performance obligation. License revenue is

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recognized at a point in time, upon delivery and transfer of control of the underlying license to the customer, which is typically the effective start date. Revenue from PCS is based on its continuous pattern of transfer to the customer and therefore is recognized ratably over the contract term.

Our subscription revenue also includes revenue from Confluent Cloud for our usage-based minimum commitment and pay-as-you-go offering, which is recognized in the period that the usage occurs based on the minimum amount that we expect to be entitled to per the terms of the contract, as distinct services are delivered over time with the same pattern of transfer to the customer. For contracts that are not usage-based, revenue from Confluent Cloud is recognized ratably over the non-cancelable contractual term of the arrangement, generally beginning on the date that the service is made available to the customer.

Services Revenue

Our services revenue includes revenue from professional services and education services, which are generally sold on a time-and-materials basis. We recognize the associated revenue as services are delivered.

Deferred Contract Acquisition Costs

Sales commissions and related costs earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts, including incremental sales to existing customers, are deferred and then amortized over an estimated period of benefit, which we have determined to be five years. To determine the period of benefit, we consider our technology development cycle, the cadence of software releases, the nature of our customer contracts, the duration of customer relationships, and the expected renewal period. Sales commissions for renewal contracts (which are not considered commensurate with sales commissions for new revenue contracts and incremental sales to existing customers) are deferred and then amortized over the renewal contract term. Amortization of deferred contract acquisition costs are included in sales and marketing expenses in the consolidated statements of operations. We periodically review the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs.

Stock-Based Compensation

We record stock-based compensation expense in connection with options granted to employees and non-employees based on the fair value of the awards granted. The fair value of each stock option is estimated on the grant date using the Black-Scholes option-pricing model. For options that vest based only on continuous service, stock-based compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of four years. We also grant certain options that have both a service-based and a performance-based vesting condition. Stock-based compensation expense for such awards is recognized using the accelerated attribution method over the requisite service period when it is probable the performance-based vesting condition will be achieved. The performance-based vesting condition is satisfied upon the sale of our common stock in a firm commitment underwritten public offering. If an award contains a provision whereby vesting is accelerated upon a change in control, we recognize stock-based compensation expense on a straight-line basis, as a change in control is considered to be outside of our control and is not considered probable until it occurs. Forfeitures are accounted for as they occur.

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

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These assumptions are estimated as follows:

- *Fair value of the underlying common stock.* Because our common stock is not yet publicly traded, we must estimate the fair value of common stock, as discussed in the section titled “—Common Stock Valuations” below.
- *Expected term.* We determine the expected term for stock options that have only service-based vesting conditions based on the period the stock options are expected to be outstanding using the simplified method, calculated as the average of the time-to-vesting and the contractual life of the options. For other option grants, we estimate the expected term using historical data on employee exercises and post-vesting employment termination behavior, considering the contractual life of the award.
- *Expected volatility.* Since we do not have a trading history of our common stock, we derive the expected volatility at the grant date from the average historical volatilities of public companies within our industry over a period equal to the expected term of the options.
- *Risk-free interest rate.* We use the implied yield available on U.S. Treasury zero-coupon notes with maturities equivalent to the option’s expected term.
- *Expected dividend yield.* We utilize a dividend yield of zero, as we do not currently issue dividends, nor do we expect to do so in the future.

The following table summarizes the weighted-average assumptions used to estimate the fair value of stock options granted during the periods presented:

	Year Ended December 31,	
	2019	2020
Expected term (in years)	6.04	6.17
Expected volatility	59.0%	68.3%
Risk-free interest rate	1.8%	0.5%
Expected dividend yield	0%	0%

Common Stock Valuations

The fair value of the common stock underlying our stock-based awards has historically been determined by our board of directors, with input from management and contemporaneous independent third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. Given the absence of a public trading market of our common stock, and in accordance with the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of our common stock at each grant date. These factors include:

- the prices, rights, preferences, and privileges of our redeemable convertible preferred stock relative to those of our common stock;
- the prices paid for common or redeemable convertible preferred stock sold to third-party investors by us and prices paid in tender offers or secondary transactions;
- lack of marketability of our common stock;
- our operating and financial performance;
- current business conditions and projections;
- hiring of key personnel and the experience of our management;
- the history of the company and the introduction of new products;

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- our stage of development;
- likelihood of achieving a liquidity event, such as an initial public offering, a merger, or acquisition of our company given prevailing market conditions;
- the market performance of comparable publicly traded companies; and
- U.S. and global capital market conditions.

The fair value of our common stock was determined using various valuation methods, including a combination of the income and market approach. The income approach estimates value based on the expectation of future cash flows that we will generate. These future cash flows are discounted to their present values using a discount rate that is derived from an analysis of the cost of capital of comparable publicly traded companies in our industry or those with similar business operations and is adjusted to reflect the risks inherent in our cash flows. The market approach estimates value based on a comparison of our company to comparable public companies in a similar line of business. From the comparable companies, a representative market value multiple is determined and then applied to our financial forecasts to estimate the value of our company.

For each valuation, the fair value, or equity value, of our business determined by the income and market approaches was then allocated to the common stock using either the option-pricing method, or OPM, or a hybrid of the probability-weighted expected return method, or PWERM, and OPM methods. Our valuations prior to December 31, 2020 were allocated based on the OPM. Beginning December 31, 2020, our valuations were allocated based on a hybrid method of the PWERM and the OPM.

Application of these approaches and methodologies involves the use of estimates, judgments, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, and future cash flows, discount rates, market multiples, the selection of comparable public companies, and the probability of and timing associated with possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations and may have a material impact on the valuation of our common stock.

For valuations after the closing of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant.

Based on the assumed initial public offering price per share of \$ _____, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, the aggregate intrinsic value of our outstanding stock options as of December 31, 2020 was \$ _____ million, with \$ _____ million related to vested stock options.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this prospectus for recently adopted accounting pronouncements and accounting pronouncements not yet adopted.

JOBS Act Accounting Election

We are an emerging growth company, as defined in the JOBS Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of certain accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out

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of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

BUSINESS

Overview

Confluent is on a mission to set data in motion. We have pioneered a new category of data infrastructure designed to connect all the applications, systems, and data layers of a company around a real-time central nervous system. This new data infrastructure software has emerged as one of the most strategic parts of the next-generation technology stack, and using this stack to harness data in motion is critical to the success of modern companies as they strive to compete and win in the digital-first world.

Our way of life has shifted to a digital-first paradigm, and the digital realm has become the new competitive battlefield in the global economy. In order to compete and win in today's world, organizations must continually innovate on software systems that are increasingly critical to how they do business.

Being digital-first is not just a matter of adding an application or automating an existing process. It is an end-to-end reimagining of business. It means creating rich, digital front-end customer experiences as a primary way of interacting with customers. It means transitioning to real-time, software-driven back-end operations as a business. In retail, this is the difference between accurate inventory tracking across multiple channels to ensure a consumer can have an up-to-date snapshot of what is actually in-store, versus leaving a consumer disappointed on arrival when the product that they thought was available is out-of-stock. In manufacturing, this is the difference between harnessing a real-time flow of data from IoT sensors to deliver predictive maintenance and reduce downtime, versus episodic, manual inspections of equipment.

This is a matter of life or death for companies. Tech disruptors are delivering rich, digital customer experiences and setting the standard for customer expectations. Businesses in every industry are in full mobilization to rebuild their businesses around the new experiences made possible with software and data. Organizations that get it right can experience stronger growth and improved customer loyalty and gain significant competitive advantage. Conversely, organizations that fail to deliver a real-time customer experience that is intuitive, informed, and reliable can expect frustration, dissatisfaction, and churn.

These innovations in front-end customer experiences and back-end business operations reflect a larger technology trend—the fundamental shift in the role of software in the modern organization. Today, software is no longer simply used as a set of applications to increase employee productivity (such as email and expense reporting). Instead, software is directly orchestrating customer experiences and operations that run the business. It is not just that companies are using more software—in a very real sense, they are actually *becoming* software.

Several waves of technology innovation have driven this changing role of software. Cloud has re-imagined infrastructure as code, making it easier than ever for developers to build applications. Mobile has extended enormous amounts of computing power to fit in the palms of our hands, making usage of technology ubiquitous in our lives. Meanwhile, machine learning is extending the scope and role of software to new domains and processes.

However, in order to complete this transition, another fundamental wave is required. The operation of the business needs to happen in real-time and cut across infrastructure silos. Organizations can no longer have disconnected applications around the edges of their business with piles of data stored and siloed in separate databases. These sources of data need to integrate in real-time in order to be relevant, and applications need to be able to react continuously to everything happening in the business as it occurs. To accomplish this, businesses need data infrastructure that provides connectivity across the entire organization with real-time flow and processing of data, and the ability to build applications that react and respond to that data flow. As companies increasingly *become* software, they need a central nervous system that connects all of their disparate software systems, unifying their business and enabling them to react intelligently in real-time.

Because of this, we believe that it is no longer enough for an organization to innovate based on the current paradigm of capturing data, storing it, and then querying or analyzing it. Organizations need a strategy, and a

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foundational data platform, to operate their business in real-time based on data as it is being generated in the moment. This idea of “data in motion” is at least as critical to the operations of a company as “data at rest,” and we believe the new generation of winning organizations will be defined by their ability to take action on it.

Traditional database technologies were not designed for data in motion, but architected for stored data at rest. Despite significant developments in the scalability and speed of analysis in both traditional and more modern databases (such as NoSQL, time-series, and graph databases), they remain limited to data-at-rest use cases and cannot harness data in motion. The leading open source offering for data in motion, Apache Kafka, was originally created by our founders at LinkedIn in 2011 and brought to the mainstream a new paradigm of data processing. However, this was only the beginning. Confluent was founded to create a product that could make data in motion the central nervous system of every company in the world.

Confluent is pioneering this fundamentally new category. Our offering is designed to act as the nexus of real-time data, from every source, allowing it to stream across the organization and enabling applications to harness it to power real-time customer experiences and data-driven business operations. Our offering can be deployed either as a fully-managed, cloud-native SaaS offering available on all major cloud providers or an enterprise-ready, self-managed software offering. Our cloud-native offering works across multi-cloud and hybrid infrastructures, delivering massive scalability, elasticity, security, and global interconnectedness, enabling agile development.

Our open source roots are a key driver of our go-to-market success. Apache Kafka has become the industry standard for data in motion. It is one of the most successful open source projects, estimated to have been used by over 70% of the Fortune 500. Modern applications are expected to integrate with Apache Kafka, and the technical skill set for Kafka has become a critical requirement in the industry. Confluent’s products provide the capabilities of Apache Kafka but do so on a platform built for the cloud, complemented by connectivity to the larger enterprise, and with the ability to process and govern at scale. The developer community understands the benefits of a complete platform for data in motion. Consequently, software developers within our prospective customers’ engineering or IT departments are often very familiar with our underlying technology and value proposition and evangelize on our behalf.

Confluent has built an operationalized customer journey focused on data in motion that ties together product features, go-to-market efforts, and customer success capabilities, and helps take customers from their initial experiments with the technology to organization-wide adoption as one of their most critical data platforms. This starts by landing use cases in a high volume, low-friction manner while projects are still being conceived and the architecture of the solution is being designed. Awareness and use of our offering begin even before our sales efforts, given the widespread adoption of Apache Kafka by developers and the self-service adoption made possible with our cloud product and community downloads. Our enterprise sales force takes these initial engagements and helps users progress to production use cases and paying customers either on a pay-as-you-go model or with a committed contract. Once customers see the benefits of our product for their initial use cases, they often expand into other use cases and lines of business, divisions, and geographies. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers on this journey. This expansion is helped by a natural network effect in which the value of our platform to a customer increases as more use cases are adopted, more applications and systems are connected, and more data is added. Over time, by enabling data in motion across the organization, Confluent can become the central nervous system for their entire organization, allowing data to be captured and processed as it is generated in real-time across hundreds of teams, systems, and applications throughout the company. This expansion effect is reflected by our dollar-based net retention rate in 2019 and 2020 of 134% and 125%, respectively.

Our business has experienced rapid growth around the world. As of December 31, 2020, we had 513 customers with \$100,000 or greater in ARR across a wide range of industries, compared to 337 such customers as of December 31, 2019, representing year-over-year growth of 52%. As of December 31, 2020, we had 56

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customers with \$1.0 million or greater in ARR, compared to 27 such customers as of December 31, 2019, representing year-over-year growth of 107%. Our revenue was \$149.8 million and \$236.6 million in 2019 and 2020, respectively, representing year-over-year growth of 58%. Our Confluent Cloud revenue was \$14.4 million and \$31.4 million in 2019 and 2020, respectively, representing year-over-year growth of 117%, with an immaterial portion of such revenue derived from pay-as-you-go arrangements. Our Confluent Platform revenue was \$115.8 million and \$177.2 million in 2019 and 2020, respectively, representing year-over-year growth of 53%. In 2020, revenue from outside the United States accounted for 34% of our total revenue. In 2019 and 2020, we incurred operating losses of \$98.1 million and \$233.2 million, respectively, and our net loss was \$95.0 million and \$229.8 million, respectively. As of December 31, 2020, we had an accumulated deficit of \$406.1 million.

Industry Background

Important industry and technology trends are fueling the rise of data in motion and are important tailwinds for our business, including:

- ***Businesses Are Evolving from Using Software to Becoming Software.*** Software is no longer simply used as a set of applications to increase employee productivity in an organization (such as email and expense reporting). Instead, software is directly orchestrating the customer experiences and operations that run the business. It is not just that companies are using more software—in a very real sense, they are actually *becoming* software. For example, a mobile application can serve as the entire customer interface to a global multi-billion dollar ecommerce business. A consumer loan process can be architected from application to approval in a fully automated manner, replacing the existing manual process with software throughout and providing loan approvals in minutes rather than weeks. To enable this level of automation and efficiency, legacy approaches require numerous point-to-point processes to be built through applications and microservices interacting with one another, increasing the complexity of data flow in an organization. Businesses need modern approaches that efficiently and seamlessly connect all types of data and applications at scale, and also process that data continuously as it moves.
- ***Rich and Personalized Experiences Based on Real-Time Data Are the New Imperative.*** With nearly every aspect of life becoming digital, companies and consumers expect digital experiences to be highly available, responsive, and personalized. Historically, running a business on yesterday's data was sufficient to succeed. Today, being unable to respond to customer demand or being even minutes late to integrate current business data can result in customer frustration and business risk. With real-time data, a grocery-delivery company experiencing a sudden surge in demand can immediately access real-time stock inventory data to suggest alternative products instantly, while at the same time providing constantly updated delivery times to the consumer. A retailer can now curate highly personalized clothing recommendations built on machine learning algorithms to connect millions of customers instantly with perfect clothes across brands, styles, and sizes. The result is a truly differentiated customer experience, where a customer can benefit from the expertise and learnings developed over millions of shopping transactions in real time.
- ***Data-Driven Back-End Operations Are Driving Efficiency and Speed.*** The software powering the back-end operations of business has traditionally been slow, batch oriented, and lacking intelligence. Organizations need to be able to use data in motion to get ahead of issues, react to data as it is generated, and be proactive rather than reactive to future events. For example, car manufacturers can collect sensor data in real time from their production lines, use them to develop machine learning models for predictive maintenance as well as production quality optimization, improving efficiency and safety of the operations. Credit card companies equally need to harness data to block fraudulent transactions in the moment, and immediately notify users of suspicious activity. Core to any solution to accomplish those goals is capturing the massive volumes of data being generated by systems across the organization and analyzing the data while it is in motion. The new generation of winning companies will be defined by how well they leverage data in motion to operate their business in real-time.

- **Machine Learning Applications Require Increasing Amounts of Data at All Times.** Machine learning applications have become an important aspect of competitive differentiation for organizations across industries. Through sophisticated algorithms and large volumes of data, machine learning can uncover insights at a speed and scale far beyond traditional means. The fuel for machine learning is data, but relying on static data at rest can be a significant disadvantage. Today, many of the most powerful insights delivered by machine learning applications and systems depend on massive and continuous volumes of data in motion being processed, connected, and analyzed all at once. For example, a global brand can build and deploy machine learning models to forecast product demand for thousands of product lines at hundreds of geographical locations, and can deliver these predictions and make adjustments in real-time by harnessing data in motion from social media, company websites, and internal applications. Data in motion can deliver a significant advantage to machine learning models and deliver greater actionable insights and recommendations.
- **IoT Is Becoming Ubiquitous.** The growth of IoT and connected sensors is a significant driver of the exponential growth in the volume of data being generated worldwide. Whether through self-driving vehicles, fully connected manufacturing plants, or IoT-enabled medical devices, entire industries are being up-ended by the impact of real-time data being generated from these devices. According to IDC, by 2025 there will be 55.7 billion connected devices worldwide, 75% of which will be connected to an IoT platform. Data generated from connected IoT devices are projected to be 73.1 zettabytes by 2025, almost four times the 18.3 zettabytes generated in 2019. To capture this massive volume of real-time data and build solutions that deliver transformative impact, enterprises need a new foundational data infrastructure designed for data in motion.
- **Proliferation of Microservices Creates an Exponential Increase in Connectivity.** Enterprises are modularizing applications into smaller components through microservices, increasing the complexity of data flow. As applications and microservices have increased in popularity, traditional approaches to microservices have led to an exponential increase in complexity as point-to-point connectivity is needed between every new data store, data warehouse, and application. With this complexity comes even greater delays, unacceptable to the modern enterprise looking to connect all types of data and applications in a seamless fashion.
- **Organizations Are Rapidly Modernizing their Infrastructure to Be Cloud-First and Multi-Cloud.** Organizations across the globe are shifting increasing proportions of their workloads and infrastructure to the cloud. According to IDC, the global public cloud services market is expected to increase from \$292 billion to \$628 billion, from 2020 to 2024, respectively. According to a recent Gartner cloud adoption survey, more than 75% of organizations are using a multi-cloud adoption model.⁵ We believe that companies will adopt a multi-cloud strategy to avoid vendor lock on their cloud adoption journey. The transition to the cloud creates opportunities for companies to reconsider their foundational data architecture, and core to this is ensuring they can harness data in motion to deliver for modern business requirements. The value of cloud-native, fully-managed enterprise SaaS offerings becomes even more important in a cloud-first world where enterprises want to leverage the cloud to focus on delivering applications instead of managing infrastructure.
- **The Movement to the Cloud Has Just Begun and the World Will Continue to Be Hybrid.** According to IDC, despite the fast growth in the global cloud computing market, over the past five years, only 17% of the system infrastructure software spend has been made up of spend from public cloud services. Many organizations continue to have massive on-premises deployments. The result is a bifurcated data storage environment with some data stored on-premise and across private clouds and the rest distributed on a variety of public clouds, with data moving between them all. This requires data infrastructure solutions that can support and connect data and applications across both on-premise and cloud environments to give enterprises the ability to deliver consistent customer experiences and improve data-driven business operations regardless of the environment.

⁵ Source: Gartner, *Competitive Landscape: Cloud Service Brokerage 2020*, October 2020.

Traditional Data Infrastructure Is Not Designed for Data in Motion

The traditional approach to how applications are built and deployed has been to pair applications with a database which stores data that is then retrieved by the applications periodically.

This database-centric approach is common in data warehouses and relational and NoSQL databases. Databases grew out of a heritage of data *storage*. They manage a repository of stored data and allow an application to access that point-in-time dataset on demand through querying. They are, in short, a platform designed for managing *data at rest*. Although there are countless flavors of databases, and they comprise a category worth over \$94 billion in annual spend, all databases are rooted in the paradigm of data at rest and share the resulting limitations.

Databases remain an important category but are no longer sufficient as the central data platform in a company.

The systems that carry out the operation of the business and deliver customer experiences must be integrated and real-time. They must cut across infrastructure silos and continually react, respond, and adapt to an ever-evolving business as events unfold. To accomplish this, data infrastructure must support continuous flows of data from across the organization and enable the building of applications that react, process, and respond to that flow of data in real-time. In other words, to address these challenges, companies need a data platform built for data in motion.

This is a fundamental paradigm shift and cuts to the heart of how we think about data and architect applications. Data in motion is not just a missing feature in databases, it is a bottoms-up rethinking of the computer science underlying data systems.

At their core, databases are designed to bring queries to stored data at rest. The challenge with this construct is that when asked to handle data in motion, the whole paradigm crumbles. Traditional databases allow processing only at a point in time and compute an answer which is immediately out of date as the business continues to evolve around it. Building systems using only the infrastructure for data at rest means businesses must build separate point-to-point connections for every system that needs to be connected, resulting in an overwhelming proliferation of point-to-point connections. This results in an “n-squared” problem as every new system needs to separately connect to every existing system and forces companies to resort to periodic data dumps and “batch” processing. Databases are simply too slow to serve the real-time nature of modern customer experiences and operational needs.

Data in motion flips this design 180 degrees. Rather than bringing queries to data at rest, our platform is architected to stream data in motion through the query. This continuous stream makes the data always available and is what fundamentally enables companies to tap into flows of data being generated anywhere in the company and continually process it.

Our Solution

Confluent is pioneering a fundamentally new category of data infrastructure focused on data in motion for developers and enterprises alike. In order for enterprises to deliver rich customer experiences, it is critical for all of their business functions, departments, teams, applications, and data stores to have complete connectivity, be thoroughly integrated, and be able to analyze data as it is generated. Confluent is designed to be this intelligent connective tissue by having real-time data from multiple sources constantly streamed across an enterprise for real-time analysis.

Our offering enables organizations to deploy production-ready applications that run across cloud infrastructures and data centers, and scales elastically, with enhanced features for security and compliance. Our

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platform provides the capabilities to fill the structural, operational, and engineering gap that is required for businesses to fully realize the power of data in motion. We enable software developers to easily build their initial applications to harness data in motion, and enable large, complex enterprises to make data in motion core to everything they do. As organizations mature in their adoption cycle, we enable them to build more and more applications that take advantage of data in motion. The results have a dual effect: businesses continuously improve their ability to provide better customer experiences and concurrently drive data-driven business operations. We believe that, over time, Confluent can become the central nervous system for modern digital enterprises, providing ubiquitous real-time connectivity and powering real-time applications across the enterprise.

Confluent's solution can be deployed either as a fully-managed cloud-native SaaS offering available on-demand, Confluent Cloud, or an enterprise-ready, self-managed software offering, Confluent Platform.

A high-performance, low-latency infrastructure for harnessing data in motion requires operating wherever a customer's applications and systems reside. Customers with applications in a particular cloud would use Confluent Cloud in that cloud provider and region. Customers with applications on premises, or on a private cloud, would use Confluent Platform in that data center. Customers with both on premises and cloud, or even multiple clouds, need Confluent in each of these environments. Together, these solutions can act as one unified fabric for data streams that connect all of these customer environments.

Our solution has three differentiated elements:

- **Cloud-Native.** Confluent offers true cloud functionality for data in motion. We offer a fully-managed, cloud-native service that is massively scalable, elastic, secure, and globally interconnected, enabling agile development. This is a completely different experience than what would result from taking on premise software and simply offering it on cloud virtual machines, which are virtualized environments that mimic the behavior of an on-premise experience in the cloud. It requires a feature set to enable elasticity and scalability that cuts right to the heart of the design of data systems. We had to completely re-architect the technologies underlying data in motion, including Apache Kafka, for the cloud to make a truly cloud-native offering. We offer a high-velocity, frictionless pay-as-you-go model, allowing developers to easily set up, experience, and see the value of Confluent while only being billed for what is used. The combination of these capabilities and features creates a compelling and simple solution for developers looking to build upon data in motion in the cloud and for enterprises looking for a secured, governed enterprise solution. With Confluent, developers and enterprises alike can focus on their applications and drive value without worrying about the operational overhead of managing data infrastructure.
- **Complete.** We created a complete platform for data in motion, by leveraging capabilities from open source Apache Kafka with our significant proprietary capabilities. Our technology moves and processes data concurrently, with specific tools such as ksqlDB, a native data-in-motion database that allows users to build data-in-motion applications using just a few SQL statements, as well as over 100 connectors. Our robust capabilities dramatically enhance developer productivity, increase ease of operations, and provide enterprise-level security, governance, resilience, and expertise in a complete platform, providing significant benefits over companies trying to build these complex features on their own.
- **Everywhere.** We have built a truly hybrid and multi-cloud offering. We can support customers in their cloud and multi-cloud environments, on-premises, or a combination of both. From early on, we recognized that the journey to the cloud is not overnight or simple, and in order for our customers to effectively digitally transform, they require a fundamental platform for data in motion that can integrate seamlessly across their entire technology environment. We offer this essential capability and enable organizations to seamlessly leverage data in motion across their public cloud, private cloud, and data center environments, ensuring total connectivity throughout an organization. For enterprises that are increasingly expanding internationally, Confluent's multi-cloud support also enables organizations

to leverage data in motion across multiple data centers and providers, stretched around the world. For enterprises that want to be hybrid cloud, we are able to extract information from the entirety of their infrastructure, allowing us to act as the bridge that unites legacy systems in older environments with modern applications in the cloud. This ability to let customers embrace the new without having to fully replace everything that is old is a critical point of differentiation and a critical element in the cloud adoption strategy of many of our customers.

Confluent Is Becoming the Central Nervous System of Organizations

As Confluent grows within an organization, the network effects we generate create even more value to the organization as a whole. By fundamentally re-architecting how data flows, we are able to replace complexity with simplicity, delays with real-time, and disparate data with a unified view across the modern enterprise software stack.

Most organizations start off with a complex mess of point-to-point connections between their applications, databases, and data warehouses. This is unavoidable when data is primarily at rest, held in storage across the organization, and requiring these connections to be built. Adopting a new technology to connect this mess would be prohibitively slow if there were not an underlying force driving this change. Fortunately, our platform has a unique network effect that helps speed its adoption. The first application that utilizes our platform generally does so for the capabilities in harnessing data in motion. In doing so, it brings into the platform the data streams needed for its usage. However, although these data streams are brought for one application, they are usable by all future applications and bring value to the entire ecosystem. As a result, future applications can connect to the platform to access these data streams, bringing with them their own data streams. As a result, there is a clear virtuous cycle: applications bring data streams, which in turn attract more applications.

As customers expand with our foundational platform, we set more and more data in motion across the organization and replace the various point-to-point connections with our complete platform. This means data can intelligently be made available in real-time to more and more of the organization as applications connect to a single platform. We are able to hold a highly strategic position to create greater value to existing applications and databases as data in motion across the entire organization begins to flow, be directed, and be processed through Confluent. We believe that this eventually leads to Confluent becoming the central nervous system of an organization, allowing data to be captured and processed as it is generated around the whole organization, enabling organizations to react intelligently in real-time.

Key Benefits to Our Customers

Our platform delivers the following key business benefits to our customers:

- ***Ability to Deliver Rich Customer Experiences and Data-Driven Business Operations.*** The world is increasingly demanding applications that are responsive in real time to data in motion. By harnessing the power of data in motion, our customers can deliver differentiated customer experiences, such as suggesting the next show to watch in real time or providing live information on the status of a grocery order. Enterprises can also enable data-driven operations such as real-time, preventive maintenance, IoT analytics, and diagnostics.
- ***Accelerated Time-to-Market.*** Speed is essential for our customers, as they seek to disrupt established industries or innovate to fend off emerging disruptors. Our fully-managed cloud-native service enables our customers to start developing instantly, without any internal or external operational barriers. And, with the ability to pay-as-you-go, our customers can begin using Confluent without commitment or delay from internal procurement processes. Furthermore, our offering comes with a rich, pre-built ecosystem, making it simple, quick and efficient to integrate Confluent into the enterprise. This enables greater engineering organization efficiency and an accelerated time-to-market.

- **Reduced Total Cost of Ownership.** Confluent significantly reduces the operational barriers and costs associated with shifting to a data-in-motion architecture. Coupled with accelerated time to market, our customers benefit from both reduction in total cost of ownership as well as rapid ROI.
- **Freedom of Choice.** Confluent is hybrid and multi-cloud compatible so customers can deploy on premises or in the cloud. We recognize that enterprises have their data stored in many places and that an effective solution must be able to connect to various data sources.
- **Mission Critical Security and Reliability.** Confluent has enterprise-grade security and governance capabilities to provide confidentiality of critical information. We enable mission-critical reliability and resiliency, allowing data persistence, dynamic backing up of data across replicated partitions, fault-tolerance, and automated client failover.
- **Robust Developer Community.** Apache Kafka has an extremely robust developer community. It is one of the most successful open source projects, with more than 60,000 meet-up members across over 200 global meetup groups, estimated to have been used by over 70% of the Fortune 500. Confluent continues to add to open source Apache Kafka and has helped build an ecosystem of contributors. This means that developers outside of Confluent are building connectors, more functionality, and deploying patches to Apache Kafka while Confluent continues to also add features both to Apache Kafka and to Confluent's proprietary offering. This leads to a positive feedback loop as it strengthens the Apache Kafka offering, attracting more developers, who in turn further strengthen Apache Kafka, which benefits us, as users see the benefit of a data-in-motion platform, and the wider Apache Kafka community. In addition, we make available many features that we have developed at Confluent under our Confluent Community License, which means developers can access, benefit from, and modify the source code for such features, further increasing our reach and mindshare in the developer community.

Competitive Strengths

Our competitive strengths include the following:

- **Our Founders Are the Original Creators of Apache Kafka.** Our founding team members are the original creators of Apache Kafka and worked on the underlying technology at LinkedIn, prior to founding our company. We are a significant contributor to the open source Apache Kafka platform, and our expertise in and experience with the technology are unrivaled. Apache Kafka has become the industry standard for the underlying technology to handle data in motion, and there is a robust developer ecosystem developing software and connectors to optimize working with Apache Kafka. We believe that our background and expertise in data in motion as a category will serve as a significant competitive advantage for us.
- **Our Business Model Protects Our Innovation and Fosters Our Developer Community.** We offer our software under licenses intended to protect our innovation. This includes our Confluent Community License and a traditional proprietary commercial license. Our Confluent Community License allows developers to access our source code to give them a chance to utilize some of our platform features, but explicitly restricts others, including cloud vendors, from taking this source code and using it to offer a competing SaaS offering. The result is that we benefit greatly from developer mindshare and adoption while also protecting our proprietary offering.
- **We Serve Leading Enterprises and Disruptive Innovators.** We started by enabling new forms of innovation for some of the most disruptive tech companies and have now become equally integral to the modern digital stack of large global enterprises. We serve a wide range of industries, including consumer and retail, financial services, industrial, transportation, healthcare, media and entertainment, telecommunications, gaming, and technology, among others. These companies and enterprises have exacting requirements that are mission-critical to their business success. They trust us and continue to expand their use of our platform into larger and more complex use cases as we become embedded in their modern digital stack. As of December 31, 2020, our customers included 124 of the Fortune 500 companies.

- ***We Benefit from Network Effects.*** Our business benefits from powerful network effects, which create accelerated demand for our offering and provide us with significant competitive advantages. Our deep technical expertise, coupled with our product capabilities and laser focus on customer outcomes, enable us to form strategic partnerships with our customers on this journey. Our customers typically start with an initial use case, see the benefits of our platform, then often expand into other use cases and lines of business, divisions, and geographies. This expansion often generates a natural network effect. As more use cases are adopted, more applications and systems become connected, which then leads to more data in motion being processed by our platform. Streams of data naturally attract more applications which brings even more streams of data which creates a virtuous expanding flywheel. This network effect increases value to both individual participants and the whole organization. Over time, we not only enable our customers to harness data in motion but can become the central nervous system for their entire organization, allowing data to be captured and processed by the whole organization as it is generated in real-time.
- ***End-to-End Approach to Go-To-Market Built for the Unique Customer Journey of Data in Motion.*** Data in motion has a unique customer adoption and expansion journey within organizations and our go-to-market mirrors this distinct journey. The widespread adoption of Apache Kafka by developers, and the self-service adoption possible with our cloud product and community downloads, ensure that awareness, mindshare, and adoption begin as new applications are conceived, often long before our sales efforts begin. Our enterprise sales force takes these many initial engagements and helps them progress to production use cases and paying customers with a committed contract. We then drive expansion across the company and help the platform transition from serving individual disconnected projects to being used as a cross-enterprise platform. We believe our expertise is vital to companies who wish to successfully navigate this transition as they reorient their business for data in motion.

Our approach to supporting this end-to-end customer journey is a significant competitive moat for us. Legacy technology vendors cannot easily rebuild their go-to-market to support high volume, low-friction open source and SaaS lands. Startup companies cannot muster the full spectrum of go-to-market tactics and resources needed to support this journey or the heavy investment in customer success required to take customers to scale. Even though large cloud providers have broad go-to-market capabilities, these capabilities are generally focused on the broader transition to the cloud addressing hundreds of products and services. We believe they take a broad but shallow approach that is not built to focus and support the specifics of the data-in-motion customer adoption journey and cannot easily be repurposed without a larger remaking of their go-to-market strategy.

- ***We Have Deep Technology Expertise Focused on Data in Motion.*** Unlike the vast swath of databases which are built to harness the value of data at rest, our offering is built to harness the value of data in motion. Our construct of streaming data through queries, rather than bringing queries to stored data, enables us to offer differentiated value from other forms of data infrastructure. We leveraged our technical expertise to provide a cloud-native offering, building additional technologies to create a complete platform, and enabling it to work across both cloud and on-premises environments at scale. Our cloud-native service is differentiated from other providers who simply try to deliver their offering in the cloud as a partially-managed service. We have built deep proprietary technology designed to enable data in motion, from the most complex enterprise to the individual developer.
- ***Mission-Oriented Values and Team.*** Our most important asset is our people. As Confluent continues to evolve and grow, we strive to have our core values remain constant. We are obsessive about the user experience and focused on earning our customers' love by solving backwards from a fantastic customer experience to arrive at the right solution. Our people are empathetic towards our customers, partners, and each other. We strive to have a team-first mindset and foster an environment where each employee feels valued and respected.

Our Market Opportunity

Confluent is well-positioned to succeed in the large and growing market for data infrastructure. Unlike existing databases, integration tools, application infrastructure and middleware that can only harness data at rest, our technology can harness the value of data in motion. As a result, we are deeply valued by our customers and the broader developer community. We have intentionally built our technology to support both cloud and on-premises environments because enterprises today are in different stages of their journey to the cloud. This strategy has positioned us to be able to serve every type of company, in every industry, and in every geography.

Today, we believe our product roadmap targets each of the following four core Gartner-defined market segments: Application Infrastructure & Middleware, Database Management Systems, Data Integration Tools and Data Quality Tools,⁶ and Analytics and Business Intelligence.⁷ According to Gartner's 2021 estimates, the aggregate of these four markets represents a total market size of approximately \$149 billion. We estimate that we serve approximately \$50 billion of this total market today, broken down as approximately \$31 billion in Application Infrastructure & Middleware (excluding Full Life Cycle API Management, BPM Suites, TPM, RPA, and DXPs), \$7 billion in Database Management Systems (excluding Prerelational-era DBMS), \$7 billion in Analytics and Business Intelligence (excluding Traditional BI Platforms), and \$4 billion in Data Integration Tools and Data Quality Tools (excluding other Data Integration Software). Based upon the above Gartner data and Gartner's estimates for 2024 total market size in these four segments, we have estimated that our total market opportunity will increase to \$91 billion in these four market segments by 2024, representing a 22% compounded annual growth rate⁸. We believe our strategic investments in cloud and building out specific product features across our platform will drive our three-year market size growth. Additionally, we believe that as more enterprises focus on data in motion, build streaming applications, and mature in their journey to adopting the cloud, these will serve as additional tailwinds supporting our estimated market opportunity and ability to gain additional market share in the future.

Our Growth Strategy

We are pursuing our substantial market opportunity with growth strategies that include:

- **Easy and Frictionless Land with Cloud Pay-As-You-Go.** Due to the cloud-native nature of Confluent Cloud, we are able to acquire new customers through a seamless and frictionless self-service motion. Customers can get started via our free cloud trial and easily convert online to become paying customers. Our cloud-native capabilities allow us to land customers at low entry points, with no commitment, and seamlessly expand via increased usage. We will continue to leverage our cloud-native differentiation to create an easy buying motion and drive our growth.
- **Continue our Focus on Customer Centric Go-To-Market Motion.** Our integrated go-to-market motion is designed to drive business growth by mapping the customer journey from initial interest, to pilot, to first production project, to an integrated platform across the enterprise. We intend to develop our strategy of garnering customer signups, converting to paid customers, expanding through additional use cases and rapidly delivering customer value. We will continue to offer a range of services and training offerings, partnering with our customers to increase the value they realize from our solution and thereby increase their consumption of our offering.
- **Enterprise-Wide Expansion via Solutions Selling.** After acquiring a new customer, we seek to grow our footprint by solving additional use cases for that customer. Since we are a fundamental data infrastructure platform, the use cases we can address are wide-ranging, from industry-specific use cases such as real-time fraud detection for financial services and real-time customer insights for a retailer, to industry-agnostic use cases such as accelerating cloud migration or enabling microservices. We enjoy a powerful

⁶ Source: Gartner, *Forecast: Enterprise Infrastructure Software, Worldwide, 2018-2024, 4Q20 Update*, December 2020.

⁷ Source: Gartner, *Forecast: Enterprise Application Software, Worldwide, 2018-2024, 4Q20 Update*, December 2020.

⁸ Calculations performed by Confluent.

network effect as we enter organizations; once one application is connected to Confluent, our customers often connect other applications to that first application, which can result in a flywheel where Confluent can permeate the enterprise. We believe Confluent can become the central nervous system of modern enterprises at scale. Our dollar-based net retention rate of 125%, as of December 31, 2020, reflects our ability to rapidly demonstrate our value and address a vast array of use cases for our customers.

- **Extend our Product Leadership and Innovation.** We pioneered the category of harnessing the power of data in motion and are committed to innovating to extend our product leadership. We will continue to build out our platform, add more capabilities, build more applications, and invest in developing technology that increases developer productivity and promotes rapid customer success. From ksqlDB, which is a native data-in-motion database that allows users to build data-in-motion applications using just a few SQL statements, to Project Metamorphosis, where we delivered critical new cloud-native product features and capabilities every month from May 2020 to December 2020, we have continued to innovate and make it easier for any organization to harness data in motion.
- **Continue to Invest in the Open Source Community.** Our open source roots provide a large pool of targeted developers and enterprises who are interested in or have already adopted open source Apache Kafka. These developers are readily able to use and benefit from our cloud-native service or enterprise-ready software. We will continue to invest in delivering features to open source Apache Kafka in order to continue adding value to the Apache Kafka community, maintain our leadership standing in the new data-in-motion paradigm, and ensure that the open source benefits to our business continue.
- **Grow and Harness our Partner Ecosystem.** We have built a powerful partner ecosystem encompassing the major cloud providers, global and regional systems integrators, and ISVs. Our partners include Accenture, AWS, Microsoft, GCP, IBM, MongoDB, Elastic, and Snowflake. We intend to continue to invest in these relationships and build further partnerships to ensure our software is widely sold, distributed, and supported.
- **Expand Internationally.** We believe markets outside of the United States present a significant opportunity for additional growth of our business. During 2020, our international revenue represented 34% of our total revenue. We expect to continue to make significant investments to support our growth in our existing international markets and in penetrating additional international markets.
- **Expand the Scope of our Platform with ksqlDB and Other Investments.** We believe that the rise of real-time stream processing of data in motion is still in the early stages of adoption. Our investment in ksqlDB positions us to succeed in this emerging area as it gains adoption with customers. This adoption is expected to lead to significant displacement of batch data processing on traditional databases and a corresponding shift in spend to data in motion technologies, such as Confluent. We believe our investment in ksqlDB positions us to capture this shift and use it to fuel further growth.
- **Grow Further Use Cases Up-The-Stack Leveraging our Strategic Position for Data in Motion.** Data in motion is a disruptive new platform technology, and as such there are countless use-case focused opportunities up the stack. As we grow into our role as a central nervous system within companies, we believe we have an incredibly strategic position from which to grow into use-case specific adjacencies that apply data in motion. We see the potential for broad, cross-industry customer adoption of use cases around machine learning, IoT, data integration, real-time analytics, real-time logistics, customer data unification, cloud migration, microservices, data sharing, as well as countless others. We believe we are strategically positioned to understand what these use cases are when reimagined around data in motion and to partner and/or build pre-packaged solutions purpose-built for these use cases.

Our Product Offering

Our software offering provides a complete solution for working with data in motion, including the ability to read, write, store, capture, validate, secure, and process continuous streams of data. It also has features designed to fulfill the requirements of modern cloud infrastructure: it is a modern distributed system built to be secure,

fault tolerant, and scalable elastically from a single application to hundreds or thousands of applications within an organization. Our software can be consumed in two ways, Confluent Cloud and Confluent Platform, that our customers can leverage independently or together. Regardless of where our customers have their technology environments, we are able to deliver an integrated platform for data in motion that can become their central nervous system.

- **Confluent Cloud is our fully-managed cloud-native offering**, available on all of the major cloud providers (AWS, GCP, and Microsoft Azure). Confluent Cloud is offered to our customers via a pay-as-you-go model with no commitment, or via an annual, or multi-year, subscription model where customers draw down upon a committed dollar amount. Key attributes of Confluent Cloud include:
 - *Serverless*. Confluent Cloud offers self-serve provisioning with no complex cluster sizing, zero downtime, upgrades and bug fixes, elastic scaling, and the ability for customers to pay only for what they actually use.
 - *Complete*. Confluent Cloud offers data compatibility with fully-managed Schema Registry, rapid development through fully-managed connectors, real-time processing with fully-managed ksqlDB, virtually infinite data retention, and committer-led support with contractual response times of 60 minutes or less for severe-impact issues.
 - *Flexible*. Confluent Cloud offers the ability to build a persistent bridge from on-premises to cloud, and the ability to stream across public clouds for multi-cloud data pipelines.
 - *Highly Available*. Confluent Cloud offers a guaranteed 99.95% uptime SLA, ability to scale to 10s of GBps with dedicated capacity, ability to achieve sub 30ms latency at scale, and multi availability-zone (AZ) replication.
 - *Secure*. Confluent Cloud offers at-rest and in-transit data encryption, SAML/SSO for user authentication, private networking via VPC peering or AWS Transit Gateway, and monitoring visibility with topic- and cluster-level metrics.
- **Confluent Platform is our enterprise-grade self-managed software offering**, able to be deployed on-premises as well as across public and private cloud environments. Confluent Platform is offered to our customers via an annual or multi-year subscription. Key attributes of Confluent Platform include:
 - *Unrestricted Developer Productivity*. Confluent Platform offers developers the ability to build across multiple development languages, utilize a rich pre-built ecosystem of over 100 connectors, and benefit from a fully integrated data-in-motion database.
 - *Efficient Operations at Scale*. Confluent Platform enables our customers to minimize operational complexity while ensuring high performance and scalability.
 - *Production-Stage Prerequisites*. Confluent Platform offers foundational enterprise-level features needed to implement data in motion in production.
 - *Freedom of Choice*. Confluent Platform can be deployed on-premises or in public or hybrid cloud environments.

Our offering offers a full set of features and functionality to enable adoption of data in motion throughout an organization. Key features include:

- **Rich Pre-Built Ecosystem**
 - *Over 100 Pre-Built Connectors*. We develop and work with partners who develop enterprise-ready connectors to easily integrate data and build applications. Connectors are supported by either Confluent or our partners.
 - *ksqlDB*. ksqlDB is a database that unifies the processing of data in motion and data at rest. This enables customers to build applications that compute new stored data sets off continuous data streams or enrich data streams with stored data. It translates the near-universal SQL

interface of traditional databases to the world of data in motion, making it accessible for the vast majority of software developers with minimal learning time.

- *Schema Registry*. Schema Registry is a central repository with a RESTful interface for developers to define standard schemas and register applications to enable compatibility.
- **Management, Monitoring, and Global Resilience**
 - *Confluent Control Center (C3)*. Offers a simple way to manage and monitor data in motion as it scales across the enterprise. Control Center is a web-based graphical user interface to understand the data-in-motion environment, meet SLAs, and control key components of the data-in-motion platform.
 - *Multi-Region Clusters*. Multi-Region Clusters automate disaster recovery, allowing customers to run a single cluster across multiple data centers and automate disaster recovery with operational simplicity.
- **Dynamic Performance and Elasticity**
 - *Self-Balancing Clusters*. Self-Balancing Clusters automate partition rebalances to optimize throughput, accelerate broker scaling, and reduce the operational burden of managing a large cluster. Partition rebalances are completed quickly and without any risk of human error.
 - *Tiered Storage*. Tiered Storage allows deployments to recognize two tiers of storage: local disks and cost-efficient object stores (Amazon S3 or GCP Storage). Brokers can offload older topic data to object storage, enabling virtually infinite retention.
 - *Scalability*. Confluent offers the ability to scale to trillions of events as well as scale across business units in order to become an enterprise standard.
- **Enterprise-Grade Security**
 - *Structured Audit Logs*. Structured Audit Logs capture authorization logs in a set of dedicated topics, on a local or a remote cluster.
 - *Role-based Access Control (RBAC)*. RBAC is a centralized implementation for secure access to resources with fine-tuned granularity and platform-wide standardization. Customers can control permissions by users/groups to clusters, topics, consumers groups, and even individual connectors.
- **Data Compatibility and DevOps Automation**
 - *Schema Validation*. Schema Validation provides a direct interface between the broker and Schema Registry to validate and enforce schemas programmatically. Schema Validation can be configured at the topic level.
 - *Confluent Operator*. Confluent Operator simplifies running Confluent Platform as a cloud-native system on Kubernetes, whether on-premises or in the cloud. It delivers an enterprise-ready implementation of the Kubernetes Operator API to automate deployment and key lifecycle operations.

Our offering is designed to serve as fundamental data infrastructure for our customers and solve an enormous variety of use cases across both front-end customer experiences and back-end business operations.

In addition to our core offering, we offer several services offerings:

- **Professional Services**. Professional Services provides expertise and tools that help our customers accelerate platform adoption and achieve successful business outcomes. We offer packaged and residency offerings focused on helping customers plan, implement, manage/monitor, and optimize their platform and applications.
- **Education**. Our offering includes training and certification guidance, technical resources, and access to hands-on training and certification exams. Education offerings are targeted at different types of users

and delivery modalities to suit end customer needs. We have instructor-led training, self-paced on demand courses, and certification.

- **Certification Program.** Technical expertise in data in motion is highly sought after and a highly-paid skill set. Our certification program enables technical personnel to demonstrate and validate in-depth knowledge of data in motion.

Our Licensing

Our software products are protected by our licensing policies, which include either our full proprietary license as well as our community license, which restricts others from offering our technology as a competing SaaS offering.

Instead of opting for a traditional “open core” model, our core offering (Confluent Server) is substantially differentiated from Apache Kafka and was fundamentally re-architected to operate at cloud-scale, while being interoperable with existing Apache Kafka systems.

Our Confluent Community License makes available many features that we have developed at Confluent. This gives developers the functionality needed to get started with Confluent, but excludes some of the core features of our commercial platform. Developers can access and modify the source code for such features but cannot take these features and use them to provide a competing SaaS offering.

We focus on converting Confluent Community License users to paying customers by demonstrating the value of the fully-managed Confluent Cloud offering and the self-managed Confluent Platform offering, where developers get proprietary features such as Confluent control center, Confluent operator, self-balancing clusters, tiered storage, structured audit logs, RBAC, schema validation, and multi-region clusters, as described in “—Our Product Offering” above.

Our Values

Our company values are extremely important to us. Our six core values form the foundation of our company culture that we use to guide our actions:

- **Earn Our Customers’ Love.** Our customers are the lifeblood of our business and our most important stakeholders. We strive to earn their love with everything we do. Whether we are thinking through how to evolve our products, figuring out how we interact with prospects, or even designing aspects of our internal operations, we want to start by solving backwards from a fantastic customer experience to arrive at the right solution. We believe that our customers’ love is something we have to earn on an ongoing basis.
- **To Build a Great Company, Build a Great Team.** We believe that an important part of building a great company is making sure that our employees are the best they can be. There are three cornerstones to this: hiring, relationships, and growth and development. Each Confluent employee is tasked with helping the company to hire the strongest candidates possible. The relationships we build among teams across the company allow us to effectively solve hard problems. Moreover, our employees learn and grow from working through exceedingly difficult challenges. We are proud that Confluent employees have the opportunity to work with a diverse group of amazing colleagues and can learn from as well as help one another.
- **Smart, Humble, and Empathetic.** These three attributes are essential to building a strong team. Our employees appreciate, benefit, and learn from working with other smart, humble, and empathetic people. We strive to hire those who care deeply about others and interact with empathy towards our customers, partners, and employees.
- **Be Fired Up and Get It Done.** As much as we benefit from working with smart, humble, and empathetic employees, we also need to “get it done” to pursue our enormous market opportunity. We are in hyper-growth mode and are scaling to fill the demands of the market and our current and future customers. We are building the team, products, and customer journeys to be number one in our market,

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which of course is difficult work. We hire people who want to be part of this intense experience, know that they are signing up to execute on our mission, and are fired up to go after this market opportunity in a meaningful and passionate way. This passion is a huge source of energy both individually and collectively. As a company we treasure this passion, and help to fuel it throughout our employees' journey at Confluent.

- **Tasteful not Wasteful.** We want to invest in areas that matter the most—in other words, spend “tastefully,” not wastefully. We believe that thoughtful spending is essential to building a high-quality business. Building a strong business enables us to attract the best employees, invest in innovation, and ultimately create a company that endures. The largest cost that we incur is in our people. As equity holders, we expect our employees to take to heart the concept of tasteful spending and to think and act as owners.
- **One Team.** It is critical that we act as and make decisions as a unified company, doing our best to optimize globally rather than locally. This means doing our best to avoid the politics, misalignment, and tribalism companies can be prone to. It means recognizing that we succeed individually and as teams, only if Confluent succeeds as a whole.

Our Customers

Our platform is used across the globe by organizations of all sizes, across a vast range of industries. We have achieved the following customer milestones:

- The total number of customers increased from an estimated 820 to 2,100 as of December 31, 2019 and 2020, respectively. Our customer count treats affiliated entities with the same parent organization as a single customer and includes pay-as-you-go customers.
- Our customers included 124 of the Fortune 500 companies as of December 31, 2020.
- The number of customers that contributed \$100,000 or greater in ARR increased from 337 to 513 as of December 31, 2019 and 2020, respectively, representing a year-over-year growth rate of 52%.
- The number of customers that contributed \$1.0 million or greater in ARR increased from 27 to 56 as of December 31, 2019 and 2020, respectively, representing a year-over-year growth rate of 107%.
- The percentage of revenue generated by customers outside of the United States increased from 32% to 34% during the years ended December 31, 2019 and 2020, respectively.

Sales and Marketing

In order to fully capitalize on our large market opportunity, our sales and marketing teams are tightly integrated to execute upon a cohesive go-to-market motion. The sales and marketing teams prioritize the core value of driving customer success and value in all strategies to acquire new customer accounts and grow our presence within existing customer accounts.

Our go-to-market model is centered around the customer journey, from initial interest, to pilot, to first production project, to an integrated platform across the enterprise. Through mapping to the customer journey, we are able to drive customer value in a highly targeted manner.

Our strategy to expand within accounts has two fundamental aspects: first, to convert additional pockets of Apache Kafka interest and deployments within a given customer into a Confluent deployment, and second, to expand into additional use cases within a given customer through solutions selling with horizontal and vertical solutions. We believe there is a strong opportunity for growth as we solve a wide array of use cases.

Our focus on customer success is critical to our sales and marketing success. We offer a wide range of training, professional services, education, and support offerings to enable our customers to rapidly onboard, adopt, and ultimately realize value from data in motion.

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Partnerships with the leading cloud providers (AWS, Azure, and GCP), as well as global and regional systems integrators and technology ISVs (IBM, MongoDB, Elastic, and Snowflake) are also central to our sales and marketing strategy. We believe through these partnerships we will significantly expand the reach of our technology.

We believe in offering the ability for customers to engage with us in the manner best suited to them. We offer a fully self-service motion, where developers can learn and purchase in a completely online manner. We offer direct sales engagement, where customers can interact with experienced and knowledgeable field teams. We also offer the ability to engage and transact through our partner ecosystem, including the major cloud providers and marketplaces.

Our open source roots are a key driver to our go-to-market success. The expansive Apache Kafka technical community is fervently devoted to this technology, and often advocates for our technology even when we are not engaged in an organization. They see the value of Apache Kafka and the opportunity to benefit from a complete platform for data in motion with Confluent. Consequently, our prospective customers are often very familiar with our underlying technology and value proposition, and are capable of evangelizing on our behalf.

Executive-level engagements are also a key facet of our growth strategy. As our customer engagements progress from project to platform to enterprise-wide deployments, our customer relationships often include business as well as technology leaders. Through this wide set of customer relationships, we believe we will be more rapidly able to evolve into enterprise-wide customer deployments.

Our sales and marketing organization includes sales development, inside sales, field sales, sales engineering, and marketing personnel. As of December 31, 2020, we had 579 employees in our sales and marketing organization.

Research and Development

Our research and development efforts are focused on enhancing our platform features and functionalities and expanding the services we offer to increase market penetration and deepen our relationships with our customers. We believe that the timely development of new, and the enhancement of our existing, platform features and services is essential to maintaining our competitive position. We continually incorporate feedback and new use cases from our community and customers into our platform. Our development teams foster greater agility, which enables us to develop innovative products and make rapid changes to our technologies that increase resiliency and operational efficiency.

Competition

Our market is highly competitive and characterized by rapid changes in technology, customer needs, frequent introductions of new offerings, and improvements to existing service offerings.

Our primary competition, especially on premise, is internal IT teams that are attempting to “do it themselves” using open source software. Our offering is substantially differentiated from Apache Kafka, and therefore companies using only open source tools do not benefit from our full product offering. As the move to the cloud increases, we expect that competition from open source alternatives will decrease as companies increasingly adopt fully-managed cloud solutions.

Our principal competitors in the cloud are the well-established public cloud providers such as AWS that generally compete in all of our markets. These enterprises are developing and have released fully-managed, data ingestion, and data streaming products, such as, Azure Event Hubs (Microsoft Corporation), Amazon Kinesis and Amazon DynamoDB Streams (AWS), and Cloud Pub/Sub and Cloud Dataflow (Google).

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On premise there are a number of vendors with legacy products that have pivoted into this space including TIBCO Streaming, Cloudera Dataflow, Redhat (IBM) AMQ Streams, and Oracle Cloud Infrastructure Streaming.

We believe the principal competitive factors for companies in our industry include the following:

Focus on data in motion, characterized by:

- the ability to provide an end-to-end operationalized customer journey;
- mindshare and ability to drive innovation in the category of data in motion; and
- the ability to support customers at scale with mission critical use cases.

Product differentiation, characterized by:

- Cloud-native capabilities
 - operate at significant scale;
 - offer elasticity;
 - offer end-to-end security; and
 - offer flexible pricing, including pay-as-you-go delivery.
- Completeness of offering
 - a complete platform for data in motion (not just low-level streaming);
 - rich SQL-based stream processing;
 - integrated data governance capabilities; and
 - ease of integration with connectors to a wide variety of existing applications and IT and cloud infrastructure.
- Availability of offering
 - as a fully-managed service in the three leading public clouds;
 - as a Kubernetes-based software offering for the private cloud;
 - in legacy on-premise data centers as a software product; and
 - ability to span all of these customer environments in one unified data-in-motion platform.

General competitive factors, including:

- size of customer base and level of market adoption;
- price and total cost of ownership;
- brand awareness and reputation;
- quality of professional services and customer support;
- strength of sales and marketing efforts; and
- adherence to industry standards and certifications.

On the basis of the factors above, we believe that we compare favorably to our competitors. However, some of our actual and potential competitors have advantages over us, such as substantially greater financial, technical,

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and other resources, such as larger sales forces and marketing budgets, greater brand recognition, broader distribution networks and global presence, longer operating histories, more established relationships with current or potential customers and commercial partners, and more mature intellectual property portfolios. They may be able to leverage these resources to gain market share and prevent potential customers from purchasing our products. Additionally, we expect the industry to attract new entrants, who could compete with our business and introduce new offerings. As we scale and expand our business, we may enter new markets and encounter additional competition.

Our Employees and Human Capital Resources

As of December 31, 2020, we had 1,293 employees operating across 18 countries. We also engage contractors and consultants. None of our employees are represented by a labor union. Some individual employees outside of the United States may be members of trade unions or participate in staff representative bodies, including in France where we have assisted employees in forming a Social Economic Committee as required by local law. We have not experienced any work stoppages. We have invested substantial time and resources in building our team. We are highly dependent on our management, highly-skilled software engineers, sales personnel, and other professionals, and it is crucial that we continue to attract and retain valuable employees. To facilitate attraction and retention, we strive to make Confluent a diverse, inclusive, and equitable workplace, with opportunities for our employees to grow and develop in their careers. We believe that our employee relations are strong.

Intellectual Property

Intellectual property rights are important to the success of our business. We rely on a combination of copyright, trademark, trade secret laws and patents in the United States and other jurisdictions, as well as license agreements, confidentiality procedures, non-disclosure agreements with third parties, and other contractual protections, to protect our intellectual property rights, including rights in our proprietary technology, software, know-how and brand. We use open source software in our offering.

As of December 31, 2020, we hold two U.S. patents and have no patent applications or non-U.S. patents. The patents are scheduled to expire in 2037. As of December 31, 2020, we own four registered trademarks in the United States, two trademark applications pending in the United States, 23 registered trademarks in various non-U.S. jurisdictions, and trademark applications pending in various non-U.S. jurisdictions.

Although we rely on intellectual property rights, including contractual protections, to establish and protect our intellectual property rights, we believe that factors such as the technological and creative skills of our personnel, creation of new services, features and functionality, and frequent enhancements to our platform are essential to establishing and maintaining our technology leadership position.

We control access to and use of our proprietary technology and other confidential information through the use of internal and external controls, including contractual protections with employees, contractors, customers, and partners. We require our employees, consultants, independent contractors, and other third parties to enter into confidentiality and proprietary rights agreements and we control and monitor access to our software, documentation, proprietary technology, and confidential information. Our policy is to require all employees, consultants, and independent contractors to sign agreements assigning to us any inventions, trade secrets, works of authorship, developments, processes, and other intellectual property generated by them on our behalf and under which they agree to protect our confidential information. In addition, we generally enter into confidentiality agreements with our customers and partners. See the section titled “Risk Factors” for a more comprehensive description of risks related to our intellectual property.

Our Facilities

Our headquarters are located in Mountain View, California, where we lease approximately 75,475 square feet pursuant to a lease which expires in 2029. We also lease other offices including in Austin, Texas, Bengaluru,

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India, London, England, and Dubai, United Arab Emirates. Additionally, we hold many short-term service leases in numerous other locations globally. We do not own any real property. We believe that our facilities are adequate to meet our current needs.

Legal Proceedings

From time to time, we are involved in various legal proceedings arising from activities in the normal course of business. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, cash flows or financial condition. Defending any legal proceedings is costly and can impose a significant burden on management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

MANAGEMENT

The following table sets forth information for our executive officers and directors as of December 31, 2020:

<u>Name</u>	<u>Age</u>	<u>Position</u>
<i>Executive Officers</i>		
Jay Kreps	40	Chief Executive Officer and Director
Steffan Tomlinson	49	Chief Financial Officer
Erica Schultz	47	President, Field Operations
<i>Non-Employee Directors</i>		
Lara Caimi	44	Director
Jonathan Chadwick	54	Director
Matthew Miller	40	Director
Neha Narkhede	36	Director
Greg Schott	56	Director
Eric Vishria	41	Director
Mike Volpi	54	Director

- (1) Member of the audit committee.
- (2) Member of the compensation committee.
- (3) Member of the nominating and corporate governance committee.

Executive Officers

Jay Kreps. Mr. Kreps is a co-founder of our company and has served as Chief Executive Officer and a member of our board of directors since our inception in September 2014. From July 2009 to September 2014, he served as an engineer, engineering manager, and software architect at LinkedIn Corp., an employment-oriented online service company. He was one of the original creators of Apache Kafka while at LinkedIn. Mr. Kreps holds a B.S. in Computer Science and an M.S. in Computer Science from the University of California, Santa Cruz. We believe Mr. Kreps is qualified to serve on our board of directors because of his experience as co-founder of our company and co-creator of Apache Kafka.

Steffan Tomlinson. Mr. Tomlinson has served as our Chief Financial Officer since June 2020. From April 2019 to June 2020, Mr. Tomlinson served as Chief Financial Officer of Google Cloud and Technical Infrastructure at Google LLC, an Alphabet Inc. company. From February 2012 to March 2018, Mr. Tomlinson served as Executive Vice President and Chief Financial Officer of Palo Alto Networks Inc., a cybersecurity company. Previously, Mr. Tomlinson served as Chief Financial Officer at Arista Networks, Inc., a provider of cloud networking solutions and as a Partner and Chief Administrative Officer at Silver Lake Kraftwerk, a private investment firm, and as Chief Financial Officer of Aruba Networks, Inc., a provider of intelligent wireless LAN switching systems. Mr. Tomlinson has served on the board of directors of Cornerstone OnDemand, Inc., a cloud-based learning and talent management company, since May 2017, and Eventbrite, Inc., an event management and ticketing platform, since February 2016. Mr. Tomlinson also previously served on the boards of directors of Qlik Technologies, Inc., a data analytics platform, from January 2013 to June 2016, and Riverbed Technology Inc., a network performance company, from September 2014 to April 2015. Mr. Tomlinson holds a B.A. in Sociology from Trinity College and an M.B.A. from Santa Clara University.

Erica Schultz. Ms. Schultz has served as our President, Field Operations since October 2019. Before joining us, Ms. Schultz served at New Relic, Inc., a cloud-based observability software company, as Chief Revenue

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Officer from April 2018 to October 2019, as Executive Vice President of Sales and Customer Success from April 2017 to April 2018, as Executive Vice President of Commercial and Enterprise from August 2015 to April 2017, and as Senior Vice President of Global Enterprise Sales from June 2014 to August 2015. From February 2012 to March 2014, Ms. Schultz served as Executive Vice President of Global Sales and Customer Success at LivePerson, Inc., a digital engagement company. From November 1995 to January 2012, Ms. Schultz served in various leadership roles at Oracle Corporation, a computer technology company. Ms. Schultz has served as a director of a privately-held company since January 2021. Ms. Schultz holds a B.A. in Spanish and Latin American Studies from Dartmouth College, where she also serves as Vice Chair of the Board of Trustees.

Each executive officer serves at the discretion of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal.

Non-Employee Directors

Lara Caimi. Ms. Caimi has served as a member of our board of directors since December 2020. Since December 2017, she has served in various leadership positions, including Chief Customer and Partner Officer, at ServiceNow, Inc., a service management software company. From October 2000 to November 2017, she served as a Partner at Bain & Company Inc., a management consulting firm. Ms. Caimi holds a B.A. in English Literature and Economics from St. Olaf College, an M.I.B. from the University of Sydney as a Fulbright Scholar, and an M.B.A. from Harvard Business School. We believe Ms. Caimi is qualified to serve as a member of our board of directors because of her significant knowledge of the software industry and her leadership experience.

Jonathan Chadwick. Mr. Chadwick has served as a member of our board of directors since August 2019. From November 2012 to April 2016, Mr. Chadwick served as Chief Financial Officer and Executive Vice President of VMware, Inc., a virtualization and cloud infrastructure solutions company, and also served as VMware's Chief Operating Officer from August 2014 to April 2016. Previously, Mr. Chadwick served in various leadership positions at Skype Communication S.á.r.l., a voice over IP service, and Microsoft Corporation after its acquisition of Skype in October 2011. He has served as a director of Elastic N.V., a search and data analysis company, since August 2018, Zoom Video Communications, Inc., a video conferencing company, since September 2017, ServiceNow, Inc., a service management software company, since October 2016, and various private companies. He previously served on the board of directors of Cognizant Technology Solutions Corporation, an IT business services provider, from April 2016 to December 2019, and F5 Networks, Inc., an application networking delivery company, from August 2011 to June 2019. Mr. Chadwick was previously qualified as a Chartered Accountant in England and holds a B.Sc. degree in Electrical and Electronic Engineering from the University of Bath, UK. We believe Mr. Chadwick is qualified to serve as a member of our board of directors because of his significant financial expertise as a chief financial officer of other companies and service on the boards of directors of various public companies.

Matthew Miller. Mr. Miller has served as a member of our board of directors since March 2017. Since March 2012, Mr. Miller has served as a Partner at Sequoia Capital, a venture capital firm. Mr. Miller currently serves on the boards of directors of a number of privately-held companies. Mr. Miller holds a B.S. in Finance from Brigham Young University. We believe Mr. Miller is qualified to serve on our board of directors due to his extensive experience in the data analytics and cloud services industries, including as a venture capital investor and a member of the boards of directors of other data analytics and cloud services companies.

Neha Narkhede. Ms. Narkhede is a co-founder of our company and has served as a member of our board of directors since our inception in September 2014. She also served as our Chief Technology and Product Officer from 2015 through December 2019. From February 2010 to September 2014, she served as a software engineer and more recently as Lead, Streams Infrastructure at LinkedIn Corp., an employment-oriented online service company. Ms. Narkhede holds a B.E. in Computer Science from the University of Pune and an M.S. in Computer Science from the Georgia Institute of Technology. We believe Ms. Narkhede is qualified to serve on our board of directors due to her experience as co-founder of our company and her expertise and experience as a software engineer.

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Greg Schott. Mr. Schott has served as a member of our board of directors since June 2020. From June 2018 to March 2020, Mr. Schott served in various leadership positions at Salesforce.com, Inc., a cloud-based software company. From 2009 to 2018, Mr. Schott served as Chairman and Chief Executive Officer of MuleSoft, LLC. Mr. Schott holds a B.S. in Mechanical Engineering from North Carolina State University and an M.B.A. from the Stanford University Graduate School of Business. We believe Mr. Schott is qualified to serve on our board of directors due to his extensive experience in leadership roles at technology and cloud computing companies.

Eric Vishria. Mr. Vishria has served as a member of our board of directors since September 2014. Since July 2014, Mr. Vishria has served as a General Partner at Benchmark Capital. From August 2013 to August 2014, Mr. Vishria served as Vice President of Digital Magazines and Verticals at Yahoo Inc., a web services and digital media company. Previously, Mr. Vishria served as co-founder and Chief Executive Officer of RockMelt, Inc., a social media web browser. Mr. Vishria also serves on the boards of directors of a number of privately-held companies. Mr. Vishria holds a B.S. in Mathematical and Computational Science from Stanford University. We believe Mr. Vishria is qualified to serve on our board of directors because of his experience as a venture capital investor and a member of the boards of directors of other data analytics and cloud services companies.

Mike Volpi. Mr. Volpi has served as a member of our board of directors since April 2015. Since July 2009, Mr. Volpi has served as a Partner at Index Ventures, a venture capital firm. Mr. Volpi has served as a director of Elastic N.V., a search and data analysis company, since January 2013, and Sonos, Inc., a consumer electronics company, since March 2010. Mr. Volpi has previously served as a director of various public companies, including Fiat Chrysler Automobiles N.V., an automotive company, from April 2017 to January 2021, Zuora, Inc., an enterprise software company, from November 2011 to June 2020, Hortonworks, Inc. (now a subsidiary of Cloudera, Inc.), a data software company, from October 2011 to January 2019, Pure Storage, Inc., an all-flash data storage company, from April 2014 to October 2018, and Exor N.V., a holding company, from April 2012 to May 2018. Mr. Volpi holds a B.S. in Mechanical Engineering, an M.S. in Manufacturing Systems Engineering, and an M.B.A. from Stanford University. We believe Mr. Volpi is qualified to serve on our board of directors because of his extensive experience in the venture capital industry and his knowledge of technology companies.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Composition of our Board of Directors

Our business and affairs are managed under the direction of our board of directors. Pursuant to our certificate of incorporation and our amended and restated voting agreement, our directors were elected as follows:

- Mr. Kreps was elected in his capacity as our current Chief Executive Officer;
- Ms. Narkhede was elected as the designee nominated by holders of our common stock;
- Mr. Vishria was elected as the designee nominated by holders of our Series A redeemable convertible preferred stock;
- Mr. Volpi was elected as the designee nominated by holders of our Series B redeemable convertible preferred stock;
- Mr. Miller was elected as the designee nominated by holders of our Series C redeemable convertible preferred stock;
- Mr. Chadwick and Mr. Schott were elected as the designees nominated by a majority of the directors then in office; and
- Ms. Caimi was elected as the designee nominated by unanimous vote of the common stock directors, Mr. Kreps and Ms. Narkhede, and approved by the redeemable convertible preferred stock directors, Mr. Vishria, Mr. Volpi, and Mr. Miller.

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Immediately prior to the closing of this offering, our amended and restated voting agreement will terminate, our certificate of incorporation, along with our bylaws, will be amended and restated, and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors. After the closing of this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws. Each of our current directors will continue to serve as a director until the election and qualification of his or her successor, or until his or her earlier death, resignation, or removal.

In accordance with our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering, immediately after this offering our board of directors will be divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be _____, and their terms will expire at our first annual meeting of stockholders following this offering;
- the Class II directors will be _____, and their terms will expire at our second annual meeting of stockholders following this offering; and
- the Class III directors will be _____, and their terms will expire at our third annual meeting of stockholders following this offering.

We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment, and affiliations, our board of directors has determined that Ms. Caimi and Messrs. Chadwick, Miller, Schott, Vishria, and Volpi do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is “independent” as that term is defined under the _____ listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence. In addition, our board of directors considered the beneficial ownership of our shares held by each non-employee director and the transactions described in the section titled “Certain Relationships and Related Party Transactions.”

Committees of Our Board of Directors

Our board of directors has established an audit committee, a compensation committee, and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Our audit committee consists of _____, _____, and _____. The chairperson of our audit committee is _____. Our board of directors has determined that each member of our audit committee satisfies the

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independence requirements under the listing standards of the [redacted] and Rule 10A-3(b)(1) of the Exchange Act. Our board of directors has determined that [redacted] is an “audit committee financial expert” within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements. In arriving at these determinations, our board of directors has examined each audit committee member’s scope of experience and the nature of his or her employment.

The primary purpose of our audit committee is to discharge the responsibilities of our board of directors with respect to our corporate accounting and financial reporting processes, systems of internal control, and financial statement audits, and to oversee our independent registered public accounting firm. Specific responsibilities of our audit committee include:

- helping our board of directors oversee our corporate accounting and financial reporting processes;
- managing the selection, engagement, qualifications, independence, and performance of a qualified firm to serve as the independent registered public accounting firm to audit our financial statements and the effectiveness of our internal control over financial reporting, when required;
- discussing the scope and results of the audit with the independent registered public accounting firm and reviewing, with management and the independent registered public accounting firm, our interim and year end results of operations;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing related party transactions;
- approving or, as permitted, pre-approving, audit and permissible non-audit services to be performed by the independent registered public accounting firm; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

Our audit committee will operate under a written charter, to be effective in connection with the closing of this offering, that satisfies the applicable listing standards of the [redacted].

Compensation Committee

Our compensation committee consists of [redacted], [redacted], and [redacted]. The chairperson of our compensation committee is [redacted]. Our board of directors has determined that each member of our compensation committee is independent under the listing standards of the [redacted], and a “non-employee director” as defined in Rule 16b-3 promulgated under the Exchange Act.

The primary purpose of our compensation committee is to discharge the responsibilities of our board of directors in overseeing our compensation policies, plans, and programs, and to review and determine the compensation to be paid to our executive officers, directors, and other senior management, as appropriate. Specific responsibilities of our compensation committee include:

- reviewing and recommending to our board of directors the compensation of our chief executive officer and other executive officers;
- reviewing and recommending to our board of directors the compensation of our directors;
- administering our equity incentive plans and other benefit programs;
- reviewing, adopting, amending, and terminating incentive compensation and equity plans, severance agreements, profit sharing plans, bonus plans, change of control protections, and any other compensatory arrangements for our executive officers and other senior management; and

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- reviewing and establishing general policies relating to compensation and benefits of our employees, including our overall compensation philosophy.

Our compensation committee will operate under a written charter, to be effective in connection with the closing of this offering, that satisfies the applicable listing standards of the _____.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of _____, _____, and _____. The chairperson of our nominating and corporate governance committee is _____. Our board of directors has determined that each member of our nominating and corporate governance committee is independent under the listing standards of the _____.

Specific responsibilities of our nominating and corporate governance committee include:

- identifying and evaluating candidates, including the nomination of incumbent directors for reelection and nominees recommended by stockholders, to serve on our board of directors;
- considering and making recommendations to our board of directors regarding the composition and chairmanship of the committees of our board of directors;
- developing and making recommendations to our board of directors regarding corporate governance guidelines and matters; and
- overseeing periodic evaluations of the board of directors' performance, including committees of the board of directors.

Our nominating and corporate governance committee will operate under a written charter, to be effective in connection with the closing of this offering, that satisfies the applicable listing standards of the _____.

Code of Business Ethics and Conduct

We have adopted a code of business ethics and conduct that applies to our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Immediately prior to the closing of this offering, our code of business ethics and conduct will be available under the Corporate Governance section of our website at www.confluent.io. In addition, we intend to post on our website all disclosures that are required by law or the listing standards of the _____ concerning any amendments to, or waivers from, any provision of the code. The reference to our website address does not constitute incorporation by reference of the information contained at or available through our website, and you should not consider it to be a part of this prospectus.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee are currently or has been at any time one of our officers or employees. None of our executive officers currently serves, or has served during the last year, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

Non-Employee Director Compensation

During the year ended December 31, 2020, we did not pay any cash compensation to our directors for their service on our board of directors. We have reimbursed and will continue to reimburse all of our non-employee directors for their reasonable out-of-pocket expenses incurred in attending board of directors and committee meetings.

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The following table sets forth information regarding the compensation earned or paid to our directors during the year ended December 31, 2020, other than Mr. Kreps, our Chief Executive Officer, who did not receive any additional compensation for his service as a director. See the section titled “Executive Compensation” for additional information regarding the compensation earned by Mr. Kreps as an executive officer.

<u>Name</u>	<u>Option Awards⁽¹⁾</u> <u>(\$)</u>	<u>All Other Compensation</u> <u>(\$)</u>	<u>Total⁽⁷⁾</u> <u>(\$)</u>
Lara Caimi ⁽²⁾	3,009,277 ⁽³⁾	—	3,009,277
Jonathan Chadwick	—	—	—
Matthew Miller	—	—	—
Neha Narkhede	—	57,193,878 ⁽⁴⁾	57,193,878
Greg Schott ⁽⁵⁾	1,571,755 ⁽⁶⁾	—	1,571,755
Eric Vishria	—	—	—
Mike Volpi	—	—	—

- (1) The amounts reported in this column do not reflect dollar amounts actually received by the non-employee director. Instead, the amounts reflect the aggregate grant-date fair value of the stock options granted to the non-employee directors during 2020 under our 2014 Plan, computed in accordance with Accounting Standards Codification Topic 718, or ASC 718. The amounts reported in this column reflect the accounting cost for these stock options and do not correspond to the actual economic value that may be received by the non-employee directors upon the exercise of the stock options or any sale of the underlying shares of Class B common stock. The assumptions used in the calculation of these amounts in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus.
- (2) Ms. Caimi joined our board of directors in December 2020.
- (3) Represents options to purchase shares of Class B common stock granted in December 2020. The assumptions used in the calculation of this amount in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus.
- (4) The amount disclosed represents the stock-based compensation expense, computed in accordance with ASC 718, attributed to sales by (i) Ms. Narkhede of 2,640,000 shares of convertible founder stock in a tender offer to entities affiliated with new and existing investors in our company in July 2020 in connection with our Series E redeemable convertible preferred stock financing at a purchase price in excess of the fair value of such shares, and (ii) Ms. Narkhede and certain affiliated trusts of 4,721,223 shares of common stock to new and existing investors in our company in September 2020 at purchase prices in excess of the fair value of such shares. The amount disclosed in the table is calculated for financial accounting purposes under GAAP. The assumptions used in the calculation of these amounts in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus. The transfers were not intended to be compensation paid by us to Ms. Narkhede and are described further in the section titled “Certain Relationships and Related Party Transactions—Secondary Transactions.”
- (5) Mr. Schott joined our board of directors in May 2020.
- (6) Represents options to purchase shares of Class B common stock granted in May 2020. Assumptions used in the calculation of this amount in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus.

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- (7) The following table sets forth information on the aggregate number of shares of Class B common stock underlying outstanding stock options held by our non-employee directors as of December 31, 2020 and the aggregate number of shares of Class B common stock underlying outstanding unvested stock options held by our non-employee directors as of December 31, 2020:

<u>Name</u>	<u>Number of Shares Underlying Stock Options Held as of December 31, 2020(1)</u>	<u>Number of Shares Underlying Unvested Stock Options Held as of December 31, 2020(2)</u>
Lara Caimi	301,297 ⁽³⁾	301,297
Jonathan Chadwick	665,000 ⁽⁴⁾	443,334
Matthew Miller	—	—
Neha Narkhede	2,300,204 ⁽⁵⁾	1,677,233
Greg Schott	450,944 ⁽⁶⁾	450,944
Eric Vishria	—	—
Mike Volpi	—	—

- (1) All of the option awards were granted with a per share exercise price equal to the fair value of one share of our Class B common stock on the date of grant, as determined in good faith by our board of directors.
- (2) Each stock option is early exercisable and, to the extent shares subject to the applicable option are issued and unvested as of a given date, such shares will remain subject to a right of repurchase held by us. As of December 31, 2020, other than Mr. Chadwick, the directors had not early exercised any such options.
- (3) Consists of a stock option to purchase 301,297 shares of our Class B common stock at an exercise price per share of \$7.34, which was granted in December 2020. Twenty-five (25%) of the total shares subject to this option will vest one year after the vesting commencement date, December 28, 2020, and the remaining shares vest in 36 equal monthly installments thereafter, subject to continuous service through each applicable vesting date. In the event of a change in control, 100% of the unvested shares subject to the option will vest immediately prior to such change in control.
- (4) Consists of a stock option to purchase 665,000 shares of our Class B common stock at an exercise price per share of \$3.17, which was granted in September 2019. Twenty-five (25%) of the total shares subject to this option vested one year after the vesting commencement date, August 22, 2019, and the remaining shares vest in 36 equal monthly installments thereafter, subject to continuous service through each applicable vesting date. In the event of a change in control, 100% of the unvested shares subject to the option will vest immediately prior to such change in control.
- (5) Consists of (i) a stock option to purchase 1,150,102 shares of our Class B common stock at an exercise price per share of \$2.24, which was granted in October 2018, and which shares vest in a series of 48 successive equal monthly installments from the vesting commencement date, October 1, 2018, subject to continuous service through each such date, and (ii) a stock option to purchase 1,150,102 shares of our Class B common stock at an exercise price per share of \$2.24, which was granted in October 2018, and which shares will vest in a series of 48 successive equal monthly installments commencing upon the pricing of this offering, subject to continuous service through each such date. In the event of a change in control, (i) 25% of the unvested shares underlying the option will vest immediately prior to such change in control, and (ii) if Ms. Narkhede resigns or is otherwise removed from the board of directors in connection with or following a change in control, 100% of the unvested shares subject to the option will vest immediately prior to such resignation or removal.
- (6) Consists of a stock option to purchase 450,944 shares of our Class B common stock at an exercise price per share of \$4.71, which was granted in May 2020. Twenty-five (25%) of the total shares subject to this option will vest one year after the vesting commencement date, May 15, 2020, and the remaining shares vest in 36 equal monthly installments thereafter, subject to continuous service through each applicable vesting date. In the event of a change in control, 100% of the unvested shares subject to the option will vest immediately prior to such change in control.

Non-Employee Director Compensation Policy

In 2021, we adopted a non-employee director compensation policy which will be effective upon the execution of the underwriting agreement related to this offering. Pursuant to this policy, our non-employee directors will be eligible to receive the compensation described below.

Annual Retainer Grant

At the close of business on the date of each annual meeting of stockholders that occurs following the closing of this offering, each non-employee director will automatically be granted an RSU award covering the number of shares of our Class A common stock equal to (i) \$, divided by (ii) the closing sales price per share of our Class A common stock on the date of the applicable annual meeting. Each annual grant will fully vest on the earlier of (i) the first anniversary of the applicable grant date and (ii) the date of the first annual meeting following the applicable grant date, subject to the non-employee director's continuous service through the vesting date.

Annual Cash Award

Under our non-employee director compensation policy, each non-employee director is entitled to receive the following cash compensation for services on our board of directors and committees of our board of directors, as follows:

- \$ annual cash retainer for service as a member of our board of directors;
- \$ annual cash retainer for service as a member of the audit committee and \$ annual cash retainer for service as chairperson of the audit committee (in lieu of the committee member service retainer);
- \$ annual cash retainer for service as a member of the compensation committee and \$ annual cash retainer for service as chairperson of the compensation committee (in lieu of the committee member service retainer); and
- \$ annual cash retainer for service as a member of the nominating and corporate governance committee and \$ annual cash retainer for service as chairperson of the nominating and corporate governance committee (in lieu of the committee member service retainer).

Initial Grant

Under our non-employee director compensation policy, each non-employee director elected or appointed to our board of directors after the closing of this offering will automatically, upon the date of his or her initial election or appointment as a non-employee director (or, if such date is not a business day, the first business day thereafter), be granted an RSU award covering the number of shares of our Class A common stock equal to (i) \$ divided by (ii) the closing sales price per share of our Class A common stock on the applicable grant date, rounded down to the nearest whole share. Each initial grant will vest in a series of successive equal annual installments over the three-year period measured from the applicable grant date, subject to the non-employee director's continuous service through each applicable vesting date.

Acceleration

Our non-employee director compensation policy provides that for each non-employee director who remains in continuous service with the company until immediately prior to the closing of a Change in Control (as defined in the 2021 Plan), the shares subject to his or her then-outstanding equity awards that were granted pursuant to the non-employee director compensation policy, as well as any other then-outstanding equity awards held by such non-employee director, will become fully vested immediately prior to the closing of such Change in Control.

Expenses

We will also continue to reimburse each non-employee director for ordinary, necessary, and reasonable out-of-pocket travel expenses to cover in-person attendance at and participation in board and committee meetings.

EXECUTIVE COMPENSATION

Our named executive officers for the year ended December 31, 2020, consisting of our principal executive officer and the next two most highly compensated executive officers, were:

- Jay Kreps, our Chief Executive Officer;
- Steffan Tomlinson, our Chief Financial Officer; and
- Erica Schultz, our President, Field Operations.

Summary Compensation Table

The following table presents all of the compensation awarded to, earned by, or paid to our named executive officers during the year ended December 31, 2020.

Name	Year	Salary (\$)	Bonus (\$)	Option Awards ⁽¹⁾ (\$)	Non-Equity Incentive Plan Compensation ⁽²⁾ (\$)	All Other Compensation (\$)	Total (\$)
Jay Kreps <i>Chief Executive Officer</i>	2020	350,000	—	—	—	21,962,080 ⁽³⁾	22,312,080
Steffan Tomlinson ⁽⁴⁾ <i>Chief Financial Officer</i>	2020	218,182 ⁽⁵⁾	—	14,080,071 ⁽⁶⁾	135,927	452	14,434,632
Erica Schultz <i>President, Field Operations</i>	2020	350,000	—	—	400,446	685	751,131

- (1) The amount reported in this column does not reflect dollar amounts actually received by the named executive officer. Instead, the amount reflects the aggregate grant-date fair value of the stock options granted to the named executive officer during 2020 under our 2014 Plan, computed in accordance with ASC 718. The amount reported in this column reflects the accounting cost for these stock options and does not correspond to the actual economic value that may be received by the named executive officer upon the exercise of the stock options or any sale of the underlying shares of Class B common stock. The assumptions used in the calculation of this amount in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus.
- (2) Amounts reported in this column represent total cash bonuses earned during 2020 by each named executive officer based on achievement of company performance goals as determined by our compensation committee. Mr. Tomlinson's total cash bonus was prorated from his start date.
- (3) The amount disclosed includes \$21,961,368 in stock-based compensation expense, computed in accordance with ASC 718, attributed to the sale by Mr. Kreps and his spouse of 2,640,000 shares of convertible founder stock in a tender offer to entities affiliated with new and existing investors in our company in July 2020 in connection with our Series E redeemable convertible preferred stock financing at a purchase price in excess of the fair value of such shares. This amount is calculated for financial accounting purposes under GAAP. The assumptions used in the calculation of this amount in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus. The transfers were not intended to be compensation paid by us to Mr. Kreps or his spouse and are described further in the section titled "Certain Relationships and Related Party Transactions—Secondary Transactions."
- (4) Mr. Tomlinson joined our company in June 2020.
- (5) Represents the prorated amount of Mr. Tomlinson's annual salary for 2020. His annualized base salary for 2020 was \$400,000.
- (6) Represents options to purchase shares of Class B common stock granted in August 2020. See "—Outstanding Equity Awards at Fiscal Year End." The assumptions used in the calculation of this amount in accordance with ASC 718 are included in Note 11 to our consolidated financial statements included elsewhere in this prospectus.

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Agreements with Our Named Executive Officers

We have entered into offer letters with certain of our named executive officers setting forth the terms and conditions of such executive's employment with us. The offer letters generally provide for at-will employment and set forth the named executive officer's initial base salary. Each of our named executive officers has executed our standard proprietary information and inventions agreement.

Jay Kreps. We do not have a written employment agreement with Mr. Kreps. Mr. Kreps' annual base salary as of December 31, 2020 was \$350,000. In October 2018, we granted Mr. Kreps an option to purchase 3,450,306 shares of Class B common stock with an exercise price of \$2.24 per share, with 1,725,153 shares vesting monthly over 48 months commencing in October 2018 and 1,725,153 shares vesting monthly over 48 months commencing upon the pricing of this offering. In March 2021, we granted Mr. Kreps an option to purchase 2,347,999 shares of Class B common stock with an exercise price of \$15.68 per share. The shares underlying the option vest in 48 equal monthly installments commencing on March 19, 2021.

Steffan Tomlinson. In May 2020, we entered into an offer letter agreement with Steffan Tomlinson, our Chief Financial Officer. For 2020, Mr. Tomlinson's annual base salary was \$400,000, and his target bonus was 62.5% of his 2020 annual base salary. In August 2020, we granted Mr. Tomlinson an option to purchase 3,457,234 shares of Class B common stock with an exercise price of \$6.65 per share. Twenty-five (25%) of the total shares subject to this option will vest on June 15, 2021 and 1/48th of the shares will vest monthly thereafter over the following three years.

Erica Schultz. In September 2019, we entered into an offer letter agreement with Erica Schultz, our President, Field Operations. For 2020, Ms. Schultz's annual base salary was \$350,000, and her target bonus was 100% of her 2020 annual base salary. In December 2019, we granted Ms. Schultz an option to purchase 3,059,000 shares of Class B common stock with an exercise price of \$3.41 per share. Twenty-five percent (25%) of the total shares subject to this option vested on October 28, 2020, and 1/48th of the shares vest monthly thereafter over the following three years.

Outstanding Equity Awards at Fiscal Year End

The following table presents the outstanding equity awards held by each named executive officer as of December 31, 2020.

Name	Grant Date ⁽¹⁾	Vesting Commencement Date	Option Awards				Stock Awards	
			Number of Securities Underlying Unexercised Options Exercisable ⁽²⁾	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested (\$)
Jay Kreps	10/22/2018	10/01/2018	1,725,153 ⁽³⁾	—	2.24	10/21/2028	—	—
<i>Chief Executive Officer</i>	10/22/2018	(4)	1,725,153 ⁽⁴⁾	—	2.24	10/21/2028	—	—
Steffan Tomlinson	08/06/2020	06/15/2020	3,306,809 ⁽⁵⁾	—	6.65	08/05/2030	150,425 ⁽⁶⁾	1,940,483 ⁽⁷⁾
<i>Chief Financial Officer</i>								
Erica Schultz	12/05/2019	10/28/2019	2,609,000 ⁽⁸⁾	—	3.41	12/04/2029	—	—
<i>President, Field Operations</i>								

(1) All of the option awards were granted under the 2014 Plan. All of the option awards were granted with a per share exercise price equal to the fair value of one share of our Class B common stock on the date of grant, as determined in good faith by our board of directors.

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- (2) Each stock option is early exercisable and, to the extent shares subject to the applicable option are issued and unvested as of a given date, such shares will remain subject to a right of repurchase held by us. As of December 31, 2020, the named executive officers had not early exercised any such options, except for the early exercise of 150,425 shares by Mr. Tomlinson in September 2020.
- (3) The shares subject to this option vest in 48 equal monthly installments, subject to continuous service through each applicable vesting date. As of December 31, 2020, 934,457 shares have vested.
- (4) The shares subject to this option will vest in 48 equal monthly installments commencing upon the pricing of this offering, subject to continuous service through each applicable vesting date. As of December 31, 2020, no shares have vested.
- (5) Twenty-five (25%) of the total shares subject to this option will vest one year after the vesting commencement date, and the remaining shares vest in 36 equal monthly installments thereafter, subject to continuous service through each applicable vesting date. As of December 31, 2020, no shares have vested.
- (6) The shares were acquired pursuant to an early exercise provision and will remain subject to a right of repurchase held by us until the applicable vesting date.
- (7) This amount reflects the fair value of our Class B common stock of \$12.90 per share as of December 31, 2020 as determined by our board of directors in good faith.
- (8) Twenty-five (25%) of the total shares subject to this option vested one year after the vesting commencement date, and the remaining shares vest in 36 equal monthly installments thereafter, subject to continuous service through each applicable vesting date. As of December 31, 2020, 892,208 total shares have vested, of which 450,000 shares have been previously issued upon exercise of the option.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. As an emerging growth company, we will be exempt from certain requirements related to executive compensation, including, but not limited to, the requirements to hold a nonbinding advisory vote on executive compensation and to provide information relating to the ratio of total compensation of our Chief Executive Officer to the median of the annual total compensation of all of our employees, each as required by the Investor Protection and Securities Reform Act of 2010, which is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Pension and Defined Benefit Plan Retirement Benefits

Our named executive officers did not participate in, or otherwise receive any benefits under, any pension or defined benefit retirement plan sponsored by us during 2020.

Cash Incentive Bonus Plan

We have adopted a Cash Incentive Bonus Plan for certain of our executive officers and other eligible employees. Each participant is eligible to receive cash bonuses based on the achievement of certain performance goals, as determined in the sole discretion of the compensation committee of our board of directors. Each participant's target award may be a percentage of such participant's annual base salary as of the beginning or end of a performance period or a fixed dollar amount. To be eligible to earn a bonus under the Cash Incentive Bonus Plan, a participant must be employed by us on the date the bonus is paid.

Other Compensation and Benefits

All of our current named executive officers are eligible to participate in our employee benefit plans, including our medical, dental, vision, life, disability, and accidental death and dismemberment insurance plans, in each case on the same basis as all of our other employees. We pay the premiums for the life, disability, and accidental death and dismemberment insurance for all of our employees, including our named executive officers. We generally do not provide perquisites or personal benefits to our named executive officers.

Employee 401(k) Plan

U.S. full-time employees qualify for participation in our 401(k) plan, which is intended to qualify as a tax-qualified defined contribution plan under the Code. We do not currently provide a matching contribution under the 401(k) plan.

Employee Benefit and Stock Plans

2021 Equity Incentive Plan

Our board of directors adopted our 2021 Plan in 2021, and our stockholders approved our 2021 Plan in 2021 prior to the closing of this offering. Our 2021 Plan is a successor to and continuation of our 2014 Plan. Our 2021 Plan will become effective at the time of the execution of the underwriting agreement related to this offering. Our 2021 Plan came into existence upon its adoption by our board of directors, but no grants will be made under our 2021 Plan prior to its effectiveness. Once our 2021 Plan is effective, no further grants will be made under our 2014 Plan.

Awards. Our 2021 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Code, to employees, including employees of any parent or subsidiary, and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, RSU awards, performance awards, and other forms of awards to employees, directors, and consultants, including employees and consultants of our affiliates.

Authorized Shares. Initially, the maximum number of shares of Class A common stock that may be issued under our 2021 Plan after it becomes effective will not exceed _____ shares, which is the sum of (1) _____ new shares, plus (2) an additional number of shares not to exceed _____, consisting of (A) shares that remain available for the issuance of awards under our 2014 Plan as of immediately prior to the time our 2021 Plan becomes effective and (B) shares of our common stock subject to outstanding stock options or other stock awards granted under our 2014 Plan that, on or after the date our 2021 Plan becomes effective, terminate or expire prior to exercise or settlement; are not issued because the award is settled in cash; are forfeited because of the failure to vest; or are reacquired or withheld (or not issued) to satisfy a tax withholding obligation or the purchase or exercise price, if any, as such shares become available from time to time. In addition, the number of shares of Class A common stock reserved for issuance under our 2021 Plan will automatically increase on January 1st of each calendar year, starting on January 1, 2022 through January 1, 2031, in an amount equal to (i) _____ % of the total number of shares of Class A and Class B common stock outstanding on December 31st of the fiscal year before the date of each automatic increase, or (ii) a lesser number of shares determined by our board of directors prior to the applicable January 1st. The maximum number of shares of Class A common stock that may be issued upon the exercise of ISOs under our 2021 Plan is _____ shares.

Shares subject to stock awards granted under our 2021 Plan that expire or terminate without being exercised in full or that are paid out in cash rather than in shares do not reduce the number of shares available for issuance under our 2021 Plan. Shares withheld under a stock award to satisfy the exercise, strike, or purchase price of a stock award or to satisfy a tax withholding obligation do not reduce the number of shares available for issuance under our 2021 Plan. If any shares of Class A common stock issued pursuant to a stock award are forfeited back to or repurchased or reacquired by us (1) because of a failure to meet a contingency or condition required for the vesting of such shares, (2) to satisfy the exercise, strike or purchase price of an award or (3) to satisfy a tax withholding obligation in connection with an award, the shares that are forfeited or repurchased or reacquired will revert to and again become available for issuance under our 2021 Plan. Any shares previously issued which are reacquired in satisfaction of tax withholding obligations or as consideration for the exercise or purchase price of a stock award will again become available for issuance under our 2021 Plan.

Plan Administration. Our board of directors, or a duly authorized committee of our board of directors, will administer our 2021 Plan and is referred to as the “plan administrator”. Our board of directors may also delegate

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to one or more of our officers the authority to (1) designate employees (other than officers) to receive specified stock awards and (2) determine the number of shares subject to such stock awards. Under our 2021 Plan, our board of directors has the authority to determine award recipients, grant dates, the numbers and types of stock awards to be granted, the applicable fair market value, and the provisions of each stock award, including the period of exercisability and the vesting schedule applicable to a stock award.

Stock Options. ISOs and NSOs are granted under stock option agreements adopted by the plan administrator. The plan administrator determines the exercise price for stock options, within the terms and conditions of our 2021 Plan, provided that the exercise price of a stock option generally cannot be less than 100% of the fair market value of Class A common stock on the date of grant. Options granted under our 2021 Plan vest at the rate specified in the stock option agreement as determined by the plan administrator.

The plan administrator determines the term of stock options granted under our 2021 Plan, up to a maximum of 10 years. Unless the terms of an optionholder's stock option agreement, or other written agreement between us and the recipient approved by the plan administrator, provide otherwise, if an optionholder's service relationship with us or any of our affiliates ceases for any reason other than disability, death, or cause, the optionholder may generally exercise any vested options for a period of three months following the cessation of service. This period may be extended in the event that exercise of the option is prohibited by applicable securities laws. If an optionholder's service relationship with us or any of our affiliates ceases due to death, or an optionholder dies within a certain period following cessation of service, the optionholder or a beneficiary may generally exercise any vested options for a period of 12 months following the date of death. If an optionholder's service relationship with us or any of our affiliates ceases due to disability, the optionholder may generally exercise any vested options for a period of 12 months following the cessation of service. In the event of a termination for cause, options generally terminate upon the termination date. In no event may an option be exercised beyond the expiration of its term.

Acceptable consideration for the purchase of Class A common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (1) cash, check, bank draft, or money order, (2) a broker-assisted cashless exercise, (3) the tender of shares of Class A common stock previously owned by the optionholder, (4) a net exercise of the option if it is an NSO, or (5) other legal consideration approved by the plan administrator.

Unless the plan administrator provides otherwise, options or stock appreciation rights generally are not transferable except by will or the laws of descent and distribution. Subject to approval of the plan administrator or a duly authorized officer, an option may be transferred pursuant to a domestic relations order, official marital settlement agreement, or other divorce or separation instrument.

Tax Limitations on ISOs. The aggregate fair market value, determined at the time of grant, of Class A and Class B common stock with respect to ISOs that become exercisable by an award holder during any calendar year under all of our stock plans may not exceed \$100,000. Options or portions thereof that exceed such limit will generally be treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any of our parent or subsidiary corporations unless (1) the option exercise price is at least 110% of the fair market value of the stock subject to the option on the date of grant, and (2) the term of the ISO does not exceed five years from the date of grant.

Restricted Stock Unit Awards. RSU awards are granted under RSU award agreements adopted by the plan administrator. RSU awards may be granted in consideration for any form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. A RSU award may be settled by cash, delivery of stock, a combination of cash and stock as deemed appropriate by the plan administrator, or in any other form of consideration set forth in the RSU award agreement. Additionally, dividend equivalents may be credited in respect of shares covered by a RSU award. Except as otherwise provided in the applicable award

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agreement, or other written agreement between us and the recipient approved by the plan administrator, RSU awards that have not vested will be forfeited once the participant's continuous service ends for any reason.

Restricted Stock Awards. Restricted stock awards are granted under restricted stock award agreements adopted by the plan administrator. A restricted stock award may be awarded in consideration for cash, check, bank draft, or money order, past or future services to us, or any other form of legal consideration that may be acceptable to our board of directors and permissible under applicable law. The plan administrator determines the terms and conditions of restricted stock awards, including vesting and forfeiture terms. If a participant's service relationship with us ends for any reason, we may receive any or all of the shares of Class A common stock held by the participant that have not vested as of the date the participant terminates service with us through a forfeiture condition or a repurchase right.

Stock Appreciation Rights. Stock appreciation rights are granted under stock appreciation right agreements adopted by the plan administrator. The plan administrator determines the purchase price or strike price for a stock appreciation right, which generally cannot be less than 100% of the fair market value of our Class A common stock on the date of grant. A stock appreciation right granted under our 2021 Plan vests at the rate specified in the stock appreciation right agreement as determined by the plan administrator. Stock appreciation rights may be settled in cash or shares of Class A common stock or in any other form of payment as determined by our board of directors and specified in the stock appreciation right agreement.

The plan administrator determines the term of stock appreciation rights granted under our 2021 Plan, up to a maximum of 10 years. If a participant's service relationship with us or any of our affiliates ceases for any reason other than cause, disability, or death, the participant may generally exercise any vested stock appreciation right for a period of three months following the cessation of service. This period may be further extended in the event that exercise of the stock appreciation right following such a termination of service is prohibited by applicable securities laws. If a participant's service relationship with us, or any of our affiliates, ceases due to disability or death, or a participant dies within a certain period following cessation of service, the participant or a beneficiary may generally exercise any vested stock appreciation right for a period of 12 months in the event of disability or event of death. In the event of a termination for cause, stock appreciation rights generally terminate immediately upon the occurrence of the event giving rise to the termination of the individual for cause. In no event may a stock appreciation right be exercised beyond the expiration of its term.

Performance Awards. Our 2021 Plan permits the grant of performance awards that may be settled in stock, cash, or other property. Performance awards may be structured so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period. Performance awards that are settled in cash or other property are not required to be valued in whole or in part by reference to, or otherwise based on, our Class A common stock.

The performance goals may be based on any measure of performance selected by the board of directors. The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates, or business segments, and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the board of directors at the time the performance award is granted, the board of directors will appropriately make adjustments in the method of calculating the attainment of performance goals as follows: (i) to exclude restructuring or other nonrecurring charges; (ii) to exclude exchange rate effects; (iii) to exclude the effects of changes to GAAP; (iv) to exclude the effects of any statutory adjustments to corporate tax rates; (v) to exclude the effects of items that are "unusual" in nature or occur "infrequently" as determined under GAAP; (vi) to exclude the dilutive effects of acquisitions or joint ventures; (vii) to assume that any portion of our business which is divested achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (viii) to exclude the effect of any change in the outstanding shares of Class A or Class B common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate

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change, or any distributions to common stockholders other than regular cash dividends; (ix) to exclude the effects of stock-based compensation and the award of bonuses under our bonus plans; (x) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under GAAP; and (xi) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under GAAP.

Other Stock Awards. The plan administrator may grant other awards based in whole or in part by reference to our Class A common stock. The plan administrator will set the number of shares under the stock award (or cash equivalent) and all other terms and conditions of such awards.

Non-Employee Director Compensation Limit. The aggregate value of all compensation granted or paid to any non-employee director with respect to any calendar year, including awards granted and cash fees paid by us to such non-employee director, will not exceed \$ _____ in total value; provided that such amount will increase to \$ _____ for the first year for newly appointed or elected non-employee directors.

Changes to Capital Structure. In the event there is a specified type of change in our capital structure, such as a stock split, reverse stock split, or recapitalization, appropriate adjustments will be made to (1) the class and maximum number of shares reserved for issuance under our 2021 Plan, (2) the class and maximum number of shares by which the share reserve may increase automatically each year, (3) the class and maximum number of shares that may be issued on the exercise of ISOs, and (4) the class and number of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. The following applies to stock awards under our 2021 Plan in the event of a corporate transaction (as defined in our 2021 Plan), unless otherwise provided in a participant's stock award agreement or other written agreement with us or one of our affiliates or unless otherwise expressly provided by the plan administrator at the time of grant.

In the event of a corporate transaction, any stock awards outstanding under our 2021 Plan may be assumed, continued, or substituted for by any surviving or acquiring corporation (or its parent company), and any reacquisition or repurchase rights held by us with respect to the stock award may be assigned to the successor (or its parent company). If the surviving or acquiring corporation (or its parent company) does not assume, continue, or substitute for such stock awards, then (i) with respect to any such stock awards that are held by participants whose continuous service has not terminated prior to the effective time of the corporate transaction, or current participants, the vesting (and exercisability, if applicable) of such stock awards will be accelerated in full to a date prior to the effective time of the corporate transaction (contingent upon the effectiveness of the corporate transaction), and such stock awards will terminate if not exercised (if applicable) at or prior to the effective time of the corporate transaction, and any reacquisition or repurchase rights held by us with respect to such stock awards will lapse (contingent upon the effectiveness of the corporate transaction), and (ii) any such stock awards that are held by persons other than current participants will terminate if not exercised (if applicable) prior to the effective time of the corporate transaction, except that any reacquisition or repurchase rights held by us with respect to such stock awards will not terminate and may continue to be exercised notwithstanding the corporate transaction.

In the event a stock award will terminate if not exercised prior to the effective time of a corporate transaction, the plan administrator may provide, in its sole discretion, that the holder of such stock award may not exercise such stock award but instead will receive a payment equal in value to the excess (if any) of (i) the per share amount payable to holders of Class A common stock in connection with the corporate transaction, over (ii) any per share exercise price payable by such holder, if applicable. In addition, any escrow, holdback, earn out, or similar provisions in the definitive agreement for the corporate transaction may apply to such payment to the same extent and in the same manner as such provisions apply to the holders of Class A common stock.

Change in Control. Awards granted under our 2021 Plan may be subject to acceleration of vesting and exercisability upon or after a change in control (as defined in our 2021 Plan) as may be provided in the applicable

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stock award agreement or in any other written agreement between us or any affiliate and the participant, but in the absence of such provision, no such acceleration will automatically occur.

Plan Amendment or Termination. Our board of directors has the authority to amend, suspend, or terminate our 2021 Plan, provided that such action does not materially impair the existing rights of any participant without such participant's written consent. Certain material amendments also require the approval of our stockholders. No ISOs may be granted after the tenth anniversary of the date our board of directors adopts our 2021 Plan. No stock awards may be granted under our 2021 Plan while it is suspended or after it is terminated.

2021 Employee Stock Purchase Plan

Our board of directors adopted our 2021 ESPP in _____ 2021, and our stockholders approved our 2021 ESPP in _____ 2021.

Share Reserve. The maximum number of shares of Class A common stock that may be issued under our 2021 ESPP is _____ shares. Additionally, the number of shares of Class A common stock reserved for issuance under our 2021 ESPP will automatically increase on January 1st of each year, beginning on January 1, 2022 and continuing through and including January 1, 2031, by the lesser of (1) _____ % of the total number of shares of Class A and Class B common stock outstanding on December 31st of the preceding calendar year, (2) _____ shares of Class A common stock, or (3) such lesser number of shares of Class A common stock as determined by our board of directors. Shares subject to purchase rights granted under our 2021 ESPP that terminate without having been exercised in full will not reduce the number of shares available for issuance under our 2021 ESPP.

Administration. Our board of directors, or a duly authorized committee thereof, will administer our 2021 ESPP. Our board of directors has delegated its authority to administer our 2021 ESPP to our compensation committee under the terms of the compensation committee's charter.

Limitations. Our employees, including executive officers, and the employees of any of our designated affiliates, will be eligible to participate in our 2021 ESPP, provided they may have to satisfy one or more of the following service requirements before participating in our 2021 ESPP, as determined by the administrator: (1) customary employment with us or one of our affiliates for more than 20 hours per week and five or more months per calendar year or (2) continuous employment with us or one of our affiliates for a minimum period of time, not to exceed two years, prior to the first date of an offering. An employee may not be granted rights to purchase stock under our 2021 ESPP (a) if such employee immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our stock or (b) to the extent that such rights would accrue at a rate that exceeds \$25,000 worth of our stock for each calendar year that the rights remain outstanding.

Our 2021 ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code. The administrator may specify offerings with a duration of not more than 27 months and may specify one or more shorter purchase periods within each offering. Each offering will have one or more purchase dates on which shares of our Class A common stock will be purchased for the employees who are participating in the offering. The administrator, in its discretion, will determine the terms of offerings under our 2021 ESPP.

A participant may not transfer purchase rights under our 2021 ESPP other than by will, the laws of descent and distribution, or as otherwise provided under our 2021 ESPP.

Payroll Deductions. Our 2021 ESPP permits participants to purchase shares of Class A common stock through payroll deductions of up to 15% of their earnings. Unless otherwise determined by the administrator, the purchase price of the shares will be 85% of the lower of the fair market value of Class A common stock on the first day of an offering or on the date of purchase. Participants may end their participation at any time during an offering and will be paid their accrued contributions that have not yet been used to purchase shares. Participation ends automatically upon termination of employment with us.

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Corporate Transactions. In the event of certain specified significant corporate transactions, such as a merger or change in control, a successor corporation may assume, continue, or substitute each outstanding purchase right. If the successor corporation does not assume, continue, or substitute for the outstanding purchase rights, the offering in progress will be shortened and a new exercise date will be set. The participants' purchase rights will be exercised on the new exercise date and such purchase rights will terminate immediately thereafter.

Amendment and Termination. Our board of directors has the authority to amend, suspend, or terminate our 2021 ESPP, at any time and for any reason, provided certain types of amendments will require the approval of our stockholders. Our 2021 ESPP will remain in effect until terminated by our board of directors in accordance with the terms of our 2021 ESPP.

2014 Stock Plan

Our board of directors adopted our 2014 Plan in September 2014, and our stockholders approved our 2014 Plan in September 2014. Our 2014 Plan was also amended in March 2021. The 2014 Plan will terminate on the date the 2021 Plan becomes effective. However, any outstanding awards granted under the 2014 Plan will remain outstanding, subject to the terms of the 2014 Plan and award agreements, until such outstanding options are exercised or until any awards terminate or expire by their terms.

Authorized Shares. We will no longer grant awards under our 2014 Plan when the 2021 Plan becomes effective. As of December 31, 2020, options to purchase 71,213,150 shares were outstanding and 4,722,481 shares of Class B common stock remained available for future issuance under our 2014 Plan. The options outstanding as of December 31, 2020 had a weighted-average exercise price of \$3.39 per share. Subsequent to December 31, 2020, we increased the number of shares of Class B common stock reserved for future issuance under our 2014 Plan by 16,000,000 shares and granted options to purchase an additional 13,603,242 shares of Class B common stock and RSUs for 14,000 shares under this plan. We expect that any shares remaining available for issuance under the 2014 Plan at the time the 2021 Plan becomes effective will become available for issuance under the 2021 Plan.

Stock Awards. Our 2014 Plan provides for the grant of ISOs within the meaning of Section 422 of the Code to our employees and employees of certain of our affiliates, and for the grant of NSOs, restricted stock and RSUs to such employees, our directors, and consultants engaged by us or any of our affiliates.

Plan Administration. Our board of directors administers and interprets the 2014 Plan. The board may delegate its authority to a committee of the board, referred to as the "plan administrator". The plan administrator may additionally delegate authority to an officer to make grants under the 2014 Plan to certain employees and consultants within parameters specified by the plan administrator. Under our 2014 Plan, the plan administrator has the authority to, among other things, (i) determine the fair market value, number and type, recipients, and the provisions of stock awards, including the period of their exercisability and their vesting schedule; (ii) amend any stock award or agreement related to a stock award; (iii) determine if an option may be settled in cash; (iv) implement an option exchange program; and (v) construe and interpret the 2014 Plan and awards granted thereunder.

Stock Options. Our 2014 Plan provides for the grant of both ISOs and NSOs to purchase shares of our Class B common stock. The plan administrator determines the exercise price for stock options within the terms and conditions of the 2014 Plan, provided that the exercise price of a stock option generally will not be less than 100% of the fair market value of our Class B common stock on the date of grant (or in the case of 10% stockholders, not less than 110% of the fair market value of our Class B common stock).

Restricted Stock Units. RSUs represent the right to receive shares of our Class B common stock at a specified date in the future. RSUs are settled on the date or dates determined by the plan administrator and may be settled in shares of our Class B common stock, cash, or a combination thereof. The plan administrator

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determines the vesting conditions of RSUs, which are generally based on the achievement of company-wide, business unit, or individual goals, although the plan administrator may determine other vesting conditions in their discretion.

Changes to Capital Structure. In the event of any stock dividend, recapitalization, stock split, reverse stock split, reorganization, merger, combination, reclassification or similar change in our capital structure, the plan administrator will adjust as appropriate (i) the number of shares that may be delivered under the 2014 Plan and the number of shares covered by each outstanding award, (ii) the exercise or purchase price per share under each outstanding award, and (iii) any applicable repurchase price per share.

Corporate Transactions. In the event of (i) a transfer of all or substantially all of our assets, (ii) a merger or consolidation or other similar transaction, or (iii) a transaction in which any person becomes the beneficial owner of more than 50% of our then outstanding capital stock, each outstanding award will be treated as the plan administrator determines. The plan administrator may provide for the continuation, assumption or substitution of awards by the surviving corporation, the cancellation of awards in exchange for a payment equal to the fair market value of the shares subject to the awards over the exercise or purchase price of such awards, or the cancellation of awards for no consideration.

Plan Amendment or Termination. Our board of directors may at any time amend or terminate the 2014 Plan. Certain material amendments to the 2014 Plan may require the written consent of holders of outstanding awards or our stockholders, as applicable. As discussed above, we will terminate our 2014 Plan prior to the closing of this offering and no new awards will be granted thereunder following such termination.

Limitations of Liability and Indemnification Matters

Immediately prior to the closing of this offering, our amended and restated certificate of incorporation will contain provisions that limit the liability of our current and former directors for monetary damages to the fullest extent permitted by Delaware law. Delaware law allows a corporation to provide that its directors will not be personally liable for monetary damages for any breach of fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to the corporation or its stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Such limitation of liability does not apply to liabilities arising under federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering will authorize us to indemnify our directors, officers, employees, and other agents to the fullest extent permitted by Delaware law. Our amended and restated bylaws that will be in effect immediately prior to the closing of this offering will provide that we are required to indemnify our directors and officers to the fullest extent permitted by Delaware law and may indemnify our other employees and agents. Our amended and restated bylaws that will be in effect immediately prior to the closing of this offering will also provide that, on satisfaction of certain conditions, we will advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding, and permit us to secure insurance on behalf of any officer, director, employee, or other agent for any liability arising out of his or her actions in that capacity regardless of whether we would otherwise be permitted to indemnify him or her under the provisions of Delaware law. We have entered into, or will enter into in connection with this offering, agreements to indemnify our directors and executive officers. With certain exceptions, these agreements provide for indemnification for related expenses including attorneys' fees, judgments, fines, and settlement amounts incurred by any of these individuals in

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connection with any action, proceeding, or investigation. We believe that our amended and restated certificate of incorporation and these amended and restated bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain customary directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. They may also reduce the likelihood of derivative litigation against our directors and officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and officers as required by these indemnification provisions.

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

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Other than compensation arrangements for our directors and executive officers, which are described elsewhere in this prospectus, below we describe transactions since January 1, 2018 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amounts involved exceeded or will exceed \$120,000; and
- any of our directors, executive officers, or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities had or will have a direct or indirect material interest.

We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's length transactions.

Series D Redeemable Convertible Preferred Stock Financing

In November 2018, we sold an aggregate of 12,106,303 shares of our Series D redeemable convertible preferred stock at a purchase price of \$10.3252 per share for an aggregate purchase price of approximately \$125.0 million. The following table summarizes purchases of our Series D redeemable convertible preferred stock by related persons:

<u>Stockholder</u>	<u>Shares of Series D Redeemable Convertible Preferred Stock</u>	<u>Total Series D Redeemable Convertible Preferred Stock Purchase Price</u>
Entities affiliated with Sequoia Capital ⁽¹⁾	5,811,025	\$ 59,999,995
Benchmark Capital Partners VIII, L.P. ⁽²⁾	9,685	100,000
Entities affiliated with Index ⁽³⁾	5,317,089	54,900,007

- (1) Entities affiliated with Sequoia Capital holding our securities whose shares are aggregated for purposes of reporting share ownership information are Sequoia Capital U.S. Growth Fund VII, L.P., Sequoia Capital U.S. Growth VII Principals Fund, L.P., and Sequoia Capital U.S. Growth Fund VIII, L.P. These entities beneficially own more than 5% of our outstanding capital stock, and Matthew Miller, a member of our board of directors, is a Partner at Sequoia Capital.
- (2) Benchmark Capital Partners VIII, L.P. beneficially owns more than 5% of our outstanding capital stock, and Eric Vishria, a member of our board of directors, is a General Partner at Benchmark Capital.
- (3) Entities affiliated with Index holding our securities whose shares are aggregated for purposes of reporting share ownership information are Index Ventures Growth IV (Jersey), L.P., Index Ventures VII (Jersey), L.P., Index Ventures VII Parallel Entrepreneur Fund (Jersey), L.P., and YUCCA (Jersey) SLP. These entities beneficially own more than 5% of our outstanding capital stock, and Mike Volpi, a member of our board of directors, is a Partner at Index.

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Series E Redeemable Convertible Preferred Stock Financing

From March 2020 through September 2020, we sold an aggregate of 17,369,577 shares of our Series E redeemable convertible preferred stock at a purchase price of \$14.9687 per share for an aggregate purchase price of \$260.0 million. The following table summarizes purchases of our Series E redeemable convertible preferred stock by related persons:

<u>Stockholder</u>	<u>Shares of Series E Redeemable Convertible Preferred Stock</u>	<u>Total Series E Redeemable Convertible Preferred Stock Purchase Price</u>
Entities affiliated with Sequoia Capital(1)	668,060	\$ 9,999,990
Entities affiliated with Index(2)	1,002,090	14,999,985

- (1) Entities affiliated with Sequoia Capital holding our securities whose shares are aggregated for purposes of reporting share ownership information are Sequoia Capital U.S. Growth Fund VII, L.P., Sequoia Capital U.S. Growth VII Principals Fund, L.P., and Sequoia Capital U.S. Growth Fund VIII, L.P. These entities beneficially own more than 5% of our outstanding capital stock, and Matthew Miller, a member of our board of directors, is a Partner at Sequoia Capital.
- (2) Entities affiliated with Index holding our securities whose shares are aggregated for purposes of reporting share ownership information are Index Ventures Growth IV (Jersey), L.P., Index Ventures VII (Jersey), L.P., Index Ventures VII Parallel Entrepreneur Fund (Jersey), L.P., and YUCCA (Jersey) SLP. These entities beneficially own more than 5% of our outstanding capital stock, and Mike Volpi, a member of our board of directors, is a Partner at Index.

Secondary Transactions

Third-Party Tender Offer

In July 2020, in connection with our Series E redeemable convertible preferred stock financing, certain existing and new investors conducted a tender offer to purchase shares of common stock and convertible founder stock from certain of our existing stockholders, including (i) Mr. Kreps, our Chief Executive Officer and member of our board of directors, (ii) the spouse of Mr. Kreps, (iii) Ms. Narkhede, a member of our board of directors, and (iv) Mr. Rao, our co-founder and beneficial owner of more than 5% of our outstanding capital stock. An aggregate of 1,883,233 shares of our common stock and 7,284,182 shares of our convertible founder stock (which converted into 7,284,182 shares of Series E redeemable convertible preferred stock upon the closing of the tender offer pursuant to the terms of our certificate of incorporation) were tendered at a price of \$14.9687 per share, the price per share of Series E redeemable convertible preferred stock in the Series E redeemable convertible preferred stock financing. The tender offer price per share was in excess of the fair value per share of the shares tendered.

In connection with the tender offer, we entered into a tender agreement with certain stockholders, including Mr. Kreps, his spouse, Ms. Narkhede, and Mr. Rao, pursuant to which we agreed to, among other things, waive certain transfer restrictions otherwise applicable to the Series E redeemable convertible preferred stock received by such investors upon the conversion of the transferred convertible founder stock. Certain stockholders party to the tender agreement also agreed to tender a minimum number of shares of convertible founder stock.

The following table summarizes the sales from (i) Mr. Kreps and his spouse, (ii) Ms. Narkhede, and (iii) Mr. Rao in this third-party tender offer. The participation by such individuals in this tender offer was not intended to be compensation paid by us to them. However, for financial accounting purposes, we recognized a portion of the price paid to (i) Mr. Kreps and his spouse, (ii) Ms. Narkhede, and (iii) Mr. Rao as stock-based compensation expense because the sale price in the tender offer was in excess of the fair value of the shares

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tendered. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for assumptions used in calculating the amounts recognized as stock-based compensation expense.

Stockholder	Shares of Convertible Founder Stock	Total Convertible Founder Stock Purchase Price
Jay Kreps ⁽¹⁾	2,640,000	\$ 39,517,368
Neha Narkhede ⁽²⁾	2,640,000	39,517,368
Jun Rao ⁽³⁾	2,004,182	29,999,999

(1) Mr. Kreps is our Chief Executive Officer and a member of our board of directors. Amounts shown include shares sold by Mr. Kreps' spouse.

(2) Ms. Narkhede is a member of our board of directors.

(3) Mr. Rao is our co-founder and a beneficial owner of more than 5% of our outstanding capital stock.

Secondary Sales

In September 2020, Ms. Narkhede, a member of our board of directors, and certain trusts affiliated with Ms. Narkhede entered into stock transfer agreements with new and existing investors in our company, pursuant to which Ms. Narkhede and the affiliated trusts sold and transferred an aggregate of 5,334,799 shares of common stock to such investors at a price of \$14.00 per share for 2,088,476 shares and \$14.9687 per share for 3,246,323 shares for aggregate proceeds of approximately \$77.8 million. We waived our right of first refusal in connection with the stock transfers described above.

The purpose of these stock transfers was not intended to be compensation paid by us to Ms. Narkhede. However, for financial accounting purposes, we recognized a portion of the price paid to Ms. Narkhede and her trusts in certain of these sale transactions as stock-based compensation expense because the sale prices in such transactions were in excess of the fair value of such shares of common stock. See Note 11 to our consolidated financial statements included elsewhere in this prospectus for assumptions used in calculating the amounts recognized as stock-based compensation expense.

Investor Rights Agreement

We are party to an amended and restated investor rights agreement, or IRA, with certain holders of our capital stock, including Benchmark Capital Partners VIII, L.P. and entities affiliated with Index and Sequoia Capital, which each hold greater than 5% of our outstanding capital stock and are affiliated with members of our board of directors, as well as other holders of our redeemable convertible preferred stock and Mr. Kreps, Ms. Narkhede, and Mr. Rao and their respective affiliates. The IRA provides certain holders of our redeemable convertible preferred stock with certain registration rights, including the right to demand that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. The IRA also provides certain of these stockholders with information rights, which will terminate immediately prior to the closing of this offering, and a right of first offer with regard to certain issuances of our capital stock, which will not apply to, and will terminate immediately prior to, the closing of this offering. For a description of these registration rights, see the section titled "Description of Capital Stock—Registration Rights."

Voting Agreements

We are party to voting agreements under which certain holders of our capital stock, including Benchmark Capital Partners VIII, L.P. and entities affiliated with Index and Sequoia Capital, which each hold greater than 5% of our outstanding capital stock and are affiliated with members of our board of directors, and Mr. Kreps, Ms. Narkhede, and Mr. Rao and their respective affiliates, have agreed as to the manner in which they will vote

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their shares of our capital stock on certain matters, including with respect to the election of directors. We are also party to a voting agreement with Mr. Kreps and the purchasers of Series D redeemable convertible preferred stock, pursuant to which such purchasers agreed to vote their shares of our capital stock in accordance with Mr. Kreps' instructions for certain matters under our certificate of incorporation, including for certain amendments to our certificate of incorporation. These agreements will terminate upon the closing of this offering, and thereafter none of our stockholders will have any special rights regarding the election or designation of members of our board of directors.

Right of First Refusal

Pursuant to our equity compensation plans and certain agreements with our stockholders, including a right of first refusal and co-sale agreement with certain holders of our capital stock, including Benchmark Capital Partners VIII, L.P. and entities affiliated with Index and Sequoia Capital, which each hold greater than 5% of our outstanding capital stock and are affiliated with members of our board of directors, and Mr. Kreps, Ms. Narkhede, and Mr. Rao and their respective affiliates, we or our assignees and certain holders of our capital stock have a right to purchase shares of our capital stock which stockholders propose to sell in certain circumstances to other parties. This right will terminate upon the closing of this offering.

Indemnification Agreements

Our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering will contain provisions limiting the liability of directors, and our amended and restated bylaws that will be in effect immediately prior to the closing of this offering will provide that we will indemnify each of our directors and officers to the fullest extent permitted under Delaware law. Our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect immediately prior to the closing of this offering will also provide our board of directors with discretion to indemnify our employees and other agents when determined appropriate by the board. In addition, we have entered or will enter into an indemnification agreement with each of our directors and executive officers, which requires us to indemnify them in certain circumstances. For more information regarding these agreements, see the section titled "Executive Compensation—Limitations of Liability and Indemnification Matters."

Policies and Procedures for Related Person Transactions

Our board of directors has adopted a related person transactions policy setting forth the policies and procedures for the identification, review, and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement, or relationship, or any series of similar transactions, arrangements, or relationships, in which we and a related person were or will be participants and the amount involved exceeds \$120,000, including purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, and guarantees of indebtedness. In reviewing and approving any such transactions, our audit committee will consider all relevant facts and circumstances as appropriate, such as the purpose of the transaction, the availability of other sources of comparable offerings or services, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction, management's recommendation with respect to the proposed related person transaction, and the extent of the related person's interest in the transaction.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our capital stock as of December 31, 2020 and as adjusted to reflect the sale of our Class A common stock offered by us in this offering, for:

- each of our named executive officers;
- each of our directors;
- all of our executive officers and directors as a group; and
- each person or group of affiliated persons known by us to beneficially own more than 5% of our Class A common stock and Class B common stock.

We have determined beneficial ownership in accordance with the rules and regulations of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as indicated by the footnotes below, we believe, based on information furnished to us, that the persons and entities named in the table below have sole voting and sole investment power with respect to all shares that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership before the offering is based on 225,361,511 shares of Class B common stock outstanding as of December 31, 2020, assuming the automatic conversion of (i) 115,277,850 shares of our redeemable convertible preferred stock outstanding as of December 31, 2020 into an equal number of shares of Class B common stock and (ii) 635,818 shares of our convertible founder stock outstanding as of December 31, 2020 into an equal number of shares of Class B common stock, in each case immediately prior to the closing of this offering. Applicable percentage ownership after the offering is based on _____ shares of Class A common stock and _____ shares of Class B common stock outstanding immediately after the closing of this offering. In computing the number of shares beneficially owned by a person and the percentage ownership of such person, we deemed to be outstanding all shares subject to options held by the person that are currently exercisable or exercisable within 60 days of December 31, 2020. However, except as described above, we did not deem such shares outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o Confluent, Inc., 899 W. Evelyn Avenue, Mountain View, California 94041.

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Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering			Number of Shares Being Offered	Shares Beneficially Owned Following this Offering				
	Common Stock		% of Total Voting Power†		Class A		Class B		% of Total Voting Power†
	Shares	%			Shares	%	Shares	%	
5% or greater stockholders:									
Benchmark Capital Partners VIII, L.P.(1)	35,015,997	15.5	15.5						
Entities affiliated with Index(2)	29,813,391	13.2	13.2						
Entities affiliated with Jun Rao(3)	24,395,818	10.8	10.8						
Entities affiliated with Sequoia Capital(4)	21,405,289	9.5	9.5						
Named executive officers and directors:									
Jay Kreps(5)	27,210,306	11.9	11.9						
Steffan Tomlinson(6)	3,457,234	1.5	1.5						
Erica Schultz(7)	3,059,000	1.3	1.3						
Lara Caimi(8)	301,297	*	*						
Jonathan Chadwick(9)	665,000	*	*						
Matthew Miller(4)	16,406,764	7.3	7.3						
Neha Narkhede(10)	3,623,933	1.6	1.6						
Greg Schott (11)	450,944	*	*						
Eric Vishria(1)	35,015,997	15.5	15.5						
Mike Volpi(2)	—	*	*						
All current executive officers and directors as a group (10 persons)(12)	90,190,475	37.9	37.9						

* Represents beneficial ownership of less than 1%.

† Represents the voting power with respect to all shares of our Class A common stock and Class B common stock, voting as a single class. Each share of Class A common stock will be entitled to one vote per share, and each share of Class B common stock will be entitled to 10 votes per share. The Class A common stock and Class B common stock will vote together on all matters (including the election of directors) submitted to a vote of stockholders, except under limited circumstances described in “Description of Capital Stock—Class A Common Stock and Class B Common Stock—Voting Rights.”

- (1) Consists of shares of common stock held by Benchmark Capital Partners VIII, L.P., or BCP VIII. Benchmark Capital Management Co. VIII, L.L.C., or BCM VIII, is the general partner of BCP VIII. Eric Vishria, a member of our board of directors, along with Matthew R. Cohler, Peter H. Fenton, J. William Gurley, An-Yen Hu, Mitchell H. Lasky, Chetan Puttagunta, Steven M. Spurlock, and Sarah E. Tavel are the managing members of BCM VIII, and each of them may be deemed to hold shared voting and investment power with respect to the shares held by BCP VIII. Each person and entity listed disclaims beneficial ownership of the shares except to the extent of such person’s or entity’s pecuniary interest in such shares. The address for BCP VIII is 2965 Woodside Road, Woodside, California 94062.
- (2) Consists of (i) 6,211,753 shares held by Index Ventures Growth IV (Jersey), L.P., (ii) 22,582,236 shares held by Index Ventures VII (Jersey), L.P., or Index VII, (iii) 559,568 shares held by Index Ventures VII Parallel Entrepreneur Fund (Jersey), L.P., or Index VII Parallel, and (iv) 459,834 shares held by YUCCA (Jersey) SLP, or Yucca. Index Ventures Growth Associates IV Limited, or IVGA IV, is the managing general partner of Index Ventures Growth IV (Jersey), L.P. and may be deemed to have voting and dispositive power over the shares held by such fund. Index Ventures Associates VII Limited, or IVA VII, is the managing general partner of Index VII and Index VII Parallel and may be deemed to have voting and dispositive power over the shares held by those funds. Yucca is the administrator of Index co-investment vehicles that are contractually required to mirror the relevant funds’ investment, and IVGA IV and IVA VII may be deemed to have voting and dispositive power over their respective allocations of shares held by Yucca. David Hall, Phil Balderson, Brendan Boyle, and Nigel Greenwood are the members of the board of directors of IVGA IV and IVA VII, and investment and voting decisions with respect to the shares over which IVGA IV and IVA VII may be deemed to have voting and dispositive power are made by such

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- directors collectively. Mike Volpi, a member of our board of directors, is a partner within the Index Ventures Group but does not hold voting or dispositive power over the shares held by the Index funds. The address for each of these entities is C/O EFG Wealth Solutions (Jersey) Ltd., No. 1 Seaton Place, St. Helier, Jersey JE4 8YJ.
- (3) Consists of (i) 20,995,818 shares held by Jun Rao's family trust, for which Mr. Rao and his spouse serve as trustees, (ii) 1,700,000 shares held by Mr. Rao's grantor retained annuity trust, or GRAT, for which Mr. Rao serves as trustee, and (iii) 1,700,000 shares held by Mr. Rao's spouse's GRAT, for which Mr. Rao's spouse serves as trustee. Mr. Rao has sole voting and dispositive power over the shares held by Mr. Rao's GRAT and has shared voting and dispositive power over the shares held by Mr. Rao's family trust and Mr. Rao's spouse's GRAT.
 - (4) Consists of (i) 15,485,091 shares held by Sequoia Capital U.S. Growth Fund VII, L.P., or GFVII, (ii) 921,673 shares held by Sequoia Capital U.S. Growth VII Principals Fund, L.P., or GFVII PF, and (iii) 4,998,525 shares held by Sequoia Capital U.S. Growth Fund VIII, L.P., or GFVIII. SC US (TTGP), Ltd. is (i) the general partner of SC U.S. Growth VII Management, L.P., which is the general partner of each of GFVII and GFVII PF, or collectively, the GFVII Funds, and (ii) the general partner of SC U.S. Growth VIII Management, L.P., which is the general partner of GFVIII. As a result, SC US (TTGP), Ltd. may be deemed to share voting and dispositive power with respect to the shares held by the GFVII Funds and GFVIII. The directors and stockholders of SC US (TTGP), Ltd. who participate in decisions to exercise voting and investment discretion with respect to the securities referred to above held by GFVIII include Matthew Miller, a member of our board of directors. Mr. Miller expressly disclaims beneficial ownership of the shares held by GFVIII. The address for each of these entities is 2800 Sand Hill Road, Suite 101, Menlo Park, California 94025.
 - (5) Includes (i) 20,760,000 shares held by Jay Kreps, (ii) 1,000,000 shares held by a family trust for which Arden Trust Company, as Administrative Trustee, Mr. Kreps, and his spouse serve as trustees, (iii) 1,000,000 shares held by a family trust for which Arden Trust Company, as Administrative Trustee, Mr. Kreps, and his spouse serve as trustees, and (iv) 1,000,000 shares held by various family GRATs, for which Mr. Kreps and his spouse serve as trustees. Mr. Kreps, as co-trustee of each trust, shares voting and dispositive power over the shares held by each trust. Also includes 3,450,306 shares subject to options held by Mr. Kreps that are exercisable within 60 days of December 31, 2020, of which 1,042,279 were vested as of such date.
 - (6) Consists of (i) 150,425 shares held by Steffan Tomlinson, none of which are vested and all of which remain subject to repurchase by us and (ii) 3,306,809 shares subject to options exercisable within 60 days of December 31, 2020, none of which were vested as of such date.
 - (7) Consists of (i) 450,000 shares held by Erica Schultz and (ii) 2,609,000 shares subject to options exercisable within 60 days of December 31, 2020, of which 569,666 were vested as of such date.
 - (8) Represents shares subject to options exercisable within 60 days of December 31, 2020, none of which were vested as of such date.
 - (9) Represents shares held by Jonathan Chadwick, of which 415,625 were unvested and remained subject to repurchase by us within 60 days of December 31, 2020.
 - (10) Consists of (i) 1,323,729 shares held by Neha Narkhede and (ii) 2,300,204 shares subject to options exercisable within 60 days of December 31, 2020, of which 694,853 were vested as of such date. The amount set forth in the table above does not include an aggregate of 17,101,472 shares of Class B common stock held by family trusts for the benefit of Ms. Narkhede and certain family members, as Ms. Narkhede does not exercise any voting or dispositive power over such shares.
 - (11) Represents shares subject to options exercisable within 60 days of December 31, 2020, none of which were vested as of such date.
 - (12) Consists of (i) 77,771,915 shares beneficially owned by our current executive officers and directors, of which 566,050 were unvested and remained subject to repurchase by us within 60 days of December 31, 2020, and (ii) 12,418,560 shares subject to options exercisable within 60 days of December 31, 2020, of which 2,306,798 were vested as of such date.

DESCRIPTION OF CAPITAL STOCK

General

The following is a summary of the rights of our capital stock and some of the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will each become effective immediately prior to the closing of this offering, the IRA and relevant provisions of Delaware General Corporation Law. The descriptions herein are qualified in their entirety by our amended and restated certificate of incorporation, amended and restated bylaws, and IRA, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part, as well as the relevant provisions of Delaware General Corporation Law.

Immediately prior to the closing of this offering, our authorized capital stock will consist of _____ shares, all with a par value of \$0.00001 per share, of which:

- _____ shares are designated as Class A common stock;
- _____ shares are designated as Class B common stock; and
- 10,000,000 shares are designated as preferred stock.

As of December 31, 2020, we had no shares of Class A common stock, 109,447,843 shares of Class B common stock, 635,818 shares of convertible founder stock, and 115,277,850 shares of redeemable convertible preferred stock outstanding. After giving effect to the automatic conversion of all outstanding shares of redeemable convertible preferred stock and convertible founder stock outstanding as of December 31, 2020 into shares of common stock immediately prior to the closing of this offering, there would have been 225,361,511 shares of Class B common stock outstanding on December 31, 2020 held by 486 stockholders of record.

Class A Common Stock and Class B Common Stock

Voting Rights

The Class A common stock is entitled to one vote per share on any matter that is submitted to a vote of our stockholders. Holders of our Class B common stock are entitled to 10 votes per share on any matter submitted to our stockholders. Holders of shares of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by Delaware law.

Under Delaware law, holders of our Class A common stock or Class B common stock would be entitled to vote as a separate class if a proposed amendment to our amended and restated certificate of incorporation would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of the shares of such class, or alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely. As a result, in these limited instances, the holders of a majority of the Class A common stock could defeat any amendment to our amended and restated certificate of incorporation. For example, if a proposed amendment of our amended and restated certificate of incorporation provided for the Class A common stock to rank junior to the Class B common stock with respect to (1) any dividend or distribution, (2) the distribution of proceeds were we to be acquired, or (3) any other right, Delaware law would require the vote of the Class A common stock. In this instance, the holders of a majority of Class A common stock could defeat that amendment to our amended and restated certificate of incorporation.

Our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering will not provide for cumulative voting for the election of directors.

Economic Rights

Except as otherwise will be expressly provided in our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering or required by applicable law, all shares of

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Class A common stock and Class B common stock will have the same rights and privileges and rank equally, share ratably, and be identical in all respects for all matters, including those described below.

Dividends and Distributions

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock and Class B common stock will be entitled to share equally, identically, and ratably, on a per share basis, with respect to any dividend or distribution of cash or property paid or distributed by the company, unless different treatment of the shares of the affected class is approved by the affirmative vote of the holders of a majority of the outstanding shares of such affected class, voting separately as a class. See the section titled “Dividend Policy” for additional information.

Liquidation Rights

On our liquidation, dissolution, or winding-up, the holders of Class A common stock and Class B common stock will be entitled to share equally, identically, and ratably in all assets remaining after the payment of any liabilities, liquidation preferences, and accrued or declared but unpaid dividends, if any, with respect to any outstanding preferred stock, unless a different treatment is approved by the affirmative vote of the holders of a majority of the outstanding shares of such affected class, voting separately as a class.

Change of Control Transactions

The holders of Class A common stock and Class B common stock will be treated equally and identically with respect to shares of Class A common stock or Class B common stock owned by them, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of the class treated differently, voting separately as a class, on (a) the closing of the sale, transfer, or other disposition of all or substantially all of our assets, (b) the consummation of a consolidation, merger, or reorganization which results in our voting securities outstanding immediately before the transaction (or the voting securities issued with respect to our voting securities outstanding immediately before the transaction) representing less than a majority of the combined voting power of the voting securities of the company or the surviving or acquiring entity, or (c) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons of securities of the company if, after closing, the transferee person or group would hold 50% or more of the outstanding voting power of the company (or the surviving or acquiring entity). However, consideration to be paid or received by a holder of common stock in connection with any such assets sale, consolidation, merger, or reorganization under any employment, consulting, severance, or other compensatory arrangement will be disregarded for the purposes of determining whether holders of common stock are treated equally and identically.

Subdivisions and Combinations

If we subdivide or combine in any manner outstanding shares of Class A common stock or Class B common stock, the outstanding shares of the other class will be subdivided or combined in the same proportion and manner.

No Preemptive or Similar Rights

Our Class A common stock and Class B common stock are not entitled to preemptive rights, and are not subject to conversion, redemption, or sinking fund provisions, except for the conversion provisions with respect to the Class B common stock described below.

Conversion

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. After the closing of this offering, on any transfer of shares of Class B common stock,

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whether or not for value, each such transferred share will automatically convert into one share of Class A common stock, except for certain transfers described in our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering, including transfers for tax and estate planning purposes, so long as the transferring holder continues to hold sole voting and dispositive power with respect to the shares transferred.

Any holder's shares of Class B common stock will convert automatically into Class A common stock, on a one-to-one basis, upon the following: (1) sale or transfer of such share of Class B common stock; (2) the death of the Class B common stockholder (or nine months after the date of death if the stockholder is one of our founders); and (3) on the final conversion date, defined as the earlier of (a) the first trading day on or after the date on which the outstanding shares of Class B common stock represent less than 10% of the then outstanding shares of Class A and Class B common stock; (b) the tenth anniversary of this offering; or (c) the date specified by a vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a single class.

Once transferred and converted into Class A common stock, the Class B common may not be reissued.

Fully Paid and Non-Assessable

In connection with this offering, our legal counsel will opine that the shares of our Class A common stock to be issued under this offering will be fully paid and non-assessable.

Preferred Stock

As of December 31, 2020, there were 115,277,850 shares of redeemable convertible preferred stock outstanding. Immediately prior to the closing of this offering, each outstanding share of redeemable convertible preferred stock will convert into one share of Class B common stock. Upon the closing of this offering, our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges, and restrictions of up to an aggregate of 10,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms, and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock, and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring, or preventing a change of control or other corporate action. Upon the closing of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

Founder Stock

As of December 31, 2020, there were 635,818 shares of convertible founder stock outstanding. Immediately prior to the closing of this offering, each outstanding share of convertible founder stock will convert into one share of Class B common stock. Each share of convertible founder stock is convertible into redeemable convertible preferred stock if purchased by an investor in conjunction with a round of preferred stock financing. If otherwise transferred or sold, each share of convertible founder stock is convertible into Class B common stock, except in the case of certain permitted transfers. Upon the closing of this offering, no shares of convertible founder stock will be outstanding.

Options

As of December 31, 2020, we had outstanding options under our equity compensation plan to purchase an aggregate of 71,213,150 shares of Class B common stock with a weighted-average exercise price of \$3.39 per share.

Restricted Stock Units

As of December 31, 2020, we had no RSUs for shares of Class B common stock outstanding.

Registration Rights

We are party to an IRA that provides that certain holders of our redeemable convertible preferred stock and certain holders of our common stock have certain registration rights, as set forth below. The registration of shares of our Class A common stock by the exercise of registration rights described below would enable the holders to sell these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts and commissions, of the shares registered by the demand, piggyback, and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. The demand, piggyback, and Form S-3 registration rights described below will expire three years after the closing of this offering, or with respect to any particular stockholder, such time after the closing of this offering that such stockholder can sell all of its shares entitled to registration rights under Rule 144 of the Securities Act during any 90-day period.

Demand Registration Rights

Upon the closing of this offering, the holders of an aggregate of _____ shares of Class B common stock will be entitled to certain demand registration rights. At any time beginning six months after the effective date of the registration statement of which this prospectus forms a part, certain holders of these shares may request that we register all or a portion of the registrable shares. We are obligated to effect only one such registration. Such request for registration must cover such number of shares as would have an anticipated aggregate offering price of at least \$15.0 million.

Piggyback Registration Rights

Upon the closing of this offering, the holders of an aggregate of _____ shares of Class B common stock will be entitled to certain piggyback registration rights. If we register any securities for public sale, either for our own account or for the account of other security holders, we will also have to register all registrable securities that the holders of such securities request in writing to be registered. This piggyback registration right does not apply to a registration relating to any of our stock plans, a transaction under Rule 145 of the Securities Act, or a registration related to stock issued upon conversion of debt securities. The underwriters of any underwritten offering will have the right, in their sole discretion, to limit the number of shares registered by these holders if the underwriters determine that including all registrable securities will jeopardize the success of the offering.

Form S-3 Registration Rights

Upon the closing of this offering, the holders of an aggregate of _____ shares of Class B common stock will be entitled to certain registration rights on Form S-3. The holders of these shares, constituting at least a majority of our registrable securities then outstanding, can request that we register all or a portion of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and the aggregate price to the public of the shares offered is in excess of \$10.0 million. We are not required to file more than two Form S-3 registration statements that are declared or became effective in any 12-month period. We may postpone the filing of a registration statement for up to 120 days not more than once in a 12-month period if in the good faith judgment of our board of directors such registration would be materially detrimental to us. The foregoing Form S-3 rights are subject to a number of additional exceptions and limitations.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Some provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws contain or will contain provisions that could make the following transactions more difficult:

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an acquisition of us by means of a tender offer; an acquisition of us by means of a proxy contest or otherwise; or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Preferred Stock

Our board of directors will have the authority, without further action by our stockholders, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or other means.

Stockholder Meetings

Our amended and restated bylaws will provide that a special meeting of stockholders may be called only by our chairperson of the board, chief executive officer or president (in the absence of a chief executive officer), or by a resolution adopted by a majority of our board of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws will establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors, or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent

Our amended and restated certificate of incorporation and amended and restated bylaws will eliminate the right of stockholders to act by written consent without a meeting.

Staggered Board

Our board of directors will be divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. For more information on the classified board, see “Management—Composition of Our Board of Directors.” This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors

Our amended and restated certificate of incorporation will provide that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two-thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Stockholders Not Entitled to Cumulative Voting

Our amended and restated certificate of incorporation will not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of our preferred stock may be entitled to elect.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed to be “interested stockholders” from engaging in a “business combination” with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation’s voting stock. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

Choice of Forum

Our amended and restated certificate of incorporation to be effective immediately prior to the closing of this offering will provide that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on our behalf; (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers, or other employees to us or our stockholders; (iii) any action or proceeding asserting a claim against us or any of our current or former directors, officers or other employees arising out of or pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; (iv) any action or proceeding to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws (including any right, obligation, or remedy thereunder); (v) any action or proceeding as to which the Delaware General Corporation Law confers jurisdiction to the Court of Chancery of the State of Delaware; and (vi) any action or proceeding asserting a claim against us or any of our current or former directors, officers, or other employees that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court’s having personal jurisdiction over the indispensable parties named as defendants.

This choice of forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, or the Securities Act. Our amended and restated certificate of incorporation to be effective immediately prior to the closing of this offering will further provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such provision.

For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional entity whose

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profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. Additionally, our amended and restated certificate of incorporation to be effective immediately prior to the closing of this offering will provide that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock, would require approval by holders of at least two-thirds of the total voting power of all of our outstanding voting stock. The provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our Class A common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock and Class B common stock will be Computershare Trust Company, N.A. The transfer agent and registrar's address is 250 Royall Street, Canton, Massachusetts 02021.

Exchange Listing

Our common stock is currently not listed on any securities exchange. We intend to apply to list our Class A common stock on the _____ under the symbol "_____".

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock. Future sales of substantial amounts of Class A common stock in the public market, or the perception that such sales may occur, could adversely affect the market price of our Class A common stock. Although we intend to apply to list our Class A common stock on the _____, we cannot assure you an active public market for our Class A common stock will develop.

Following the closing of this offering, based on the number of shares of our Class B common stock outstanding as of December 31, 2020 and assuming (i) the issuance of _____ shares of Class A common stock in this offering, (ii) the automatic conversion of 115,277,850 shares of our redeemable convertible preferred stock outstanding as of December 31, 2020 into an equal number of shares of Class B common stock immediately prior to the closing of this offering, (iii) the automatic conversion of 635,818 shares of our convertible founder stock outstanding as of December 31, 2020 into an equal number of shares of Class B common stock immediately prior to the closing of this offering, and (iv) no exercise of stock options outstanding as of December 31, 2020, we will have outstanding an aggregate of approximately _____ shares of Class A common stock and _____ shares of Class B common stock.

Of these shares, all shares of Class A common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by our “affiliates,” as that term is defined in Rule 144 under the Securities Act. Shares purchased by our affiliates would be subject to the Rule 144 resale restrictions described below, other than the holding period requirement.

The remaining outstanding shares of Class A common stock and Class B common stock will be, and shares subject to stock options and RSUs will be upon issuance, deemed “restricted securities” as defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, each of which is summarized below. Substantially all of these shares will be subject to a lock-up period under the lock-up agreements and market stand-off agreements described below.

As a result of these agreements and the provisions of our IRA described below and subject to the provisions of Rule 144 and Rule 701, shares of our Class A common stock sold in this offering or shares of Class B common stock subject to lock-up agreements and market stand-off agreements will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all shares of Class A common stock sold in this offering will be immediately available for sale in the public market, except for any shares purchased by our “affiliates” as defined in Rule 144 under the Securities Act;
- beginning at the commencement of trading on the first trading day on which our Class A common stock is traded on the _____, _____ shares (including _____ shares issuable upon exercise of vested options or settlement of RSUs) will be eligible for sale in the public market as set forth in the section titled “— Lock-Up Agreements”;
- beginning at the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, _____ shares (including _____ shares issuable upon exercise of vested options or settlement of RSUs) will be eligible for sale in the public market as set forth in the section titled “— Lock-Up Agreements”; and
- beginning on the earlier of (i) the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, or (ii) the 181st day after the date of this prospectus, the remainder of the shares of our Class A common stock will be eligible for sale in the public market from time to time thereafter.

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In addition, after this offering, up to 71,213,150 shares of Class B common stock may be issued upon exercise of outstanding stock options as of December 31, 2020, and _____ shares of Class A common stock are available for future issuance under our 2021 Plan and our 2021 ESPP.

Lock-Up Agreements

We and all of our directors, officers, and the holders of substantially all of our outstanding Class B common stock and securities exercisable for or convertible into our Class B common stock, have agreed, that, subject to certain exceptions, without the prior written consent of _____ on behalf of the underwriters, we and they will not, and will not publicly disclose an intention to, during the period ending on the earlier of (i) 181 days after the date of this prospectus or (ii) the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, with such period referred to as the restricted period:

(1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for shares of Class A common stock or Class B common stock; or

(2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Class A common stock or Class B common stock or such other securities, whether any such transaction described above is to be settled by delivery of our Class A common stock or Class B common stock or such other securities, in cash or otherwise.

Notwithstanding the foregoing,

(A) up to 15% of the vested shares (including shares issuable upon exercise of vested options and settlement of RSUs) held by current employees (but excluding current officers and directors and excluding founders and investors) may be sold beginning at the commencement of trading on the first trading day on which our Class A common stock is traded on the _____, which we refer to as the first release period; and

(B) up to 25% of the vested shares (including shares issuable upon exercise of vested options or settlement of RSUs and in addition to any shares that may be sold pursuant to clause (A) that have not been sold) held by current employees (including officers), directors, founders (as such term is defined in the IRA) and their respective affiliates, and other investors holding an aggregate of approximately _____ shares may be sold beginning at the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, which we refer to as the second release period.

The number of shares eligible for early release in the first release period equals _____ shares, including _____ shares issuable upon exercise of vested options and settlement of RSUs. The number of shares eligible for early release in the second release period equals _____ shares, including _____ shares issuable upon exercise of vested options and settlement of RSUs.

In addition to the restrictions contained in the lock-up agreements described above, our standard form of option agreement contains market stand-off provisions imposing restrictions on the ability of such security holders to offer, sell or transfer our equity securities for a period of 180 days following the date of this prospectus. The lock-up agreements and market stand-off agreements described above are subject to a number of exceptions. See the section titled "Underwriters" for information about these exceptions and a further description of these agreements.

Rule 144

Affiliate Resales of Restricted Securities

In general, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is an affiliate of ours, or who was an affiliate at any time during the 90 days before a sale, who has beneficially owned shares of our capital stock for at least six months would be entitled to sell in “broker’s transactions” or certain “riskless principal transactions” or to market makers, a number of shares within any three-month period that does not exceed the greater of:

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

Affiliate resales under Rule 144 are also subject to the availability of current public information about us. In addition, if the number of shares being sold under Rule 144 by an affiliate during any three-month period exceeds 5,000 shares or has an aggregate sale price in excess of \$50,000, the seller must file a notice on Form 144 with the SEC concurrently with either the placing of a sale order with the broker or the execution of a sale directly with a market maker.

Non-Affiliate Resales of Restricted Securities

In general, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not an affiliate of ours at the time of sale, and has not been an affiliate at any time during the three months preceding a sale, and who has beneficially owned shares of our capital stock for at least six months but less than a year, is entitled to sell such shares subject only to the availability of current public information about us. If such person has held our shares for at least one year, such person can resell under Rule 144(b)(1) without regard to any Rule 144 restrictions, including the 90-day public company requirement and the current public information requirement.

Non-affiliate resales are not subject to the manner of sale, volume limitation or notice filing provisions of Rule 144.

Rule 701

Rule 701 generally allows a stockholder who was issued shares under a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days, to sell these shares in reliance on Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares under Rule 701, subject to the expiration of the lock-up agreements described above.

Form S-8 Registration Statement

We intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of Class A common stock and Class B common stock subject to outstanding stock options and RSUs and common stock issued or issuable under our 2021 Plan, 2021 ESPP, and our 2014 Plan, as applicable. We expect to file the registration statement covering shares offered pursuant to these stock plans shortly after the date of this prospectus, permitting the resale of such shares by non-affiliates in the public market without restriction under the Securities Act and the sale by affiliates in the public market subject to compliance with the resale provisions of Rule 144.

Registration Rights

As of December 31, 2020, holders of up to _____ shares of our Class B common stock, which includes all of the shares of Class B common stock issuable upon the automatic conversion of our redeemable convertible preferred stock immediately prior to the closing of this offering, or their transferees, will be entitled to various rights with respect to the registration of these shares under the Securities Act upon the closing of this offering and the expiration of lock-up agreements. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See “Description of Capital Stock—Registration Rights” for additional information. Shares covered by a registration statement will be eligible for sale in the public market upon the expiration or release from the terms of the lock-up agreement.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES
TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK**

The following summary describes the material U.S. federal income tax consequences of the ownership and disposition of our Class A common stock acquired in this offering by Non-U.S. Holders (as defined below). This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, does not deal with non-U.S., state, and local tax consequences that may be relevant to Non-U.S. Holders in light of their particular circumstances, and does not address U.S. federal tax consequences other than income taxes. For example, it does not address estate and gift taxes, the alternative minimum tax, the Medicare contribution tax on net investment income, or the application of special tax accounting rules under Section 451(b). Special rules different from those described below may apply to certain Non-U.S. Holders that are subject to special treatment under the Code, such as financial institutions, insurance companies, tax-exempt organizations, tax-qualified retirement plans, governmental organizations, broker-dealers and traders in securities, U.S. expatriates, “controlled foreign corporations,” “passive foreign investment companies,” corporations that accumulate earnings to avoid U.S. federal income tax, corporations organized outside of the United States, any state thereof, or the District of Columbia that are nonetheless treated as U.S. taxpayers for U.S. federal income tax purposes, persons that hold our Class A common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security,” or integrated investment or other risk reduction strategy, persons who acquire our Class A common stock through the exercise of an option or otherwise as compensation, “qualified foreign pension funds” as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds, partnerships and other pass-through entities or arrangements and investors in such pass-through entities or arrangements, persons deemed to sell our Class A common stock under the constructive sale provisions of the Code, and persons that own, or are deemed to own, our Class B common stock. Such Non-U.S. Holders are urged to consult their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them. Furthermore, the discussion below is based upon the provisions of the Code and Treasury Regulations, rulings, and judicial decisions thereunder, each as of the date hereof, and such authorities may be repealed, revoked, or modified, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested a ruling from the U.S. Internal Revenue Service (the IRS) with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. This discussion assumes that the Non-U.S. Holder holds our Class A common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment).

This discussion is for informational purposes only and is not tax advice. Persons considering the purchase of our Class A common stock pursuant to this offering should consult their own tax advisors concerning the U.S. federal income, gift, estate, and other tax consequences of acquiring, owning, and disposing of our Class A common stock in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction, including any state, local, or non-U.S. tax consequences, or under any applicable income tax treaty.

For the purposes of this discussion, a “Non-U.S. Holder” is a beneficial owner of Class A common stock that is neither a U.S. Holder nor a partnership (or other entity treated as a partnership for U.S. federal income tax purposes regardless of its place of organization or formation). A “U.S. Holder” means a beneficial owner of our Class A common stock that is for U.S. federal income tax purposes any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

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- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

Distributions

As described in the section titled “Dividend Policy,” we do not anticipate declaring or paying dividends to holders of our Class A common stock in the foreseeable future. However, if we do make distributions of cash or property on our Class A common stock to a Non-U.S. Holder, such distributions, to the extent made out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles), generally will constitute dividends for U.S. tax purposes and will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, subject to the discussions below regarding effectively connected income, backup withholding, and foreign accounts. To obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder generally will be required to provide us with a properly executed IRS Form W-8BEN (in the case of individuals) or IRS Form W-8BEN-E (in the case of entities), or other appropriate form, certifying the Non-U.S. Holder’s entitlement to benefits under that treaty. We do not intend to adjust our withholding unless such certificates are provided to us or our paying agent before the payment of dividends and are updated as may be required by the IRS. In the case of a Non-U.S. Holder that is an entity, Treasury Regulations and the relevant tax treaty provide rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends will be treated as paid to the entity or to those holding an interest in that entity. If a Non-U.S. Holder holds stock through a financial institution or other agent acting on the holder’s behalf, the holder will be required to provide appropriate documentation to such agent. The holder’s agent will then be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty and you do not timely file the required certification, you may be able to obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS.

We generally are not required to withhold tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base that such holder maintains in the United States) if a properly executed IRS Form W-8ECI, stating that the dividends are so connected, is furnished to us (or, if stock is held through a financial institution or other agent, to such agent). In general, such effectively connected dividends will be subject to U.S. federal income tax on a net income basis at the regular rates applicable to U.S. persons. A corporate Non-U.S. Holder receiving effectively connected dividends may also be subject to an additional “branch profits tax,” which is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) on the corporate Non-U.S. Holder’s effectively connected earnings and profits, subject to certain adjustments. Non-U.S. Holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

To the extent distributions on our Class A common stock, if any, exceed our current and accumulated earnings and profits, they will first reduce the Non-U.S. Holder’s adjusted basis in our Class A common stock, but not below zero, and then will be treated as gain to the extent of any excess amount distributed, and taxed in the same manner as gain realized from a sale or other disposition of Class A common stock as described in the next section.

Gain on Disposition of Our Common Stock

Subject to the discussions below regarding backup withholding and foreign accounts, a Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our Class A common stock unless (a) the gain is effectively connected with a trade or business of such holder in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent

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establishment or fixed base that such holder maintains in the United States), (b) the Non-U.S. Holder is a nonresident alien individual and is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met, or (c) we are or have been a “United States real property holding corporation” within the meaning of Code Section 897(c)(2) at any time within the shorter of the five-year period preceding such disposition or such holder’s holding period in our Class A common stock. In general, we would be a United States real property holding corporation if the fair market value of our U.S. real property interests equals or exceeds 50% of the sum of the fair market value of our worldwide real property interests plus our other assets used or held for use in a trade or business. We believe that we have not been and we are not, and do not anticipate becoming, a United States real property holding corporation. Even if we are treated as a United States real property holding corporation, gain realized by a Non-U.S. Holder on a disposition of our Class A common stock will not be subject to U.S. federal income tax so long as (1) the Non-U.S. Holder owned, directly, indirectly, and constructively, no more than 5% of our Class A common stock at all times within the shorter of (i) the five-year period preceding the disposition or (ii) the holder’s holding period in our Class A common stock and (2) our Class A common stock is “regularly traded,” as defined by applicable Treasury Regulations, on an established securities market. There can be no assurance that our Class A common stock will qualify as regularly traded on an established securities market. If any gain on your disposition is taxable because we are a United States real property holding corporation and your ownership of our Class A common stock exceeds 5%, you will be taxed on such disposition generally in the manner as gain that is effectively connected with the conduct of a U.S. trade or business (subject to the provisions under an applicable income tax treaty), except that the branch profits tax generally will not apply.

If you are a Non-U.S. Holder described in (a) above, you will be required to pay tax on a net income basis at the U.S. federal income tax rates applicable to U.S. Holders, and corporate Non-U.S. Holders described in (a) above may be subject to the additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are a Non-U.S. Holder described in (b) above, you will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on the net gain derived from the disposition, which gain may be offset by certain U.S.-source capital losses (even though you are not considered a resident of the United States), provided that the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses. Non-U.S. Holders should consult their tax advisors regarding any applicable income tax treaties that may provide for different rules.

Information Reporting Requirements and Backup Withholding

Information returns are required to be filed with the IRS in connection with payments of distributions on our Class A common stock. Unless you comply with certification procedures to establish that you are not a U.S. person, information returns may also be filed with the IRS in connection with the proceeds from a sale or other disposition of our Class A common stock. You may be subject to backup withholding on payments on our Class A common stock or on the proceeds from a sale or other disposition of our Class A common stock unless you comply with certification procedures to establish that you are not a U.S. person or otherwise establish an exemption. Your provision of a properly executed applicable IRS Form W-8 certifying your non-U.S. status will permit you to avoid backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Accounts

Sections 1471 through 1474 of the Code (commonly referred to as FATCA) impose a U.S. federal withholding tax of 30% on certain payments paid to a foreign financial institution (as specifically defined by applicable rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). FATCA also generally imposes a federal withholding tax of

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30% on certain payments to a non-financial foreign entity unless such entity provides the withholding agent with either a certification that it does not have any substantial direct or indirect U.S. owners or provides information regarding substantial direct and indirect U.S. owners of the entity. An intergovernmental agreement between the United States and an applicable foreign country may modify these requirements. The withholding tax described above will not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules.

FATCA withholding currently applies to payments of dividends. The U.S. Treasury Department has released proposed regulations which, if finalized in their present form, would eliminate the federal withholding tax of 30% applicable to the gross proceeds of a disposition of our Class A common stock. In its preamble to such proposed regulations, the U.S. Treasury Department stated that taxpayers may generally rely on the proposed regulations until final regulations are issued. Non-U.S. Holders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY RECENT OR PROPOSED CHANGE IN APPLICABLE LAW.

UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

<u>Name</u>	<u>Number of Shares</u>
Morgan Stanley & Co. LLC	
J.P. Morgan Securities LLC	
Goldman Sachs & Co. LLC	
BofA Securities, Inc.	
Citigroup Global Markets Inc.	
Total	

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Class A common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Class A common stock offered by this prospectus if any such shares are taken.

The underwriters initially propose to offer part of the shares of Class A common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ _____ per share under the initial public offering price. After the initial offering of the shares of Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters’ right to reject any order in whole or in part.

The following table shows the per share and total initial public offering price, underwriting discounts and commissions, and proceeds before expenses to us.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$ _____	\$ _____
Underwriting discounts and commissions to be paid by us	\$ _____	\$ _____
Proceeds, before expenses, to us	\$ _____	\$ _____

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

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

We intend to apply to list our Class A common stock on the _____ under the trading symbol “_____”.

We and all directors and officers and the holders of substantially all of our outstanding common stock and securities exercisable for or convertible into our common stock, have agreed, that, subject to certain exceptions, without the prior written consent of _____ on behalf of the underwriters, we and they will not, and will not

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publicly disclose an intention to, during the period ending on the earlier of (i) 181 days after the date of this prospectus and (ii) the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, with such period referred to as the restricted period:

(1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for shares of Class A common stock or Class B common stock;

(2) file any registration statement with the SEC relating to the offering of any shares of Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for Class A common stock or Class B common stock; or

(2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Class A common stock or Class B common stock or such other securities, whether any such transaction described above is to be settled by delivery of our Class A common stock or Class B common stock or such other securities, in cash or otherwise.

In addition, we and each such person agrees that, without the prior written consent of _____ on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of Class A common stock or Class B common stock any security convertible into or exercisable or exchangeable for Class A common stock of Class B common stock.

Notwithstanding the foregoing,

(A) up to 15% of the vested shares (including shares issuable upon exercise of vested options and settlement of RSUs) held by current employees (but excluding current officers and directors and excluding founders and investors) may be sold beginning at the commencement of trading on the first trading day on which our Class A common stock is traded on the _____, which we refer to as the first release period; and

(B) up to 25% of the vested shares (including shares issuable upon exercise of vested options and in addition to any shares that may be sold pursuant to clause (A) that have not been sold) held by current employees (including officers), directors, founders (as such term is defined in the IRA) and their respective affiliates, and other investors holding an aggregate of approximately _____ shares may be sold beginning at the opening of trading on the second trading day after we announce earnings results for the quarter ending _____, 2021, which we refer to as the second release period.

The foregoing restrictions do not apply to, among others:

- the sale of shares to the underwriters;
- the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus;
- the sale of shares to satisfy income, employment, or social tax withholding and remittance obligations arising in connection with the settlement of RSUs; provided, that, if required, any public report or filing under Section 16 of the Exchange Act will clearly indicate in the footnotes thereto that such transfer was solely pursuant to the circumstances described in this exclusion;
- transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares; provided that no filing under Section 16(a) of the Exchange Act, is required or voluntarily made in connection with subsequent sales of the common stock or other securities acquired in such open market transactions; or
- facilitating the establishment of a trading plan on behalf of an equityholder, officer, or director pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Class A common stock,

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provided that (i) such plan does not provide for the transfer of Class A common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by us regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of Class A common stock may be made under such plan during the restricted period.

, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

In order to facilitate the offering of the Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Class A common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short position represents the amount of such sales that have not been covered by subsequent purchases. We have not granted the underwriters an option to purchase additional shares of Class A common stock from us. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of Class A common stock in the open market to stabilize the price of the Class A common stock. These activities may raise or maintain the market price of the Class A common stock above independent market levels or prevent or retard a decline in the market price of the Class A common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

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

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

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing, and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses. Certain of the underwriters and their respective affiliates are our customers or have been customers from time to time and may be customers in the future in arm's length transactions on market competitive terms.

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

Pricing of the Offering

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our

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sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Selling Restrictions

General

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the shares of Class A common stock offered by this prospectus in any jurisdiction where action for that purpose is required. The shares of Class A common stock offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

European Economic Area

This prospectus has been prepared on the basis that any offer of our Class A common stock in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Class A common stock. Accordingly, any person making or intending to make an offer in that Member State of shares of Class A common stock which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case in relation to such offer. Neither we nor any of the underwriters have authorized, nor do we or they authorize, the making of any offer of Class A common stock in circumstances in which an obligation arises for us or any of the underwriters to publish or supplement a prospectus for such offer. Neither we nor any of the underwriters have authorized, nor do we or they authorize, the making of any offer of Class A common stock through any financial intermediary, other than offers made by the underwriters, which constitute the final placement of the Class A common stock contemplated in this prospectus. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended or superseded).

In relation to each Member State of the EEA, each underwriter has represented and agreed that it has not made and will not make an offer of shares of Class A common stock which are the subject of the offering contemplated by this prospectus to the public in that Member State, except that it may make an offer of such Class A common stock to the public in that Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall require us or any of our representatives to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

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For the purposes of this provision, the expression an “offer to the public” in relation to any shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended).

United Kingdom

This prospectus has been prepared on the basis that any offer of shares of Class A common stock in the UK will be made pursuant to an exemption from the obligation to publish a prospectus under section 85 of the Financial Services and Markets Act 2000, or the FSMA. Accordingly, any person making or intending to make an offer in the UK may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to the UK Prospectus Regulation, in each case in relation to such offer. Neither we nor any of the underwriters have authorized, nor do we or they authorize, the making of any offer of Class A common stock in circumstances in which an obligation arises for us or any of the underwriters to publish or supplement a prospectus for such offer. Neither we nor any of the underwriters have authorized, nor do we or they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters, which constitute the final placement of the shares of Class A common stock contemplated in this prospectus. The expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 in the UK.

In relation to the UK, each underwriter has represented and agreed that it has not made and will not make an offer of shares of Class A common stock which are the subject of the offering contemplated by this prospectus to the public in the UK, except that it may make an offer of such shares to the public in the UK:

- (a) to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation), subject to obtaining the prior consent of the representatives; or
- (c) in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of shares shall require us or any underwriters to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. Each person in the United Kingdom who initially acquires any Class A common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed with us and the representatives that it is a qualified investor within the meaning of the UK Prospectus Regulation.

In the case of any Class A common stock being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares of Class A common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in the United Kingdom to qualified investors, in circumstances in which the prior written consent of the representatives has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

For the purposes of this provision, the expression “an offer of shares to the public” in relation to any shares means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares.

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Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of our Class A common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our Class A common stock in, from or otherwise involving the UK.

Canada

The shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Switzerland

This prospectus is not intended to constitute an offer or solicitation to purchase or invest in the shares of Class A common stock. The shares of Class A common stock may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act, or the FinSA, and no application has or will be made to admit the shares of Class A common stock to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the shares of Class A common stock constitutes a prospectus pursuant to the FinSA, and neither this prospectus nor any other offering or marketing material relating to the shares of Class A common stock may be publicly distributed or otherwise made publicly available in Switzerland.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or the DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The Class A common stock to which this prospectus relates may be illiquid or subject to restrictions on its resale. Prospective purchasers of the Class A common stock offered should conduct their own due diligence on the Class A common stock. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take into account the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate for their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Hong Kong

The shares of Class A common stock have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares of Class A common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issuance, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of Class A common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

No registration pursuant to Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended), or the FIEL, has been made or will be made with respect to the solicitation of the application for the acquisition of the shares of Class A common stock.

Accordingly, the shares of Class A common stock have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements, and otherwise in compliance with, the FIEL and the other applicable laws and regulations of Japan.

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For Qualified Institutional Investors, or QII

Please note that the solicitation for newly issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to the shares of Class A common stock constitutes either a “QII only private placement” or a “QII only secondary distribution” (each as described in Paragraph 1, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to the shares of Class A common stock. The shares of Class A common stock may only be transferred to QIIs.

For Non-QII Investors

Please note that the solicitation for newly issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to the shares of Class A common stock constitutes either a “small number private placement” or a “small number private secondary distribution” (each as is described in Paragraph 4, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to the shares of Class A common stock. The shares of Class A common stock may only be transferred en bloc without subdivision to a single investor.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of Class A common stock may not be circulated or distributed, nor may the shares of Class A common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of Class A common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of Class A common stock pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, we have determined, and hereby notify all relevant persons (as defined in the CMP Regulations 2018), that the shares are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

VALIDITY OF CLASS A COMMON STOCK

The validity of the shares of Class A common stock being offered by this prospectus will be passed upon for us by Cooley LLP, Palo Alto, California. The validity of the shares of Class A common stock being offered by this prospectus will be passed upon for the underwriters by Sullivan & Cromwell LLP, Palo Alto, California.

EXPERTS

The financial statements as of December 31, 2019 and 2020 and for the years then ended included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have submitted to the SEC a registration statement on Form S-1, including exhibits and schedules, under the Securities Act, with respect to the shares of Class A common stock being offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further information with respect to us and the Class A common stock offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You can read our SEC filings, including the registration statement, over the internet at the SEC's website at www.sec.gov.

Upon the closing of this offering, we will be subject to the information reporting requirements of the Exchange Act and we will file reports, proxy statements, and other information with the SEC. These reports, proxy statements, and other information will be available for inspection and copying at the website of the SEC referred to above. We also maintain a website at www.confluent.io, at which, following the closing of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on, or that can be accessed through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

CONFLUENT, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Confluent, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Confluent, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders’ deficit, and cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2020.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 23, 2021

We have served as the Company’s auditor since 2018.

Confluent, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31,	
	2019	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,954	\$ 36,789
Marketable securities	80,819	251,756
Accounts receivable, net of allowance	65,070	105,971
Deferred contract acquisition costs	7,355	14,403
Prepaid expenses and other current assets	10,867	18,775
Total current assets	<u>183,065</u>	<u>427,694</u>
Property and equipment, net	2,871	6,718
Operating lease right-of-use assets	—	48,273
Deferred contract acquisition costs, non-current	18,144	33,196
Other assets, non-current	2,240	10,238
Total assets	<u>\$ 206,320</u>	<u>\$ 526,119</u>
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,771	\$ 1,646
Accrued expenses and other liabilities	22,812	33,711
Operating lease liabilities	—	10,492
Deferred revenue	84,158	142,901
Liability for early exercise of unvested stock options	6,208	5,049
Total current liabilities	<u>114,949</u>	<u>193,799</u>
Operating lease liabilities, non-current	—	40,440
Deferred revenue, non-current	10,958	16,292
Other liabilities, non-current	5,394	7,203
Total liabilities	<u>131,301</u>	<u>257,734</u>
Commitments and contingencies (Note 7)		
Redeemable convertible preferred stock, par value \$0.00001 per share; 92,517,788 and 115,277,850 shares authorized as of December 31, 2019 and 2020, respectively; 90,624,091 and 115,277,850 shares issued and outstanding as of December 31, 2019 and 2020, respectively; aggregate liquidation preference of \$206,050 and \$575,085 as of December 31, 2019 and 2020, respectively	<u>205,784</u>	<u>574,634</u>
Stockholders' deficit:		
Common stock, par value of \$0.00001 per share; 266,000,000 and 323,000,000 shares authorized as of December 31, 2019 and 2020, respectively; 98,636,479 and 109,447,843 shares issued and outstanding as of December 31, 2019 and 2020, respectively	1	1
Convertible founder stock, par value of \$0.00001 per share; 7,920,000 and 635,818 shares authorized as of December 31, 2019 and 2020, respectively; 7,920,000 and 635,818 shares issued and outstanding as of December 31, 2019 and 2020, respectively	—	—
Additional paid-in capital	45,262	99,575
Accumulated other comprehensive income	197	228
Accumulated deficit	(176,225)	(406,053)
Total stockholders' deficit	<u>(130,765)</u>	<u>(306,249)</u>
Total liabilities, redeemable convertible preferred stock, and stockholders' deficit	<u>\$ 206,320</u>	<u>\$ 526,119</u>

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Year Ended December 31,	
	2019	2020
Revenue:		
Subscription	\$ 130,206	\$ 208,633
Services	19,599	27,944
Total revenue	<u>149,805</u>	<u>236,577</u>
Cost of revenue:		
Subscription	28,395	49,283
Services	20,974	26,193
Total cost of revenue	<u>49,369</u>	<u>75,476</u>
Gross profit	<u>100,436</u>	<u>161,101</u>
Operating expenses:		
Research and development	58,090	105,399
Sales and marketing	115,792	166,361
General and administrative	24,662	122,516
Total operating expenses	<u>198,544</u>	<u>394,276</u>
Operating loss	<u>(98,108)</u>	<u>(233,175)</u>
Interest income	2,494	4,113
Other income (expense), net	567	(973)
Loss before benefit from income taxes	<u>(95,047)</u>	<u>(230,035)</u>
Benefit from income taxes	<u>(5)</u>	<u>(207)</u>
Net loss	<u>\$ (95,042)</u>	<u>\$ (229,828)</u>
Net loss per share attributable to common and founder stockholders, basic and diluted	<u>\$ (0.99)</u>	<u>\$ (2.21)</u>
Weighted-average shares used to compute net loss per share attributable to common and founder stockholders, basic and diluted	<u>96,067,380</u>	<u>104,218,082</u>

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended	
	December 31,	
	2019	2020
Net loss	\$ (95,042)	\$ (229,828)
Other comprehensive income, net of tax:		
Unrealized gain on marketable securities	271	31
Other comprehensive income	271	31
Total comprehensive loss	<u>\$ (94,771)</u>	<u>\$ (229,797)</u>

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except share and per share data)

	Redeemable Convertible Preferred Stock		Convertible Founder Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of										
January 1, 2019	90,624,091	\$ 205,784	7,920,000	\$ —	89,575,902	\$ 1	\$ 18,182	\$ (74)	\$ (81,183)	\$ (63,074)
Issuance of common stock upon early exercise of unvested options, net of repurchases	—	—	—	—	3,759,821	—	—	—	—	—
Vesting of early exercised options	—	—	—	—	—	—	3,927	—	—	3,927
Issuance of common stock upon exercise of vested options	—	—	—	—	5,300,756	—	4,467	—	—	4,467
Stock-based compensation	—	—	—	—	—	—	18,686	—	—	18,686
Other comprehensive income	—	—	—	—	—	—	—	271	—	271
Net loss	—	—	—	—	—	—	—	—	(95,042)	(95,042)
Balances as of										
December 31, 2019	90,624,091	\$ 205,784	7,920,000	\$ —	98,636,479	\$ 1	\$ 45,262	\$ 197	\$ (176,225)	\$ (130,765)
Issuance of Series E redeemable convertible preferred stock, net of issuance costs of \$185	17,369,577	259,815	—	—	—	—	—	—	—	—
Issuance of common stock upon early exercise of unvested options, net of repurchases	—	—	—	—	1,400,335	—	—	—	—	—
Vesting of early exercised options	—	—	—	—	—	—	7,030	—	—	7,030
Issuance of common stock upon exercise of vested options	—	—	—	—	9,411,029	—	12,430	—	—	12,430
Stock-based compensation	—	—	—	—	—	—	143,888	—	—	143,888
Conversion of convertible founder stock for Series E redeemable convertible preferred stock	7,284,182	109,035	(7,284,182)	—	—	—	(109,035)	—	—	(109,035)
Other comprehensive income	—	—	—	—	—	—	—	31	—	31
Net loss	—	—	—	—	—	—	—	—	(229,828)	(229,828)
Balances as of										
December 31, 2020	115,277,850	\$ 574,634	635,818	\$ —	109,447,843	\$ 1	\$ 99,575	\$ 228	\$ (406,053)	\$ (306,249)

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended	
	December 31,	
	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (95,042)	\$ (229,828)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	1,202	1,567
Net amortization (accretion) of premiums (discounts) on marketable securities	(787)	1,294
Amortization of deferred contract acquisition costs	8,864	16,029
Non-cash operating lease costs	—	11,911
Stock-based compensation, net of amounts capitalized	18,617	143,341
Deferred income taxes	(394)	(1,335)
Other	322	710
Changes in operating assets and liabilities:		
Accounts receivable	(27,117)	(41,612)
Deferred contract acquisition costs	(19,671)	(38,129)
Prepaid expenses and other assets	(5,926)	(14,368)
Accounts payable	1,511	(327)
Accrued expenses and other liabilities	8,604	15,837
Operating lease liabilities	—	(11,224)
Deferred revenue	40,983	64,077
Net cash used in operating activities	<u>(68,834)</u>	<u>(82,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalization of internal-use software costs	(975)	(3,610)
Purchases of marketable securities	(65,978)	(329,616)
Sales of marketable securities	33,104	4,988
Maturities of marketable securities	71,144	152,419
Purchases of property and equipment	(1,954)	(1,040)
Other	300	—
Net cash provided by (used in) investing activities	<u>35,641</u>	<u>(176,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock upon exercise of vested options	4,467	12,376
Proceeds from issuance of common stock upon early exercise of unvested options, net of repurchases	8,965	4,678
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	259,815
Payments of deferred offering costs	—	(111)
Net cash provided by financing activities	<u>13,432</u>	<u>276,758</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(85)	(7)
Net (decrease) increase in cash, cash equivalents, and restricted cash	<u>(19,846)</u>	<u>17,835</u>
Cash, cash equivalents, and restricted cash at beginning of period	39,817	19,971
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 19,971</u>	<u>\$ 37,806</u>
Reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets to the amounts shown above:		
Cash and cash equivalents	\$ 18,954	\$ 36,789
Restricted cash included in other assets, non-current	1,017	1,017
Total cash, cash equivalents, and restricted cash	<u>\$ 19,971</u>	<u>\$ 37,806</u>
Supplementary cash flow disclosures:		
Cash paid for:		
Income taxes	\$ 436	\$ 960
Non-cash investing and financing activities:		
Conversion of convertible founder stock for Series E redeemable convertible preferred stock	\$ —	\$ 109,035
Vesting of early exercised stock options	\$ 3,927	\$ 7,030
Stock-based compensation capitalized in internal-use software costs	\$ 69	\$ 547
Property and equipment included in accounts payable and accrued expenses	\$ 60	\$ 203
Issuance of common stock upon exercise of vested options included in prepaid expenses and other current assets	\$ —	\$ 54
Unpaid deferred offering costs	\$ —	\$ 36

See accompanying notes to the consolidated financial statements.

Confluent, Inc.
Notes to Consolidated Financial Statements

1. Description of Business

Confluent, Inc. (“Confluent” or the “Company”) created a data infrastructure platform focused on data in motion. Confluent’s platform allows customers to connect their applications, systems, and data layers and can be deployed either as a self-managed software offering, Confluent Platform, or as a fully-managed cloud-native software-as-a-service (“SaaS”) offering, Confluent Cloud. Confluent also offers professional services and education services. The Company was incorporated in the state of Delaware in September 2014 and is headquartered in California with various other global office locations.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the presentation of the current year consolidated financial statements. These reclassifications had no effect on consolidated net loss, stockholders’ deficit, or cash flows as previously reported.

Use of Estimates

The preparation of the 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Such estimates include, but are not limited to, the standalone selling price (“SSP”) for each distinct performance obligation included in customer contracts, deferred contract acquisition costs and their period of benefit, valuation of stock-based awards, the fair value of common stock, capitalization and estimated useful life of internal-use software, the incremental borrowing rate used to measure operating lease liabilities, and accounting for income taxes. The Company bases these estimates on historical and anticipated results, trends, and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events.

The ongoing COVID-19 pandemic has resulted in a global slowdown of economic activity that is likely to continue to decrease demand for a broad variety of goods and services, including from the Company’s customers, while also disrupting sales channels and marketing activities for an unknown period of time. Estimates and assumptions about future events and their effects, including the impact of the COVID-19 pandemic, cannot be determined with certainty and therefore require the exercise of judgment. The Company is not aware of any specific event or circumstance that would require the Company to update its estimates, assumptions and judgments or adjust the carrying value of its assets or liabilities. These estimates and assumptions may change as new events occur and additional information is obtained and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company’s consolidated financial statements.

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Functional Currency

The reporting currency of the Company is the U.S. dollar. The U.S. dollar is the functional currency for all subsidiaries, and therefore, foreign currency denominated monetary assets and liabilities are remeasured into U.S. dollars at exchange rates at the balance sheet date, and foreign currency denominated non-monetary assets and liabilities are remeasured into U.S. dollars at historical exchange rates. Gains or losses from foreign currency remeasurement and settlements are included in other income (expense), net in the consolidated statements of operations. Net foreign exchange gains and losses were not material for the years ended December 31, 2019 and 2020.

Cash and Cash Equivalents

The Company considers all highly liquid investments, including money market funds and commercial paper with remaining maturities at the date of purchase of three months or less, to be cash equivalents.

Marketable Securities

The Company's marketable securities consist of corporate notes and bonds, commercial paper, and U.S. agency obligations. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such determination at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale securities. The Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result, the Company classifies its marketable securities within current assets.

Available-for-sale securities are adjusted for amortization of premiums and accretion of discounts to maturity and such amortization and accretion are included in other income (expense), net in the consolidated statements of operations. Changes in fair value considered to be temporary are recorded as unrealized gains or losses in accumulated other comprehensive income (loss) on the consolidated balance sheets.

Realized gains and losses are determined based on the specific identification method and are reported in other income (expense), net in the consolidated statements of operations. The Company periodically evaluates its marketable securities to assess whether those with unrealized loss positions are other-than-temporarily impaired. If the Company determines that the decline in an investment's fair value is other-than-temporary, the difference is recognized as an impairment loss in the consolidated statements of operations. During the years ended December 31, 2019 and 2020, the Company did not record any other-than-temporary impairment charges in its consolidated statements of operations.

Restricted Cash

Restricted cash represents cash deposits with financial institutions in support of letters of credit outstanding in favor of certain landlords related to non-cancelable operating lease agreements to lease office spaces in Palo Alto, California and San Francisco, California. Restricted cash is presented in other assets, non-current on the consolidated balance sheets.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

- Level 1 Inputs: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

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- Level 2 Inputs: Observable inputs other than quoted prices included in Level 1, such as quoted prices in less active markets or model-derived valuations that are observable either directly or indirectly.
- Level 3 Inputs: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist of cash equivalents, marketable securities, accounts receivable, accounts payable, and accrued expenses. Cash equivalents are stated at amortized cost, which approximates fair value at the balance sheet dates, due to the short period of time to maturity. Marketable securities are recorded at fair value. Accounts receivable, accounts payable, and accrued expenses are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable on the consolidated balance sheets consists of trade accounts receivable and unbilled receivables, net of an allowance for doubtful accounts. Trade accounts receivable are stated at the invoiced amount and consist of amounts currently due from customers. Unbilled receivables represent revenue recognized in excess of invoiced amounts for the Company's unconditional right to consideration in exchange for goods or services that the Company has transferred to the customer, such that only the passage of time is required before payment of consideration is due. The unbilled receivables balance was \$7.2 million and \$17.6 million as of December 31, 2019 and 2020, respectively.

Accounts receivable are reduced by an allowance for doubtful accounts due to collection risk related to these receivables. The Company determines the need for an allowance for doubtful accounts based upon various factors, including past collection experience, age of the receivable balance, and specific circumstances arising with individual customers. The Company's allowance for doubtful accounts was not material as of December 31, 2019 and 2020.

Concentration of Risks

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents, restricted cash, marketable securities, and accounts receivable. The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. The Company invests its excess cash in highly rated money market funds and in marketable securities. The Company extends credit to customers in the normal course of business. The Company maintains an allowance for doubtful accounts on customers' accounts when deemed necessary.

No customer represented 10% or greater of total revenue for the years ended December 31, 2019 and 2020. No customer represented 10% or greater of gross accounts receivable as of December 31, 2019 and 2020.

Deferred Contract Acquisition Costs

Sales commissions and related costs earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for new revenue contracts, including incremental sales to existing customers, are deferred and then amortized over an estimated period of benefit, which the Company has determined to be five years. To determine the period of benefit, the Company has considered its technology development cycle, the cadence of software releases, the nature of its customer contracts, the duration of customer relationships, and the expected renewal period. Sales commissions for renewal contracts (which are not considered commensurate with sales commissions for new revenue contracts and incremental sales to existing customers) are deferred and then amortized over the renewal contract term. Amortization of deferred contract acquisition costs is included in sales and marketing expenses in the consolidated statements of operations. The Company periodically reviews the carrying amount of deferred

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contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. The Company did not recognize any impairment of deferred contract acquisition costs during the years ended December 31, 2019 and 2020.

Deferred Offering Costs

Deferred offering costs, which consist of direct incremental legal, accounting, consulting, and other fees related to the Company's planned initial public offering ("IPO"), are capitalized in other assets, non-current on the consolidated balance sheets. The deferred offering costs will be offset against IPO proceeds upon the consummation of an IPO. In the event the planned IPO is terminated, the deferred offering costs will be immediately expensed in the consolidated statements of operations. There were no deferred offering costs recorded as of December 31, 2019. Deferred offering costs as of December 31, 2020 were \$0.1 million.

Capitalized Software Costs

Software development costs for software to be sold, leased, or otherwise marketed are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life of the product. Technological feasibility is established upon the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Costs to develop software that is marketed externally have not been capitalized as the current software development process is essentially completed concurrently with the establishment of technological feasibility and were not material for the periods presented. As such, all related software development costs are expensed as incurred and included in research and development expenses in the consolidated statements of operations.

Costs related to software acquired, developed, or modified solely to meet the Company's internal requirements are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post-implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized within property and equipment, net on the consolidated balance sheets. Amortization is computed using the straight-line method over the estimated useful life of the capitalized software asset, which is generally 3 years. The amortization of internal-use software costs is included in cost of revenue in the consolidated statements of operations. The Company evaluates the useful life of these assets on a periodic basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The Company did not recognize any impairment of capitalized internal-use software costs during the years ended December 31, 2019 and 2020.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets. The estimated lives of the Company's assets are as follows:

	Useful Lives
Computers and equipment	3 years
Furniture and fixtures	5 years
Purchased software	3 years
Leasehold improvements	Shorter of the remaining lease term or useful life
Internal-use software	3 years

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the consolidated financial statements and any resulting gain or loss is reflected in

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the consolidated statements of operations. There were no material gains or losses incurred as a result of retirement or sale during the years ended December 31, 2019 and 2020.

Leases

The consolidated financial statements as of and for the year ended December 31, 2020 reflect the adoption of ASC 842, *Leases*, effective January 1, 2020, using the modified retrospective method. Refer to *Recently Adopted Accounting Pronouncements* below regarding the adoption impact of ASC 842.

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company determines if a contract is, or contains, a lease at contract inception. All of the Company's leases are operating leases and are included in operating lease right-of-use assets, operating lease liabilities, and operating lease liabilities, non-current on the consolidated balance sheets.

The Company accounts for lease components and non-lease components as a single lease component for all leases. The Company has elected an accounting policy to not recognize short-term leases, which have a lease term of twelve months or less, on the consolidated balance sheets.

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term discounted using the Company's incremental borrowing rate. Operating lease right-of-use assets also include any lease payments made and exclude lease incentives. As the Company's leases do not provide an implicit rate, the incremental borrowing rate used is estimated based on what the Company would have to pay on a collateralized basis in the currency in which the arrangement is denominated over a similar term as the lease. Lease payments include fixed payments and variable payments based on an index or rate, if any, and are recognized as lease expense on a straight-line basis over the term of the lease. The lease term includes options to extend or terminate the lease when it is reasonably certain they will be exercised. Variable lease payments not based on a rate or index are expensed as incurred.

Impairment of Long-Lived Assets

The Company evaluates the recoverability of long-lived assets, including property and equipment and operating lease right-of-use assets, for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such comparison indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. The Company determined that there were no events or changes in circumstances that indicated that its long-lived assets were impaired during the years ended December 31, 2019 and 2020.

In addition to the recoverability assessment, the Company periodically reviews the remaining estimated useful lives of its property and equipment. If the estimated useful life assumption for any asset is changed due to new information, the remaining unamortized balance would be depreciated or amortized over the revised estimated useful life on a prospective basis.

Deferred Revenue

Deferred revenue, which is a contract liability, primarily consists of customer billings or payments received in advance of revenue being recognized from the Company's subscription and services contracts. The Company generally invoices customers annually in advance for its term-based licenses and either annually in advance or monthly in arrears for its SaaS offering. Deferred revenue that is anticipated to be recognized during the

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succeeding twelve-month period is recorded as deferred revenue within current liabilities and the remaining portion is recorded as deferred revenue, non-current. The Company records deferred revenue upon the right to invoice or when payments have been received for subscriptions or services not delivered. Deferred revenue does not necessarily represent the total contract value of the related agreements.

Revenue Recognition

The Company generates revenue from the sale of subscriptions and services. Subscription revenue consists of revenue from term-based licenses that include post-contract customer support, maintenance, and upgrades, referred to together as PCS, which the Company refers to as Confluent Platform, and the Company's SaaS offering, which the Company refers to as Confluent Cloud. Confluent Cloud customers may purchase subscriptions either without a minimum commitment contract on a month-to-month basis, which the Company refers to as pay-as-you-go, or under a usage-based minimum commitment contract of at least one year in duration. Revenue from the Company's pay-as-you-go arrangements was not material during the years ended December 31, 2019 and 2020. The Company primarily enters into subscription contracts with one-year terms, with some up to three years, and subscription contracts are generally non-cancelable and non-refundable. Services revenue consists of revenue from professional services and education services. The Company generates sales of its subscriptions and services directly through its sales teams and self-service channel and indirectly through resellers and online marketplaces.

The consolidated financial statements reflect the Company's accounting for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). Under ASC 606, the Company recognizes revenue when its customers obtain control of promised subscriptions or services in an amount that reflects the consideration that the Company expects to receive in exchange for those subscriptions or services. In determining the appropriate amount of revenue to be recognized as the Company fulfills its obligations under each of its agreements, the following steps are performed:

(i) *identification of the contract with a customer*

The Company generally contracts with customers through order forms, which are governed by master sales agreements. The Company determines that it has a contract with a customer when there is a signed agreement, including by electronic acceptance or acceptance of a purchase order as a contractual agreement, each party's rights regarding the subscriptions or services to be transferred and the payment terms for the services can be identified, the Company has determined the customer has the ability and intent to pay, and the contract has commercial substance. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, reputation, and financial or other information pertaining to the customer.

When a contract is entered into, the Company evaluates whether the contract is part of a larger arrangement and should be accounted for with other contracts and whether the combined or single contract includes more than one performance obligation.

(ii) *identification of the performance obligations in the contract*

Performance obligations are identified based on the subscriptions and services that will be transferred to the customer that are both (1) capable of being distinct, whereby the customer can benefit from the subscriptions or services either on their own or together with other resources that are readily available from third parties or from the Company, and (2) are distinct in the context of the contract, whereby the transfer of the subscriptions and services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised subscriptions or services, the Company applies judgment to determine whether promised subscriptions or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, or if performance obligations follow the same pattern of recognition, the promised subscriptions or services are

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accounted for as a combined performance obligation. The Company has concluded that its contracts with customers do not contain warranties that give rise to a separate performance obligation.

(iii) measurement of the transaction price

The transaction price is the total amount of consideration the Company expects to be entitled to in exchange for the subscriptions and services in a contract. The transaction price in a usage-based SaaS contract is typically equal to the minimum commitment in the contract, less any discounts provided. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. The Company's contracts do not contain a significant financing component.

(iv) allocation of the transaction price to the performance obligations;

If a contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, the Company allocates the transaction price using a relative SSP allocation based on a point estimate of the SSPs of each performance obligation. The Company also considers if there are any additional material rights inherent in a contract, and if so, it allocates revenue to the material right as a performance obligation. The Company determines each SSP based on multiple factors, including past history of selling such performance obligations as standalone subscriptions and services. In cases where directly observable standalone sales are not available, such as when license and PCS are not sold on a standalone basis, the Company establishes SSP by considering the license and PCS provided within a bundle and by considering the historical selling price of performance obligations in similar transactions as well as other factors including but not limited to the Company's pricing of similar subscriptions and services, other software vendors' pricing, other aspects of the performance obligations, and current pricing practices, which can require significant judgment and are subject to change based on continuous reevaluation. There is typically more than one SSP for individual subscriptions and services due to the stratification of subscription support tiers and services.

(v) recognition of revenue when the Company satisfies each performance obligation;

The Company recognizes revenue at the time the related performance obligation is satisfied, in an amount that reflects the consideration it expects to be entitled to in exchange for those subscriptions or services. The Company records its revenue net of any withholding, value added or sales tax, as well as any discounts or marketing development funds.

Subscription Revenue

The Company's subscription revenue includes revenue from Confluent Platform for licenses sold in conjunction with PCS. The license provides the right to access licensed proprietary software features, which represents significant standalone functionality and is therefore deemed a distinct performance obligation. License revenue is recognized at a point in time, upon delivery and transfer of control of the underlying license to the customer, which is typically the effective start date. Revenue from PCS is based on its continuous pattern of transfer to the customer and therefore is recognized ratably over the contract term.

The Company's subscription revenue also includes revenue from Confluent Cloud for its usage-based minimum commitment and pay-as-you-go offering, which is recognized in the period that the usage occurs based on the minimum amount that the Company expects to be entitled to per the terms of the contract, as distinct services are delivered over time with the same pattern of transfer to the customer. For contracts that are not usage-based, revenue from Confluent Cloud is recognized ratably over the non-cancelable contractual term of the arrangement, generally beginning on the date that the service is made available to the customer.

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Services Revenue

The Company's services revenue includes revenue from professional services and education services, which are generally sold on a time-and-materials basis. The Company recognizes the associated revenue as services are delivered.

Cost of Revenue

Cost of Subscription Revenue

Cost of subscription revenue primarily includes personnel-related costs (salaries, bonuses and benefits, and stock-based compensation) for employees associated with customer support and maintenance, third-party cloud infrastructure costs, amortization of internal-use software, and allocated overhead.

Cost of Services Revenue

Cost of services revenue primarily includes personnel-related costs (salaries, bonuses and benefits, and stock-based compensation) for employees associated with professional services and education services, travel-related costs, and allocated overhead.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of personnel-related costs (salaries, bonuses and benefits, and stock-based compensation, net of amounts capitalized), contractor and professional service fees, software and subscription services dedicated for use by the Company's research and development organization, and allocated overhead.

Advertising Costs

Advertising costs are expensed as incurred or when the advertising first takes place, based on the nature of the advertising, and are recorded in sales and marketing expenses in the consolidated statements of operations.

Advertising expense was \$8.4 million and \$10.9 million for the years ended December 31, 2019 and 2020, respectively.

Stock-Based Compensation

The Company records compensation expense in connection with options granted to employees and non-employees based on the fair value of the awards granted. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options on the dates of grant. Calculating the fair value of stock options using the Black-Scholes model requires certain highly subjective inputs and assumptions including the fair value of the underlying common stock, the expected term of the stock option, and the expected volatility of the price of the Company's common stock.

For options that vest based only on continuous service, stock-based compensation expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of four years. The Company has also granted certain options that have both a service-based and a performance-based vesting condition. The service-based vesting condition for these options is satisfied by rendering service from the date of grant through the satisfaction of the performance-based vesting condition, as well as a four-year vesting period commencing with the satisfaction of the performance-based vesting condition.

The performance-based vesting condition is satisfied upon the sale of the Company's common stock in a firm commitment underwritten public offering. For options with performance-based vesting conditions,

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stock-based compensation expense is recognized using the accelerated attribution method over the requisite service period when it is probable the performance-based vesting condition will be achieved. A sale of the Company's common stock in a firm commitment underwritten public offering is not deemed probable until consummated. Accordingly, no expense is recorded related to these awards until the performance-based vesting condition becomes probable of occurring. In connection with its IPO, the Company expects to record stock-based compensation expense for these options with performance-based vesting conditions for the service period rendered from the date of grant through the IPO date. The Company has also granted certain options containing a provision whereby vesting is accelerated upon a change in control; stock-based compensation expense for such options is recognized on a straight-line basis over a vesting period of generally four years, as a change in control is considered to be outside of the Company's control and is not considered probable until it occurs. Forfeitures are accounted for as they occur.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax law in effect for the years in which the temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, the need to establish such allowances is assessed periodically by considering matters such as future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations.

The Company evaluates and accounts for the benefits of uncertain tax positions using a two-step approach. Recognition, step one, occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement, step two, determines the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Net Loss per Share Attributable to Common and Founder Stockholders

The Company computes basic and diluted net loss per share attributable to its common and founder stockholders using the two-class method required for companies with participating securities. The Company considers all series of its redeemable convertible preferred stock and unvested common stock to be participating securities as the holders of such securities have non-forfeitable dividend rights in the event that a dividend is paid on common stock. Under the two-class method, the net loss attributable to common and founder stockholders is not allocated to the redeemable convertible preferred stock and unvested common stock as these securities do not have a contractual obligation to share in the Company's net losses.

Basic net loss per share attributable to common and founder stockholders is computed by dividing the net loss attributable to common and founder stockholders by the weighted-average number of shares of common stock outstanding during the period, less unvested common stock that is subject to repurchase, and by the weighted-average number of shares of convertible founder stock outstanding during the period, respectively. Basic and diluted net loss per share attributable to common and founder stockholders were the same for the years ended December 31, 2019 and 2020, as the inclusion of all potentially dilutive shares was anti-dilutive due to the net loss reported for each year.

Segment and Geographic Information

The Company operates its business as one operating and reportable segment as the Company's chief operating decision maker, the Company's Chief Executive Officer, reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. As of December 31, 2019 and 2020, substantially all of the Company's long-lived assets, including property and equipment, net, and operating right-of-use assets were located in the United States. See Note 10 for revenue disaggregated by geographic markets.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Leases: In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02 and several amendments, codified as ASC 842, *Leases*, which requires lessees to record the assets and liabilities arising from all leases, with the exception of short-term leases, on the balance sheet as right-of-use assets along with corresponding lease liabilities. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. The new standard also requires increased disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted ASC 842 as of January 1, 2020 using the optional transition method. Under this method, the Company recognized operating lease right-of use assets and operating lease liabilities of \$60.2 million and \$62.2 million, respectively, as of January 1, 2020 and did not include any retrospective adjustments to comparative periods to reflect the adoption of ASC 842. The difference of \$2.0 million between operating lease right-of-use assets and operating lease liabilities at the adoption date related to deferred rent.

The Company elected the package of practical expedients permitted under the transition guidance, which allowed the Company not to reassess whether a contract is or contains a lease, lease classification, and initial direct costs. In addition, the Company elected the short-term lease exception and the practical expedient to account for lease components and non-lease components as a single lease component. Therefore, all fixed payments associated with a lease are included in the right-of-use asset and the lease liability. Any variable payments related to a lease will be recorded as lease expense when and as incurred. The Company has elected this practical expedient for all asset classes.

Stock-Based Compensation: In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Non-Employee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees, with certain exceptions. The Company adopted this guidance as of January 1, 2020, and the adoption did not have a material impact on its consolidated financial statements.

Intangible Assets: In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this ASU. The Company adopted this guidance as of January 1, 2020 prospectively for implementation costs incurred after the date of adoption, and the adoption did not have a material impact on its consolidated financial statements.

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Income Taxes: In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by amending and clarifying existing guidance in ASC 740, as well as removing certain exceptions within ASC 740. The Company adopted this guidance as of January 1, 2020, and the adoption did not have a material impact on its consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Credit Losses: In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, which includes the Company's accounts receivable, certain financial instruments, and contract assets. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology. Subsequently, the FASB issued multiple codification improvement amendments to ASU 2016-13. ASU 2016-13 and the applicable subsequent amendments are effective for the Company for the year beginning January 1, 2023, though early adoption is permitted. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

Convertible Instruments: In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock, and enhances information transparency by making targeted improvements to the disclosures for convertible instruments and earnings per share guidance. ASU 2020-06 is effective for the Company for the year beginning January 1, 2024, though early adoption is permitted. The Company is currently evaluating the potential impact of this guidance on its consolidated financial statements.

3. Marketable Securities

The following are the fair values of the Company's marketable securities as of December 31, 2019 and 2020 (in thousands):

	December 31, 2019			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and bonds	\$ 72,007	\$ 307	\$ —	\$ 72,314
Commercial paper	4,980	6	—	4,986
U.S. agency obligations	3,520	—	(1)	3,519
Total marketable securities	<u>\$ 80,507</u>	<u>\$ 313</u>	<u>\$ (1)</u>	<u>\$ 80,819</u>
	December 31, 2020			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Corporate notes and bonds	\$ 155,401	\$ 360	\$ (21)	\$ 155,740
Commercial paper	63,503	27	(24)	63,506
U.S. agency obligations	32,520	—	(10)	32,510
Total marketable securities	<u>\$ 251,424</u>	<u>\$ 387</u>	<u>\$ (55)</u>	<u>\$ 251,756</u>

Realized gains and losses were not material for the years ended December 31, 2019 and 2020. Marketable securities in an unrealized loss position had a fair value of \$3.5 million and an immaterial amount of unrealized

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losses as of December 31, 2019, and a fair value of \$91.5 million and an immaterial amount of unrealized losses as of December 31, 2020. No marketable securities were in a continuous unrealized loss position for more than twelve months as of December 31, 2019 and 2020.

The contractual maturities of the Company's marketable securities as of December 31, 2020 were as follows (in thousands):

	December 31, 2020	
	Amortized Cost	Fair Value
Due within one year	\$ 180,320	\$180,520
Due after one year through five years	71,104	71,236
Total	<u>\$ 251,424</u>	<u>\$251,756</u>

4. Fair Value of Financial Instruments

The following tables summarize the Company's financial assets that are measured at fair value on a recurring basis as of December 31, 2019 and 2020 (in thousands):

	December 31, 2019		
	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	\$ 4,102	\$ —	\$ 4,102
Marketable securities:			
Corporate notes and bonds	—	72,314	72,314
Commercial paper	—	4,986	4,986
U.S. agency obligations	—	3,519	3,519
Total	<u>\$ 4,102</u>	<u>\$ 80,819</u>	<u>\$ 84,921</u>

	December 31, 2020		
	Level 1	Level 2	Total
Cash equivalents:			
Money market funds	\$ 12,409	\$ —	\$ 12,409
Marketable securities:			
Corporate notes and bonds	—	155,740	155,740
Commercial paper	—	63,506	63,506
U.S. agency obligations	—	32,510	32,510
Total	<u>\$ 12,409</u>	<u>\$ 251,756</u>	<u>\$ 264,165</u>

The Company classifies its highly liquid money market funds within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its corporate notes and bonds, commercial paper, and U.S. agency obligations within Level 2 of the fair value hierarchy because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security that may not be actively traded. There were no transfers of financial assets between valuation levels during the years ended December 31, 2019 and 2020.

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5. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	December 31,	
	2019	2020
Prepaid software licenses	\$ 2,742	\$ 4,172
Other prepaid expenses	4,864	9,110
Other receivables	2,709	4,985
Other current assets	552	508
Total prepaid expenses and other current assets	<u>\$ 10,867</u>	<u>\$ 18,775</u>

Property and Equipment, Net

The cost and accumulated depreciation and amortization of property and equipment were as follows (in thousands):

	December 31,	
	2019	2020
Computers and equipment	\$ 1,436	\$ 2,640
Furniture and fixtures	1,288	1,360
Purchased software	26	26
Leasehold improvements	220	136
Internal-use software	714	4,016
Construction in progress	329	1,183
Property and equipment, at cost	\$ 4,013	\$ 9,361
Less: Accumulated depreciation and amortization	(1,142)	(2,643)
Property and equipment, net	<u>\$ 2,871</u>	<u>\$ 6,718</u>

Depreciation and amortization expense was \$1.2 million and \$1.6 million for the years ended December 31, 2019 and 2020, respectively.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	December 31,	
	2019	2020
Accrued commissions	\$ 4,708	\$ 10,189
Accrued expenses	11,020	7,225
Accrued payroll taxes	2,200	6,756
Accrued compensation and benefits	2,140	4,240
Other liabilities	2,744	5,301
Total accrued expenses and other liabilities	<u>\$ 22,812</u>	<u>\$ 33,711</u>

6. Leases

The Company has entered into non-cancelable operating leases, primarily for the rent of office space expiring at various dates between 2021 and 2029. Certain lease agreements contain an option for the Company to renew the lease for a term of up to three years or an option to terminate the lease early within three years of lease termination. The Company considers these options in determining the lease term on a lease-by-lease basis. None of the Company's lease agreements contain any material non-lease components, material residual value guarantees, or material restrictive covenants.

During the year ended December 31, 2019, the Company issued a letter of credit of \$8.2 million for its office space in Mountain View, California. No draws have been made under the letter of credit as of December 31, 2019 and 2020.

In addition, the Company subleased certain floors of its office space in Palo Alto, California expiring between 2021 and 2022. Sublease income for the year ended December 31, 2020 of \$2.9 million is recorded as a reduction of lease expense.

For the year ended December 31, 2020, lease expense, net of sublease income of \$10.8 million is included in operating expenses in the consolidated statement of operations. The Company did not have any material variable lease costs or short-term lease costs for the year ended December 31, 2020.

The weighted-average remaining lease term of the Company's operating leases was 5.2 years and the weighted-average discount rate used to measure the present value of the operating lease liabilities was 4.0% as of December 31, 2020.

The Company's future minimum lease payments under non-cancelable operating leases as of December 31, 2020 were as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Minimum Lease Payments</u>
2021	\$ 12,482
2022	10,247
2023	8,159
2024	8,216
2025	10,463
Thereafter	7,231
Total minimum lease payments	56,798
Less: Imputed interest	(5,866)
Present value of future minimum lease payments	50,932
Less: Operating lease liabilities, current	(10,492)
Operating lease liabilities, non-current	<u>\$ 40,440</u>

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The Company's future minimum lease payments under non-cancelable operating leases based on the previous lease accounting standard, ASC 840, *Leases*, as of December 31, 2019, were as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Minimum Lease</u> <u>Payments</u>
2020	\$ 13,559
2021	12,355
2022	10,289
2023	8,325
2024	8,216
Thereafter	17,694
Total	<u>\$ 70,438</u>

Sublease income for the year ended December 31, 2019 of \$0.2 million is recorded as a reduction of rent expense. Rent expense, net of sublease income, was \$8.6 million for the year ended December 31, 2019.

7. Commitments and Contingencies

Purchase Obligations

As of December 31, 2020, future payments under non-cancelable purchase obligations, primarily related to third-party cloud infrastructure agreements under which the Company is granted access to use certain cloud services, were as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Purchase Obligations</u>
2021	\$ 44,759
2022	49,502
2023	31,463
2024	18,000
2025	23,500
Total	<u>\$ 167,224</u>

Legal Matters

From time to time, the Company has become involved in claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise. For the years ended December 31, 2019 and 2020, the Company is not aware of any matters that would individually or taken together have a material adverse effect on its results of operations, financial position, or cash flows.

Indemnification

The Company enters into indemnification provisions under its agreements with other companies in the ordinary course of business, including customers, business partners, landlords, and certain third-party vendors. Under these arrangements, the Company agrees to indemnify, hold harmless, and reimburse the indemnified party for certain losses suffered or incurred by the indemnified party resulting from certain Company activities. The terms of these indemnification agreements are generally perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has not, as of December 31, 2019 and 2020, incurred material costs to defend lawsuits or settle claims related to these indemnification agreements. The Company maintained commercial general liability insurance and product liability insurance during the years ended December 31, 2019 and 2020 to offset certain of the Company's potential liabilities under these indemnification provisions.

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The Company also indemnifies certain of its officers, directors, and certain key employees while they are serving in good faith in their respective capacities. As of December 31, 2019 and 2020, the Company has not incurred material costs to defend lawsuits or settle claims related to these indemnification agreements.

8. Redeemable Convertible Preferred Stock

Redeemable convertible preferred stock outstanding as of December 31, 2019 and 2020 consisted of the following (in thousands, except share and per share data):

Redeemable Convertible Preferred Stock	December 31, 2019				
	Shares Authorized	Shares Issued and Outstanding	Issuance Price Per Share	Carrying Amount	Aggregate Liquidation Preference
Series A	34,911,252	34,911,252	\$ 0.20050825	\$ 6,945	\$ 7,000
Series B	24,948,780	24,948,780	0.963975	23,981	24,050
Series C	18,657,756	18,657,756	2.67985	49,927	50,000
Series D	14,000,000	12,106,303	10.3252	124,931	125,000
Total	<u>92,517,788</u>	<u>90,624,091</u>		<u>\$ 205,784</u>	<u>\$ 206,050</u>

Redeemable Convertible Preferred Stock	December 31, 2020				
	Shares Authorized	Shares Issued and Outstanding	Issuance Price Per Share	Carrying Amount	Aggregate Liquidation Preference
Series A	34,911,252	34,911,252	\$ 0.20050825	\$ 6,945	\$ 7,000
Series B	24,948,780	24,948,780	0.963975	23,981	24,050
Series C	18,657,756	18,657,756	2.67985	49,927	50,000
Series D	12,106,303	12,106,303	10.3252	124,931	125,000
Series E	24,653,759	24,653,759	14.9687	368,850	369,035
Total	<u>115,277,850</u>	<u>115,277,850</u>		<u>\$ 574,634</u>	<u>\$ 575,085</u>

During the year ended December 31, 2020, the Company issued 17,369,577 shares of Series E redeemable convertible preferred stock at \$14.9687 per share for proceeds totaling \$259.8 million, net of issuance costs. Upon the sale of the Company's convertible founder stock in July 2020 pursuant to a tender offer (see Note 11), 7,284,182 shares of the Company's convertible founder stock were converted into shares of Series E redeemable convertible preferred stock on a one-for-one basis.

The rights, preferences, and privileges of the redeemable convertible preferred stock are as follows:

Liquidation Preference

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of redeemable convertible preferred stock are entitled to receive, on a pari passu basis and prior and in preference to any distribution to the holders of common stock, an amount per share equal to \$0.20050825 per outstanding share of Series A redeemable convertible preferred stock, \$0.963975 per outstanding share of Series B redeemable convertible preferred stock, \$2.67985 per outstanding share of Series C redeemable convertible preferred stock, \$10.3252 per outstanding share of Series D redeemable convertible preferred stock, and \$14.9687 per outstanding share of Series E redeemable convertible preferred stock plus any declared but unpaid dividends. If upon such liquidation event, the assets of the Company legally available for distribution to the redeemable convertible preferred stockholders are insufficient, then the assets will be distributed pro rata among such holders in proportion to the full amounts they would otherwise be entitled to receive.

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After the payment or setting aside for payment to the holders of redeemable convertible preferred stock of the full amounts, the remaining assets of the Company legally available for distribution shall be distributed among the holders of common stock and convertible founder stock pro rata based on the number of shares of common stock held by each such holder on an as-converted basis (assuming conversion of all shares of convertible founder stock into common stock).

Conversion Rights

Each share of redeemable convertible preferred stock is convertible, at the option of the holder at any time after the date of issuance of such share, into the number of shares of common stock determined by dividing the original issue price by the then applicable conversion price. For each series of redeemable convertible preferred stock, the conversion price per share is currently equal to its respective issue price such that each share of redeemable convertible preferred stock is convertible into common stock on a one-for-one basis. The conversion price for each series of redeemable convertible preferred stock is subject to adjustments for certain events, including stock splits, stock dividends, combinations, subdivisions, or recapitalization events. In addition, if the Company should issue any common stock without consideration or for a consideration per share less than the conversion price for the redeemable convertible preferred stock, the conversion price for each series shall automatically be adjusted in accordance with anti-dilution provisions contained in the Company's amended and restated certificate of incorporation.

Each share of redeemable convertible preferred stock will automatically be converted into shares of common stock at the then-effective conversion rate immediately upon the earlier of (i) the closing of an underwritten IPO that results in aggregate cash proceeds to the Company of not less than \$80.0 million (before deducting underwriters' discounts and commissions) or the direct listing of the Company's securities which has been approved by a majority of the directors designated by holders of the redeemable convertible preferred stock; or (ii) the date, specified by vote or written consent of the holders of at least a majority of the then-outstanding shares of redeemable convertible preferred stock (voting together as a single class on an as-converted basis); provided, however, the shares of Series B, Series C, Series D, and Series E redeemable convertible preferred stock shall not automatically be converted into shares of common stock without the written consent of the holders of at least a majority of the then-outstanding shares of Series B, Series C, Series D, and Series E redeemable convertible preferred stock, respectively, (voting as a separate class per each series).

Dividends

The holders of redeemable convertible preferred stock shall be entitled to receive dividends, on a pari passu basis and prior and in preference to any declaration or payment of any dividend on common stock, at the per annum rate of \$0.01605 per outstanding share of Series A redeemable convertible preferred stock, \$0.077125 per outstanding share of Series B redeemable convertible preferred stock, \$0.2144 per outstanding share of Series C redeemable convertible preferred stock, \$0.826016 per outstanding share of Series D redeemable convertible preferred stock, and \$1.197496 per outstanding share of Series E redeemable convertible preferred stock. Such dividends shall not be cumulative. Payment of dividends shall only be made when, as, and if declared by the Company's board of directors. Any additional dividends will be distributed among all holders of redeemable convertible preferred stock, convertible founder stock, and common stock pro rata on an as-converted basis at the then-effective conversion rate.

No dividends on redeemable convertible preferred stock, convertible founder stock, or common stock have been declared by the board of directors or paid during the years ended December 31, 2019 and 2020.

Voting

The holders of redeemable convertible preferred stock shall be entitled to the same voting rights as the holders of common stock and all holders shall vote together as a single class on all matters. Each share of redeemable convertible preferred stock has a number of votes equal to the number of shares of common stock into which it is convertible.

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Redemption

The convertible preferred stock is contingently redeemable upon certain deemed liquidation events such as a change in control, merger, or sale of substantially all the assets of the Company. The convertible preferred stock is not mandatorily redeemable, but since a deemed liquidation event would constitute a redemption event outside of the Company's control, all shares of redeemable convertible preferred stock have been presented in mezzanine equity on the consolidated balance sheets.

In the event of a deemed liquidation event, the Company is required to redeem shares of Series A, Series B, Series C, Series D, and Series E redeemable convertible preferred stock at the issue price of \$0.20050825, \$0.963975, \$2.67985, \$10.3252, and \$14.9687 per share (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalizations or the like with respect to each Series A, Series B, Series C, Series D, and Series E redeemable convertible preferred stock), respectively, plus any non-cumulative dividends declared by the Company's board of directors.

9. Common Stock

Stock Issuance to Founders

In 2014, the Company issued an aggregate of 7,920,000 shares of convertible founder stock and 71,280,000 shares of common stock to the Company's founders (as adjusted for any stock splits), with each receiving 2,640,000 shares of convertible founder stock and 23,760,000 shares of common stock. Each share of convertible founder stock has a par value of \$0.00001. Each share of founder stock is convertible into redeemable convertible preferred stock if purchased by an investor in conjunction with a round of preferred stock financing; if otherwise transferred or sold, each share of founder stock is convertible into common stock. In exchange for the shares of convertible founder stock that were fully vested upon issuance, each founder contributed certain technology and intellectual property and other tangible personal property. The shares of common stock were subject to a requisite service period of four years.

Upon the sale of the Company's convertible founder stock in July 2020 pursuant to a tender offer (see Note 11), all 7,284,182 shares of the Company's founder stock that were sold were immediately converted into shares of Series E redeemable convertible preferred stock on a one-for-one basis.

Common Stock Reserved for Future Issuance

The Company has reserved the following shares of common stock for future issuance as of December 31, 2019 and 2020, respectively:

	December 31,	
	2019	2020
Series A redeemable convertible preferred stock	34,911,252	34,911,252
Series B redeemable convertible preferred stock	24,948,780	24,948,780
Series C redeemable convertible preferred stock	18,657,756	18,657,756
Series D redeemable convertible preferred stock	12,106,303	12,106,303
Series E redeemable convertible preferred stock	—	24,653,759
Convertible founder stock	7,920,000	635,818
Options issued and outstanding	67,586,556	71,213,150
Remaining shares available for future issuance under the 2014 Plan	1,232,874	4,722,481
Total	167,363,521	191,849,299

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Early Exercised Options

All stock option holders have the right to exercise unvested options, which are subject to a repurchase right held by the Company at the original exercise price in the event of voluntary or involuntary termination of employment of the stockholder. As of December 31, 2019 and 2020, there were 4,510,347 and 2,338,945 shares that had been early exercised and were subject to repurchase, respectively. The proceeds related to early exercised options are recorded as liabilities until the options vest, at which point they are reclassified to equity. As of December 31, 2019 and 2020, the liabilities for early exercised options subject to repurchase were \$9.3 million and \$6.9 million, respectively, which were recorded as liability for early exercise of unvested stock options and other liabilities, non-current on the consolidated balance sheets.

Shares issued for early exercised options are included in issued and outstanding shares as they are legally issued and outstanding, but are not deemed outstanding for accounting purposes until the shares vest.

10. Revenue

Disaggregation of Revenue

The following table sets forth revenue disaggregated by geographic markets based on the location of the customer and by subscription and service categories (dollars in thousands):

	Year Ended December 31,			
	2019		2020	
Geographic markets:				
United States	\$101,709	68%	\$156,104	66%
International	48,096	32%	80,473	34%
Total revenue	<u>\$149,805</u>	<u>100%</u>	<u>\$236,577</u>	<u>100%</u>
Subscriptions and services:				
Confluent Platform	\$115,758	77%	\$177,221	75%
Confluent Cloud	14,448	10%	31,412	13%
Subscription	130,206	87%	208,633	88%
Services	19,599	13%	27,944	12%
Total revenue	<u>\$149,805</u>	<u>100%</u>	<u>\$236,577</u>	<u>100%</u>

Other than the United States, no individual country represented 10% or more of total revenue during the years ended December 31, 2019 and 2020.

Remaining Performance Obligations

Remaining performance obligations represent the amount of contracted future revenue that has not yet been recognized as of the end of each period, including both deferred revenue that has been invoiced and non-cancelable committed amounts that will be invoiced and recognized as revenue in future periods. Remaining performance obligations exclude pay-as-you-go arrangements. As of December 31, 2020, \$261.7 million of revenue is expected to be recognized from remaining performance obligations. As of December 31, 2020, the Company expects to recognize approximately 71% of its remaining performance obligations as revenue over the next 12 months and the remainder thereafter.

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Deferred Revenue

Deferred revenue, including current and non-current balances as of December 31, 2019 and 2020, was \$95.1 million and \$159.2 million, respectively. For the years ended December 31, 2019 and 2020, revenue recognized from deferred revenue at the beginning of each year was \$44.2 million and \$83.4 million, respectively.

Deferred Contract Acquisition Costs

The following table summarizes the activity of deferred contract acquisition costs (in thousands):

	December 31,	
	2019	2020
Beginning balance	\$14,692	\$ 25,499
Capitalization of contract acquisition costs	19,671	38,129
Amortization of deferred contract acquisition costs	(8,864)	(16,029)
Ending balance	<u>\$25,499</u>	<u>\$ 47,599</u>
Deferred contract acquisition costs, current	\$ 7,355	\$ 14,403
Deferred contract acquisition costs, non-current	18,144	33,196
Total deferred contract acquisition costs	<u>\$25,499</u>	<u>\$ 47,599</u>

11. Stock Option Plans

Equity Incentive Plan

In September 2014, the Company's board of directors adopted and the Company's stockholders approved the Stock Plan (the "2014 Plan"). Under the 2014 Plan, the board of directors may grant stock options and other equity-based awards to eligible employees, directors, and consultants. Stock options granted under the 2014 Plan generally vest over four years with 25% of the options vesting one year from the vesting commencement date and then ratably over the following 36 months. Subsequent grants issued to existing employees generally vest monthly over four years. All stock option grants expire ten years from the date of grant. Option holders are allowed to exercise unvested options to acquire shares, which are subject to repurchase. Upon termination of service, the Company has the right to repurchase, at the original exercise price, any unvested (but issued) common stock. Common stock purchased under the Plan is subject to certain restrictions, including the right of first refusal by the Company for sale or transfer of these shares to outside parties. Shares subject to stock awards granted under the 2014 Plan that are forfeited, cancelled, or repurchased generally are returned to the pool of shares of common stock available for issuance.

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The following table summarizes stock option activity for the 2014 Plan:

	Options Outstanding				
	Shares Available for Grant	Outstanding Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance as of January 1, 2019	5,645,652	48,361,074	\$ 1.12	8.71	\$ 98,241
Increase in authorized shares	23,873,281	—	—		
Stock options granted	(32,867,335)	32,867,335	\$ 3.24		
Stock options exercised	—	(9,228,205)	\$ 1.47		
Stock options forfeited	4,413,648	(4,413,648)	\$ 1.78		
Repurchases of unvested common stock	167,628	—	—		
Balance as of December 31, 2019	1,232,874	67,586,556	\$ 2.06	8.54	\$ 202,315
Increase in authorized shares	17,927,565	—	—		
Stock options granted	(22,829,471)	22,829,471	\$ 6.20		
Stock options exercised	—	(10,865,786)	\$ 1.58		
Stock options forfeited	8,337,091	(8,337,091)	\$ 2.65		
Repurchases of unvested common stock	54,422	—	—		
Balance as of December 31, 2020	4,722,481	71,213,150	\$ 3.39	8.26	\$ 677,503
Vested as of December 31, 2020		25,038,902	\$ 1.78	7.19	\$ 278,497
Vested and expected to vest as of December 31, 2020		71,213,150	\$ 3.39	8.26	\$ 677,503

Aggregate intrinsic value represents the difference between the exercise price of the options to purchase common stock and the estimated fair value of the Company's common stock. The intrinsic value of options exercised was \$16.3 million and \$60.8 million for the years ended December 31, 2019 and 2020, respectively. The weighted-average grant-date fair value per share of options granted during the years ended December 31, 2019 and 2020 was \$1.80 and \$4.43, respectively. The total grant-date fair value of stock options vested was \$15.4 million and \$29.2 million during the years ended December 31, 2019 and 2020, respectively.

Determination of Fair Value

The Company estimates the fair value of stock options using the Black-Scholes option-pricing model, which is dependent upon several variables, such as the fair value of the Company's common stock, the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term, and expected dividend yield.

Fair Value of Common Stock: The fair value of the shares of common stock underlying the stock-based awards has historically been determined by the board of directors, with input from management. Because there has been no public market for the Company's common stock, the board of directors has determined the fair value of common stock by considering a number of objective and subjective factors, including but not limited to contemporaneous independent third-party valuations of the Company's common stock, market performance of comparable publicly traded companies, sales of the Company's redeemable convertible preferred stock and common stock to unrelated third parties, operating and financial performance, the lack of marketability of the Company's common stock, general and industry-specific economic outlook, and the likelihood of achieving a liquidity event, such as an initial public offering, a merger, or acquisition of the Company given prevailing market conditions.

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Expected Term: For option grants subject to service-based vesting conditions only, the expected term represents the period that the Company's stock options are expected to be outstanding and is calculated using the simplified method for options that have only service-based vesting conditions. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options. For other option grants, the Company estimates the expected term using historical data on employee exercises and post-vesting employment termination behavior, considering the contractual life of the award.

Expected Volatility: Since the Company does not have a trading history of its common stock, the expected volatility was derived from the average historical stock volatilities of public companies within the Company's industry that it considers to be comparable to its business, over a period equivalent to the expected term of the stock options.

Risk-Free Interest Rate: The Company bases the risk-free interest rate on the implied yield available on U.S. Treasury zero-coupon notes with maturities equivalent to the option's expected term.

Expected Dividend Yield: The Company has not issued any dividends in its history and does not expect to issue dividends over the life of the options and therefore has estimated the dividend yield to be zero.

The fair value of stock options granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,	
	2019	2020
Expected term (in years)	6.04	6.17
Expected volatility	59.0%	68.3%
Risk-free interest rate	1.8%	0.5%
Expected dividend yield	0%	0%

Stock-Based Compensation Expense

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

	Year Ended December 31,	
	2019	2020
Cost of revenue - subscription	\$ 1,161	\$ 2,572
Cost of revenue - services	994	1,745
Research and development	6,268	33,755
Sales and marketing	6,545	14,734
General and administrative	3,649	90,535
Stock-based compensation, net of amounts capitalized	18,617	143,341
Capitalized stock-based compensation	69	547
Total stock-based compensation	<u>\$ 18,686</u>	<u>\$ 143,888</u>

As of December 31, 2020, there was \$128.5 million of unrecognized stock-based compensation expense, which is expected to be recognized over a weighted-average period of 3.0 years.

Performance-Based Options

As of December 31, 2020, the Company had granted 2,875,255 options with both a service-based vesting condition and a performance-based vesting condition, as defined in Note 2. As the performance-based vesting condition of these options is not deemed probable until consummated, no stock-based compensation expense is recorded related to these options until the performance-based vesting condition becomes probable of occurring. If the performance-based vesting condition had been satisfied on December 31, 2020, the Company would have

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recorded stock-based compensation expense of \$3.0 million, and unrecognized stock-based compensation expense as of December 31, 2020 would have been \$2.3 million to be recognized over a weighted-average remaining requisite service period of 4.0 years.

Tender Offer

In July 2020, the Company facilitated a tender offer whereby certain investors purchased shares of the Company's convertible founder stock and common stock from certain stockholders. As a result, certain directors, employees, and non-employees of the Company sold an aggregate of 7,284,182 shares of the Company's convertible founder stock and 1,883,233 shares of the Company's common stock to entities affiliated with new and existing investors at a purchase price of \$14.9687 per share for an aggregate purchase price of \$137.2 million. Upon the sale of the Company's stock, 7,284,182 shares of convertible founder stock were converted into shares of Series E redeemable convertible preferred stock. The purchase price in this tender offer transaction was in excess of the fair value of such shares at the time of the transaction. As a result, during the year ended December 31, 2020, the Company recorded the excess of the purchase price over fair value of \$76.3 million as stock-based compensation expense.

Secondary Sales

In September 2020, a director of the Company sold an aggregate of 2,632,747 shares of the Company's common stock to entities affiliated with an existing investor at a purchase price of \$14.9687 per share for an aggregate purchase price of \$39.4 million. Also in September 2020, a director and an employee of the Company sold an aggregate of 2,142,900 shares of the Company's common stock to entities affiliated with a new investor at a purchase price of \$14.00 per share for an aggregate purchase price of \$30.0 million. The purchase prices in both of these secondary transactions were in excess of the fair value of such shares. As a result, during the year ended December 31, 2020, the Company recorded the excess of the purchase price over fair value of \$35.6 million as stock-based compensation expense.

12. Income Taxes

The components of loss before income taxes were as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Domestic	\$ (97,714)	\$ (234,905)
Foreign	2,667	4,870
Loss before income taxes	<u>\$ (95,047)</u>	<u>\$ (230,035)</u>

The components of benefit from income taxes were as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Current		
State	\$ 53	\$ 87
Foreign	336	1,041
Total	<u>389</u>	<u>1,128</u>
Deferred		
Federal	(72)	—
State	(11)	—
Foreign	(311)	(1,335)
Total	<u>(394)</u>	<u>(1,335)</u>
Benefit from income taxes	<u>\$ (5)</u>	<u>\$ (207)</u>

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The reconciliation of the income tax benefit computed at the federal statutory tax rate to the Company's benefit from income taxes was as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Income tax benefit computed at federal statutory rate	\$ (19,960)	\$ (48,307)
Foreign rate differential	(144)	(1,317)
Stock-based compensation expense	1,612	24,004
Change in valuation allowance	18,958	27,446
Research and development credits	(1,112)	(2,432)
Other	641	399
Benefit from income taxes	<u>\$ (5)</u>	<u>\$ (207)</u>

The significant components of net deferred tax balances were as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Deferred tax assets:		
Net operating loss carryforwards	\$ 39,930	\$ 65,066
Research and development credit carryforwards	3,436	7,386
Operating lease liabilities	—	12,080
Stock-based compensation expense	1,951	3,250
Deferred revenue	2,738	2,471
Accruals and reserves	787	1,754
Other	3	—
Total deferred tax assets	48,845	92,007
Less: Valuation allowance	(41,161)	(73,809)
Deferred tax assets, net of valuation allowance	<u>7,684</u>	<u>18,198</u>
Deferred tax liabilities:		
Operating lease right-of-use assets	—	(11,471)
Deferred contract acquisition costs	(6,175)	(3,531)
Property and equipment	(99)	(898)
Other	(935)	(487)
Total deferred tax liabilities	<u>(7,209)</u>	<u>(16,387)</u>
Net deferred tax assets	<u>\$ 475</u>	<u>\$ 1,811</u>

The Company recognizes a valuation allowance on its deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized. Due to a history of losses in the United States, U.S. deferred tax assets have been fully offset by a valuation allowance. The valuation allowance was \$41.2 million and \$73.8 million as of December 31, 2019 and 2020, respectively, primarily relating to U.S. federal and state net operating loss carryforwards and tax credit carryforwards. The valuation allowance on the Company's net deferred tax assets increased by \$22.1 million and \$32.6 million during the years ended December 31, 2019 and 2020, respectively, primarily due to increased U.S. federal and state net operating loss carryforwards and tax credit carryforwards.

The Company intends to invest substantially all of its foreign subsidiaries' earnings, as well as its capital in its foreign subsidiaries, indefinitely outside of the United States in those jurisdictions in which the Company would incur significant, additional costs upon repatriation of such amounts. Therefore, no deferred tax liabilities for foreign withholding taxes have been recorded relating to the earnings of foreign subsidiaries. The amount of unrecognized deferred tax liability associated with these earnings is not material.

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As of December 31, 2020, the Company had \$264.5 million of federal net operating loss carryforwards and \$145.5 million of state net operating loss carryforwards. Of the federal net operating loss carryforwards, \$220.3 million can be carried forward indefinitely, but is limited to 80% of taxable income. The remaining federal and state net operating loss carryforwards will begin to expire in 2034 and 2027, respectively.

As of December 31, 2020, the Company had U.S. federal and state research tax credit carryforwards of \$7.2 million and \$4.1 million, respectively. The U.S. federal research tax credit carryforwards will begin to expire in 2034. The U.S. state research tax credit carryforwards do not expire.

As of December 31, 2020, the Company had \$6.3 million of foreign net operating loss carryforwards. These foreign net operating loss carryforwards have an indefinite life and do not expire.

Available net operating losses may be subject to annual limitations due to ownership change limitations provided by the Internal Revenue Code, as amended (the "Code"), and similar state provisions. Under Section 382 of the Code, substantial changes in the Company's ownership and the ownership of acquired companies may limit the amount of net operating loss carryforwards that are available to offset taxable income. The Company's ability to carry forward its federal and state net operating losses is limited due to an ownership change that occurred in a prior fiscal year. This limitation has been accounted for in calculating the available net operating loss carryforwards.

A reconciliation of the beginning and ending balances of total unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Beginning balance	\$ 796	\$ 1,623
Gross (decrease) increase for prior year tax positions	(2)	200
Gross increase for current year tax positions	829	1,576
Ending balance	<u>\$ 1,623</u>	<u>\$ 3,399</u>

As of December 31, 2020, the total amount of unrecognized tax benefits, if recognized, would not affect the Company's effective tax rate.

The Company does not expect its gross unrecognized tax benefits to change significantly within the next 12 months, although it is reasonably possible that certain unrecognized tax benefits may increase or decrease within the next 12 months due to tax examination changes, settlement activities, or the impact on recognition and measurement considerations related to the results of published tax cases or other similar activities.

The Company recognizes interest and penalties related to uncertain tax positions in benefit from income taxes in the consolidated statements of operations. There were no interest and penalties associated with unrecognized income tax benefits for the years ended December 31, 2019 and 2020.

The Company's tax years from inception in 2014 through December 31, 2020 remain subject to examination by various jurisdictions.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by the United States on March 27, 2020. The Company is continuing to analyze the impacts of the CARES Act. The CARES Act did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2020.

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13. Net Loss Per Share Attributable to Common and Founder Stockholders

The following table presents the calculation of basic and diluted net loss per share attributable to common and founder stockholders (in thousands, except share and per share data):

	Year Ended December 31,			
	2019		2020	
	Common	Convertible Founder	Common	Convertible Founder
Numerator:				
Net loss attributable to common and founder stockholders	\$ (87,207)	\$ (7,835)	\$ (219,560)	\$ (10,268)
Denominator:				
Weighted-average shares used to compute net loss per share attributable to common and founder stockholders, basic and diluted	88,147,380	7,920,000	99,562,032	4,656,050
Net loss per share attributable to common and founder stockholders, basic and diluted	\$ (0.99)	\$ (0.99)	\$ (2.21)	\$ (2.21)

The following outstanding potentially dilutive shares were excluded from the computation of diluted net loss per share attributable to common and founder stockholders for the periods presented because the impact of including them would have been anti-dilutive:

	December 31,	
	2019	2020
Redeemable convertible preferred stock	90,624,091	115,277,850
Stock options	67,586,556	71,213,150
Unvested early exercised stock options	4,510,347	2,338,945
Total	162,720,994	188,829,945

14. Subsequent Events

The Company has evaluated subsequent events through March 23, 2021, which is the date these consolidated financial statements were available to be issued.

In March 2021, the Board of Directors approved an increase of 16,000,000 shares of common stock available for future issuance under the 2014 Plan.

From January through March 2021, the Company granted stock options to purchase an aggregate of 13,603,242 shares of common stock with a weighted-average exercise price of \$15.18 per share. These options have a weighted-average requisite service period of approximately four years, with certain options containing a provision whereby vesting of a portion or the full amount is accelerated upon a change in control. The Company also granted restricted stock units ("RSUs") for an aggregate of 14,000 shares of common stock to its employees with both service-based and performance-based vesting conditions. The service-based vesting condition for these awards is satisfied by rendering service from the date of the grant through the satisfaction of the performance-based vesting condition. The performance-based vesting condition is satisfied upon the sale of the Company's common stock in a firm commitment underwritten public offering. As a sale of the Company's common stock in a firm commitment underwritten public offering is not deemed probable until consummated, all stock-based compensation expense related to RSUs will remain unrecognized until the underlying performance-based vesting condition is achieved.



PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the Securities and Exchange Commission, or the SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee, and the exchange listing fee.

	<u>Amount</u>
SEC registration fee	\$ *
FINRA filing fee	*
Exchange listing fee	*
Accounting fees and expenses	*
Legal fees and expenses	*
Transfer agent's fees and expenses	*
Printing and engraving expenses	*
Miscellaneous expenses	*
Total expenses	\$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act. Our amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering permits indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws that will be in effect immediately prior to the closing of this offering provide that we will indemnify our directors and officers and permit us to indemnify our employees and other agents, in each case to the maximum extent permitted by the Delaware General Corporation Law.

We have entered into indemnification agreements with our directors and officers, whereby we have agreed to indemnify our directors and officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee, or agent of ours, provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, our best interest.

The indemnification provisions in our amended and restated certificate of incorporation, amended and restated bylaws, and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, there is no pending litigation or proceeding involving a director or officer of ours regarding which indemnification is sought, nor is the registrant aware of any threatened litigation that may result in claims for indemnification.

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We maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act and the Securities Exchange Act of 1934, as amended, that might be incurred by any director or officer in his or her capacity as such.

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

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since January 1, 2018 we have issued the following unregistered securities:

Preferred Stock and Common Stock Issuances

In November 2018, we issued and sold an aggregate of 12,106,303 shares of our Series D redeemable convertible preferred stock to seven accredited investors at a price per share of \$10.3252 for aggregate consideration of approximately \$125.0 million.

Between March 2020 and September 2020, we issued and sold an aggregate of 17,369,577 shares of our Series E redeemable convertible preferred stock to 12 accredited investors at a price per share of \$14.9687 for aggregate consideration of approximately \$260.0 million.

Plan-Related Issuances

From January 1, 2018 through the date of this registration statement, we granted to certain directors, officers, employees, consultants, and other service providers options to purchase an aggregate of 98,851,111 shares of our common stock under the 2014 Stock Plan, or the 2014 Plan, at exercise prices ranging from \$0.995 to \$15.68 per share.

From January 1, 2018 through the date of this registration statement, we granted to certain employees an aggregate of 14,000 restricted stock units to be settled in shares of Class B common stock under the 2014 Plan.

From January 1, 2018 through the date of this registration statement, we granted to one service provider a restricted stock award for an aggregate of 2,420 shares of our common stock under the 2014 Plan.

From January 1, 2018 through the date of this registration statement, we issued to certain directors, officers, employees, consultants, and other service providers an aggregate of 30,361,347 shares of our common stock upon the exercise of options under the 2014 Plan at exercise prices ranging from \$0.0375 to \$15.68 per share.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act (and Regulation D or Regulation S promulgated thereunder) or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed on the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

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Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1*	Amended and Restated Certificate of Incorporation of the Registrant, as amended, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect on the closing of the offering.
3.3	Amended and Restated Bylaws of the Registrant, as currently in effect.
3.4*	Form of Amended and Restated Bylaws of the Registrant, to be in effect on the closing of the offering.
4.1*	Form of Class A Common Stock Certificate.
5.1*	Opinion of Cooley LLP.
10.1	Amended and Restated Investors' Rights Agreement by and among the Registrant and certain holders of its capital stock, dated March 20, 2020.
10.2+	Amended and Restated 2014 Stock Plan.
10.3+	Forms of Option Agreement, Stock Option Grant Notice Exercise Agreement, and Early Exercise Notice and Restricted Stock Purchase Agreement under the 2014 Stock Plan.
10.4+	Forms of Restricted Stock Unit Grant Notice and Restricted Stock Unit Award Agreement under the 2014 Stock Plan.
10.5*+	2021 Equity Incentive Plan.
10.6*+	Forms of Notice of Stock Option Grant, Global Stock Option Agreement, and Exercise Notice under the 2021 Equity Incentive Plan.
10.7*+	Form of Restricted Stock Unit Award Agreement under the 2021 Equity Incentive Plan.
10.8*+	2021 Employee Stock Purchase Plan.
10.9*+	Form of Indemnification Agreement entered into by and between the Registrant and each director and executive officer.
10.10*+	Confirmatory Offer Letter by and between the Registrant and dated , 2021.
10.11	Net Lease Agreement by and between the Registrant and West Evelyn Bryant Office Partners, L.P., dated April 11, 2019.
10.12*+	Non-Employee Director Compensation Policy.
10.13*+	Severance and Change in Control Plan and related participation agreement.
10.14*+	Cash Incentive Bonus Plan.
21.1	List of Subsidiaries of the Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
23.2*	Consent of Cooley LLP (included in Exhibit 5.1).
24.1*	Power of Attorney (included on signature page).

* To be submitted or filed by amendment.

+ Indicates a management contract or compensatory plan.

(b) Financial Statement Schedules.

All financial statement schedules are omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or the notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant under the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mountain View, State of California, on _____, 2021.

CONFLUENT, INC.

By: _____
Edward Jay Kreps
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edward Jay Kreps, Steffan Tomlinson, and Melanie Vinson, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and all post-effective amendments thereto, 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 or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
_____ Edward Jay Kreps	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	, 2021
_____ Steffan Tomlinson	Chief Financial Officer <i>(Principal Financial and Accounting Officer)</i>	, 2021
_____ Lara Caimi	Director	, 2021
_____ Jonathan Chadwick	Director	, 2021
_____ Matthew Miller	Director	, 2021
_____ Neha Narkhede	Director	, 2021
_____ Greg Schott	Director	, 2021
_____ Eric Vishria	Director	, 2021
_____ Mike Volpi	Director	, 2021

AMENDED AND RESTATED BYLAWS

OF

CONFLUENT, INC.

(f/k/a Infinitem, Inc.)

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AMENDED AND RESTATED BYLAWS

OF

CONFLUENT, INC.

ARTICLE I

CORPORATE OFFICES

1.1 Offices

In addition to the corporation's registered office set forth in the Certificate of Incorporation, the Board of Directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place Of Meetings

Meetings of stockholders shall be held at any place, within or outside the state of Delaware, designated by the Board of Directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the corporation.

2.2 Annual Meeting

The annual meeting of stockholders shall be held on such date, time and place, either within or without the state of Delaware, as may be designated by resolution of the Board of Directors each year. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 Special Meeting

A special meeting of the stockholders may be called at any time by the Board of Directors, the chairman of the board, the chief executive officer, the president or by one or more stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting.

If a special meeting is called by any person or persons other than the Board of Directors, the chairman of the board, the chief executive officer or the president, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by email, fax, telegraphic or other facsimile or electronic transmission to the chairman of the board, the chief executive officer, the president or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons calling the meeting, not less than 35 nor more than 60 days after the receipt of the request. If the notice is not given within 20 days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

2.4 Notice Of Stockholders' Meetings

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place (if any), date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 Manner Of Giving Notice; Affidavit Of Notice

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders may be given by electronic mail or other electronic transmission, in the manner provided in Section 232 of the Delaware General Corporation Law. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 Quorum

The holders of a majority of the shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, shall have power to adjourn the meeting to another place (if any), date or time.

2.7 Adjourned Meeting; Notice

When a meeting is adjourned to another place (if any), date or time, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place (if any), thereof and the means of remote communications (if any) by which stockholders and proxyholders may be deemed to be present and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the place (if any), date and time of the adjourned meeting and the means of remote communications (if any) by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 Organization; Conduct of Business

Such person as the Board of Directors may have designated or, in the absence of such a person, the chief executive officer, or in his or her absence, the president or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the secretary of the corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints.

The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including the manner of voting and the conduct of business. The date and time of opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

2.9 Voting

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.12 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

2.10 Waiver Of Notice

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice, or any waiver of notice by electronic transmission, unless so required by the certificate of incorporation or these bylaws.

2.11 Stockholder Action By Written Consent Without A Meeting

Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is (a) signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and (b) delivered to the corporation in accordance with Section 228(a) of the Delaware General Corporation Law.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated consent is delivered to the corporation, a written consent or consents signed by a sufficient number of holders to take action are delivered to the corporation in the manner prescribed in this Section. A telegram, cablegram, electronic mail or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for purposes of this Section to the extent permitted by law. Any such consent shall be delivered in accordance with Section 228(d)(1) of the Delaware General Corporation Law.

Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing (including by electronic mail or other electronic transmission as permitted by law). If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.12 Record Date For Stockholder Notice; Voting; Giving Consents

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

If the Board of Directors does not so fix a record date:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent (including consent by electronic mail or other electronic transmission as permitted by law) is delivered to the corporation.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, if such adjournment is for 30 days or less; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

2.13 Proxies

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by an instrument in writing or by an electronic transmission permitted by law filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, facsimile, electronic or telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(e) of the General Corporation Law of Delaware.

ARTICLE III

DIRECTORS

3.1 Powers

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board of Directors.

3.2 Number Of Directors

Upon the adoption of these Amended and Restated Bylaws, the number of directors constituting the entire Board of Directors shall be eight (8). Thereafter, this number may be changed by a resolution of the Board of Directors or of the stockholders, subject to Section 3.4 of these bylaws. No reduction of the authorized number of directors shall have the effect of removing any director before such director's term of office expires.

3.3 Election, Qualification And Term Of Office Of Directors

Except as provided in Section 3.4 of these bylaws, and unless otherwise provided in the certificate of incorporation, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Unless otherwise specified in the certificate of incorporation, elections of directors need not be by written ballot.

3.4 Resignation And Vacancies

Any director may resign at any time upon written notice to the attention of the Secretary of the corporation. Notwithstanding the provisions of Section 223(a)(1) and 223(a)(2) of the Delaware General Corporation Law, any vacancy, including newly created directorships resulting from any increase in the authorized number of directors or amendment of the certificate of incorporation, and vacancies created by removal or resignation of a director, may be filled by a majority of the directors then in office (including any directors that have tendered a resignation effective at a future date), though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced; provided, however, that where such vacancy occurs among the directors elected by the holders of a class or series of stock, the holders of shares of such class or series may override the Board of Directors' action to fill such vacancy by (i) voting for their own designee to fill such vacancy at a meeting of the Corporation's stockholders or (ii) written consent, if the consenting stockholders hold a sufficient number of shares to elect their designee at a meeting of the stockholders.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 Place Of Meetings; Meetings By Telephone

The Board of Directors of the corporation may hold meetings, both regular and special, either within or outside the state of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings

Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 Special Meetings; Notice

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the chairman of the board, the chief executive officer, the president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail, facsimile, electronic transmission, or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the corporation. If the notice is mailed, it shall be deposited in the United States mail at least 4 days before the time of the holding of the meeting. If the notice is delivered personally or by facsimile, electronic transmission, telephone or telegram, it shall be delivered at least 24 hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose of the meeting. The notice need not specify the place of the meeting, if the meeting is to be held at the principal executive office of the corporation. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

3.8 Quorum

At all meetings of the Board of Directors, a majority of the total number of duly elected directors then in office (but in no case less than 1/3 of the total number of authorized directors) shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 Waiver Of Notice

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, or waiver by electronic mail or other electronic transmission by such person, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.10 Board Action By Written Consent Without A Meeting

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

3.11 Fees And Compensation Of Directors

Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board of Directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 Approval Of Loans To Officers

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.13 Removal Of Directors

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire Board of Directors may be removed, with or without cause, by, and only by, the affirmative vote of the holders of the shares of the class or series of stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders, and any vacancy thereby created may be filled by the holders of that class or series of stock represented at the meeting or pursuant to written consent; provided, however, that if the stockholders of the corporation are entitled to cumulative voting, if less than the entire Board of Directors is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire Board of Directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

3.14 Chairman Of The Board Of Directors

The corporation may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors who shall not be considered an officer of the corporation.

ARTICLE IV

COMMITTEES

4.1 Committees Of Directors

The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board may designate 1 or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in these bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporate Law of Delaware to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaw of the corporation.

4.2 Committee Minutes

Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

4.3 Meetings And Action Of Committees

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Section 3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum), Section 3.9 (waiver of notice), and Section 3.10 (action without a meeting) of these bylaws, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Directors and its members; provided, however, that the time of regular meetings of committees may be determined either by resolution of the Board of Directors or by resolution of the committee, that special meetings of committees may also be called by resolution of the Board of Directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board of Directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V

OFFICERS

5.1 Officers

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the Board of Directors, a chief executive officer, a chief financial officer, a treasurer, one or more vice presidents, one or more assistant secretaries, one or more assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 Appointment Of Officers

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be appointed by the Board of Directors, subject to the rights (if any) of an officer under any contract of employment.

5.3 Subordinate Officers

The Board of Directors may appoint, or empower the chief executive officer or the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board of Directors may from time to time determine.

5.4 Removal And Resignation Of Officers

Subject to the rights (if any) of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board of Directors at any regular or special meeting of the board or, except in the case of an officer chosen by the Board of Directors, by any officer upon whom the power of removal is conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights (if any) of the corporation under any contract to which the officer is a party.

5.5 Vacancies In Offices

Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

5.6 Chief Executive Officer

Subject to such supervisory powers (if any) as may be given by the Board of Directors to the chairman of the board (if any), the chief executive officer of the corporation (if such an officer is appointed) shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation and shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as chief executive officer shall also be the acting president of the corporation whenever no other person is then serving in such capacity.

5.7 President

Subject to such supervisory powers (if any) as may be given by the Board of Directors to the chairman of the board (if any) or the chief executive officer, the president shall have general supervision, direction, and control of the business and other officers of the corporation. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation and such other powers and duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as president shall also be the acting chief executive officer, secretary or treasurer of the corporation, as applicable, whenever no other person is then serving in such capacity.

5.8 Vice Presidents

In the absence or disability of the chief executive officer and president, the vice presidents (if any) in order of their rank as fixed by the Board of Directors or, if not ranked, a vice president designated by the Board of Directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors, these bylaws, the president or the chairman of the board.

5.9 Secretary

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates (if any) evidencing such shares, and the number and date of cancellation of every certificate (if any) surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required to be given by law or by these bylaws. He or she shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these bylaws.

5.10 Chief Financial Officer

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The chief financial officer shall render to the chief executive officer, the president, or the Board of Directors, upon request, an account of all his or her transactions as chief financial officer and of the financial condition of the corporation. He or she shall have the general powers and duties usually vested in the office of chief financial officer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as the chief financial officer shall also be the acting treasurer of the corporation whenever no other person is then serving in such capacity. Subject to such supervisory powers (if any) as may be given by the Board of Directors to another officer of the corporation, the chief financial officer shall supervise and direct the responsibilities of the treasurer whenever someone other than the chief financial officer is serving as treasurer of the corporation.

5.11 Treasurer

The treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records with respect to all bank accounts, deposit accounts, cash management accounts and other investment accounts of the corporation. The books of account shall at all reasonable times be open to inspection by any member of the Board of Directors.

The treasurer shall deposit, or cause to be deposited, all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He or she shall disburse the funds of the corporation as may be ordered by the Board of Directors and shall render to the chief financial officer, the chief executive officer, the president or the Board of Directors, upon request, an account of all his or her transactions as treasurer. He or she shall have the general powers and duties usually vested in the office of treasurer of a corporation and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

The person serving as the treasurer shall also be the acting chief financial officer of the corporation whenever no other person is then serving in such capacity.

5.12 Representation Of Shares Of Other Corporations

The chairman of the board, the chief executive officer, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the Board of Directors or the chief executive officer or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by the person having such authority.

5.13 Authority And Duties Of Officers

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board of Directors or the stockholders.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND OTHER AGENTS

6.1 Indemnification Of Directors And Officers

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (a) who is or was a director or officer of the corporation, (b) who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.2 Indemnification Of Others

The corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (a) who is or was an employee or agent of the corporation, (b) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (c) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 Payment Of Expenses In Advance

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the Board of Directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 Indemnity Not Exclusive

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that such additional rights to indemnification are authorized in the certificate of incorporation

6.5 Insurance

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

6.6 Conflicts

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(a) That it would be inconsistent with a provision of the certificate of incorporation, these bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(b) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 Maintenance And Inspection Of Records

The corporation shall, either at its principal executive offices or at such place or places as designated by the Board of Directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in each such stockholder's name, shall be open to the examination of any such stockholder for a period of at least 10 days prior to the meeting in the manner provided by law. The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

7.2 Inspection By Directors

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VIII

GENERAL MATTERS

8.1 Checks

From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 Execution Of Corporate Contracts And Instruments

The Board of Directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 Stock Certificates and Notices; Uncertificated Stock; Partly Paid Shares

The shares of the corporation may be certificated or uncertificated, as provided under Delaware law, and shall be entered in the books of the corporation and recorded as they are issued. Any or all of the signatures on any certificate may be a facsimile or electronic signature. In case any officer, transfer agent or registrar who has signed or whose facsimile or electronic signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Within a reasonable time after the issuance or transfer of uncertificated stock and upon the request of a stockholder, the corporation shall send to the record owner thereof a written notice that shall set forth the name of the corporation, that the corporation is organized under the laws of Delaware, the name of the stockholder, the number and class (and the designation of the series, if any) of the shares, and any restrictions on the transfer or registration of such shares of stock imposed by the corporation's certificate of incorporation, these bylaws, any agreement among stockholders or any agreement between stockholders and the corporation.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate (if any) issued to represent any such partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 Special Designation On Certificates and Notices of Issuance

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock or the notice of issuance to the record owner of uncertificated stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock or the notice of issuance to the record owner of uncertificated stock, or the purchase agreement for such stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 Lost Certificates

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or notice of uncertificated stock in the place of any certificate previously issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or the owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 Construction; Definitions

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

8.7 Dividends

The directors of the corporation, subject to any restrictions contained in (a) the General Corporation Law of Delaware or (b) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 Fiscal Year

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors and may be changed by the Board of Directors.

8.9 Transfer Of Stock

Upon receipt by the corporation or the transfer agent of the corporation of proper transfer instructions from the record holder of uncertificated shares or upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate or, in the case of uncertificated securities and upon request, a notice of issuance of shares, to the person entitled thereto, cancel the old certificate (if any) and record the transaction in its books.

8.10 Stock Transfer Agreements

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.11 Stockholders of Record

The corporation shall be entitled to recognize the exclusive right of a person recorded on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person recorded on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

8.12 Facsimile or Electronic Signature

In addition to the provisions for use of facsimile or electronic signatures elsewhere specifically authorized in these bylaws, facsimile or electronic signatures of any stockholder, director or officer of the corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

ARTICLE IX

AMENDMENTS

The Bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

CERTIFICATE OF ADOPTION OF AMENDED AND RESTATED BYLAWS

OF

CONFLUENT, INC.

The undersigned hereby certifies that the undersigned is the duly elected, qualified, and acting Secretary of Confluent, Inc., a Delaware corporation, and that the foregoing Amended and Restated Bylaws were adopted as the Amended and Restated Bylaws of the corporation by the Board of Directors of the corporation on March 18, 2020 and by the stockholders of the corporation on March 18, 2020.

Executed on March 20, 2020.

/s/ Cheryl Dalrymple
Cheryl Dalrymple, Secretary

CONFLUENT, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

This Amended and Restated Investors' Rights Agreement (this "Agreement") is made and entered into as of March 20, 2020, by and among Confluent, Inc., a Delaware corporation (the "Company"), Edward (Jay) Kreps, Neha Narkhede and Jun Rao (together with their permitted transferees, the "Founders"), and the holders of Preferred Stock of the Company listed on Schedule 1 hereto (the "Investors").

RECITALS

The Company, the Founders and certain of the Investors are parties to an Amended and Restated Investors' Rights Agreement dated as of November 19, 2018 (the "Prior Agreement").

The Company and certain of the Investors have entered into a Series E Preferred Stock Purchase Agreement (the "Purchase Agreement") dated as of the date hereof, pursuant to which the Company desires to sell to such Investors and such Investors desire to purchase from the Company shares of the Company's Series E Preferred Stock (the "Series E Preferred Stock"). Capitalized terms not otherwise defined herein have the meaning given them in the Purchase Agreement. A condition to the Investors' obligations under the Purchase Agreement is that the Company, the Founders and the Investors enter into this Agreement in order to provide the Investors (i) certain rights to register shares of the Company's common stock (the "Common Stock") issuable upon conversion of the Company's preferred stock (the "Preferred Stock") held by the Investors, (ii) certain rights to receive or inspect information pertaining to the Company, and (iii) a right of first offer with respect to certain issuances by the Company of its securities. The parties to the Prior Agreement desire to induce certain of the Investors to purchase shares of Series E Preferred Stock pursuant to the Purchase Agreement by agreeing to the terms and conditions set forth below.

AGREEMENT

The parties agree as follows:

A. Amendment of Prior Agreement

Pursuant to Section 6.3 of the Prior Agreement, effective and contingent upon execution of this Agreement by the Company, the requisite majority of Founders' Shares, and the requisite majority of the Investors' shares, the Prior Agreement is hereby amended and restated in its entirety to read as set forth in this Agreement, and the Company, the Founders and the Investors shall be bound by the provisions hereof as the sole agreement of the Company, the Founders and the Investors with respect to the subject matter hereof. The Investors that are Major Investors (as that term is defined in the Prior Agreement) hereby waive the right of first offer, including the notice requirements, set forth in Section 2.3 of the Prior Agreement with respect to the issuance of Series E Preferred Stock.

1. **Registration Rights.**

1.1 **Definitions.** For purposes of this Agreement:

(a) The term “Exchange Act” means the Securities Exchange Act of 1934, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

(b) The term “Form S-3” means such form under the Securities Act as in effect on the date hereof or any successor form under the Securities Act that permits significant incorporation by reference of the Company’s subsequent public filings under the Exchange Act.

(c) The term “Founders’ Shares” means the shares of Common Stock held by the Founders or their permitted transferees, including (without limitation) any shares of Common Stock issued upon conversion of the Company’s Founder Stock.

(d) The term “Holder” means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 of this Agreement.

(e) The term “Qualified IPO” means a public offering by the Company of shares of its Common Stock pursuant to a registration statement under the Securities Act in connection with which all the then-outstanding shares of Preferred Stock are converted into shares of Common Stock pursuant to the Company’s Amended and Restated Certificate of Incorporation as such Amended and Restated Certificate of Incorporation may be amended from time to time (the “Restated Certificate”).

(f) The terms “register,” “registered,” and “registration” refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(g) The term “Registrable Securities” means (i) the shares of Common Stock issuable or issued upon conversion of the Preferred Stock held by the Investors, other than shares for which registration rights have terminated pursuant to Section 1.15 hereof, (ii) the Founders’ Shares, provided, however, that for the purposes of Section 1.2, 1.4, 1.13 and 6.3 the Founders’ Shares shall not be deemed Registrable Securities and the Founders shall not be deemed Holders, (iii) Common Stock, or Common Stock issuable upon the conversion and/or exercise of any other securities of the Company, acquired by Investors after the date hereof, and (iv) any other shares of Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares listed in (i), (ii) and (iii); provided, however, that the foregoing definition shall exclude in all cases any Registrable Securities sold by a person in a transaction in which such person’s rights under this Agreement are not assigned. Notwithstanding the foregoing, Common Stock or other securities shall only be treated as Registrable Securities if and so long as (A) they have not been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction, (B) they have not been sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions, and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale, and (C) if the Holder thereof has received the securities pursuant to a transfer, such Holder thereof is entitled to exercise any right provided in Section 1 in accordance with Section 1.12 below.

(h) The number of shares of “Registrable Securities then outstanding” shall be determined by the number of shares of Common Stock outstanding which are, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are, Registrable Securities.

(i) The term “SEC” means the U.S. Securities and Exchange Commission.

(j) The term “Securities Act” means the U.S. Securities Act of 1933, as amended (and any successor thereto) and the rules and regulations promulgated thereunder.

1.2 Request for Registration.

(a) If the Company shall receive at any time after the earlier of (i) the 8th anniversary of the Initial Closing, or (ii) six months after the effective date of the first registration statement for a public offering of securities of the Company (other than a registration statement relating either to the sale of securities to employees of the Company pursuant to a stock option, stock purchase or similar plan, or an SEC Rule 145 transaction), a written request from the Holders of at least a majority of the Registrable Securities then outstanding that the Company file a registration statement under the Securities Act covering the registration of at least such number of the Registrable Securities having an anticipated aggregate offering price, net of underwriting discounts and commissions, of at least \$15,000,000, then the Company shall, within 10 days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of subsection 1.2(b), use its best efforts to file as soon as practicable, and in any event within 90 days of the receipt of such request, a registration statement under the Securities Act covering all Registrable Securities which the Holders request to be registered within 20 days of the mailing of such notice by the Company.

(b) If the Holders initiating the registration request hereunder (“Initiating Holders”) intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 1.2 and the Company shall include such information in the written notice referred to in subsection 1.2(a). The underwriter will be selected by a majority in interest of the Initiating Holders and shall be reasonably acceptable to the Company. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in subsection 1.5(e)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting. Notwithstanding any other provision of this Section 1.2, if the underwriter advises the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares of Registrable Securities that may be included in the underwriting shall be allocated among all participating Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Company owned by each participating Holder; provided, however, that the number of shares of Registrable Securities to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting.

(c) Notwithstanding the foregoing, if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 1.2, a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company (the "Board"), it would be seriously detrimental to the Company and its holders of capital stock for such registration statement to be filed and it is therefore essential to defer the filing of such registration statement, the Company shall have the right to defer such filing for a period of not more than 120 days after receipt of the request of the Initiating Holders; provided, however, that the Company may not utilize this right more than once in any twelve-month period.

(d) In addition, the Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to this Section 1.2:

(i) after the Company has effected 1 registration pursuant to this Section 1.2 and such registration has been declared or ordered effective;

(ii) during the period starting with the date 90 days prior to the Company's good faith estimate of the date of filing of, and ending on a date 90 days after the effective date of, a registration subject to Section 1.3 unless such offering is the initial public offering of the Company's securities, in which case, ending on a date 180 days after the effective date of such registration subject to Section 1.3; provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective; or

(iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 1.4.

1.3 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for holders of capital stock other than the Holders) any of its stock under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a transaction covered by Rule 145 under the Securities Act, a registration in which the only stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered, or any registration on any form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within 20 days after mailing of such notice by the Company in accordance with Section 6.5, the Company shall, subject to the cut back provisions of Section 1.8 cause to be registered under the Securities Act all of the Registrable Securities that each such Holder has requested to be registered.

1.4 Form S-3 Registration. In case the Company shall receive from any Holder or Holders of at least a majority of the Registrable Securities then outstanding a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this Section 1.4: (i) if Form S-3 is not available for such offering by the Holders; (ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than \$10,000,000; (iii) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board, it would be seriously detrimental to the Company and its holders of capital stock for such Form S-3 registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 120 days after receipt of the request of the Holder or Holders under this Section 1.4; provided, however, that the Company shall not utilize this right more than once in any 12-month period; (iv) if the Company has, within the 12-month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 1.4; (v) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance; or (vi) during the period beginning on the effective date of, and ending 180 days after the effective date of, a registration statement subject to Section 1.3.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. Registrations effected pursuant to this Section 1.4 shall not be counted as demands for registration or registrations effected pursuant to Sections 1.2 or 1.3, respectively.

1.5 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective, and, upon the request of the Holders of at least a majority of the Registrable Securities registered thereunder, keep such registration statement effective for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for up to 120 days, or until the distribution described in such registration statement is completed, if earlier.

(c) Furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, such obligation to continue for 120 days, and, at the request of any such Holder, the Company will, as soon as reasonably practicable, file and furnish to all such Holders a supplement or amendment to such prospectus (to the extent prepared by or on behalf of the Company) so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

(i) Use its best efforts to furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to this Section 1, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Section 1, if such securities are being sold through underwriters, (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters and (ii) a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters.

1.6 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities. The Company shall have no obligation with respect to any registration requested pursuant to Section 1.2 or Section 1.4 of this Agreement if, as a result of the application of the preceding sentence, the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in subsection 1.2(a) or subsection 1.4(b), whichever is applicable.

1.7 Expenses of Registration.

(a) **Demand Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Section 1.2, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements, not to exceed \$30,000 for each registration, of one counsel for the selling Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 1.2 if the registration request is subsequently withdrawn at the request of the Holders of at least a majority of the Registrable Securities to be registered (in which case all participating Holders shall bear such expenses), unless the Holders of at least a majority of the Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 1.2; provided further, however, that if at the time of such withdrawal, the Holders (i) have learned of a material adverse change in the condition, business, or prospects of the Company that was not known to the Holders at the time of their request and (ii) have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and shall not forfeit their rights pursuant to Section 1.2.

(b) **Company Registration.** All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications of Registrable Securities pursuant to Section 1.3 for each Holder (which right may be assigned as provided in Section 1.12), including (without limitation) all registration, filing, and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements, not to exceed \$30,000 for each registration, of one counsel for the selling Holder or Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, shall be borne by the Company.

(c) **Registration on Form S-3.** All expenses incurred in connection with a registration requested pursuant to Section 1.4, including (without limitation) all registration, filing, qualification, printers' and accounting fees and the reasonable fees and disbursements, not to exceed \$30,000 for each registration, of one counsel for the selling Holder or Holders selected by them with the approval of the Company, which approval shall not be unreasonably withheld, and counsel for the Company shall be borne by the Company, and any underwriters' discounts or commissions associated with Registrable Securities, shall be borne pro rata by the Holder or Holders (and any others) participating in the Form S-3 registration.

1.8 Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by holders of capital stock to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling security holders according to the total amount of securities entitled to be included therein owned by each selling security holder or in such other proportions as shall mutually be agreed to by such selling security holders; provided that in no event shall any securities other than those being sold by the Company be included in such offering in the event any Registrable Securities are excluded) but in no event shall (a) the amount of securities of the selling Holders included in the offering be reduced below 30% of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities, in which case, the selling security holders may be excluded if the underwriters make the determination described above and no other holder's securities are included or (b) any securities held by a Founder be included if any securities held by any selling Holder who is not a Founder are excluded. For purposes of the preceding parenthetical concerning apportionment, for any selling security holder which is a holder of Registrable Securities and which is a venture capital fund, partnership, limited liability company or corporation, the affiliated venture capital funds, partners, retired partners, members, retired members and holders of capital stock of such holder, or the estates and family members of any such partners and retired partners, members and retired members and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling security holder," and any pro-rata reduction with respect to such "selling security holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling security holder," as defined in this sentence.

1.9 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.10 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, officers, directors and security holders of each Holder, legal counsel and accountants for each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a “Violation”): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, any issuer information (as defined in Rule 433 of the Securities Act) filed or required to be filed pursuant to Rule 433(d) under the Securities Act or any other document incident to such registration prepared by or on behalf of the Company or used or referred to by the Company, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any federal or state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any federal or state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to any Holder, underwriter or controlling person for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.10(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.10(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided that in no event shall any indemnity under this subsection 1.10(b) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.10 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.10, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of liability to the indemnified party under this Section 1.10 to the extent of such prejudice, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.10.

(d) If the indemnification provided for in this Section 1.10 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense as well as any other relevant equitable considerations; provided that in no event shall any contribution by a Holder under this Subsection 1.10(d) (when combined with any amounts paid or payable by such Holder pursuant to Section 1.10(b)) exceed the net proceeds from the offering received by such Holder, except in the case of willful fraud by such Holder. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) The obligations of the Company and Holders under this Section 1.10 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise.

1.11 **Reports Under the Exchange Act.** With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after 90 days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public so long as the Company remains subject to the periodic reporting requirements under Sections 13 or 15(d) of the Exchange Act;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the Exchange Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.12 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee (a) of at least 1,200,000 shares of Registrable Securities (subject to adjustment for stock splits, stock dividends, reclassifications or the like), (or if the transferring Holder then owns fewer than 1,200,000 shares of Registrable Securities (subject to adjustment for stock splits, stock dividends, reclassifications or the like), then all remaining Registrable Securities then held by the transferring Holder) (b) that is a subsidiary, parent, partner, limited partner, retired partner, member, retired member or holder of capital stock of a Holder, (c) that is an affiliated fund or entity of the Holder, which means with respect to a limited partnership, limited liability company or a limited liability partnership, a fund or entity managed or advised by the same manager or managing member or general partner or management company or advisory company or by an entity controlling, controlled by, or under common control with such manager or managing member or general partner or management company (such a fund or entity, an “Affiliated Fund”), (d) who is a Holder’s child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (such a relation, a Holder’s “Immediate Family Member”, which term shall include adoptive relationships), or (e) that is a trust for the benefit of an individual Holder or such Holder’s Immediate Family Member, provided the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and provided, further, that such assignment shall be effective only if the transferee agrees to be bound by this Agreement and immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. For the purposes of determining the number of shares of Registrable Securities held by a transferee or assignee, the holdings of transferees and assignees of (i) a partnership who are partners or retired partners of such partnership or (ii) a limited liability company who are members or retired members of such limited liability company (including Immediate Family Members of such partners or members who acquire Registrable Securities by gift, will or intestate succession) shall be aggregated together and with the partnership or limited liability company; provided that all assignees and transferees who would not qualify individually for assignment of registration rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under Section 1.

1.13 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least a majority of the outstanding Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company which would allow such holder or prospective holder (a) to include such securities in any registration filed under Section 1.2, 1.3 or 1.4 hereof, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the amount of the Registrable Securities of the Holders which is included or (b) to make a demand registration of their securities.

1.14 Lock-Up Agreement.

(a) **Lock-Up Period; Agreement.** If so requested by the Company or the underwriters in connection with the initial public offering of the Company’s securities registered under the Securities Act, Holder shall not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company held immediately prior to such offering (except for those being registered) without the prior written consent of the Company or such underwriters, as the case may be, for 180 days from the effective date of the registration statement, and Holder shall execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of such offering. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements held by such Holders.

(b) **Limitations.** The obligations described in Section 1.14(a) shall apply only if all officers and directors and 1% securityholders of the Company are subject to similar restrictions, and shall not apply to a registration relating solely to employee benefit plans, or to a registration relating solely to a transaction pursuant to Rule 145 under the Securities Act. For clarity, the obligations described in Section 1.14(a) shall not apply to a Direct Listing (as such term is defined in the Restated Certificate) and shall only be applicable to the initial public offering of the Company's securities if the Company has not already completed a Direct Listing.

(c) **Stop-Transfer Instructions.** In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the securities of each Holder (and the securities of every other person subject to the restrictions in Section 1.14(a)).

(d) **Transferees Bound.** Each Holder agrees that prior to the Company's initial public offering it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 1.14 and to be subject to the waiver of statutory inspection rights in Section 4.

1.15 **Termination of Registration Rights.** No Holder shall be entitled to exercise any right provided for in this Section 1 after the earlier of (a) three years following the consummation of a Qualified IPO, (b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's shares during a three-month period without registration, or (c) upon termination of this Agreement, as provided in Section 3.

2. **Covenants of the Company.**

2.1 **Delivery of Financial Statements.** Upon the request by a Major Investor (as hereinafter defined), the Company shall deliver to each Major Investor (other than a Major Investor reasonably deemed by the Company to be a competitor of the Company, provided, however, that Major Investors that are venture capital funds shall not be deemed competitors of the Company solely as a result of their investment in other companies):

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company and statement of stockholders' equity as of the end of such year, and a statement of cash flows for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("GAAP"), and, as and to the extent otherwise required by the Board, audited and certified by an independent public accounting firm of nationally recognized standing selected by the Company (the "Annual Financial Statements");

(b) as soon as practicable, but in any event within 45 days after the end of each quarter of each fiscal year of the Company, an unaudited profit or loss statement, a statement of cash flows for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter;

(c) within 30 days of the end of each month, an unaudited income statement and a statement of cash flows and balance sheet for and as of the end of such month, in reasonable detail;

(d) as soon as practicable, but in any event 60 days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, approved by the Board and prepared on a monthly basis, and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(e) such other information relating to the financial condition, business or corporate affairs of the Company as the Major Investor may from time to time reasonably request, provided, however, that the Company shall not be obligated under this subsection (f) to provide information that (i) it deems in good faith to be a trade secret or similar confidential information or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel; and

(f) with respect to any unaudited financial statements called for in this Section 2.1, an instrument executed by the Chief Financial Officer or President of the Company and certifying that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustment, provided that the foregoing shall not restrict the right of the Company to change its accounting principles consistent with GAAP, if the Board determines that it is in the best interest of the Company to do so.

Notwithstanding anything else in this Section 2.1 to the contrary, the Company may cease providing the information set forth in this Section 2.1 during the period starting with the date 60 days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 2.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

2.2 Inspection. The Company shall permit each Major Investor (except for a Major Investor reasonably deemed by the Company to be a competitor of the Company, provided, however, that Major Investors that are venture capital funds shall not be deemed competitors of the Company solely as a result of their investment in other companies), at such Major Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information which it reasonably considers to be privileged or a trade secret or similar confidential information.

2.3 Right of First Offer. Subject to the terms and conditions specified in this Section 2.3, the Company hereby grants to each Major Investor a right of first offer with respect to future sales by the Company of its Shares (as hereinafter defined). For purposes of this Agreement, a “Major Investor” shall mean (a) any Investor who (together with its Affiliates) holds at least 5,500,000 shares (subject to adjustment for stock splits, stock dividends, reclassifications or the like) of Registrable Securities or (b) LinkedIn Corporation (together with any affiliated entities, “LinkedIn”), so long as LinkedIn continues to hold at least 50% of the shares of the Registrable Securities purchased by it under the Series A Preferred Stock Purchase Agreement between the Company and certain Investors, dated as of September 26, 2014. For purposes of this Section 2.3, the term “Major Investor” includes any general partners, managing members and affiliates of a person that is otherwise a Major Investor, including Affiliated Funds. A Major Investor who chooses to exercise the right of first offer may designate as purchasers under such right itself or its partners or affiliates, including Affiliated Funds, in such proportions as it deems appropriate. Each time the Company proposes to offer any shares of, or securities convertible into or exercisable for any shares of, any class of its capital stock (“Shares”), the Company shall first make an offering of such Shares to each Major Investor in accordance with the following provisions:

(a) The Company shall deliver a notice (the “RFO Notice”) to the Major Investors stating (i) its bona fide intention to offer such Shares, (ii) the number of such Shares to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such Shares.

(b) Within 15 calendar days after delivery of the RFO Notice, the Major Investor may elect to purchase or obtain, at the price and on the terms specified in the RFO Notice, up to that portion of such Shares which equals the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Major Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities). Such purchase shall be completed at the same closing as that of any third party purchasers or at an additional closing thereunder. The Company shall promptly, in writing, inform each Major Investor that purchases all the shares available to it (each, a “Fully-Exercising Investor”) of any other Major Investor’s failure to do likewise. During the 10-day period commencing after receipt of such information, each Fully-Exercising Investor shall be entitled to obtain that portion of the Shares for which Major Investors were entitled to subscribe but which were not subscribed for by the Major Investors that is equal to the proportion that the number of shares of Common Stock issued and held, or issuable upon conversion and exercise of all convertible or exercisable securities then held, by such Fully-Exercising Investor bears to the total number of shares of Common Stock then outstanding (assuming full conversion and exercise of all convertible or exercisable securities) issued and held, or issuable upon conversion of the Preferred Stock then held, by all the Fully-Exercising Investors who wish to purchase some of the unsubscribed Shares.

(c) The Company may, during the 45-day period following the expiration of the period provided in subsection 2.3(b) hereof, offer the remaining unsubscribed portion of the Shares to any person or persons at a price not less than, and upon terms no more favorable to the offeree than those specified in the RFO Notice. If the Company does not enter into an agreement for the sale of the Shares within such period, or if such agreement is not consummated within 60 days of the execution thereof, the right provided hereunder shall be deemed to be revived and such Shares shall not be offered unless first reoffered to the Major Investors in accordance herewith.

(d) The right of first offer in this Section 2.3 shall not be applicable to (i) the issuance of shares of Series E Preferred Stock sold pursuant to the Purchase Agreement, (ii) the issuance of any securities of the Company that do not constitute Additional Stock (as defined in the Restated Certificate), (iii) the issuance of securities with the unanimous approval of the Board that are not offered to any existing stockholder of the Company or (iv) the issuance of securities with respect to which the Major Investors holding at least a majority of the then outstanding Registrable Securities held by the Major Investors have waived, in writing, their right of first offer under this Section 2.3.

(e) In addition to the foregoing, the right of first offer in this Section 2.3 shall not be applicable with respect to any Major Investor and any subsequent securities issuance, if (i) at the time of such subsequent securities issuance, the Major Investor is not an “accredited investor,” as that term is then defined in Rule 501(a) under the Securities Act, and (ii) such subsequent securities issuance is otherwise being offered only to accredited investors.

2.4 Confidentiality. Each Investor shall keep confidential and shall not disclose, divulge or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company’s intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 2.4 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company’s confidential information, (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company, (d) was in the lawful possession of the Investor without restriction prior to receipt from the Company or (e) is required to be disclosed by a governmental authority, stock market or stock exchange; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 2.4; (iii) to any Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such person that such information is confidential and directs such person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure. Notwithstanding the foregoing, each Investor that is a limited partnership or limited liability company may disclose summary financial information to any former partners or members who retained an economic interest in such Investor, current or prospective partner of the partnership or any subsequent partnership under common investment management, limited partner, general partner, member or management company of such Investor (or any employee or representative of any of the foregoing) (each of the foregoing persons, a “Permitted Disclosee”) or legal counsel, accountants or representatives for such Investor. Furthermore, nothing contained herein shall prevent any Investor or any Permitted Disclosee from (x) entering into any business, entering into any agreement with a third party, or investing in or engaging in investment discussions with any other company (whether or not competitive with the Company), provided that such Investor or Permitted Disclosee does not, except as permitted in accordance with this Section 2.4, disclose or otherwise make use of any proprietary or confidential information of the Company in connection with such activities, or (y) making any disclosures required by law, rule, regulation or court or other governmental order, provided, however, that the disclosing Investor shall provide prompt notice of such court order or requirement to the Company to enable the Company to seek a protective order or otherwise prevent or restrict such disclosure.

2.5 Common Stock Vesting. Shares of Common Stock (or options therefor) issued to employees and service providers of the Company shall, unless otherwise approved by the Board, including a majority of the Preferred Directors (as defined in the Restated Certificate), vest as follows: no shares shall vest until the completion of the twelve (12) month anniversary of the commencement of employment or service, at which time twenty-five percent (25%) of the Common Stock (or option therefor) shall vest; and the remainder shall vest in equal monthly installments over the following thirty-six (36) months. Unless otherwise approved by the Board, with respect to any shares of Common Stock purchased by any such person, the Company's repurchase option shall provide that upon such person's termination of employment or service with the Company, with or without cause, the Company or its assignee (to the extent permissible under applicable securities laws and other laws) shall have the option to purchase at cost any unvested shares of stock held by such person. There shall be no provision for acceleration of vesting unless unanimously approved by the Board.

2.6 D&O Insurance. The Company has obtained Directors and Officers liability insurance from a financially sound and reputable insurer in an amount and on terms and conditions satisfactory to the Board of Directors, including a majority of the Preferred Directors, and will use commercially reasonable efforts to cause such insurance policies to be maintained until such time as the Board of Directors, including a majority of the Preferred Directors, determines that such insurance should be discontinued.

2.7 Employee Agreements. The Company will cause each person now or hereafter employed by it (or engaged by the Company as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement in the forms previously provided to the Investors or substantially in the form approved by the Board.

2.8 Corporation. As of the Closing, the Company is classified as corporation for United States federal income tax purposes. The Company shall take such actions, including making an election to be treated as a corporation or refraining from making an election to be treated as a partnership, as may be required to ensure that at all times the Company is classified as corporation for United States federal income tax purposes.

2.9 Real Property Holding Company. The Company shall notify the Investor promptly following any "determination date" (as defined in Treasury Regulations section 1.897-2(c)(1)) or otherwise within five (5) business days of becoming aware that the Company is, or is reasonably likely to be, a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code. In addition, at any time upon the Investor's request, the Company shall issue a statement to the Investor, in form and substance as described in Treasury Regulations sections 1.897-2(h)(1) and 1.1445-2(c) (or any successor regulations) and signed under penalties of perjury, regarding whether any interest in the Company constitutes a "U.S. real property interest" within the meaning of Section 897(c) of the Code, together with an executed notice to the IRS described in Treasury Regulations section 1.897-2(h)(2) (or any successor regulation). Such statement shall be delivered within ten (10) days of the Investor's written request therefor. The Company shall use commercially reasonable efforts to conduct its affairs so as to avoid the Company being treated as a "United States real property holding corporation" within the meaning of the Code and any applicable regulations promulgated thereunder.

2.10 Foreign Corrupt Practices Act. None of the Company, its subsidiaries or any director, officer, employee or agent or other person acting on behalf of the Company or any of its subsidiaries or Affiliates shall, directly or indirectly, make, offer, promise or authorize any payment or gift of any money or anything of value to or for the benefit of any “foreign official” (as such term is defined in the U.S. Foreign Corrupt Practices Act (the “FCPA”)), foreign political party or official thereof or candidate for foreign political office in a manner that violates the FCPA. None of the Company, any of its subsidiaries or Affiliates, or any director, officer, employee or agent or other person acting on behalf of the Company or any of subsidiaries or its Affiliates shall make or authorize any bribe, rebate, payoff, influence payment, kickback or other unlawful payment of funds or received or retained any funds in violation of any applicable law, rule or regulation. The Company further represents that it shall maintain, and shall cause each of its subsidiaries and Affiliates to maintain, written policies and procedures and systems of internal controls in each case as required by the FCPA or any other applicable anti-bribery or anti-corruption law.

2.11 Termination of Certain Covenants.

(a) Each of the covenants set forth in this Section 2 (other than the covenants set forth in Sections 2.4) shall terminate as to each Holder and be of no further force or effect (i) immediately prior to the consummation of a Qualified IPO, or (ii) upon termination of this Agreement, as provided in Section 3.

(b) The covenants set forth in Sections 2.1 and 2.2 shall terminate as to each Holder and be of no further force or effect when the Company first becomes subject to the periodic reporting requirements of Sections 13 or 15(d) of the Exchange Act, if this occurs earlier than the events described in Section 2.11(a).

3. Termination of Agreement.

3.1 Termination Events. This Agreement shall terminate and have no further force or effect upon the earlier of:

(a) the liquidation, dissolution or winding up of the Company; or

(b) the consummation of a transaction or series of related transactions deemed to be a Liquidation Transaction pursuant to the Restated Certificate, in which the consideration received by the Investors is in the form of cash and/or marketable securities.

4. **Waiver of Statutory Information Rights.** Holder acknowledges and understands that, but for the waiver made herein, Holder would be entitled, upon written demand under oath stating the purpose thereof, to inspect for any proper purpose, and to make copies and extracts from, the Company's stock ledger, a list of its stockholders, and its other books and records, and the books and records of subsidiaries of the Company, if any, under the circumstances and in the manner provided in Section 220 of the Delaware General Corporation Law (any and all such rights, and any and all such other rights of Holder as may be provided for in Section 220, the "Inspection Rights"). In light of the foregoing, until the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the SEC under the Securities Act, Holder hereby unconditionally and irrevocably waives the Inspection Rights, whether such Inspection Rights would be exercised or pursued directly or indirectly pursuant to Section 220 or otherwise, and covenants and agrees never to directly or indirectly commence, voluntarily aid in any way, prosecute, assign, transfer, or cause to be commenced any claim, action, cause of action, or other proceeding to pursue or exercise the Inspection Rights. The foregoing waiver applies to the Inspection Rights of Holder in Holder's capacity as a stockholder and shall not affect any rights of a director, in his or her capacity as such, under Section 220. The foregoing waiver shall not apply to any contractual inspection rights of Holder under any written agreement with the Company.

5. **Aggregation of Stock.** All shares of capital stock of the Company held or acquired by Affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate. As used herein, "Affiliate" means, with respect to any specified Investor, any other Investor who, directly or indirectly, controls, is controlled by or is under common control with such Investor, including, without limitation, any general partner, managing member, officer or director of such Investor, or any venture capital, private equity or similar investment fund now or hereafter existing which is controlled by or under common control with one or more general partners or managing members of, or shares the same management company or advisory company with, such Investor.

6. **Miscellaneous.**

6.1 **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law.

6.2 **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

6.3 Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of (a) the Company and (b) the Investors holding at least a majority of the outstanding Registrable Securities (or their respective permitted successors and assigns), voting together as a single class and on an as-converted basis; provided that (i) this Agreement may not be amended or waived in any way which would adversely affect the rights of the Founders, without also obtaining the written consent of the holders of at least a majority of the shares of Common Stock and Founder Stock held by the Founders who are then providing services to the Company as employees or consultants and their permitted transferees listed on Schedule 2 hereto, voting together as a single class and on an as-converted basis, (ii) any amendment to the definition of “Major Investor” that would have the effect of excluding an Investor which qualified as a Major Investor prior to such amendment from the definition of “Major Investor” under this Agreement shall require the written consent of such Investor and (iii) in the event the provisions of Section 2.3 are waived pursuant to this Section 6.3 with respect to a particular transaction and any Major Investor (a “Participating Investor”) nonetheless purchases Shares subject to Section 2.3 in such transaction by agreement with the Company, then, notwithstanding any waiver of any of the provisions of Section 2.3, such waiver shall not be applicable to any Major Investor (a “Non-Waiving Investor”) who did not waive its right of first offer unless such Non-Waiving Investor has been provided the opportunity to purchase up to such Non-Waiving Investor’s pro rata share of the Shares, determined in accordance with Section 2.3, and provided further that if the number of Shares that each Participating Investor purchases in such transaction is less than the pro rata share of Shares allotted to such Participating Investor in accordance with Section 2.3, the pro rata share of Shares allotted to the Non-Waiving Investor(s) in connection with such transaction shall be correspondingly reduced. Notwithstanding the foregoing, this Agreement may be amended with only the written consent of the Company for the sole purpose of including additional purchasers of Series E Preferred Stock as “Investors.” Any amendment or waiver effected in accordance with this Section 6.3 shall be binding upon the Company, the Founders, the Investors, and each of their respective successors and assigns.

6.4 Successors and Assigns. Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

6.5 Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email (upon customary confirmation of receipt), or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party’s address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company’s books and records.

6.6 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

6.7 Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

6.8 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

6.9 **Dispute Resolution.** Any unresolved controversy or claim arising out of or relating to this Agreement, except as (i) otherwise provided in this Agreement, or (ii) any such controversies or claims arising out of either party's intellectual property rights for which a provisional remedy or equitable relief is sought, shall be submitted to arbitration by one arbitrator mutually agreed upon by the parties, and if no agreement can be reached within thirty (30) days after names of potential arbitrators have been proposed by the American Arbitration Association (the "AAA"), then by one arbitrator having reasonable experience in corporate finance transactions of the type provided for in this Agreement and who is chosen by the AAA. The arbitration shall take place in the State of California, County of San Mateo, in accordance with the AAA rules then in effect, and judgment upon any award rendered in such arbitration will be binding and may be entered in any court having jurisdiction thereof. There shall be limited discovery prior to the arbitration hearing as follows: (a) exchange of witness lists and copies of documentary evidence and documents relating to or arising out of the issues to be arbitrated, (b) depositions of all party witnesses and (c) such other depositions as may be allowed by the arbitrators upon a showing of good cause. Depositions shall be conducted in accordance with Section 6.1 hereof, the arbitrator shall be required to provide in writing to the parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings, with such record constituting the official transcript of such proceedings. The prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

[Signature Page Follows]

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

THE COMPANY:

CONFLUENT, INC.

By: /s/ Edward (Jay) Kreps
(Signature)

Name: Edward (Jay) Kreps
Title: Chief Executive Officer

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDERS:

EDWARD (JAY) KREPS

/s/ Edward (Jay) Kreps
(Signature)

Address: _____

Email: _____

NEHA NARKHEDE

/s/ Neha Narkhede
(Signature)

Address: _____

Email: _____

JUN RAO

/s/ Jun Rao
(Signature)

Address: _____

Email: _____

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

ARDEN TRUST COMPANY, as Administrative Trustee,
and EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Investment Trustees and Benefits Trustees of the
family trust under THE KREPS FAMILY 2019
IRREVOCABLE TRUST under agreement dated
September 26, 2019

By: /s/ Heather Katzenstein
Name: Heather Katzenstein
Title: Arden Trust Company, Administrative Trustee

By: /s/ Edward Jay Kreps
Name: Edward Jay Kreps
Title: Investment Trustee and Benefits Trustee

By: /s/ Jamaica Hutchins Kreps
Name: Jamaica Hutchins Kreps
Title: Investment Trustee and Benefits Trustee

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

ARDEN TRUST COMPANY, as Administrative Trustee,
and EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Investment Trustees and Benefits Trustees of the
family trust under THE KREPS FAMILY 2019
IRREVOCABLE TRUST under agreement dated
September 26, 2019

By: /s/ Heather Katzenstein
Name: Heather Katzenstein
Title: Ardent Trust Company, Administrative Trustee

By: /s/ Edward Jay Kreps
Name: Edward Jay Kreps
Title: Investment Trustee and Benefits Trustee

By: /s/ Jamaica Hutchins Kreps
Name: Jamaica Hutchins Kreps
Title: Investment Trustee and Benefits Trustee

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Trustees of THE PARENTS' 2019 GRANTOR
RETAINED ANNUITY TRUST - I under agreement dated
September 26, 2019

By: /s/ Edward Jay Kreps

Name: Edward Jay Kreps

Title: Trustee

By: /s/ Jamaica Hutchins Kreps

Name: Jamaica Hutchins Kreps

Title: Trustee

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Trustees of THE PARENTS' 2019 GRANTOR
RETAINED ANNUITY TRUST - II under agreement dated
September 26, 2019

By: /s/ Edward Jay Kreps

Name: Edward Jay Kreps

Title: Trustee

By: /s/ Jamaica Hutchins Kreps

Name: Jamaica Hutchins Kreps

Title: Trustee

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Trustees of THE SIBLINGS' 2019 GRANTOR
RETAINED ANNUITY TRUST - I under agreement dated
September 26, 2019

By: /s/ Edward Jay Kreps

Name: Edward Jay Kreps

Title: Trustee

By: /s/ Jamaica Hutchins Kreps

Name: Jamaica Hutchins Kreps

Title: Trustee

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

FOUNDER:

EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Trustees of THE SIBLINGS' 2019 GRANTOR
RETAINED ANNUITY TRUST - II under agreement dated
September 26, 2019

By: /s/ Edward Jay Kreps

Name: Edward Jay Kreps

Title: Trustee

By: /s/ Jamaica Hutchins Kreps

Name: Jamaica Hutchins Kreps

Title: Trustee

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

SEQUOIA CAPITAL U.S. GROWTH FUND VII, L.P.
SEQUOIA CAPITAL U.S. GROWTH VII PRINCIPALS FUND, L.P.

Each a Cayman Islands exempted limited partnership

By: SC U.S. GROWTH VII MANAGEMENT, L.P.,
a Cayman Islands exempted limited partnership
General Partner of Each

By: SC US (TTGP), LTD.,
a Cayman Islands exempted company, its General
Partner

By: /s/ Matthew C. Miller

Name: Matthew C. Miller

Title: Authorized Signatory

INVESTOR:

SEQUOIA CAPITAL U.S. GROWTH FUND VIII, L.P.,
for itself and as nominee

By: SC U.S. GROWTH VIII MANAGEMENT, L.P.,
a Cayman Islands exempted limited partnership, its
General Partner

By: SC US (TTGP), LTD.,
a Cayman Islands exempted company, its General
Partner

By: /s/ Matthew C. Miller

Name: Matthew C. Miller

Title: Authorized Signatory

SIGNATURE PAGE TO CONFLUENT, INC.
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The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

SCGE FUND, L.P.,

A Cayman Islands limited partnership

By: SCGE (LTGP), L.P.,

A Cayman Islands limited partnership, its General Partner

By: /s/ Kimberly Summe

Name: Kimberly Summe

Title: Chief Operating Officer and General Counsel

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

BENCHMARK CAPITAL PARTNERS VIII, L.P.

as nominee for

Benchmark Capital Partners VIII, L.P.,

Benchmark Founders' Fund VIII, L.P., and Benchmark

Founders' Fund VIII-B, L.P.

By: Benchmark Capital Management Co. VIII, L.L.C., its
general partner

By: /s/ Steven Spurlock

Managing Member

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

**INDEX VENTURES VII (JERSEY), L.P.
INDEX VENTURES VII PARALLEL
ENTREPRENEUR FUND (JERSEY), L.P.**

By: their Managing General Partner:
Index Venture Associates VII Limited

/s/ Ian Henderson

Ian Henderson and/or Nigel Greenwood
Director Director

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

INDEX VENTURES GROWTH IV (JERSEY), L.P.

By: its Managing General Partner

INDEX VENTURE GROWTH ASSOCIATES IV
LIMITED

/s/ Ian Henderson

Name:

Title: Director

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

YUCCA (JERSEY) SLP

By: Intertrust Employee Benefit Services Limited as
Authorised Signatory of Yucca (Jersey) SLP in its capacity
as administrator of the Index Co-Investment Scheme

/s/ Ian Henderson

Authorised Signatory – Intertrust Employee Benefit Services
Limited

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

YUCCA (JERSEY) SLP

By: EFG Trust Company Limited as Authorised Signatory
of Yucca (Jersey) SLP in its capacity as administrator of the
Index Ventures Growth IV Co-Investment Scheme

/s/ Ian Henderson

Authorised Signatory – EFG Trust Company Limited

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

COATUE GROWTH FUND IV LP

By: Coatue Growth Fund IV GP LLC,
its General Partner

By: /s/ Zachary Feingold
(Signature)

Name: Zachary Feingold
Title: Authorized Signatory

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

ALTIMETER GROWTH PARTNERS FUND IV, L.P.

By: Altimeter Growth General Partner IV, LLC
Its: General Partner

By: /s/ John J. Kiernan III
(Signature)

Name: John J. Kiernan III
Title: Authorized Person

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

ALTIMETER GROWTH CASCADE FUND, L.P.

By: Altimeter Cascade General Partner, LLC
Its: General Partner

By: /s/ John J. Kiernan III
(Signature)

Name: John J. Kiernan III
Title: Authorized Person

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

**FRANKLIN STRATEGIC SERIES –
FRANKLIN GROWTH OPPORTUNITIES
FUND**

By: Franklin Advisers, Inc., as investment manager

By: /s/ Michael McCarthy
(Signature)

Name: Michael McCarthy
Title: Executive Vice President and CIO

**FRANKLIN TEMPLETON INVESTMENT FUNDS –
FRANKLIN U.S. OPPORTUNITIES FUND**

By: Franklin Advisers, Inc., as investment manager

By: /s/ Michael McCarthy
(Signature)

Name: Michael McCarthy
Title: Executive Vice President and CIO

**FRANKLIN TEMPLETON INVESTMENT
FUNDS – FRANKLIN TECHNOLOGY FUND**

By: Franklin Advisers, Inc., as investment manager

By: /s/ Michael McCarthy
(Signature)

Name: Michael McCarthy
Title: Executive Vice President and CIO

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

The parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

INVESTOR:

LONE CYPRESS, LTD.

By: /s/ Kerry A. Tyler

Name: Kerry A. Tyler

Title: Authorized Signatory

LONE SPRUCE, L.P.

.

By: /s/ Kerry A. Tyler

Name: Kerry A. Tyler

Title: Authorized Signatory

LONE MONTEREY MASTER FUND, LTD.

By: /s/ Kerry A. Tyler

Name: Kerry A. Tyler

Title: Authorized Signatory

LONE SIERRA, L.P.

By: /s/ Kerry A. Tyler

Name: Kerry A. Tyler

Title: Authorized Signatory

LONE CASCADE, L.P.

By: /s/ Kerry A. Tyler

Name: Kerry A. Tyler

Title: Authorized Signatory

**SIGNATURE PAGE TO CONFLUENT, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT**

SCHEDULE 1

INVESTORS

Name

Coatue Growth Fund IV LP

Altimeter Growth Partners Fund IV, L.P.

Altimeter Growth Cascade Fund, L.P.

Sequoia Capital U.S. Growth Fund VII, L.P.

Sequoia Capital U.S. Growth VII Principals Fund, L.P.

Sequoia Capital U.S. Growth Fund VIII, L.P.

SCGE Fund, L.P.

Index Ventures VII (Jersey), L.P.

Index Ventures Growth IV (Jersey), L.P.

Index Ventures VII Parallel Entrepreneur Fund (Jersey), L.P.

YUCCA (Jersey) SLP

The Board of Trustees of the Leland Stanford Junior
University (SBST)

Benchmark Capital Partners VIII, L.P.

LinkedIn Corporation

Foundry Square Investors – XIV, LLC

Zuklie 2007 Revocable Trust, Holly Varian and
Mitchell Zuklie, Trustees

Anik Guha

Data Collective III, L.P.

Jeremy Stoppelman

Michael Stoppelman

Dhanurjay (DJ) Patil

Name

Franklin Strategic Series – Franklin Growth Opportunities Fund

Franklin Templeton Investment Funds – Franklin U.S. Opportunities Fund

Franklin Templeton Investment Funds – Franklin Technology Fund

Lone Cypress, Ltd.

Lone Spruce, L.P.

Lone Monterey Master Fund, Ltd.

Lone Sierra, L.P.

Lone Cascade, L.P.

Alkeon Innovation Master Fund, LP

Alkeon Innovation Opportunity Master Fund, LP

Durable Capital Master Fund LP

Founders Circle Capital III, LP

Founders Circle Capital III-P, LP

Founders Circle Capital III Affiliates Fund, LP

Tiger Global PIP XII-6 LLC

Geodesic Capital Fund I, L.P.

Geodesic Capital Fund I-S, L.P.

SCHEDULE 2

PERMITTED TRANSFEREES

Name

ARDEN TRUST COMPANY, as Administrative Trustee, and EDWARD JAY KREPS and JAMAICA HUTCHINS KREPS, as Investment Trustees and Benefits Trustees of the family trust under THE KREPS FAMILY 2019 IRREVOCABLE TRUST under agreement dated September 26, 2019

ARDEN TRUST COMPANY, as Administrative Trustee, and EDWARD JAY KREPS and JAMAICA HUTCHINS KREPS, as Investment Trustees and Benefits Trustees of the family trust under THE KREPS FAMILY 2019 IRREVOCABLE TRUST under agreement dated September 26, 2019

EDWARD JAY KREPS and JAMAICA HUTCHINS KREPS, as Trustees of THE PARENTS' 2019 GRANTOR RETAINED ANNUITY TRUST – I under agreement dated September 26, 2019

EDWARD JAY KREPS and JAMAICA HUTCHINS KREPS, as Trustees of THE PARENTS' 2019 GRANTOR RETAINED ANNUITY TRUST – II under agreement dated September 26, 2019

EDWARD JAY KREPS and JAMAICA HUTCHINS KREPS, as Trustees of THE SIBLINGS' 2019 GRANTOR RETAINED ANNUITY TRUST – I under agreement dated September 26, 2019

Name

EDWARD JAY KREPS and JAMAICA HUTCHINS
KREPS, as Trustees of THE SIBLINGS' 2019
GRANTOR RETAINED ANNUITY TRUST – II under
agreement dated September 26, 2019

David A. Stein and his successors as Trustee of the
Trouvaille ANK Trust

Trouvaille Investments Holdings Limited

Jun Rao and Yang Li, Trustees of The Rao/Li Family Trust

Jun Rao, as Trustee of The Jun Rao 2020 GRAT

Yang Li, as Trustee of The Yang Li 2020 GRAT

CONFLUENT, INC.

AMENDED AND RESTATED 2014 STOCK PLAN

(As amended through March 19, 2021)

1. **Purposes of the Plan.** The purposes of this Amended and Restated 2014 Stock Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants, and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Restricted Stock and Restricted Stock Units may also be granted under the Plan. For purposes of clarity, this Amended and Restated 2014 Stock Plan will apply only to Awards granted under the Plan on or after the date this Amended and Restated 2014 Stock Plan is adopted by the Board.

2. **Definitions.** As used herein, the following definitions shall apply:

(a) **"Administrator"** means the Board or a Committee.

(b) **"Affiliate"** means (i) an entity other than a Subsidiary which, together with the Company, is under common control of a third person or entity and (ii) an entity other than a Subsidiary in which the Company and /or one or more Subsidiaries own a controlling interest.

(c) **"Applicable Laws"** means all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable U.S. federal or state laws, any Stock Exchange rules or regulations, and the applicable laws, rules or regulations of any other country or jurisdiction where Options, Restricted Stock or Restricted Stock Units are granted under the Plan or Participants reside or provide services, as such laws, rules, and regulations shall be in effect from time to time.

(d) **"Award"** means any award of an Option, Restricted Stock, or Restricted Stock Unit granted under the Plan.

(e) **"Board"** means the Board of Directors of the Company.

(f) **"California Participant"** means a Participant whose Award is issued in reliance on Section 25102(o) of the California Corporations Code.

(g) **"Cashless Transaction"** means a program approved by the Administrator in which payment of the Option exercise price or tax withholding obligations or other required deductions applicable to an Award may be satisfied, in whole or in part, with Shares subject to the Award, including by delivery of an irrevocable direction to a securities broker (on a form prescribed by the Company) to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of such amount.

(h) **“Cause”** for termination of a Participant’s Continuous Service Status will exist (unless another definition is provided in an applicable Option Agreement, Restricted Stock Purchase Agreement, Restricted Stock Unit Agreement, employment agreement or other applicable written agreement) if the Participant’s Continuous Service Status is terminated for any of the following reasons: (i) any material breach by Participant of any material written agreement between Participant and the Company and Participant’s failure to cure such breach within 30 days after receiving written notice thereof; (ii) any failure by Participant to comply with the Company’s material written policies or rules as they may be in effect from time to time; (iii) neglect or persistent unsatisfactory performance of Participant’s duties and Participant’s failure to cure such condition within 30 days after receiving written notice thereof; (iv) Participant’s repeated failure to follow reasonable and lawful instructions from the Board or Chief Executive Officer and Participant’s failure to cure such condition within 30 days after receiving written notice thereof; (v) Participant’s conviction of, or plea of guilty or nolo contendere to, any crime that results in, or is reasonably expected to result in, material harm to the business or reputation of the Company; (vi) Participant’s commission of or participation in an act of fraud against the Company; (vii) Participant’s intentional material damage to the Company’s business, property or reputation; or (viii) Participant’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company. For purposes of clarity, a termination without “Cause” does not include any termination that occurs as a result of Participant’s death or disability. The determination as to whether a Participant’s Continuous Service Status has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company’s ability to terminate a Participant’s employment or consulting relationship at any time, and the term “Company” will be interpreted to include any Subsidiary, Parent, Affiliate, or any successor thereto, if appropriate.

(i) **“Change of Control”** means (i) a sale of all or substantially all of the Company’s assets other than to an Excluded Entity (as defined below), (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, limited liability company or other entity other than an Excluded Entity, or (iii) the consummation of a transaction, or series of related transactions, in which any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of all of the Company’s then outstanding voting securities.

Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if its purpose is to (A) change the jurisdiction of the Company’s incorporation, (B) create a holding company that will be owned in substantially the same proportions by the persons who hold the Company’s securities immediately before such transaction, or (C) obtain funding for the Company in a financing that is approved by the Company’s Board. An **“Excluded Entity”** means a corporation or other entity of which the holders of voting capital stock of the Company outstanding immediately prior to such transaction are the direct or indirect holders of voting securities representing at least a majority of the votes entitled to be cast by all of such corporation’s or other entity’s voting securities outstanding immediately after such transaction.

(j) **“Code”** means the Internal Revenue Code of 1986, as amended.

(k) “**Committee**” means one or more committees or subcommittees of the Board consisting of two (2) or more Directors (or such lesser or greater number of Directors as shall constitute the minimum number permitted by Applicable Laws to establish a committee or sub-committee of the Board) appointed by the Board to administer the Plan in accordance with Section 4 below.

(l) “**Common Stock**” means the Company’s common stock, par value \$0.00001 per share, as adjusted pursuant to Section 10 below.

(m) “**Company**” means Confluent, Inc., a Delaware corporation.

(n) “**Consultant**” means any person or entity, including an advisor but not an Employee, that renders, or has rendered, services to the Company, or any Parent, Subsidiary or Affiliate and is compensated for such services, and any Director whether compensated for such services or not.

(o) “**Continuous Service Status**” means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of: (i) Company approved sick leave; (ii) military leave; (iii) any other bona fide leave of absence approved by the Company, provided that, if an Employee is holding an Incentive Stock Option and such leave exceeds 3 months then, for purposes of Incentive Stock Option status only, such Employee’s service as an Employee shall be deemed terminated on the 1st day following such 3-month period and the Incentive Stock Option shall thereafter automatically become a Nonstatutory Stock Option in accordance with Applicable Laws, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to a written Company policy. Also, Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of a transfer between locations of the Company or between the Company, its Parents, Subsidiaries or Affiliates, or their respective successors, or a change in status from an Employee to a Consultant or from a Consultant to an Employee.

(p) “**Director**” means a member of the Board.

(q) “**Disability**” means “disability” within the meaning of Section 22(e)(3) of the Code.

(r) “**Employee**” means any person employed by the Company, or any Parent, Subsidiary or Affiliate, with the status of employment determined pursuant to such factors as are deemed appropriate by the Company in its sole discretion, subject to any requirements of Applicable Laws, including the Code. The payment by the Company of a director’s fee shall not be sufficient to constitute “employment” of such director by the Company or any Parent, Subsidiary or Affiliate.

(s) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

(t) “**Fair Market Value**” means, as of any date, the per share fair market value of the Common Stock, as determined by the Administrator in good faith on such basis as it deems appropriate and applied consistently with respect to Participants. Whenever possible, the determination of Fair Market Value shall be based upon the per share closing price for the Shares as reported in The Wall Street Journal for the applicable date.

(u) **“Family Members”** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Participant, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons (or the Participant) have more than 50% of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests.

(v) **“Incentive Stock Option”** means an Option intended to, and which does, in fact, qualify as an incentive stock option within the meaning of Section 422 of the Code.

(w) **“Involuntary Termination”** means (unless another definition is provided in the applicable Option Agreement, Restricted Stock Purchase Agreement, Restricted Stock Unit Agreement, employment agreement or other applicable written agreement) the termination of a Participant’s Continuous Service Status other than for (i) death, (ii) Disability or (iii) for Cause by the Company or a Parent, Subsidiary, Affiliate or successor thereto, as appropriate.

(x) **“Listed Security”** means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national market system security on an interdealer quotation system by the Financial Industry Regulatory Authority (or any successor thereto).

(y) **“Nonstatutory Stock Option”** means an Option that is not intended to, or does not, in fact, qualify as an Incentive Stock Option.

(z) **“Option”** means a stock option granted pursuant to the Plan.

(aa) **“Option Agreement”** means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.

(bb) **“Option Exchange Program”** means a program approved by the Administrator whereby outstanding Options (i) are exchanged for Options with a lower exercise price, Restricted Stock, Restricted Stock Units, cash or other property or (ii) are amended to decrease the exercise price as a result of a decline in the Fair Market Value.

(cc) **“Optioned Stock”** means Shares that are subject to an Option or that were issued pursuant to the exercise of an Option.

(dd) **“Optionee”** means an Employee or Consultant who receives an Option.

(ee) **“Parent”** means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of grant of the Award, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.

(ff) **“Participant”** means any holder of one or more Awards or Shares issued pursuant to an Award.

(gg) **“Plan”** means this Amended and Restated 2014 Stock Plan.

(hh) **“Restricted Stock”** means Shares acquired pursuant to a right to purchase or receive Common Stock granted pursuant to Section 8 below.

(ii) **“Restricted Stock Purchase Agreement”** means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock granted under the Plan and includes any documents attached to such agreement.

(jj) **“Restricted Stock Unit”** means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8(b) below. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(kk) **“Restricted Stock Unit Agreement”** means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock Units granted under the Plan and includes any document attached to such agreement.

(ll) **“Rule 16b-3”** means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

(mm) **“Section 409A”** means Section 409A of the Code, the regulations and other guidance thereunder and any state law of similar effect.

(nn) **“Securities Act”** means the Securities Act of 1933, as amended.

(oo) **“Share”** means a share of Common Stock, as adjusted in accordance with Section 10 below.

(pp) **“Stock Exchange”** means any stock exchange or consolidated stock price reporting system on which prices for the Common Stock are quoted at any given time.

(qq) **“Subsidiary”** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of grant of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(rr) **“Ten Percent Holder”** means a person who owns stock representing more than 10% of the voting power of all classes of stock of the Company or any Parent or Subsidiary measured as of an Award’s date of grant.

3. **Stock Subject to the Plan.** Subject to the provisions of Section 10 below, the maximum aggregate number of Shares that may be issued under the Plan is 113,972,162 Shares, all of which Shares may be issued under the Plan pursuant to Incentive Stock Options. The Shares issued under the Plan may be authorized, but unissued, or reacquired Shares. If an Award should expire or become unexercisable for any reason without having been exercised in full, or is surrendered pursuant to an Option Exchange Program, the unissued Shares that were subject thereto shall, unless the Plan shall have been terminated, continue to be available under the Plan for issuance pursuant to future Awards. In addition, any Shares which are retained by the Company upon exercise of an Award in order to satisfy the exercise or purchase price for such Award or any withholding taxes due with respect to such Award shall be treated as not issued and shall continue to be available under the Plan for issuance pursuant to future Awards. Shares issued under the Plan and later forfeited to the Company due to the failure to vest or repurchased by the Company at the original purchase price paid to the Company for the Shares (including, without limitation, upon forfeiture to or repurchase by the Company in connection with the termination of a Participant's Continuous Service Status) shall again be available for future grant under the Plan. Notwithstanding the foregoing, subject to the provisions of Section 10 below, in no event shall the maximum aggregate number of Shares that may be issued under the Plan pursuant to Incentive Stock Options exceed the number set forth in the first sentence of this Section 3 plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated there under, any Shares that again become available for issuance pursuant to the remaining provisions of this Section 3.

4. **Administration of the Plan.**

(a) **General.** The Plan shall be administered by the Board, a Committee appointed by the Board, or any combination thereof, as determined by the Board. The Plan may be administered by different administrative bodies with respect to different classes of Participants and, if permitted by Applicable Laws, the Board may authorize one or more officers of the Company to make Awards under the Plan to Employees and Consultants (who are not subject to Section 16 of the Exchange Act) within parameters specified by the Board.

(b) **Committee Composition.** If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and dissolve a Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b-3 or Section 162(m) of the Code, to the extent permitted or required by such provisions.

(c) **Powers of the Administrator.** Subject to the provisions of the Plan and, in the case of a Committee, the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its sole discretion:

(i) to determine the Fair Market Value in accordance with Section 2(t) above, provided that such determination shall be applied consistently with respect to Participants under the Plan;

(ii) to select the Employees and Consultants to whom Awards may from time to time be granted;

(iii) to determine the number of Shares to be covered by each Award;

(iv) to approve the form(s) of agreement(s) and other related documents used under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when Awards may vest, be exercised and/or be settled (which may be based on performance criteria), the circumstances (if any) when vesting will be accelerated or forfeiture restrictions will be waived, and any restriction or limitation regarding any Award, Optioned Stock, Restricted Stock or Restricted Stock Unit;

(vi) to amend any outstanding Award or agreement related to any Optioned Stock, Restricted Stock or Restricted Stock Unit, including any amendment adjusting vesting and/or settlement (e.g., in connection with a change in the terms or conditions under which such person is providing services to the Company), provided that no amendment shall be made that would materially and adversely affect the rights of any Participant without his or her consent;

(vii) to determine whether and under what circumstances an Option may be settled in cash under Section 7(c)(iii) below instead of Common Stock;

(viii) subject to Applicable Laws, to implement an Option Exchange Program and establish the terms and conditions of such Option Exchange Program without consent of the holders of capital stock of the Company, provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Participant shall be made without his or her consent;

(ix) to approve addenda pursuant to Section 18 below or to grant Awards to, or to modify the terms of, any outstanding Option Agreement, Restricted Stock Purchase Agreement, Restricted Stock Unit Agreement or any agreement related to any Optioned Stock, Restricted Stock or Restricted Stock Unit held by Participants who are foreign nationals or employed outside of the United States with such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in this Plan to the extent necessary or appropriate to accommodate such differences; and

(x) to construe and interpret the terms of the Plan, any Option Agreement, Restricted Stock Purchase Agreement or Restricted Stock Unit Agreement, and any agreement related to any Optioned Stock, Restricted Stock or Restricted Stock Unit, which constructions, interpretations and decisions shall be final and binding on all Participants.

(d) **Indemnification.** To the maximum extent permitted by Applicable Laws, each member of the Committee (including officers of the Company, if applicable), or of the Board, as applicable, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or pursuant to the terms and conditions of any Award except for actions taken in bad faith or failures to act in good faith, and (ii) any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided that such member shall give the Company an opportunity, at its own expense, to handle and defend any such claim, action, suit or proceeding before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any other power that the Company may have to indemnify or hold harmless each such person.

5. Eligibility.

(a) **Recipients of Grants.** Nonstatutory Stock Options, Restricted Stock and Restricted Stock Units may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, provided that Employees of Affiliates shall not be eligible to receive Incentive Stock Options.

(b) **Type of Option.** Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.

(c) **ISO \$100,000 Limitation.** Notwithstanding any designation under Section 5(b) above, to the extent that the aggregate Fair Market Value of Shares with respect to which options designated as incentive stock options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess options shall be treated as nonstatutory stock options. For purposes of this Section 5(c), incentive stock options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an incentive stock option shall be determined as of the date of the grant of such option.

(d) **No Employment Rights.** Neither the Plan nor any Award shall confer upon any Employee or Consultant any right with respect to continuation of an employment or consulting relationship with the Company (any Parent, Subsidiary or Affiliate), nor shall it interfere in any way with such Employee's or Consultant's right or the Company's (Parent's, Subsidiary's or Affiliate's) right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. **Term of Plan.** The amendment and restatement of the Plan shall become effective upon its adoption by the Board and the Plan shall continue in effect through and until March 19, 2031 unless sooner terminated under Section 14 below.

7. Options.

(a) **Term of Option.** The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than 10 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be 5 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

(b) Option Exercise Price and Consideration.

(i) **Exercise Price.** The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be such price as is determined by the Administrator and set forth in the Option Agreement, but shall be subject to the following:

(1) In the case of an Incentive Stock Option

a. granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value on the date of grant; and

b. granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value on the date of grant;

(2) Except as provided in subsection (3) below, in the case of a Nonstatutory Stock Option the per Share exercise price shall be such price as is determined by the Administrator, provided that, if the per Share exercise price is less than 100% of the Fair Market Value on the date of grant, it shall otherwise comply with all Applicable Laws, including Section 409A.

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

(ii) **Permissible Consideration.** The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option and to the extent required by Applicable Laws, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) to the extent permitted under, and in accordance with, Applicable Laws, delivery of a promissory note with such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate (subject to the provisions of Section 152 of the Delaware General Corporation Law); (4) cancellation of indebtedness; (5) other previously owned Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised; (6) a Cashless Transaction; (7) such other consideration and method of payment permitted under Applicable Laws; or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

(c) Exercise of Option.

(i) General.

(1) **Exercisability.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the terms of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company, and Parent, Subsidiary or Affiliate, and/or the Optionee.

(2) **Leave of Absence.** The Administrator shall have the discretion to determine at any time whether and to what extent the vesting of Options shall be tolled during any leave of absence; provided, however, that in the absence of such determination, vesting of Options shall continue during any paid leave and shall be tolled during any unpaid leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon an Optionee's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniformed Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Optionee continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(3) **Minimum Exercise Requirements.** An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent an Optionee from exercising the full number of Shares as to which the Option is then exercisable.

(4) **Procedures for and Results of Exercise.** An Option shall be deemed exercised when written notice of such exercise has been received by the Company in accordance with the terms of the Option Agreement by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised and has paid, or made arrangements to satisfy, any applicable taxes, withholding, required deductions or other required payments in accordance with Section 9 below. The exercise of an Option shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(5) **Rights as Holder of Capital Stock.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of capital stock shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock is issued, except as provided in Section 10 below.

(ii) **Termination of Continuous Service Status.** The Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of an Optionee's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time. To the extent that an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of an Optionee's Continuous Service Status, the following provisions shall apply:

(1) **General Provisions.** If the Optionee (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified below, the Option shall terminate and the Optioned Stock underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to this Section 7).

(2) **Termination other than Upon Disability or Death or for Cause.** In the event of termination of an Optionee's Continuous Service Status other than under the circumstances set forth in the subsections (3) through (5) below, such Optionee may exercise any outstanding Option at any time within 3 month(s) following such termination to the extent the Optionee is vested in the Optioned Stock.

(3) **Disability of Optionee.** In the event of termination of an Optionee's Continuous Service Status as a result of his or her Disability, such Optionee may exercise any outstanding Option at any time within 12 month(s) following such termination to the extent the Optionee is vested in the Optioned Stock.

(4) **Death of Optionee.** In the event of the death of an Optionee during the period of Continuous Service Status since the date of grant of any outstanding Option, or within 3 month(s) following termination of the Optionee's Continuous Service Status, the Option may be exercised by any beneficiaries designated in accordance with Section 16 below, or if there are no such beneficiaries, by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, at any time within 12 month(s) following the date the Optionee's Continuous Service Status terminated, but only to the extent the Optionee is vested in the Optioned Stock.

(5) **Termination for Cause.** In the event of termination of an Optionee's Continuous Service Status for Cause, any outstanding Option (including any vested portion thereof) held by such Optionee shall immediately terminate in its entirety upon first notification to the Optionee of termination of the Optionee's Continuous Service Status for Cause. If an Optionee's Continuous Service Status is suspended pending an investigation of whether the Optionee's Continuous Service Status will be terminated for Cause, all the Optionee's rights under any Option, including the right to exercise the Option, shall be suspended during the investigation period. Nothing in this Section 7(c)(ii)(5) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.

(iii) **Buyout Provisions.** The Administrator may at any time offer to buy out for a payment in cash or Shares an Option previously granted under the Plan based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

8. Restricted Stock and Restricted Stock Units.

(a) Restricted Stock.

(i) **Rights to Purchase.** When a right to purchase or receive Restricted Stock is granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, if any (which shall be as determined by the Administrator, subject to Applicable Laws, including any applicable securities laws), and the time within which such person must accept such offer. The permissible consideration for Restricted Stock shall be determined by the Administrator and shall be the same as is set forth in Section 7(b)(ii) above with respect to exercise of Options. The offer to purchase Shares shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.

(ii) Repurchase Option.

(1) **General.** Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the Participant's Continuous Service Status for any reason (including death or Disability) at a purchase price for Shares equal to the original purchase price paid by the purchaser to the Company for such Shares and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate as the Administrator may determine.

(2) **Leave of Absence.** The Administrator shall have the discretion to determine at any time whether and to what extent the lapsing of Company repurchase rights shall be tolled during any leave of absence; provided, however, that in the absence of such determination, such lapsing shall continue during any paid leave and shall be tolled during any unpaid leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, the lapsing of Company repurchase rights shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Shares purchased pursuant to the Restricted Stock Purchase Agreement to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(iii) **Other Provisions.** The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each Participant.

(iv) **Rights as a Holder of Capital Stock.** Once the Restricted Stock is purchased, the Participant shall have the rights equivalent to those of a holder of capital stock, and shall be a record holder when his or her purchase and the issuance of the Shares is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Restricted Stock is purchased, except as provided in Section 10 below.

(b) Restricted Stock Units.

(i) **Grant.** When Restricted Stock Units are granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions applicable to the Award, including the number of Restricted Stock Units that such person shall be entitled to receive. The offer to receive Restricted Stock Units shall be accepted by execution of a Restricted Stock Unit Agreement in the form determined by the Administrator.

(ii) Vesting.

(1) **General.** The Administrator may, in its discretion, set vesting criteria for the Restricted Stock Units that must be met in order to be eligible to receive a payout pursuant to the Award (note that the Administrator may specify additional conditions which must also be met in order to receive a payout pursuant to the Award). Any such vesting criteria may be based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any applicable vesting criteria.

(2) **Leave of Absence.** The Administrator shall have the discretion to determine at any time whether and to what extent the vesting of an Award of Restricted Stock Units shall be tolled during any leave of absence; provided, however, that in the absence of such determination, vesting shall continue during any paid leave and shall be tolled during any unpaid leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, vesting shall be tolled during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to the Restricted Stock Units received pursuant to the Restricted Stock Unit Agreement to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

(iii) **Form and Timing of Settlement.** Settlement of earned Restricted Stock Units will be made upon the date(s) determined by the Administrator and may be subject to additional conditions, if any, each as set forth in the Restricted Stock Unit Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(iv) **Other Provisions.** The Restricted Stock Unit Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Unit Agreements need not be the same with respect to each Participant.

(v) **Rights as a Holder of Capital Stock.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a holder of capital stock shall exist with respect to the Restricted Stock Units. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock is issued, except as provided in Section 10 below.

9. Taxes.

(a) As a condition of the grant, vesting, exercise (if applicable) and settlement of an Award, the Participant (or in the case of the Participant's death or a permitted transferee, the person holding, exercising or receiving the proceeds of the Award) shall make such arrangements as the Administrator may require for the satisfaction of any applicable U.S. federal, state, local or foreign tax, withholding, and any other required deductions or payments that may arise in connection with such Award. The Company shall not be required to issue any Shares under the Plan until such obligations are satisfied.

(b) The Administrator may, to the extent permitted under Applicable Laws, permit a Participant (or in the case of the Participant's death or a permitted transferee, the person holding, exercising or receiving the proceeds of the Award) to satisfy all or part of his or her tax, withholding, or any other required deductions or payments by Cashless Transaction or by surrendering Shares (either directly or by stock attestation) that he or she previously acquired; provided that, unless specifically permitted by the Company, (i) any such Cashless Transaction must be an approved broker-assisted Cashless Transaction or the Shares withheld in the Cashless Transaction must be limited to avoid financial accounting charges under applicable accounting guidance, and (ii) any such surrendered Shares must have been previously held for any minimum duration required to avoid financial accounting charges under applicable accounting guidance. Any payment of taxes by surrendering Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission.

10. Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.

(a) **Changes in Capitalization.** Subject to any action required under Applicable Laws by the holders of capital stock of the Company, (i) the numbers and class of Shares, units representing Shares or other stock or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each such outstanding Option, and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, shall be automatically proportionately adjusted in the event of a stock split, reverse stock split, stock dividend, combination, consolidation, reclassification of the Shares or subdivision of the Shares. In the event of any increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, a declaration of an extraordinary dividend with respect to the Shares payable in a form other than Shares in an amount that has a material effect on the Fair Market Value, a recapitalization (including a recapitalization through a large nonrecurring cash dividend), a rights offering, a reorganization, merger, a spin-off, split-up, change in corporate structure or a similar occurrence, the Administrator shall make appropriate adjustments, in its discretion, in one or more of (i) the numbers and class of Shares, units representing Shares or other stock or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each outstanding Option and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, and any such adjustment by the Administrator shall be made in the Administrator's sole and absolute discretion and shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Award. If, by reason of a transaction described in this Section 10(a) or an adjustment pursuant to this Section 10(a), a Participant's Award agreement or agreement related to any Optioned Stock, Restricted Stock or Restricted Stock Unit covers additional or different shares of stock or securities (or units representing additional or different shares of stock or securities), then such additional or different shares (and the units representing such additional or different shares), and the Award agreement or agreement related to the Optioned Stock, Restricted Stock or Restricted Stock Unit in respect thereof, shall be subject to all of the terms, conditions and restrictions which were applicable to the Award, Optioned Stock, Restricted Stock and Restricted Stock Unit prior to such transaction or adjustment.

(b) **Dissolution or Liquidation.** In the event of the dissolution or liquidation of the Company, each Award will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator.

(c) **Corporate Transactions.** In the event of (i) a transfer of all or substantially all of the Company's assets, (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, entity or person, or (iii) the consummation of a transaction, or series of related transactions, in which any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of more than 50% of the Company's then outstanding capital stock (a "Corporate Transaction"), each outstanding Award (vested or unvested) will be treated as the Administrator determines, which determination may be made without the consent of any Participant and need not treat all outstanding Awards (or portion thereof) in an identical manner. Such determination, without the consent of any Participant, may provide (without limitation) for one or more of the following in the event of a Corporate Transaction: (A) the continuation of such outstanding Awards by the Company (if the Company is the surviving corporation); (B) the assumption of such outstanding Awards by the surviving corporation or its parent; (C) the substitution by the surviving corporation or its parent of new options or equity awards for such Awards; (D) the cancellation of such Awards in exchange for a payment to the Participants equal to the excess of (1) the Fair Market Value of the Shares subject to such Awards as of the closing date of such Corporate Transaction over (2) the exercise price or purchase price paid or to be paid for the Shares subject to the Awards (if any); or (E) the cancellation of any outstanding Awards or an outstanding right to purchase Restricted Stock, in either case, for no consideration.

11. Non-Transferability of Awards.

(a) **General.** Except as set forth in this Section 11, Awards (or any rights of such Awards) may not be sold, pledged, encumbered, assigned, hypothecated or disposed of or otherwise transferred in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by a Participant pursuant to Section 16 below will not constitute a transfer. An Option may be exercised, during the lifetime of the holder of the Option, only by such holder or a transferee permitted by this Section 11.

(b) **Limited Transferability Rights.** Notwithstanding anything else in this Section 11, the Administrator may in its sole discretion provide that any Nonstatutory Stock Options may be transferred by instrument to an inter vivos or testamentary trust in which the Options are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to Family Members. Further, beginning with (i) the period when the Company begins to rely on the exemption described in Rule 12h-1(f)(1) promulgated under the Exchange Act, as determined by the Board in its sole discretion, and (ii) ending on the earlier of (A) the date when the Company ceases to rely on such exemption, as determined by the Board in its sole discretion, or (B) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are Family Members through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant. Notwithstanding the foregoing sentence, the Board, in its sole discretion, may permit transfers of Nonstatutory Stock Options to the Company or in connection with a Change of Control or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f).

12. Non-Transferability of Stock Underlying Awards.

(a) **General.** Notwithstanding anything to the contrary, no Participant or other stockholder shall Transfer (as such term is defined below), any Shares (or any rights of or interests in such Shares) acquired pursuant to any Award (including, without limitation, Shares acquired upon exercise of an Option) to any person or entity unless such Transfer is approved by the Company prior to such Transfer, which approval may be granted or withheld in the Company's sole and absolute discretion. "Transfer" shall mean, with respect to any security, the direct or indirect assignment, sale, transfer, tender, pledge, hypothecation, or the grant, creation or suffrage of a lien or encumbrance in or upon, or the gift, placement in trust, or the Constructive Sale (as such term is defined below) or other disposition of such security (including transfer by testamentary or intestate succession, merger or otherwise by operation of law) or any right, title or interest therein (including, but not limited to, any right or power to vote to which the holder thereof may be entitled, whether such right or power is granted by proxy or otherwise), or the record or beneficial ownership thereof, the offer to make such a sale, transfer, Constructive Sale or other disposition, and each agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing. "Constructive Sale" shall mean, with respect to any security, a short sale with respect to such security, entering into or acquiring an offsetting derivative contract with respect to such security, entering into or acquiring a futures or forward contract to deliver such security, or entering into any other hedging or other derivative transaction that has the effect of materially changing the economic benefits and risks of ownership. Any purported Transfer effected in violation of this Section 12 shall be null and void and shall have no force or effect and the Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of the Plan or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

(b) **Approval Process.** Any Participant or stockholder seeking the approval of the Company to Transfer some or all of its Shares shall give written notice thereof to the Secretary of the Company that shall include: (1) the name of the stockholder; (2) the proposed transferee; (3) the number of shares of the Transfer of which approval is thereby requested; and (4) the purchase price, if any, of the shares proposed for Transfer. The Company may require the Participant to supplement its notice with such additional information as the Company may request or as may otherwise be required by the applicable Option Agreement, Restricted Stock Purchase Agreement, Restricted Stock Unit Agreement or other applicable written agreement. In addition, such request for transfer shall be subject to such right of first refusal, transfer provisions and any other terms and conditions as may be set forth in the applicable Option Agreement, Restricted Stock Purchase Agreement, Restricted Stock Unit Agreement or other applicable written agreement.

13. **Time of Granting Awards.** The date of grant of an Award shall, for all purposes, be the date on which the Administrator makes the determination granting such Award, or such other date as is determined by the Administrator.

14. **Amendment and Termination of the Plan.** The Board may at any time amend or terminate the Plan, but no amendment or termination shall be made that would materially and adversely affect the rights of any Participant under any outstanding Award, without his or her consent. In addition, to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain the approval of holders of capital stock with respect to any Plan amendment in such a manner and to such a degree as required.

15. **Conditions Upon Issuance of Shares.** Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. As a condition to the exercise of any Option, purchase or receipt of any Restricted Stock or settlement of any Restricted Stock Units, the Company may require the person exercising the Option or purchasing or receiving the Restricted Stock or Shares pursuant to settlement of Restricted Stock Units to represent and warrant at the time of any such exercise, purchase, receipt or settlement that the Shares are being purchased or received only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is advisable or required by Applicable Laws. Shares issued upon exercise of Options, purchase or receipt of Restricted Stock or settlement of any Restricted Stock Units prior to the date, if ever, on which the Common Stock becomes a Listed Security shall be subject to a right of first refusal in favor of the Company pursuant to which the Participant will be required to offer Shares to the Company before selling or transferring them to any third party on such terms and subject to such conditions as is reflected in the applicable Option Agreement, Restricted Stock Purchase Agreement or Restricted Stock Unit Agreement.

16. **Beneficiaries.** If permitted by the Company, a Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. Except as otherwise provided in an Award Agreement, if no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant's death any vested Award(s) shall be transferred or distributed to the Participant's estate or to any person who has the right to acquire the Award by bequest or inheritance.

17. **Approval of Holders of Capital Stock.** If required by Applicable Laws, continuance of the Plan shall be subject to approval by the holders of capital stock of the Company within 12 months before or after the date the Plan is adopted or, to the extent required by Applicable Laws, any date the Plan is amended. Such approval shall be obtained in the manner and to the degree required under Applicable Laws.

18. **Addenda.** The Administrator may approve such addenda to the Plan as it may consider necessary or appropriate for the purpose of granting Awards to Employees or Consultants, which Awards may contain such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom, which may deviate from the terms and conditions set forth in this Plan. The terms of any such addenda shall supersede the terms of the Plan to the extent necessary to accommodate such differences but shall not otherwise affect the terms of the Plan as in effect for any other purpose.

19. **Information to Holders of Options.** In the event the Company is relying on the exemption provided by Rule 12h-1(f) under the Exchange Act, the Company shall provide the information described in Rule 701(e)(3), (4) and (5) of the Securities Act to all holders of Options in accordance with the requirements thereunder until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. The Company may request that holders of Options agree to keep the information to be provided pursuant to this Section confidential. If the holder does not agree to keep the information to be provided pursuant to this Section confidential, then the Company will not be required to provide the information unless otherwise required pursuant to Rule 12h-1(f)(1) of the Exchange Act.

ADDENDUM A

Confluent, Inc. Amended and Restated 2014 Stock Plan

(California Participants)

Prior to the date, if ever, on which the Common Stock becomes a Listed Security and/or the Company is subject to the reporting requirements of the Exchange Act, the terms set forth herein shall apply to Awards issued to California Participants. All capitalized terms used herein but not otherwise defined shall have the respective meanings set forth in the Plan.

1. The following rules shall apply to any Option in the event of termination of the Participant's Continuous Service Status:

(a) If such termination was for reasons other than death, "Permanent Disability" (as defined below), or Cause, the Participant shall have at least 30 days after the date of such termination to exercise his or her Option to the extent the Participant is entitled to exercise on his or her termination date, provided that in no event shall the Option be exercisable after the expiration of the term as set forth in the Option Agreement.

(b) If such termination was due to death or Permanent Disability, the Participant shall have at least 6 months after the date of such termination to exercise his or her Option to the extent the Participant is entitled to exercise on his or her termination date, provided that in no event shall the Option be exercisable after the expiration of the term as set forth in the Option Agreement.

"Permanent Disability" for purposes of this Addendum shall mean the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of the Participant's position with the Company or any Parent or Subsidiary because of the sickness or injury of the Participant.

2. Notwithstanding anything to the contrary in Section 10(a) of the Plan, the Administrator shall in any event make such adjustments as may be required by Section 25102(o) of the California Corporations Code.

3. Notwithstanding anything stated herein to the contrary, no Option shall be exercisable on or after the 10th anniversary of the date of grant and any Award agreement shall terminate on or before the 10th anniversary of the date of grant.

4. The Company shall furnish summary financial information (audited or unaudited) of the Company's financial condition and results of operations, consistent with the requirements of Applicable Laws, at least annually to each California Participant during the period such Participant has one or more Awards outstanding, and in the case of an individual who acquired Shares pursuant to the Plan, during the period such Participant owns such Shares; provided, however, the Company shall not be required to provide such information if (i) the issuance is limited to key persons whose duties in connection with the Company assure their access to equivalent information or (ii) the Plan or any agreement complies with all conditions of Rule 701 of the Securities Act; provided that for purposes of determining such compliance, any registered domestic partner shall be considered a "family member" as that term is defined in Rule 701.

Confluent, Inc.

2014 Stock Plan

STOCK OPTION AGREEMENT

1. **Grant of Option.** Confluent, Inc., a Delaware corporation (the “Company”), hereby grants to the person (“Optionee”) named in the Notice of Stock Option Grant (the “Notice”), an option (the “Option”) to purchase the total number of shares of Common Stock (the “Shares”) set forth in the Notice, at the exercise price per Share set forth in the Notice (the “Exercise Price”) subject to the terms, definitions and provisions of the Confluent, Inc. 2014 Stock Plan (the “Plan”) adopted by the Company, which is incorporated in this Stock Option Agreement (this “Agreement”) by reference. Unless otherwise defined in this Agreement, the terms used in this Agreement or the Notice shall have the meanings defined in the Plan.

2. **Designation of Option.** This Option is intended to be an Incentive Stock Option as defined in Section 422 of the Code only to the extent so designated in the Notice, and to the extent it is not so designated or to the extent this Option does not qualify as an Incentive Stock Option, it is intended to be a Nonstatutory Stock Option.

Notwithstanding the above, if designated as an Incentive Stock Option, in the event that the Shares subject to this Option (and all other incentive stock options granted to Optionee by the Company or any Parent or Subsidiary, including under other plans) that first become exercisable in any calendar year have an aggregate fair market value (determined for each Share as of the date of grant of the option covering such Share) in excess of USD \$100,000, the Shares in excess of USD \$100,000 shall be treated as subject to a nonstatutory stock option, in accordance with Section 5(c) of the Plan.

3. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the Vesting/Exercise Schedule set out in the Notice and with the provisions of Section 7(c) of the Plan as follows:

(a) **Right to Exercise.**

(i) This Option may not be exercised for a fraction of a share.

(ii) In the event of Optionee’s death, Disability or other termination of Continuous Service Status, the exercisability of this Option is governed by Section 5 below, subject to the limitations contained in this Section 3.

(iii) In no event may this Option be exercised after the Expiration Date set forth in the Notice.

(b) **Method of Exercise.**

(i) This Option shall be exercisable by execution and delivery of the Early Exercise Notice and Restricted Stock Purchase Agreement attached hereto as Exhibit A, the Exercise Agreement attached hereto as Exhibit B (to the extent Optionee exercises the Option with respect to vested shares only) or of any other form of written notice approved for such purpose by the Company which shall state Optionee's election to exercise this Option, the number of Shares in respect of which this Option is being exercised, and such other representations and agreements as to the holder's investment intent with respect to such Shares as may be required by the Company pursuant to the provisions of the Plan. Such written notice shall be signed by Optionee and shall be delivered to the Company by such means as are determined by the Company in its discretion to constitute adequate delivery. The written notice shall be accompanied by payment of the aggregate Exercise Price for the purchased Shares.

(ii) As a condition to the grant, vesting and exercise of this Option and as further set forth in Section 9 of the Plan, Optionee hereby agrees to make adequate provision for the satisfaction of (and will indemnify the Company and any Subsidiary or Affiliate for) any applicable taxes or tax withholdings, social contributions, required deductions, or other payments, if any ("Tax-Related Items"), which arise upon the grant, vesting or exercise of this Option, ownership or disposition of Shares, receipt of dividends, if any, or otherwise in connection with this Option or the Shares, whether by withholding, direct payment to the Company, or otherwise as determined by the Company in its sole discretion. Regardless of any action the Company or any Subsidiary or Affiliate takes with respect to any or all applicable Tax-Related Items, Optionee acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains Optionee's responsibility and may exceed any amount actually withheld by the Company or any Subsidiary or Affiliate. Optionee further acknowledges and agrees that Optionee is solely responsible for filing all relevant documentation that may be required in relation to this Option or any Tax-Related Items (other than filings or documentation that is the specific obligation of the Company or any Subsidiary or Affiliate pursuant to Applicable Law), such as but not limited to personal income tax returns or reporting statements in relation to the grant, vesting or exercise of this Option, the holding of Shares or any bank or brokerage account, the subsequent sale of Shares, and the receipt of any dividends. Optionee further acknowledges that the Company makes no representations or undertakings regarding the treatment of any Tax-Related Items and does not commit to and is under no obligation to structure the terms or any aspect of the Option to reduce or eliminate Optionee's liability for Tax-Related Items or achieve any particular tax result. Optionee also understands that Applicable Laws may require varying Share or option valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of Optionee under Applicable Laws. Further, if Optionee has become subject to Tax-Related Items in more than one jurisdiction, Optionee acknowledges that the Company or any Subsidiary or Affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(iii) The Company is not obligated, and will have no liability for failure to issue or deliver any Shares upon exercise of this Option unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. Furthermore, Optionee understands that the Applicable Laws of the country in which Optionee is residing or working at the time of grant, vesting, and/or exercise of this Option (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent exercise of this Option. This Option may not be exercised until such time as the Plan has been approved by the holders of capital stock of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such Shares would constitute a violation of any Applicable Laws, including any applicable U.S. federal or state securities laws or any other law or regulation, including any rule under Part 221 of Title 12 of the Code of Federal Regulations as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by the Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which this Option is exercised with respect to such Shares, subject to Applicable Laws.

(iv) Subject to compliance with Applicable Laws, this Option shall be deemed to be exercised upon receipt by the Company of the appropriate written notice of exercise accompanied by the Exercise Price and the satisfaction of any applicable obligations described in Section 3(b)(ii) above.

4. **Method of Payment.** Unless otherwise specified by the Company in its sole discretion to comply with Applicable Laws or facilitate the administration of the Plan, payment of the Exercise Price shall be by cash or check or, following the initial public offering of the Company's Common Stock, by Cashless Exercise pursuant to which the Optionee delivers an irrevocable direction to a securities broker (on a form prescribed by the Company and according to a procedure established by the Company).

Optionee understands and agrees that, if required by the Company or Applicable Laws, any cross-border cash remittance made to exercise this Option or transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require Optionee to provide to such entity certain information regarding the transaction. Moreover, Optionee understands and agrees that the future value of the underlying Shares is unknown and cannot be predicted with certainty and may decrease in value, even below the Exercise Price. Optionee understands that neither the Company nor any Subsidiary or Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar or the selection by the Company or any Subsidiary or Affiliate in its sole discretion of an applicable foreign currency exchange rate that may affect the value of the Option (or the calculation of income or Tax-Related Items thereunder).

5. **Termination of Relationship.** Following the date of termination of Optionee's Continuous Service Status for any reason (the "**Termination Date**"), Optionee may exercise this Option only as set forth in the Notice and this Section 5. If Optionee does not exercise this Option within the Termination Period set forth in the Notice or the termination periods set forth below, this Option shall terminate in its entirety. In no event, may any Option be exercised after the Expiration Date of this Option as set forth in the Notice. For the avoidance of doubt and for purposes of this Option only, termination of Continuous Service Status and the Termination Date will be deemed to occur as of the date Optionee is no longer actively providing services as an Employee or Consultant (except, in certain circumstances, to the extent Optionee is on a Company-approved leave of absence and subject to any Company policy or Applicable Laws regarding such leaves) and will not be extended by any notice period or "garden leave" that may be required contractually or under Applicable Laws, unless otherwise determined by the Company in its sole discretion.

(a) **General Termination.** In the event of termination of Optionee's Continuous Service Status other than as a result of Optionee's Disability or death or Optionee's termination for Cause, Optionee may, to the extent Optionee is vested in the Optioned Stock, exercise this Option during the Termination Period set forth in the Notice.

(b) **Termination upon Disability of Optionee.** In the event of termination of Optionee's Continuous Service Status as a result of Optionee's Disability, Optionee may, but only within 12 months following the Termination Date, exercise this Option to the extent Optionee is vested in the Optioned Stock.

(c) **Death of Optionee.** In the event of termination of Optionee's Continuous Service Status as a result of Optionee's death, or in the event of Optionee's death within 3 months following Optionee's Termination Date, this Option may be exercised at any time within 12 months following the Termination Date, or if later, 12 months following the date of death by any beneficiaries designated in accordance with Section 16 of the Plan or, if there are no such beneficiaries, by the Optionee's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent Optionee is vested in the Optioned Stock.

(d) **Termination for Cause.** In the event of termination of Optionee's Continuous Service Status for Cause, this Option (including any vested portion thereof) shall immediately terminate in its entirety upon first notification to Optionee of such termination for Cause. If Optionee's Continuous Service Status is suspended pending an investigation of whether Optionee's Continuous Service Status will be terminated for Cause, all Optionee's rights under this Option, including the right to exercise this Option, shall be suspended during the investigation period.

6. **Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by him or her. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

7. **Lock-Up Agreement.** If so requested by the Company or the underwriters in connection with the initial public offering of the Company's securities registered under the Securities Act of 1933, as amended, Optionee shall not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however or whenever acquired (except for those being registered) without the prior written consent of the Company or such underwriters, as the case may be, for 180 days from the effective date of the registration statement, plus such additional period, to the extent required by FINRA rules, up to a maximum of 216 days from the effective date of the registration statement, and Optionee shall execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of such offering.

8. **Effect of Agreement.** Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the Option terms), and hereby accepts this Option and agrees to be bound by its contractual terms as set forth herein and in the Plan. Optionee hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Administrator regarding any questions relating to this Option. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of the Notice and this Agreement, the Plan terms and provisions shall prevail.

9. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Optionee's participation in the Plan, on this Option and the Shares subject to this Option and on any other Award or Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan. Optionee agrees to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Optionee acknowledges that the Applicable Laws of the country in which Optionee is residing or working at the time of grant, holding, vesting, and exercise of the Option or the holding or sale of Shares received pursuant to the Option (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Optionee to additional procedural or regulatory requirements that Optionee is and will be solely responsible for and must fulfill. If applicable, such requirements may be outlined in but are not limited to the Country-Specific Addendum (the "Addendum") attached hereto, which forms part of this Agreement.

Notwithstanding any provision herein, Optionee's participation in the Plan shall be subject to any applicable special terms and conditions or disclosures as set forth in the Addendum.

10. **Electronic Delivery and Translation.** The Company may, in its sole discretion, decide to deliver any documents related to Optionee's current or future participation in the Plan, this Option, the Shares subject to this Option, any other Company Securities or any other Company-related documents, by electronic means. By accepting this Option, whether electronically or otherwise, Optionee hereby (i) consents to receive such documents by electronic means, (ii) consents to the use of electronic signatures, and (iii) if applicable, agrees to participate in the Plan and/or receive any such documents through an on-line or electronic system established and maintained by the Company or a third party designated by the Company, including but not limited to the use of electronic signatures or click-through electronic acceptance of terms and conditions. To the extent Optionee has been provided with a copy of this Agreement, the Plan, or any other documents relating to this Option in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

11. **No Acquired Rights or Employment Rights.** In accepting the Option, Optionee acknowledges that the Plan is established voluntarily by the Company, is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time. The grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of Options or any other Awards or benefits in lieu of Options, even if Options have been granted repeatedly in the past. All decisions with respect to future grants of Options or other Awards, if any, will be at the sole discretion of the Company. In addition, Optionee's participation in the Plan is voluntary, and the Option and the Shares subject to the Option are extraordinary items that do not constitute regular compensation for services rendered to the Company or any Subsidiary or Affiliate and are outside the scope of Optionee's employment contract, if any. The Option and the Shares subject to the Option are not intended to replace any pension rights or compensation and are not part of normal or expected salary or compensation for any purpose, including but not limited to calculating severance payments, if any, upon termination. Nothing contained in this Agreement is intended to constitute or create a contract of employment, nor shall it constitute or create the right to remain associated with or in the employ of the Company or any Subsidiary or Affiliate for any particular period of time. This Agreement shall not interfere in any way with the right of the Company or any Subsidiary or Affiliate to terminate Optionee's employment or service at any time, subject to Applicable Laws.

12. **Data Privacy.** *Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, whether in electronic or other form, of Optionee's personal data (as described below) by and among, as applicable, the Company and any Subsidiary or Affiliate or third parties as may be selected by the Company, for the exclusive purpose of implementing, administering, and managing Optionee's participation in the Plan. Optionee understands that refusal or withdrawal of consent may affect Optionee's ability to participate in the Plan or to realize benefits from the Option.*

Optionee understands that the Company and any Subsidiary or Affiliate may hold certain personal information about Optionee, including, but not limited to, Optionee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company or any Subsidiary or Affiliate, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Optionee's favor ("Personal Data"). Optionee understands that Personal Data may be transferred to any Subsidiary or Affiliate or third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, Optionee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than Optionee's country.

13. **Miscellaneous.**

(a) **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the state of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States located in California and no other courts.

(b) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.

(d) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

2014 STOCK PLAN

NOTICE OF STOCK OPTION GRANT

<Employee Name>

You have been granted an option to purchase Common Stock of Confluent, Inc., a Delaware corporation (the "Company"), as follows:

Date of Grant:	<Date>
Exercise Price Per Share:	<\$ Value>
Total Number of Shares:	<Value>
Total Exercise Price:	<\$ Value>
Type of Option:	<Value>
Expiration Date:	10 Years after Date of Grant
Vesting Commencement Date:	<Date>
Vesting/Exercise Schedule:	The Option is immediately exercisable. So long as your Continuous Service Status does not terminate (and provided that no vesting shall occur following the Termination Date (as defined in Section 5 of the Stock Option Agreement)), the Shares underlying this Option shall vest in accordance with the following schedule: 1/4th of the original number of shares shall vest on the twelve-month anniversary of the Vesting Commencement Date, and 1 /48th of the original number of shares shall vest on each monthly anniversary of the Vesting Commencement Date thereafter.
Termination Period:	You may exercise this Option for 3 months after the Termination Date except as set out in Section 5 of the Stock Option Agreement (but in no event later than the Expiration Date). You are responsible for keeping track of these exercise periods following the Termination Date. The Company will not provide further notice of such periods.
Transferability:	You may not transfer this Option except as set forth in Section 6 of the Stock Option Agreement (subject to compliance with Applicable Laws). You must obtain Company approval prior to any transfer of the Shares received upon exercise of this Option.

By your signature and the signature of the Company's representative or by otherwise accepting or exercising this Option, you and the Company agree that this Option is granted under and governed by the terms and conditions of this Notice and the Confluent, Inc. 2014 Stock Plan and Stock Option Agreement (which includes the Country-Specific Addendum, as applicable), both of which are attached to and made a part of this Notice.

In addition, you agree and acknowledge that your rights to any Shares underlying this Option will vest only as you provide services to the Company over time, that the grant of this Option is not as consideration for services you rendered to the Company prior to your date of hire, and that nothing in this Notice or the attached documents confers upon you any right to continue your employment or consulting relationship with the Company for any period of time, nor does it interfere in any way with your right or the Company's right to terminate that relationship at any time, for any reason, with or without cause, subject to Applicable Laws. Also, to the extent applicable, the Exercise Price Per Share has been set in good faith compliance with the applicable guidance issued by the IRS under Section 409A of the Code. However, there is no guarantee that the IRS will agree with the valuation, and by signing below, you agree and acknowledge that the Company, its Board, officers, employees, agents and stockholders shall not be held liable for any applicable costs, taxes, or penalties associated with this Option if, in fact, the IRS or any other person (including, without limitation, a successor corporation or an acquirer in a Change of Control) were to determine that this Option constitutes deferred compensation under Section 409A of the Code. You should consult with your own tax advisor concerning the tax consequences of such a determination by the IRS. For purposes of this paragraph, the term "Company" will be interpreted to include any Parent, Subsidiary or Affiliate.

THE COMPANY:

CONFLUENT, INC.

By: _____
(Signature)

Name: _____

Title: _____

OPTIONEE:

<Employee Name>

(Signature)

CONFLUENT, INC.

2014 STOCK PLAN

EXERCISE AGREEMENT

This Exercise Agreement (this "Agreement") is made as of _____, by and between Confluent, Inc., a Delaware corporation (the "Company"), and _____ ("Purchaser"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Company's 2014 Stock Plan (the "Plan") and the Option Agreement (as defined below).

1. **Exercise of Option.** Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase _____ Incentive Stock Option (ISO) shares and _____ Nonstatutory Stock Option (NSO) shares of the Common Stock (together, the "Shares") of the Company under and pursuant to the Plan, the Notice of Stock Option Grant and the Stock Option Agreement granted _____ (the "Option Agreement"). The purchase price for the Shares shall be USD \$ _____ per Share for a total purchase price of USD \$ _____. The term "Shares" refers to the purchased Shares and all securities received in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

2. **Time and Place of Exercise.** The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution and delivery of this Agreement, the payment of the aggregate exercise price by any method listed in Section 4 of the Option Agreement, and the satisfaction of any applicable tax, withholding, required deductions or other payments, all in accordance with the provisions of Section 3(b) of the Option Agreement. The Company shall issue the Shares to Purchaser by entering such Shares in Purchaser's name as of such date in the books and records of the Company or, if applicable, a duly authorized transfer agent of the Company, against payment of the exercise price therefor by Purchaser. The Company will deliver to Purchaser a stock certificate or, in the case of uncertificated securities upon request, a notice of issuance, for the Shares as soon as practicable following such date.

3. **Limitations on Transfer.** Purchaser acknowledges and agrees that the Shares purchased under this Agreement are subject to (i) the transfer restrictions set forth in Section 12 of the Plan, (ii) the terms and conditions that apply to the Company's Common Stock, as set forth in the Company's Bylaws, as may be in effect at the time of any proposed transfer (the "Bylaw Restrictions"), and (iii) any other limitation or restriction on transfer created by Applicable Laws. Purchaser shall not assign, encumber or dispose of any interest in the Shares except to the extent permitted by, and in compliance with, Section 12 of the Plan, the Bylaw Restrictions, Applicable Laws, and the provisions below.

- (a) **Transfer Restrictions; Right of First Refusal.** Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company shall first have the right to approve such sale or transfer, in full or in part, and shall then have the right to purchase all or any part of the Shares proposed to be sold or transferred, in each case, in its sole and absolute discretion (the "Right of First Refusal"). If the Holder would like to sell or transfer any Shares, the Holder must provide the Company or its assignee(s) with a Notice (as defined below) requesting approval to sell or transfer the Shares and offering the Company or its assignee(s) a Right of First Refusal on the terms and conditions set forth in this Section 3(a). The Company may either (1) exercise its Right of First Refusal in full or in part and purchase such Shares pursuant to this Section 3(a), (2) decline to exercise its Right of First Refusal in full or in part and permit the sale or transfer of such Shares to the Proposed Transferee (as defined below) in full or in part, or (3) decline to exercise its Right of First Refusal in full or in part and decline the request to sell or transfer the Shares in full or in part.

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the “**Notice**”) stating: (A) the Holder’s desire to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee (“**Proposed Transferee**”); (C) the number of Shares to be sold or transferred to each Proposed Transferee; (D) the terms and conditions of each proposed sale or transfer, including (without limitation) the purchase price for such Shares (the “**Purchase Price**”); and (E) the Holder’s offer to the Company or its assignee(s) to purchase the Shares at the Purchase Price and upon the same terms (or terms that are no less favorable to the Company).

(ii) **Exercise of Right of First Refusal.** At any time within 30 days after receipt of the Notice, the Company and/or its assignee(s) shall deliver a written notice to the Holder indicating whether the Company and/or its assignee(s) elect to permit or reject the proposed sale or transfer, in full or in part, and/or elect to accept or decline the offer to purchase any or all of the Shares proposed to be sold or transferred to any one or more of the Proposed Transferees, at the Purchase Price, provided that if the Purchase Price consists of no legal consideration (as, for example, in the case of a transfer by gift), the purchase price will be the fair market value of the Shares as determined in good faith by the Company. If the Purchase Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Company in good faith.

(iii) **Payment.** Payment of the Purchase Price shall be made, at the election of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 60 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(iv) **Holder's Right to Transfer.** If any of the Shares proposed in the Notice to be sold or transferred to a given Proposed Transferee are both (A) not purchased by the Company and/or its assignee(s) as provided in this Section 3(a) and (B) approved by the Company to be sold or transferred, then the Holder may sell or otherwise transfer any such Shares to the applicable Proposed Transferee at the Purchase Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice; provided that any such sale or other transfer is also effected in accordance with the Bylaw Restrictions, the transfer restrictions set forth in the Plan and any Applicable Laws and the Proposed Transferee agrees in writing that the Plan, the Bylaw Restrictions, and the provisions of the Option Agreement and this Agreement, including this Section 3 and the waiver of statutory information rights in Section 8, shall continue to apply to the Shares in the hands of such Proposed Transferee. The Company, in consultation with its legal counsel, may require the Holder to provide an opinion of counsel evidencing compliance with Applicable Laws. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again have the right to approve such transfer and be offered the Right of First Refusal.

(v) **Exception for Certain Family Transfers.** Anything to the contrary contained in this Section 3(a) notwithstanding, the transfer of any or all of the Shares during Holder's lifetime or on Holder's death by will or intestacy to Holder's Immediate Family or a trust for the benefit of Holder's Immediate Family shall be exempt from the provisions of this Section 3(a). "Immediate Family" as used herein shall mean lineal descendant or antecedent, spouse (or spouse's antecedents), father, mother, brother or sister (or their descendants), stepchild (or their antecedents or descendants), aunt or uncle (or their antecedents or descendants), brother-in-law or sister-in-law (or their antecedents or descendants) and shall include adoptive relationships. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of the Plan, the Bylaw Restrictions, and the provisions of the Option Agreement and this Agreement, including this Section 3 and Section 8, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 3, the Plan and the Bylaw Restrictions.

- (b) **Company's Right to Purchase upon Involuntary Transfer.** In the event of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 3(a)(v) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase any or all of the Shares transferred at the Fair Market Value of the Shares on the date of transfer (as determined by the Company in its sole discretion). Upon such a transfer, the Holder shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of 30 days following receipt by the Company of written notice from the Holder.

- (c) **Assignment.** The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any holder or holders of capital stock of the Company or other persons or organizations.
- (d) **Restrictions Binding on Transferees.** All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the Plan, the Bylaw Restrictions, and the provisions of the Option Agreement and this Agreement, including, without limitation, Section 7 of the Option Agreement, Sections 3 and 8 of this Agreement and Section 12 of the Plan. Any sale or transfer of the Shares shall be void unless the provisions of this Agreement are satisfied.
- (e) **Termination of Rights.** The transfer restrictions set forth in Section 3(a) above and Section 12 of the Plan, the Right of First Refusal granted the Company by Section 3(a) above and the option to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 3(b) above shall terminate upon (i) the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act (other than a registration statement relating solely to the issuance of Common Stock pursuant to a business combination or an employee incentive or benefit plan) or (ii) any transfer or conversion of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations if the common stock of the surviving corporation or any direct or indirect parent corporation thereof is registered under the Exchange Act. Upon termination of such transfer restrictions, the Company will remove any stop-transfer notices referred to in Section 6(b) below and related to the restrictions in this Section 3 and a new stock certificate or, in the case of uncertificated securities, notice of issuance, for the Shares not repurchased shall be issued, on request, without the legend referred to in Section 6(a)(ii) below and delivered to Holder.
- (f) **Lock-Up Agreement.** The lock-up provisions set forth in Section 7 of the Option Agreement shall apply to the Shares issued upon exercise of the Option hereunder and Purchaser reaffirms Purchaser's obligations set forth therein.

17. **Investment and Taxation Representations.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

- (a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any other person or entity.

- (b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.
- (c) Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the securities.
- (d) Purchaser is familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Purchaser understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144, which rule requires, among other things, that the Company be subject to the reporting requirements of the Exchange Act, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this Section 4(d), Purchaser acknowledges and agrees to the restrictions set forth in Section 4(e) below.
- (e) Purchaser further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.
- (f) Purchaser represents that Purchaser is not subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act. Purchaser also agrees to notify the Company if Purchaser becomes subject to such disqualifications after the date hereof.

- (g) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

18. **Voting Provisions.** As a condition precedent to entering into this Agreement, at the request of the Company, Purchaser shall become a party to any voting agreement to which the Company is a party at the time of Purchaser's execution and delivery of this Agreement, as such voting agreement may be thereafter amended from time to time (the "Voting Agreement"), by executing an adoption agreement or counterpart signature page agreeing to be bound by and subject to the terms of the Voting Agreement and to vote the Shares in the capacity of a "Common Holder" and a "Stockholder," as such terms may be defined in the Voting Agreement.

19. **Restrictive Legends and Stop-Transfer Orders.**

- (a) **Legends.** Any stock certificate or, in the case of uncertificated securities, any notice of issuance, for the Shares shall bear the following legends (as well as any legends required by the Company or applicable state and federal corporate and securities laws):

(i) "THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933."

(ii) "THE SECURITIES REFERENCED HEREIN MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH AND MAY BE OBTAINED FROM THE SECRETARY OF THE COMPANY AT NO CHARGE."

(iii) "THE TRANSFER OF THE SECURITIES REFERENCED HEREIN IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS SET FORTH IN THE COMPANY'S STOCK PLAN, COPIES OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS. THE COMPANY SHALL NOT REGISTER OR OTHERWISE RECOGNIZE OR GIVE EFFECT TO ANY PURPORTED TRANSFER OF SECURITIES THAT DOES NOT COMPLY WITH SUCH TRANSFER RESTRICTIONS."

(iv) Any legend required by the Voting Agreement, as applicable.

- (b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.
- (c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

- (d) **Required Notices.** Purchaser acknowledges that the Shares are issued and shall be held subject to all the provisions of this Section 6, the Certificate of Incorporation and the Bylaws of the Company and any amendments thereto, copies of which are on file at the principal office of the Company. A statement of all of the rights, preferences, privileges and restrictions granted to or imposed upon the respective classes and/or series of shares of stock of the Company and upon the holders thereof may be obtained by any stockholder upon request and without charge, at the principal office of the Company, and the Company will furnish any stockholder, upon request and without charge, a copy of such statement. Purchaser acknowledges that the provisions of this Section 6 shall constitute the notices required by Sections 151(f) and 202(a) of the Delaware General Corporation Law and the Purchaser hereby expressly waives the requirement of Section 151(f) of the Delaware General Corporation Law that it receive the written notice provided for in Sections 151(f) and 202(a) of the Delaware General Corporation Law within a reasonable time after the issuance of the Shares.

20. **No Employment Rights.** Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent, subsidiary or affiliate of the Company, to terminate Purchaser's employment or consulting relationship, for any reason, with or without cause.

21. **Waiver of Statutory Information Rights.** Purchaser acknowledges and understands that, but for the waiver made herein, Purchaser would be entitled, upon written demand under oath stating the purpose thereof, to inspect for any proper purpose, and to make copies and extracts from, the Company's stock ledger, a list of its stockholders, and its other books and records, and the books and records of subsidiaries of the Company, if any, under the circumstances and in the manner provided in Section 220 of the Delaware General Corporation Law (any and all such rights, and any and all such other rights of Purchaser as may be provided for in Section 220, the "Inspection Rights"). In light of the foregoing, until the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, Purchaser hereby unconditionally and irrevocably waives the Inspection Rights, whether such Inspection Rights would be exercised or pursued directly or indirectly pursuant to Section 220 or otherwise, and covenants and agrees never to directly or indirectly commence, voluntarily aid in any way, prosecute, assign, transfer, or cause to be commenced any claim, action, cause of action, or other proceeding to pursue or exercise the Inspection Rights. The foregoing waiver applies to the Inspection Rights of Purchaser in Purchaser's capacity as a stockholder and shall not affect any rights of a director, in his or her capacity as such, under Section 220. The foregoing waiver shall not apply to any contractual inspection rights of Purchaser under any written agreement with the Company.

22. **Miscellaneous.**

- (a) **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the state of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States located in California and no other courts.
- (b) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.
- (c) **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.
- (d) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.
- (e) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.
- (f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

- (g) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.
- (h) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.
- (i) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to this Agreement or any notices required by applicable law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. Purchaser hereby consents to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agrees to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

(j) **California Corporate Securities Law.** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

The parties have executed this Exercise Agreement as of the date first set forth above.

THE COMPANY:

CONFLUENT, INC.

By: _____
(Signature)

Name: _____

Title: _____

PURCHASER:

(SIGNATURE)

I, _____, spouse of _____ (“Purchaser”), have read and hereby approve the foregoing Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be bound irrevocably by the Agreement and further agree that any community property or other such interest that I may have in the Shares shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Spouse of Purchaser (if applicable)

EARLY EXERCISE NOTICE AND RESTRICTED STOCK PURCHASE AGREEMENT

This Agreement ("Agreement") is made as of _____ by and between Confluent, Inc., a Delaware corporation (the "Company"), and _____ ("Purchaser"). To the extent any capitalized terms used in this Agreement are not defined, they shall have the meaning ascribed to them in the Company's 2014 Stock Plan (the "Plan") and the Option Agreement (as defined below).

1. **Exercise of Option.** Subject to the terms and conditions hereof, Purchaser hereby elects to exercise his or her option to purchase _____ Incentive Stock Option (ISO) shares and _____ Nonstatutory Stock Option (NSO) shares of the Common Stock (together, the "Shares") of the Company under and pursuant to the Plan, the Notice of Stock Option Grant and the Stock Option Agreement granted _____ (the "Option Agreement"). Of these Shares, Purchaser has elected to purchase _____ ISO shares and _____ NSO shares which have become vested as of the date hereof under the Vesting/Exercise Schedule set forth in the Notice of Stock Option Grant (together, the "Vested Shares") and _____ ISO shares and _____ NSO shares which have not yet vested under such Vesting/Exercise Schedule (together, the "Unvested Shares"). The purchase price for the Shares shall be USD \$_____ per Share for a total purchase price of USD \$_____. The term "Shares" refers to the purchased Shares and all securities received in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other property to which Purchaser is entitled by reason of Purchaser's ownership of the Shares.

2. **Time and Place of Exercise.** The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution and delivery of this Agreement, the payment of the aggregate exercise price by any method listed in Section 4 of the Option Agreement, and the satisfaction of any applicable tax, withholding, required deductions or other payments, all in accordance with the provisions of Section 3(b) of the Option Agreement. The Company shall issue the Shares to Purchaser by entering such Shares in Purchaser's name as of such date in the books and records of the Company or, if applicable, a duly authorized transfer agent of the Company, against payment of the exercise price therefor by Purchaser. The Company will deliver to Purchaser a stock certificate or, in the case of uncertificated securities upon request, a notice of issuance, for the Shares as soon as practicable following such date.

3. **Limitations on Transfer.** Purchaser acknowledges and agrees that the Shares purchased under this Agreement are subject to (i) the transfer restrictions set forth in Section 12 of the Plan, (ii) the terms and conditions that apply to the Company's Common Stock, as set forth in the Company's Bylaws, as may be in effect at the time of any proposed transfer (the "Bylaw Restrictions"), and (iii) any other limitation or restriction on transfer created by Applicable Laws. In addition to the foregoing limitations on transfer, Purchaser shall not assign, encumber or dispose of any interest in the Shares while the Shares are subject to the Company's Repurchase Option (as defined below). After any Shares have been released from such Repurchase Option, Purchaser shall not assign, encumber or dispose of any interest in the Shares except to the extent permitted by, and in compliance with, Section 12 of the Plan, the Bylaw Restrictions, Applicable Laws, and the provisions below.

(a) **Repurchase Option.**

(i) In the event of the voluntary or involuntary termination of Purchaser's Continuous Service Status with the Company for any reason (including death or Disability), with or without Cause, the Company shall upon the date of such termination (the "Termination Date") have an irrevocable, exclusive option (the "Repurchase Option") for a period of 3 months from such date to repurchase all or any portion of the Unvested Shares (as defined below) held by Purchaser as of the Termination Date at the original purchase price per Share (adjusted for any stock splits, stock dividends and the like) specified in Section 2. As used herein, "Unvested Shares" means Shares that have not yet been released from the Repurchase Option.

(ii) Unless the Company notifies Purchaser within 3 months from the Termination Date that it does not intend to exercise its Repurchase Option with respect to some or all of the Unvested Shares, the Repurchase Option shall be deemed automatically exercised by the Company as of the end of such 3-month period following the Termination Date, provided that the Company may notify Purchaser that it is exercising its Repurchase Option as of a date prior to the end of such 3-month period. Unless Purchaser is otherwise notified by the Company pursuant to the preceding sentence that the Company does not intend to exercise its Repurchase Option as to some or all of the Unvested Shares to which it applies at the time of termination, execution of this Agreement by Purchaser constitutes written notice to Purchaser of the Company's intention to exercise its Repurchase Option with respect to all Unvested Shares to which such Repurchase Option applies. The Company, at its choice, may satisfy its payment obligation to Purchaser with respect to exercise of the Repurchase Option by either (A) delivering a check to Purchaser in the amount of the purchase price for the Unvested Shares being repurchased, or (B) in the event Purchaser is indebted to the Company, canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, or (C) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Option pursuant to this Section 4(a)(ii) in which Purchaser is indebted to the Company, such indebtedness equal to the purchase price of the Unvested Shares being repurchased shall be deemed automatically canceled as of the end of such 3-month period following the Termination Date unless the Company otherwise satisfies its payment obligations. As a result of any repurchase of Unvested Shares pursuant to this Section 3, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Unvested Shares being repurchased by the Company, without further action by Purchaser.

(iii) One hundred percent (100%) of the Shares shall initially be subject to the Repurchase Option. The Unvested Shares shall be released from the Repurchase Option in accordance with the Vesting/Exercise Schedule set forth in the Notice of Stock Option Grant until all Shares are released from the Repurchase Option; provided, however, that such scheduled releases from the Repurchase Option shall immediately cease as of the Termination Date. Fractional shares shall be rounded to the nearest whole share.

(b) **Transfer Restrictions; Right of First Refusal.** Before any Shares held by Purchaser or any transferee of Purchaser (either being sometimes referred to herein as the “Holder”) may be sold or otherwise transferred (including transfer by gift or operation of law), the Company shall first have the right to approve such sale or transfer, in full or in part, and shall then have the right to purchase all or any part of the Shares proposed to be sold or transferred, in each case, in its sole and absolute discretion (the “Right of First Refusal”). If the Holder would like to sell or transfer any Shares, the Holder must provide the Company or its assignee(s) with a Notice (as defined below) requesting approval to sell or transfer the Shares and offering the Company or its assignee(s) a Right of First Refusal on the same terms and conditions set forth in this Section 4(b). The Company may either (1) exercise its Right of First Refusal in full or in part and purchase such Shares pursuant to this Section 4(b), (2) decline to exercise its Right of First Refusal in full or in part and permit the sale or transfer of such Shares to the Proposed Transferee (as defined below) in full or in part, or (3) decline to exercise its Right of First Refusal in full or in part and decline the request to sell or transfer the Shares in full or in part.

(i) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the “Notice”) stating: (A) the Holder’s intention to sell or otherwise transfer such Shares; (B) the name of each proposed purchaser or other transferee (“Proposed Transferee”); (C) the number of Shares to be sold or transferred to each Proposed Transferee; (D) the terms and conditions of each proposed sale or transfer, including (without limitation) the purchase price for such Shares (the “Purchase Price”); and (E) the Holder’s offer to the Company or its assignee(s) to purchase the Shares at the Purchase Price and upon the same terms (or terms that are no less favorable to the Company).

(ii) **Exercise of Right of First Refusal.** At any time within 30 days after receipt of the Notice, the Company and/or its assignee(s) shall deliver a written notice to the Holder indicating whether the Company and/or its assignee(s) elect to permit or reject the proposed sale or transfer, in full or in part, and/or elect to accept or decline the offer to purchase any or all of the Shares proposed to be sold or transferred to any one or more of the Proposed Transferees, at the Purchase Price, provided that if the Purchase Price consists of no legal consideration (as, for example, in the case of a transfer by gift), the purchase price will be the fair market value of the Shares as determined in good faith by the Company. If the Purchase Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Company in good faith.

(iii) **Payment.** Payment of the Purchase Price shall be made, at the election of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness, or by any combination thereof within 60 days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(iv) **Holder’s Right to Transfer.** If any of the Shares proposed in the Notice to be sold or transferred to a given Proposed Transferee are both (A) not purchased by the Company and/or its assignee(s) as provided in this Section 4(b) and (B) approved by the Company to be sold or transferred, then the Holder may sell or otherwise transfer any such Shares to the applicable Proposed Transferee at the Purchase Price or at a higher price, provided that such sale or other transfer is consummated within 120 days after the date of the Notice; provided that any such sale or other transfer is also effected in accordance with the Bylaw Restrictions, the transfer restrictions set forth in the Plan and any Applicable Laws and the Proposed Transferee agrees in writing that the Plan, the Bylaw Restrictions, and the provisions of the Option Agreement and this Agreement, including this Section 4 and the waiver of statutory information rights in Section 11, shall continue to apply to the Shares in the hands of such Proposed Transferee. The Company, in consultation with its legal counsel, may require the Holder to provide an opinion of counsel evidencing compliance with Applicable Laws. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, or if the Holder proposes to change the price or other terms to make them more favorable to the Proposed Transferee, a new Notice shall be given to the Company, and the Company and/or its assignees shall again have the right to approve such transfer and be offered the Right of First Refusal.

(v) **Exception for Certain Family Transfers.** Anything to the contrary contained in this Section 4(b) notwithstanding, the transfer of any or all of the Shares during Holder's lifetime or on Holder's death by will or intestacy to Holder's Immediate Family or a trust for the benefit of Holder's Immediate Family shall be exempt from the provisions of this Section 4(b). "Immediate Family" as used herein shall mean lineal descendant or antecedent, spouse (or spouse's antecedents), father, mother, brother or sister (or their descendants), stepchild (or their antecedents or descendants), aunt or uncle (or their antecedents or descendants), brother-in-law or sister-in-law (or their antecedents or descendants) and shall include adoptive relationships. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of the Plan, the Bylaw Restrictions, and the provisions of the Option Agreement and this Agreement, including this Section 4 and Section 10, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 4, the Plan and the Bylaw Restrictions.

(c) **Company's Right to Purchase upon Involuntary Transfer.** In the event of any transfer by operation of law or other involuntary transfer (including death or divorce, but excluding a transfer to Immediate Family as set forth in Section 4(b)(v) above) of all or a portion of the Shares by the record holder thereof, the Company shall have an option to purchase any or all of the Shares transferred at the Fair Market Value of the Shares on the date of transfer (as determined by the Company in its sole discretion). Upon such a transfer, the Holder shall promptly notify the Secretary of the Company of such transfer. The right to purchase such Shares shall be provided to the Company for a period of 30 days following receipt by the Company of written notice from the Holder.

(d) **Assignment.** The right of the Company to purchase any part of the Shares may be assigned in whole or in part to any holder or holders of capital stock of the Company or other persons or organizations.

(e) **Restrictions Binding on Transferees.** All transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the Plan, the Bylaw Restrictions, and the provisions of the Option Agreement and this Agreement, including, without limitation, Section 7 of the Option Agreement, Sections 3 and 10 of this Agreement and Section 12 of the Plan and, including, insofar as applicable, the Repurchase Option. In the event of any purchase by the Company hereunder where the Shares or interest are held by a transferee, the transferee shall be obligated, if requested by the Company, to transfer the Shares or interest to the Purchaser for consideration equal to the amount to be paid by the Company hereunder. In the event the Repurchase Option is deemed exercised by the Company pursuant to Section 4(a)(ii) hereof, the Company may deem any transferee to have transferred the Shares or interest to Purchaser prior to their purchase by the Company, and payment of the purchase price by the Company to such transferee shall be deemed to satisfy Purchaser's obligation to pay such transferee for such Shares or interest, and also to satisfy the Company's obligation to pay Purchaser for such Shares or interest. Any sale or transfer of the Shares shall be void unless the provisions of this Agreement are satisfied.

(f) **Termination of Rights.** The transfer restrictions set forth in Section 3(b) above and Section 12 of the Plan, the Right of First Refusal granted the Company by Section 4(b) above and the right to repurchase the Shares in the event of an involuntary transfer granted the Company by Section 4(c) above shall terminate upon (i) the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act (other than a registration statement relating solely to the issuance of Common Stock pursuant to a business combination or an employee incentive or benefit plan) or (ii) any transfer or conversion of Shares made pursuant to a statutory merger or statutory consolidation of the Company with or into another corporation or corporations if the common stock of the surviving corporation or any direct or indirect parent corporation thereof is registered under the Exchange Act. Upon termination of such transfer restrictions, the Company will remove any stop-transfer notices referred to in Section 8(b) below and related to the restrictions in this Section 4 and a new stock certificate or, in the case of uncertificated securities, notice of issuance, for the Shares not repurchased shall be issued, on request, without the legend referred to in Section 8(a)(ii) below and delivered to Holder.

(g) **Lock-Up Agreement.** The lock-up provisions set forth in Section 7 of the Option Agreement shall apply to the Shares issued upon exercise of the Option hereunder and Purchaser reaffirms Purchaser's obligations set forth therein.

4. **Escrow of Unvested Shares.** For purposes of facilitating the enforcement of the provisions of Section 4(a) above, Purchaser agrees, immediately upon receipt of the stock certificate(s) or, in the case of uncertificated securities, notice of issuance, for the Shares subject to the Repurchase Option, to deliver any such stock certificate(s), as well as a Stock Power in the form attached to this Agreement as Attachment A executed by Purchaser and by Purchaser's spouse (if required for transfer), in blank, to the Secretary of the Company, or the Secretary's designee, to hold such Shares (and such stock certificate(s), if any) and Stock Power in escrow and to take all such actions and to effectuate all such transfers and/or releases as are required in accordance with the terms of this Agreement. Purchaser hereby acknowledges that the Secretary of the Company, or the Secretary's designee, is so appointed as the escrow holder with the foregoing authorities as a material inducement to make this Agreement and that said appointment is coupled with an interest and is accordingly irrevocable. Purchaser agrees that said escrow holder shall not be liable to any party hereof (or to any other party). The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time. Purchaser agrees that if the Secretary of the Company, or the Secretary's designee, resigns as escrow holder for any or no reason, the Board shall have the power to appoint a successor to serve as escrow holder pursuant to the terms of this Agreement.

5. **Investment and Taxation Representations.** In connection with the purchase of the Shares, Purchaser represents to the Company the following:

(a) Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares. Purchaser is purchasing the Shares for investment for Purchaser's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Purchaser does not have any present intention to transfer the Shares to any other person or entity.

(b) Purchaser understands that the Shares have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Purchaser's investment intent as expressed herein.

(c) Purchaser further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Purchaser further acknowledges and understands that the Company is under no obligation to register the securities.

(d) Purchaser is familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Purchaser understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144, which rule requires, among other things, that the Company be subject to the reporting requirements of the Exchange Act, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this Section 6(d), Purchaser acknowledges and agrees to the restrictions set forth in Section 6(e) below.

(e) Purchaser further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 is not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

(f) Purchaser represents that Purchaser is not subject to any of the “Bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act. Purchaser also agrees to notify the Company if Purchaser becomes subject to such disqualifications after the date hereof.

(g) Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser’s purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. **Voting Provisions.** As a condition precedent to entering into this Agreement, at the request of the Company, Purchaser shall become a party to any voting agreement to which the Company is a party at the time of Purchaser’s execution and delivery of this Agreement, as such voting agreement may be thereafter amended from time to time (the “Voting Agreement”), by executing an adoption agreement or counterpart signature page agreeing to be bound by and subject to the terms of the Voting Agreement and to vote the Shares in the capacity of a “Common Holder” and a “Stockholder,” as such terms may be defined in the Voting Agreement.

7. **Restrictive Legends and Stop-Transfer Orders.**

(a) **Legends.** Any stock certificate or, in the case of uncertificated securities, any notice of issuance, for the Shares shall bear the following legends (as well as any legends required by the Company or applicable state and federal corporate and securities laws):

(i) “THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.”

(ii) “THE SECURITIES REFERENCED HEREIN MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH AND MAY BE OBTAINED FROM THE SECRETARY OF THE COMPANY AT NO CHARGE.”

(iii) “THE TRANSFER OF THE SECURITIES REFERENCED HEREIN IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS SET FORTH IN THE COMPANY’S STOCK PLAN, COPIES OF WHICH MAY BE OBTAINED UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS. THE COMPANY SHALL NOT REGISTER OR OTHERWISE RECOGNIZE OR GIVE EFFECT TO ANY PURPORTED TRANSFER OF SECURITIES THAT DOES NOT COMPLY WITH SUCH TRANSFER RESTRICTIONS.”

(iv) Any legend required by the Voting Agreement, as applicable.

(b) **Stop-Transfer Notices.** Purchaser agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or the Plan or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

(d) **Required Notices.** Purchaser acknowledges that the Shares are issued and shall be held subject to all the provisions of this Section 8, the Certificate of Incorporation and the Bylaws of the Company and any amendments thereto, copies of which are on file at the principal office of the Company. A statement of all of the rights, preferences, privileges and restrictions granted to or imposed upon the respective classes and/or series of shares of stock of the Company and upon the holders thereof may be obtained by any stockholder upon request and without charge, at the principal office of the Company, and the Company will furnish any stockholder, upon request and without charge, a copy of such statement. Purchaser acknowledges that the provisions of this Section 8 shall constitute the notices required by Sections 151(f) and 202(a) of the Delaware General Corporation Law and the Purchaser hereby expressly waives the requirement of Section 151(f) of the Delaware General Corporation Law that it receive the written notice provided for in Sections 151(f) and 202(a) of the Delaware General Corporation Law within a reasonable time after the issuance of the Shares.

8. **No Employment Rights.** Nothing in this Agreement shall affect in any manner whatsoever any right with respect to continuation of an employment or consulting relationship with the Company (any parent, subsidiary or affiliate), nor shall it interfere in any way with such employee's or consultant's right or the Company's (parent's, subsidiary's or affiliate's) right to terminate his or her employment or consulting relationship at any time, with or without cause.

9. **Section 83(b) Election.**

(a) Purchaser understands that Section 83(a) of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income for a Nonstatutory Stock Option and as alternative minimum taxable income for an Incentive Stock Option the difference between the amount paid for the Shares and the Fair Market Value of the Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" means the right of the Company to buy back the Shares pursuant to the Repurchase Option set forth in Section 4(a) of this Agreement. Purchaser understands that Purchaser may elect to be taxed at the time the Shares are purchased, rather than when and as the Repurchase Option expires, by filing an election under Section 83(b) (an "83(b) Election") of the Code with the Internal Revenue Service within 30 days from the date of purchase. Even if the Fair Market Value of the Shares at the time of the execution of this Agreement equals the amount paid for the Shares, the election must be made to avoid income and alternative minimum tax treatment under Section 83(a) in the future. Purchaser understands that failure to file such an election in a timely manner may result in adverse tax consequences for Purchaser. Purchaser further understands that an additional copy of such election form should be filed with his or her federal income tax return for the calendar year in which the date of this Agreement falls. Purchaser acknowledges that the foregoing is only a summary of the effect of United States federal income taxation with respect to purchase of the Shares hereunder, does not purport to be complete, and is not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. Purchaser further acknowledges that the Company has directed Purchaser to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Purchaser may reside, and the tax consequences of Purchaser's death, and Purchaser has consulted, and has been fully advised by, Purchaser's own tax advisor regarding such tax laws and tax consequences or has knowingly chosen not to consult such a tax advisor. Purchaser further acknowledges that neither the Company nor any subsidiary or representative of the Company has made any warranty or representation to Purchaser with respect to the tax consequences of Purchaser's purchase of the Shares or of the making or failure to make an 83(b) Election. PURCHASER (AND NOT THE COMPANY, ITS AGENTS OR ANY OTHER PERSON) SHALL BE SOLELY RESPONSIBLE FOR APPROPRIATELY FILING SUCH FORM WITH THE IRS, EVEN IF PURCHASER REQUESTS THE COMPANY, ITS AGENTS OR ANY OTHER PERSON MAKE THIS FILING ON PURCHASER'S BEHALF.

(b) Purchaser agrees that he or she will execute and deliver to the Company with this executed Agreement a copy of the Acknowledgment and Statement of Decision Regarding Section 83(b) Election (the "Acknowledgment") attached hereto as Attachment B. Purchaser further agrees that he or she will execute and submit with the Acknowledgment a copy of the 83(b) Election attached hereto as Attachment C (for tax purposes in connection with the early exercise of an option) if Purchaser has indicated in the Acknowledgment his or her decision to make such an election.

10. **Waiver of Statutory Information Rights.** Purchaser acknowledges and understands that, but for the waiver made herein, Purchaser would be entitled, upon written demand under oath stating the purpose thereof, to inspect for any proper purpose, and to make copies and extracts from, the Company's stock ledger, a list of its stockholders, and its other books and records, and the books and records of subsidiaries of the Company, if any, under the circumstances and in the manner provided in Section 220 of the Delaware General Corporation Law (any and all such rights, and any and all such other rights of Purchaser as may be provided for in Section 220, the "Inspection Rights"). In light of the foregoing, until the first sale of Common Stock of the Company to the general public pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, Purchaser hereby unconditionally and irrevocably waives the Inspection Rights, whether such Inspection Rights would be exercised or pursued directly or indirectly pursuant to Section 220 or otherwise, and covenants and agrees never to directly or indirectly commence, voluntarily aid in any way, prosecute, assign, transfer, or cause to be commenced any claim, action, cause of action, or other proceeding to pursue or exercise the Inspection Rights. The foregoing waiver applies to the Inspection Rights of Purchaser in Purchaser's capacity as a stockholder and shall not affect any rights of a director, in his or her capacity as such, under Section 220. The foregoing waiver shall not apply to any contractual inspection rights of Purchaser under any written agreement with the Company.

11. **Miscellaneous.**

(a) **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the state of California and agree that any such litigation shall be conducted only in the courts of California or the federal courts of the United States located in California and no other courts.

(b) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.

(d) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under Applicable Law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

(i) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to this Agreement or any notices required by applicable law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. Purchaser hereby consents to (i) conduct business electronically (ii) receive such documents and notices by such electronic delivery and (iii) sign documents electronically and agrees to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

(j) **California Corporate Securities Law.** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

The parties have executed this Early Exercise Notice and Restricted Stock Purchase Agreement as of the date first set forth above.

THE COMPANY:

CONFLUENT, INC.

By: _____
(Signature)

Name: _____

Title: _____

PURCHASER:

_____ (SIGNATURE)

I, _____, spouse of _____ (“Purchaser”), have read and hereby approve the foregoing Agreement. In consideration of the Company’s granting my spouse the right to purchase the Shares as set forth in the Agreement, I hereby agree to be bound irrevocably by the Agreement and further agree that any community property or other such interest shall hereby be similarly bound by the Agreement. I hereby appoint my spouse as my attorney-in-fact with respect to any amendment or exercise of any rights under the Agreement.

Spouse of Purchaser (if applicable)

ATTACHMENT A

STOCK POWER

FOR VALUE RECEIVED, the undersigned ("Holder"), hereby sells, assigns and transfers unto _____ ("Transferee") _____ shares of the Common Stock of Confluent, Inc., a Delaware corporation (the "Company"), standing in Holder's name on the Company's books as Certificate No. UCS-____ whether held in certificated or uncertificated form, and does hereby irrevocably constitute and appoint _____ to transfer said stock on the books of the Company with full power of substitution in the premises.

Date: _____

HOLDER:

(PRINT NAME)

(Signature)

Spouse of Holder (if applicable)

This Stock Power may only be used as authorized by the Early Exercise Notice and Restricted Stock Purchase Agreement between the Holder and the Company, dated _____ and the exhibits thereto.

Instructions: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its repurchase option set forth in the Agreement without requiring additional signatures on the part of Holder.

IF YOU WISH TO MAKE A SECTION 83(B) ELECTION, THE FILING OF SUCH ELECTION IS YOUR RESPONSIBILITY.

THE FORM FOR MAKING THIS SECTION 83(B) ELECTION IS ATTACHED TO THIS AGREEMENT.

YOU MUST FILE THIS FORM WITHIN 30 DAYS OF PURCHASING THE SHARES.

YOU (AND NOT THE COMPANY, ANY OF ITS AGENTS OR ANY OTHER PERSON) SHALL BE SOLELY RESPONSIBLE FOR FILING SUCH FORM WITH THE IRS, EVEN IF YOU REQUEST THE COMPANY, ITS AGENTS OR ANY OTHER PERSON TO MAKE THIS FILING ON YOUR BEHALF AND EVEN IF THE COMPANY, ANY OF ITS AGENTS OR ANY OTHER PERSON HAS PREVIOUSLY MADE THIS FILING ON YOUR BEHALF.

The election should be filed by mailing a signed election form by certified mail, return receipt requested to the IRS Service Center where you file your tax returns. See www.irs.gov.

ATTACHMENT B

ACKNOWLEDGMENT AND STATEMENT OF DECISION
REGARDING SECTION 83(b) ELECTION

The undersigned (the "Purchaser") has entered into a stock purchase agreement with Confluent, Inc., a Delaware corporation (the "Company"), pursuant to which the undersigned is purchasing _____ shares of Common Stock of the Company (the "Shares"). In connection with the purchase of the Shares, the undersigned hereby represents as follows:

1. The undersigned has carefully reviewed the stock purchase agreement pursuant to which the undersigned is purchasing the Shares.

2. The undersigned either [check and complete as applicable]:

(a) _____ has consulted, and has been fully advised by, the undersigned's own tax advisor, _____, whose business address is _____, regarding the federal, state and local tax consequences of purchasing the Shares, and particularly regarding the advisability of making elections pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code") and pursuant to the corresponding provisions, if any, of applicable state law; or

(b) _____ has knowingly chosen not to consult such a tax advisor.

3. The undersigned hereby states that the undersigned has decided [check as applicable]:

(a) _____ to make an election pursuant to Section 83(b) of the Code, and is submitting to the Company, together with the undersigned's executed stock purchase agreement, an executed form entitled "Election Under Section 83(b) of the Internal Revenue Code of 1986;" or

(b) _____ not to make an election pursuant to Section 83(b) of the Code.

4. Neither the Company nor any subsidiary or representative of the Company has made any warranty or representation to the undersigned with respect to the tax consequences of the undersigned's purchase of the Shares or of the making or failure to make an election pursuant to Section 83(b) of the Code or the corresponding provisions, if any, of applicable state law.

Date: _____

PURCHASER:

(Signature)

Spouse of Purchaser (if applicable)

ATTACHMENT C

**ELECTION UNDER SECTION 83(B)
OF THE INTERNAL REVENUE CODE OF 1986**

The undersigned taxpayer (the "Purchaser") hereby elects, pursuant to Section 83(b) of the Internal Revenue Code, to include in taxpayer's gross income or alternative minimum taxable income, as applicable, for the current taxable year, the amount of any income that may be taxable to taxpayer in connection with taxpayer's receipt of the property described below:

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

NAME OF TAXPAYER: _____

NAME OF SPOUSE: _____

ADDRESS: _____

IDENTIFICATION NO. OF TAXPAYER: _____

IDENTIFICATION NO. OF SPOUSE: _____

TAXABLE YEAR: _____

2. The property with respect to which the election is made is described as follows:

_____ shares of the Common Stock of Confluent, Inc., a Delaware corporation (the "Company").

3. The date on which the property was transferred is: _____

4. The property is subject to the following restrictions:

Repurchase option at cost in favor of the Company upon termination of taxpayer's employment or consulting relationship.

5. The fair market value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms will never lapse, of such property is: USD \$ _____.

6. The amount (if any) paid for such property: USD \$ _____.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Date: _____

PURCHASER:

(SIGNATURE)

Spouse of Purchaser (if applicable)

CONFLUENT, INC.

AMENDED AND RESTATED 2014 STOCK PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

Confluent, Inc., a Delaware corporation (the "Company"), pursuant to the Confluent, Inc. Amended and Restated 2014 Stock Plan (the "Plan"), has granted to the Participant below a restricted stock unit award covering the number of units set forth below, each of which represents one (1) share of the Company's Common Stock (the "RSUs"). The RSUs are subject to all of the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the "Grant Notice") and the Restricted Stock Unit Agreement (the "RSU Agreement") and the Plan, both of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined in this Grant Notice but defined in the Plan or the RSU Agreement will have the same definitions as in the Plan or the RSU Agreement. In the event of any conflict between the terms of the Grant Notice and the Plan, the terms of the Plan will control.

Participant: _____

Date of Grant: _____

Total Number of RSUs: _____

Vesting Commencement Date: _____

Expiration Date: Tenth anniversary of the Date of Grant.

Vesting Schedule: The RSUs shall vest upon the occurrence of an IPO (as defined below), subject to Participant's Continuous Service Status through the IPO.

Notwithstanding the above vesting schedule and anything to the contrary in the Plan, this Grant Notice, the RSU Agreement or any other prior or future agreement that purportedly applies to the RSUs, in no event shall the vesting or settlement of the RSUs be accelerated or deferred in connection with any event or otherwise unless such acceleration or deferral is specifically approved by the Board after taking into account the impact of such acceleration or deferral under the requirements of Section 409A.

Issuance Schedule: For any RSUs that vest on or prior to the First Issuance Date

RSUs that vest on or prior to the First Issuance Date (as defined below) shall be settled in Shares on any date determined by the Company that qualifies as a First Issuance Date.

For purposes of clarity, the Company shall not be required to settle all vested RSUs on the same date, whether subject to this Grant Notice and RSU Agreement or another agreement (vested RSUs may be settled pursuant to this subsection on the same date or different dates, as long as the RSUs are settled on a date that qualifies as a First Issuance Date, as determined by the Company in its sole discretion).

For any RSUs that vest after the First Issuance Date

RSUs that vest after the First Issuance Date shall be settled in Shares on a date determined by the Company, in its sole and absolute discretion, that is on or before the date that is 4-months following the applicable vesting date or, if earlier, the later of (A) March 15th of the year following the year in which the vesting date occurs, and (B) the 15th day of the 3rd month of the Company's tax year following the year in which the vesting date occurs.

For purposes of clarity, the Company shall not be required to settle all vested RSUs on the same date, whether subject to this Grant Notice and RSU Agreement or another agreement (vested RSUs may be settled pursuant to this subsection on the same date or different dates, as long as the RSUs are settled during the applicable periods set forth above, as determined by the Company in its sole discretion).

Further, notwithstanding anything stated herein, in the RSU Agreement, the Plan or any other agreement applicable to the RSUs, the Company shall have the discretion to settle the RSUs prior to the time set forth herein to the extent permitted by Treasury Regulation Section 1.409A-3(j)(4).

Definitions:

For purposes of this Grant Notice, the following definitions shall apply.

“First Issuance Date” means a date determined by the Company, in its sole and absolute discretion, provided that such date shall be on or after an IPO and shall be no later than the earlier of:

the date 7-months following the IPO, and

March 15th of the year following the year in which the IPO occurs or, if later, the 15th day of the 3rd month of the Company's tax year following the year in which the IPO occurs.

“IPO” means the first sale of Shares to the general public in connection with an underwritten public offering pursuant to an effective registration statement filed under the Securities Act or pursuant to a direct listing that results in Shares being regularly traded on an established securities market.

By accepting this grant, Participant acknowledges and agrees that (i) Participant's rights to any Shares underlying the RSUs will vest only as Participant provides services to the Company over time and only if certain other conditions are satisfied, and (ii) the grant of the RSUs is not in consideration for services Participant rendered to the Company prior to the Date of Grant.

By accepting this grant, Participant further acknowledges and agrees that (i) Participant has reviewed the Plan, this Grant Notice and the RSU Agreement in their entirety, (ii) Participant has had an opportunity to obtain the advice of counsel prior to accepting the RSUs, (iii) Participant fully understands all provisions of the Plan, this Grant Notice and the RSU Agreement, and (iv) Participant will accept as binding, conclusive and final all decisions or interpretations of the Company's Board of Directors relating to the Plan, this Grant Notice and the RSU Agreement.

CONFLUENT, INC.

By: _____

Name: _____ (Signature)

Title: _____

PARTICIPANT:

(PRINT NAME)

(Signature)

Address:

AMENDED AND RESTATED 2014 STOCK PLAN

RESTRICTED STOCK UNIT AGREEMENT

Pursuant to your Restricted Stock Unit Grant Notice (the “Grant Notice”) and this Restricted Stock Unit Agreement (the “Agreement”), Confluent, Inc., a Delaware corporation (the “Company”), has granted you (the “Participant”) a restricted stock unit award covering the number of units set forth in the Grant Notice, each of which represents one (1) share of the Company’s Common Stock (the “RSUs”). Capitalized terms not explicitly defined in this Agreement or in the Grant Notice but defined in the Confluent, Inc. Amended and Restated 2014 Stock Plan (the “Plan”) will have the same definitions as in the Plan.

1. **No Stockholder Rights**. Unless and until such time as Shares are issued pursuant to the Agreement in settlement of vested RSUs, Participant shall not own or have any rights in or to the Shares allocated to the RSUs, including, without limitation, the right to receive dividends (or dividend equivalents) or to vote such Shares.

2. **No Transfer**. The Grant Notice, this Agreement, the RSUs and any interest therein shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.

3. **Termination**. If Participant’s Continuous Service Status terminates at any time for any reason, all RSUs for which vesting is no longer possible under the terms of the Grant Notice and this Agreement shall be forfeited to the Company upon such termination of Continuous Service Status, and all rights of Participant to such RSUs shall immediately terminate at such time.

(a) **Continuous Service Status**. For purposes of the Grant Notice and this Agreement, Participant’s Continuous Service Status will be considered terminated as of the date Participant no longer actively provides services as an Employee or Consultant regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant provides services or by the terms of Participant’s employment or service agreement, if any (the “Termination Date”). Subject to the terms of the Plan and Applicable Laws, the Company shall have the exclusive discretion to determine when Participant no longer actively provides services for purposes of the RSUs, the Grant Notice and this Agreement, including whether Participant actively provides services on any leave of absence.

(b) **Leave of Absence**. Continuous Service Status will not be extended by any contractual notice period or any period of “garden leave” or similar notice period mandated under employment laws in the jurisdiction where Participant provides services or by the terms of Participant’s employment or service agreement, if any, unless otherwise determined by the Company in its sole discretion. Continuous Service Status shall be deemed to continue for any purpose of the Grant Notice or this Agreement while the Participant is on a bona fide leave of absence, if (i) such leave was approved by the Company in writing, or (ii) the continued crediting of Continuous Service Status is expressly required by the terms of such leave, Company policy or by Applicable Laws (as determined by the Company). Continuous Service Status shall be deemed to terminate when such leave ends, unless the Participant immediately returns to active work.

4. Responsibility for Taxes.

(a) As a condition to the grant, vesting, and settlement of the RSUs, Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items or required deductions or payments legally applicable to him or her (the "Tax-Related Items") related to the receipt, vesting, settlement or cancellation of the RSUs, the issuance or subsequent sale of the Shares allocated to the RSUs, the receipt of any dividends or participation in the Plan (the "Tax-Related Events") is and remains Participant's responsibility and may exceed the amount actually withheld by the Company and/or the Employer. Participant further acknowledges and agrees that Participant is solely responsible for filing all relevant documentation that may be required in relation to the RSUs or any Tax-Related Items (other than filings or documentation that pursuant to Applicable Laws are the specific obligation of the Company or any Parent, Subsidiary or Affiliate (collectively including the Company, the "Company Group," and each entity individually, a "Company Group" entity)) such as, but not limited to, personal income tax returns or reporting statements in relation to the Tax-Related Events or the holding of Shares issued upon settlement of the RSUs in a bank or brokerage account.

(b) Participant further acknowledges that the Company and/or the Employer: (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the Tax-Related Events; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Participant also understands that Applicable Laws may require varying RSU or Share valuation methods for purposes of calculating Tax-Related Items, and the Company and/or the Employer assume no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of Participant under Applicable Laws.

(c) Further, if Participant is subject to Tax-Related Items in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(d) Prior to a relevant taxable or tax withholding event, Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their tax and/or withholding obligations with regard to all Tax-Related Items by (i) withholding from Participant's wages or other compensation paid to Participant by the Company and/or the Employer, (ii) withholding from proceeds of the sale of Shares acquired pursuant to the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company and/or the Employer (on Participant's behalf pursuant to this authorization) without further consent, (iii) withholding Shares that would otherwise be issued upon settlement of the RSUs, or (iv) such other method as determined by the Company and/or the Employer to be in compliance with Applicable Laws.

(e) Depending on the method of satisfying the tax and/or withholding obligations with regard to the Tax-Related Items, the Company and/or the Employer may withhold or account for Tax-Related Items by considering the applicable minimum statutory withholding amounts or other applicable tax or withholding rates, including the maximum applicable rates. If the Company/and or the Employer over-pays or over-withholds any amount, it will refund such amount to Participant in cash and Participant will have no entitlement to the Share equivalent.

(f) Finally, Participant agrees to pay to the Company and/or the Employer the amount of any Tax-Related Items that the Company and/or the Employer may be required to pay, withhold or account for as a result of a Tax-Related Event that cannot be satisfied by the means previously described in this Section 4. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

5. **Nature of Grant.** In accepting the RSUs, Participant acknowledges, understands and agrees to the following.

(a) The Plan is established voluntarily by the Company, is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan.

(b) The grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past.

(c) All decisions with respect to future restricted stock units or other grants, if any, will be at the sole discretion of the Company.

(d) Participant is voluntarily participating in the Plan.

(e) The RSUs and the Shares allocated to the RSUs are not intended to replace any pension rights or compensation and are outside the scope of Participant's employment or service contract, if any.

(f) The RSUs and the Shares allocated to the RSUs, and the income and value of the same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

(g) The future value of the Shares is unknown, indeterminable, and cannot be predicted with certainty.

(h) If the RSUs are settled and Participant receives some or all of the Shares allocated to the RSUs, the value of such Shares may increase or decrease in value.

(i) No claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from the termination of Participant's Continuous Service Status (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment or service agreement, if any) (such claim or entitlement, a "claim"), and in consideration of the grant of the RSUs to which Participant is otherwise not entitled, Participant irrevocably (i) agrees never to institute a claim against any Company Group entity, (ii) waives his or her ability, if any, to bring a claim, and (iii) releases all Company Group entities from any such claim. If, notwithstanding the foregoing, a claim is allowed by a court of competent jurisdiction, Participant, by participating in the Plan, irrevocably agrees (and shall be deemed irrevocably to have agreed) not to pursue such claim and to execute and/or accept any and all documents necessary to request dismissal or withdrawal of such claim.

(j) Unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company or any entitlement to have the RSUs or the benefits exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares.

(k) No Company Group entity shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar or the selection by a Company Group entity in its sole discretion of an applicable foreign exchange rate that may affect the value of the RSUs (or the calculation of income or Tax-Related Items thereunder) or of any amounts due to Participant pursuant to the settlement of the RSUs and issuance of Shares, any dividends on the Shares issued or the subsequent sale of the Shares issued.

6. **Limitations on Transfer of Shares.** In addition to any other limitation on transfer created by the Company's Bylaws, this Agreement, the Grant Notice and the Plan, Participant shall not assign, encumber or dispose of any interest in the Shares issued pursuant to this Agreement except in compliance with Applicable Laws.

7. **Investment and Taxation Representations.** In connection with the receipt of the RSUs and the Shares the issued upon settlement of the RSUs (if they have not been registered under the Securities Act), Participant represents to the Company the following.

(a) Participant is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Shares issued pursuant to this Agreement. Participant is or will be acquiring the Shares for investment for Participant's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or under any applicable provision of state law. Participant does not have any present intention to transfer the Shares issued pursuant to this Agreement to any other person or entity.

(b) Participant understands that the Shares issued pursuant to this Agreement have not been registered under the Securities Act by reason of a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Participant's investment intent as expressed herein.

(c) Participant further acknowledges and understands that the securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Participant further acknowledges and understands that the Company is under no obligation to register the securities.

(d) Participant is familiar with the provisions of Rule 144, promulgated under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer of the securities (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions. Participant understands that the Company provides no assurances as to whether he or she will be able to resell any or all of the Shares pursuant to Rule 144, which rule requires, among other things, that the Company be subject to the reporting requirements of the Exchange Act, that resales of securities take place only after the holder of the Shares has held the Shares for certain specified time periods, and under certain circumstances, that resales of securities be limited in volume and take place only pursuant to brokered transactions. Notwithstanding this Section 7(d), Participant acknowledges and agrees to the restrictions set forth in Section 7(e) below.

(e) Participant further understands that in the event all of the applicable requirements of Rule 144 are not satisfied, the Shares must either be registered under the Securities Act, or comply with Regulation A or some other registration exemption to the Securities Act. Participant also understands that, notwithstanding the fact that Rule 144 is not an exclusive exemption, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering or pursuant to Rule 144 will have a substantial burden of proof in establishing that an exemption from registration is available for such offer or sale, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

(f) Participant understands that Participant may suffer adverse tax consequences as a result of the Tax-Related Events. Participant represents that Participant has consulted the tax consultants Participant deems advisable regarding the Tax-Related Items and the Tax-Related Events and is not relying on the Company for any tax advice.

8. **Section 409A.** All payments made and benefits provided under this Agreement are intended to be exempt from the requirements of Section 409A to the maximum extent permitted pursuant to Treasury Regulation Section 1.409A-1(b)(4) so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to make the payments and benefits be so exempt. In no event will the Company reimburse Participant for any taxes or other penalties that may be imposed on Participant as a result of Section 409A and, by accepting the RSUs, Participant hereby agrees to indemnify the Company for any liability that arises as a result of Section 409A.

9. **Securities Law Compliance.** Notwithstanding anything to the contrary contained herein, Shares will not be issued pursuant to this Agreement unless the Shares are then registered under the Securities Act or the Company has determined that the issuance is exempt from the registration requirements of the Securities Act. The issuance of Shares pursuant to this Agreement also must comply with other Applicable Laws governing the RSUs and the Shares, and the Company is not obligated to, and will not have any liability for failure to, issue or deliver any Shares upon settlement of the RSUs unless such issuance or delivery would comply with the Applicable Laws. Whether an issuance or delivery of Shares is compliant with Applicable Laws will be determined by the Company in consultation with its legal counsel.

10. **Lock-Up Agreement.** In connection with an IPO and upon the request of the Company or the underwriters managing such offering of the Company's securities, Participant hereby agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however or whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 180 days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute and/or accept an agreement reflecting the foregoing as may be requested by the underwriters at the time of the Company's IPO (as defined in the Grant Notice).

11. **Restrictive Legends and Stop-Transfer Orders**

(a) **Legends.** Any certificate representing the Shares issued pursuant to this Agreement shall bear such legends as are required by the Company or Applicable Laws, including the following:

(i) "THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE TERMS OF A WRITTEN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR THE PREDECESSOR IN INTEREST TO THE SHARES). THE SECRETARY OF THE COMPANY WILL UPON WRITTEN REQUEST FURNISH A COPY OF SUCH AGREEMENT TO THE HOLDER HEREOF WITHOUT CHARGE."

(ii) “THE SHARES REPRESENTED HEREBY MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR IN ANY MANNER DISPOSED OF, EXCEPT IN COMPLIANCE WITH THE BYLAWS OF THE COMPANY. COPIES OF THE BYLAWS OF THE COMPANY MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.”

(iii) All certificates evidencing Shares purchased under this Agreement in an unregistered transaction shall bear the following legend:

(A) “THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”

(b) **Stop-Transfer Notices.** Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate “stop transfer” instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) **Refusal to Transfer.** The Company shall not be required (i) to transfer on its books any Shares issued pursuant to this Agreement that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

12. **No Employment Rights.** Nothing contained in this Agreement, the Grant Notice or the Plan is intended to constitute or create a contract of employment, nor shall it constitute or create the right to remain associated with or in the employ of the Company or any Group Member entity for any particular period of time. Nothing in this Agreement, the Grant Notice or the Plan shall affect in any manner whatsoever the right or power of the Company, or a Group Member entity to terminate Participant’s employment or consulting relationship, for any reason, with or without cause, subject to Applicable Laws.

13. **Waiver of Statutory Information Rights.** Participant acknowledges and understands that, but for the waiver made herein, upon delivery of any Shares issued to Participant pursuant to this Agreement, Participant would be entitled, upon written demand under oath stating the purpose thereof, to inspect for any proper purpose, and to make copies and extracts from, the Company’s stock ledger, a list of its stockholders, and its other books and records, and the books and records of subsidiaries of the Company, if any, under the circumstances and in the manner provided in Section 220 of the General Corporation Law of Delaware (any and all such rights, and any and all such other rights of Participant as may be provided for in Section 220, the “Inspection Rights”). In light of the foregoing, until an IPO, Participant hereby unconditionally and irrevocably waives the Inspection Rights, whether such Inspection Rights would be exercised or pursued directly or indirectly pursuant to Section 220 or otherwise, and covenants and agrees never to directly or indirectly commence, voluntarily aid in any way, prosecute, assign, transfer, or cause to be commenced any claim, action, cause of action, or other proceeding to pursue or exercise the Inspection Rights. The foregoing waiver applies to the Inspection Rights of Participant in Participant’s capacity as a stockholder and shall not affect any rights of a director, in his or her capacity as such, under Section 220. The foregoing waiver shall not apply to any contractual inspection rights of Participant under any written agreement with the Company.

14. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan; Participant's receipt, vesting or settlement of the RSUs or the Shares allocated thereto; or the sale of such Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan and the RSUs before accepting the RSUs or otherwise taking any action related to the RSUs or the Plan.

15. **Data Privacy.**

(a) *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Award materials by and among the Company Group entities for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

(b) *Participant understands that the Company Group entities may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.*

(c) *Participant understands that Data will be transferred to such stock plan service provider as may be selected by the Company, presently or in the future, which may be assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant authorizes the Company, the stock plan service provider as may be selected by the Company, and any other possible recipients which may assist the Company, presently or in the future, with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing Participant's participation in the Plan. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her Continuous Service Status will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant RSUs, Awards or any other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.*

16. **Miscellaneous.**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law. For purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit and consent to the sole and exclusive jurisdiction of the courts of California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

(b) **Addendum.** Notwithstanding any provisions in this Agreement, the RSUs shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

(c) **Entire Agreement; Enforcement of Rights.** This Agreement, together with any applicable Addendum, the Grant Notice and the Plan, sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior or contemporaneous discussions between them. Except as contemplated by the Plan, no modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and executed and/or accepted by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(d) **Severability.** If one or more provisions of this Agreement, the Grant Notice or the Plan are held to be unenforceable under Applicable Laws, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, the Grant Notice and the Plan, (ii) the balance of the Agreement, the Grant Notice and the Plan shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement, the Grant Notice and the Plan shall be enforceable in accordance with its terms.

(e) **Language.** If Participant has received this Agreement, the Grant Notice or any other document related to the RSUs and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(f) **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and on any Shares allocated to the RSUs, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign and/or accept any additional agreements or undertakings that may be necessary to accomplish the foregoing. Participant also acknowledges that the Applicable Laws of the country in which Participant is residing or working at the time of grant, vesting and settlement of the RSUs or the sale of Shares received pursuant to the RSUs (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Participant to additional procedural or regulatory requirements that Participant is and will be solely responsible for and must fulfill. Such requirements may be outlined in but are not limited to those provided in any Addendum. Notwithstanding any provision herein, the RSUs and Participant's participation in the Plan shall be subject to the special terms, conditions and disclosures set forth in any applicable Addendum.

(g) **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email or fax, or 48 hours after being deposited in the U.S. mail or a comparable foreign mail service, as certified or registered mail with postage or shipping charges prepaid and addressed to the party to be notified at such party's most recent address, email or fax number set forth in the Company's books and records.

(h) **Counterparts.** This Agreement may be executed and/or accepted in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

(i) **Successors and Assigns.** The rights and benefits of this Agreement shall inure to the benefit of and be enforceable by the Company's successors and assigns. The rights and obligations of Participant under this Agreement may only be assigned with the prior written consent of the Company.

(j) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver to Participant by email or any other electronic means any documents or notices related to the RSUs, the Shares allocated to the RSUs, Participant's current or future participation in the Plan, securities of the Company or any Company Group entity or any other matter, including documents and/or notices required to be delivered to Participant by applicable securities law or any other Applicable Laws or the Company's Certificate of Incorporation or Bylaws. By accepting the RSUs, whether electronically or otherwise, Participant hereby consents to receive such documents and notices by such electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company, including but not limited to the use of electronic signatures or click-through electronic acceptance of terms and conditions.

(k) **California Corporate Securities Law.** THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF BUSINESS OVERSIGHT OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF THE SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO THE QUALIFICATION IS UNLAWFUL, UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY SECTION 25100, 25102 OR 25105 OF THE CALIFORNIA CORPORATIONS CODE. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON THE QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

COUNTRY-SPECIFIC ADDENDUM

This Country-Specific Addendum includes additional country-specific notices, disclaimers, and/or terms and conditions that apply to individuals who are working or residing in the countries listed below and that may be material to Participant's participation in the Plan. Such notices, disclaimers, and/or terms and conditions may also apply, as from the date of grant, if the Participant moves to or otherwise is or becomes subject to the Applicable Laws or Company policies of the country listed. However, because foreign exchange regulations and other local laws are subject to frequent change, Participant is advised to seek advice from his own personal legal and tax advisor prior to accepting the RSUs or holding or selling Shares acquired under the Plan. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's acceptance of the RSUs or participation in the Plan. Unless otherwise noted below, capitalized terms shall have the same meaning assigned to them under the Plan, the Grant Notice, and the Agreement. This Country-Specific Addendum forms part of the Agreement and should be read in conjunction with the Agreement and the Plan.

Securities Law Notice: Unless otherwise noted, neither the Company nor the Shares are registered with any local stock exchange or under the control of any local securities regulator outside the United States. The Agreement (of which this Country-Specific Addendum is a part), the Grant Notice, the Plan, and any other communications or materials that Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the United States, and the issuance of securities described in any Plan-related documents is not intended for public offering or circulation in Participant's jurisdiction.

**NET LEASE AGREEMENT
(899 West Evelyn)**

Basic Lease Information

<u>Defined Terms:</u>	<u>Information:</u>
Lease Date:	April 11, 2019
Landlord:	West Evelyn Bryant Office Partners, L.P. a California limited partnership 6272 Virgo Road Oakland, California 94611 Attn: Daniel Minkoff (with a copy of notices of default to any mortgagee and/or trust deed holders to the extent required under Section 27(b))
Tenant:	Prior to the Commencement Date: Confluent, Inc., a Delaware corporation 101 University Avenue, Suite 111 Palo Alto, California 94301 Attn: Cheryl Dalrymple After the Commencement Date: The Premises, Attn: Cheryl Dalrymple with at all times a copy to Shartsis Friese LLP One Maritime Plaza, 18th Floor San Francisco, California 94111 Attn: Jonathan M. Kennedy/Scott A. Schneider
Premises:	The Premises referred to in this Lease are to be located at 899 West Evelyn Avenue, Mountain View, California 94041, and shall consist of a single stand-alone building containing a total of approximately seventy-five thousand four hundred seventy-five (75,475) rentable square feet which is one hundred percent (100%) (“ Tenant’s Proportionate Share ”) of the rentable square feet of the Building, the land upon which the Building will be located and all rights appurtenant thereto, as further defined below.
Term:	The term shall commence on the Commencement Date and shall continue until the date which is one hundred twenty-one (121) full calendar months after the Commencement Date (plus any partial month if the Commencement Date occurs on any day other than the first (1 st) calendar day of the month).
Base Rent:	Those amounts specified in Section 5 hereof, payable in advance on the first day of each month
Use:	General office, data center, ancillary health club and café use and such other related uses.
Letter of Credit:	\$8,151,300.
Broker for Tenant:	Savills Studley (Mark Moser) 705 High Street Palo Alto, California 94301
Broker for Landlord:	Cushman & Wakefield (David Hiebert) 1950 University Avenue, Suite 220 East Palo Alto, California 94303

LIST OF EXHIBITS

- A. Description of Premises
- A-1. Gross Lease Measurements
- B. Notice of Lease Term Dates
- C. Letter of Credit
- C-1. Form of Approved SVB Letter of Credit
- D. Form of SNDA

NET LEASE AGREEMENT

This Lease is made and entered into by the Landlord and Tenant referred to in the Basic Lease Information. The Basic Lease Information attached to this Lease as page 1 is hereby incorporated into this Lease by this reference. The Lease shall also include Exhibits A through D listed in the Basic Lease Information, and such exhibits are hereby incorporated into this Lease by this reference.

1. **PREMISES.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to all of the terms and conditions set forth herein, those certain premises described as the Premises in the Basic Lease Information. Notwithstanding the foregoing to the contrary, this Lease is expressly conditioned upon the termination by Landlord of that certain Net Lease Agreement, dated April 4, 2012, by and between Landlord and Nuance Communications, Inc., a Delaware corporation, pursuant to which Landlord leased the Premises to Nuance Communications, Inc. ("**Nuance**," and such lease, the "**Nuance Lease**"). Landlord agrees to diligently attempt to achieve such termination of the Nuance Lease, and will keep Tenant apprised of the status of Landlord's efforts. If Landlord succeeds in terminating the Nuance Lease, Landlord will promptly notify Tenant of such fact. If at any time Landlord reasonably believes that it is unable to terminate the Nuance Lease, Landlord may, by written notice to Tenant, terminate this Lease, in which event, this Lease shall automatically terminate and neither Landlord nor Tenant shall have any further rights or obligations under this Lease. Notwithstanding the foregoing, if, as of the date that is sixty (60) days following the date of mutual execution and delivery of this Lease, Landlord has not notified Tenant of Landlord's successful negotiation and full execution of an agreement terminating the Nuance Lease in accordance with the terms described in this Article 1, Tenant will have the right, by written notice delivered to Landlord at any time prior to the date upon which Landlord so notifies Tenant of the termination of the Nuance Lease, to terminate this Lease.

2. **CONDITION OF PREMISES:** Landlord shall deliver possession of the Premises to Tenant, and Tenant shall accept the same, in its "AS IS" condition, subject to all recorded matters and governmental regulations, and without any warranties of any kind, including without limitation, any warranty of condition, or compliance with law, or that the Premises or any Building system are suitable for Tenant's use. Tenant agrees that Landlord has no obligation and has made no promise to alter, remodel, improve, or repair the Premises or any part thereof or to repair, bring into compliance with applicable laws, or improve any condition existing in the Premises as of the Commencement Date or a condition to Tenant's acceptance of the Premises. Tenant agrees that neither Landlord nor any of Landlord's employees or agents has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business therein. Any improvements or personal property located in the Premises are delivered without any representation or warranty from Landlord, either express or implied, of any kind, including merchantability or suitability for a particular purpose. Notwithstanding the foregoing to the contrary, Landlord shall deliver the Premises to Tenant with the heating, ventilation and air-conditioning unit(s), electrical, life-safety and plumbing serving the Premises in good working condition as of the date that Landlord delivers the Premises to Tenant. Tenant shall notify Landlord in writing within one month after the delivery of the Premises to Tenant if any of the foregoing are not in good condition, which notice shall specify in detail why Tenant believes such item(s) are not in good working condition. Tenant's failure to so notify Landlord in writing within the foregoing one month period shall be deemed to be that the foregoing items (or the items for which no notice was provided) serving the Premises were in good working condition as of the date required hereunder. Tenant, pursuant to a separate agreement, has agreed to acquire separate items of furniture from a prior subtenant of the Premises. Landlord shall have no responsibility or liability with respect to such furniture. Tenant agrees that it shall be solely responsible for any sales tax with respect to the transfer of such furniture.

3. **DEFINITIONS:**

(a) "**Building**" shall refer collectively to all buildings now or hereafter constructed upon the Premises.

(b) If the Building shall contain leasable areas outside of the Premises, “**Common Areas**” shall refer to all areas and facilities that are provided and designated by Landlord from time to time for the general use of Tenant, and of other lessees in the Building, if any, and their respective employees, suppliers, shippers, customers, and invitees. In such event, Landlord hereby grants to Tenant, during the term of this Lease, the nonexclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rules, regulations, and restrictions governing the use of the Premises as from time to time made or amended by Landlord. Provided that Landlord, using its reasonable efforts, does not unreasonably interfere with Tenant’s use of the Premises, Landlord reserves the right at any time and from time to time, to: (i) make alterations in or additions to the Common Areas; and (ii) temporarily close any of the Common Areas for maintenance purposes.

(c) “**Premises**” shall refer collectively to the Building and the Lot as shown on Exhibit A attached hereto.

(d) “**Lot**” shall refer to the Assessor’s tax parcel(s) underlying the Premises. This Lease confers no rights either with regard to the subsurface of the land below the ground level of the Lot or with regard to airspace above the roof of the Building; provided, however, with Landlord’s prior written consent, which Landlord will not unreasonably withhold, condition or delay, Tenant may install and maintain telecommunication, utility and other similar facilities for its own use only on the roof of the Building so long as such facilities do not compromise the structural integrity of the Building and they are permitted by the City of Mountain View.

(e) “**Rentable Area**” shall be as defined in Section 1 above. Where the Building contains no other leasable areas other than the Premises, the Rentable Area of the Building shall be the same as the Rentable Area of the Premises.

4. **TERM AND POSSESSION:**

(a) Subject to and upon the terms and conditions set forth herein, the Term of this Lease shall be for the period specified in the Basic Lease Information. The Term shall commence on the earlier of (i) the date that the Premises is delivered to Tenant free and clear of any third-party occupancy and (ii) the date that Tenant first commences normal business operation from the Premises (the “**Commencement Date**”). In the event of the inability of Landlord to deliver possession of the Premises for any reason whatsoever, including, without limitation, the vacating of the Premises by the prior tenant of the Premises, neither Landlord nor its agents shall be liable for any damage caused thereby, nor shall this Lease thereby become void or voidable, however, in such event Tenant shall not be liable for any rent until the actual occurrence of the Commencement Date. Notwithstanding the foregoing to the contrary, if, for any reason, Landlord has not delivered possession of the Premises to Tenant as described in clause (i) above as of January 1, 2020, Tenant, as Tenant’s sole remedy, will have the right to terminate this Lease by written notice delivered to Landlord at any time prior to Landlord’s delivery of possession of the Premises to Tenant; provided, however, that such January 1, 2020 date shall be extended so long as Landlord is using its good faith and diligent efforts to deliver possession of the Premises to Tenant (by unlawful detainer or otherwise). Within thirty (30) days after the Commencement Date, Landlord and Tenant shall execute an amendment to this Lease (“**First Amendment to Lease and Acknowledgment**”) setting forth the Commencement Date and the expiration date of the term of the Lease, which shall be in the form attached hereto as Exhibit B.

(b) Tenant shall have the one-time option to terminate and cancel the Lease effective on the last day of the eighty-fifth (85th) month after the Commencement Date (the “**Termination Date**”), which right is contingent upon Tenant paying to Landlord the “Termination Consideration” (as defined below) concurrent with Tenant’s delivery of the Termination Notice (as defined below). To exercise such termination option, Tenant must deliver to Landlord on or before January 1, 2025, irrevocable written notice of Tenant’s exercise of such option (the “**Termination Notice**”) and the amount of the Termination Consideration. As used herein, the “**Termination Consideration**” shall mean the amount equal to Two Million and No/100ths Dollars (\$2,000,000.00). Failure by Tenant to timely pay the Termination Consideration shall terminate Tenant’s option to terminate this Lease. If Tenant properly and timely exercises the termination option in this Section 4(b), this Lease shall expire at midnight on the Termination Date and Tenant shall be required to surrender the Premises to Landlord on or prior to such Termination Date in accordance with the applicable provisions of this Lease. The option to terminate set forth in this Section 4(b) is personal to the original Tenant executing this Lease and may not be assigned, voluntarily or involuntarily, separate from or as part of this Lease. At Landlord’s option, all rights of Tenant under this Section 4(b) shall terminate and be of no force or effect if any of the following individual events occur or any combination thereof occur: (1) Tenant has been in default beyond any notice and cure period on more than one (1) occasion during any consecutive twelve (12) month period during the initial Term of the Lease, or is in default of any provision of this Lease on the date Landlord receives the Termination Notice; and/or (2) Tenant has assigned its rights and obligations under all or part of this Lease; and/or (3) Tenant has failed to exercise the early termination option set forth in this Section 4(b) in a timely manner and in strict accordance with the provisions of this Section 4(b).

5. **RENT:**

(a) The “Rent Commencement Date” and Tenant’s obligation to pay rent shall occur on the Commencement Date. Commencing on the Commencement Date, Tenant agrees to pay Landlord, without prior notice, demand, deduction or offset, the Base Rent in the amount set forth in this Section 5. In addition to the Base Rent, for the purpose of this Lease, “**Rent**” also includes Tenant’s Proportionate Share of any Operating Expenses, Taxes, and Utilities, and any other amounts owing from Tenant to Landlord pursuant to the terms of this Lease. The Rent shall be payable in advance on or before the first day of each month commencing on the Commencement Date and thereafter continuing throughout the term of the Lease, except that the first month’s Base Rent and Operating Expenses, Taxes and Utilities (as reasonably determined by Landlord) shall be paid upon the execution of this Lease. Base Rent for any period during the term hereof which is for less than one month shall be a prorated portion of the monthly installment based upon a 30-day month.

(b) The Base Rent during the term of this Lease beginning on the Rent Commencement Date shall be as follows:

<u>Lease Months</u>	<u>Annual Base Rent</u>	<u>Monthly Installment of Base Rent</u>	<u>Monthly Base Rental Rate Per Rentable Square Foot*</u>
01**	N/A	\$0.00	\$0.00
02-12	N/A	\$603,800.00	\$8.00
13-24	\$7,462,968.00	\$621,914.00	\$8.24
25-36	\$7,686,857.04	\$640,571.42	\$8.49
37-48	\$7,917,462.75	\$659,788.56	\$8.74
49-60	\$8,154,986.63	\$679,582.22	\$9.00
61-72	\$8,399,636.23	\$699,969.69	\$9.27
73-84	\$8,651,625.32	\$720,968.78	\$9.55
85-96	\$8,911,174.08	\$742,597.84	\$9.84
97-108	\$9,178,509.30	\$764,875.78	\$10.13
109-120	\$9,453,864.58	\$787,822.05	\$10.44
121	N/A	\$811,456.71	\$10.75

***rounded**

** As set forth above, Tenant shall not be required to pay the monthly installment of Base Rent, but shall be required to pay Operating Expenses during the entirety of such period, for the first full calendar month of the Term plus any partial month in which the Commencement Date occurs if the Commencement Date is on a date other than the first day of such month. However, if a Default by Tenant shall at any time be declared under the Lease, any rent waiver shall be deemed revoked, and any if Landlord terminates this Lease as a consequence of such Default, Landlord may include in its claim for termination damages the unamortized (as of the date the Default) portion of such abated Base Rent, assuming amortization of the full amount of abated Base Rent on a straight-line basis over the Term.

6. **LETTER OF CREDIT:**

(a) Within ten (10) business days of execution of this Lease, Tenant shall deliver to Landlord an unconditional Letter of Credit pursuant to the terms set forth in Exhibit C as protection for the full and faithful performance by Tenant of all of its obligations under this Lease and for all losses and damages Landlord suffers as a result of any breach or default by Tenant under this Lease. In lieu of the Letter of Credit, Tenant may substitute the Letter of Credit by depositing with Landlord a cash deposit equal to the Letter of Credit amount; however, such substitution shall be subject to the prior written approval of Landlord and Landlord’s lender, which may be withheld in the discretion of either party. If Tenant is in default beyond any applicable notice and cure periods, Landlord may use the Security Deposit or Letter of Credit, or any portion thereof, to cure the default or to compensate Landlord for all damages which Landlord may suffer by reason of Tenant’s default. Tenant shall immediately on demand pay to Landlord a sum equal to the portion of the Security Deposit expended or applied by Landlord as provided in this Section so as to maintain the Security Deposit in the sum specified. Tenant’s failure to forthwith remit to Landlord an amount in cash sufficient to restore the Security Deposit to the original sum deposited within thirty (30) days after receipt of such demand from Landlord shall constitute an event of default under the terms of this Lease. At the expiration or earlier termination of this Lease, Landlord shall return the Security Deposit to Tenant, less such amounts as are reasonably necessary to remedy Tenant’s default, to repair damages to the Premises caused by Tenant, or to clean the Premises upon such termination, as soon as is practicable thereafter but in no event later than the date which is thirty (30) days after such expiration or earlier termination. Landlord’s obligations with respect to the Security Deposit are those of a debtor and not a trustee. Landlord may maintain the Security Deposit with Landlord’s general and other funds. Landlord shall not be required to pay Tenant interest on the Security Deposit. Tenant shall not mortgage, assign, transfer or encumber the Security Deposit without the prior written consent of Landlord. If Landlord sells its interest in the Premises, Landlord shall deliver the Security Deposit to the purchaser of Landlord’s interest and thereupon be relieved of any further liability or obligation with respect to the Security Deposit. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any similar or successor Laws now or hereinafter in effect.

(b) Provided that, as of each Reduction Date set forth below, a Default on the part of Tenant does not exist under this Lease, then Tenant will be eligible for a reduction in the amount of the Security Deposit or Letter of Credit, as the case may be, in accordance with the following provisions. If a Letter of Credit has been delivered to Landlord, then for any reduction in the Letter of Credit Amount, Tenant must provide Landlord on or before the applicable Reduction Date a replacement Letter of Credit or a certificate of amendment to the existing Letter of Credit, conforming in all respects to the requirements of this Article 6, in the amount of the applicable Letter of Credit Amount as of such Reduction Date,

<u>Reduction Date:</u>	<u>Reduction Amount:</u>	<u>New Security Deposit or Letter of Credit Amount:</u>
On the first (1 st) day of the fourth (4 th) year following the date that Tenant started the payment of normal Base Rent (i.e. the first day of the 50 th month of the Term)	\$1,651,300.00	\$6,500,000.00
On the first (1 st) day of the sixth (6 th) year following the date that Tenant started the payment of normal Base Rent	\$ 800,000.00	\$5,700,000.00
On the first (1 st) day of the eighth (8 th) year following the date that Tenant started the payment of normal Base Rent	\$ 800,000.00	\$4,900,000.00
On the first (1 st) day of the tenth (10 th) year following the date that Tenant started the payment of normal Base Rent	\$ 825,000.00	\$4,075,000.00

In the event the cash Security Deposit is then held by Landlord, then Landlord shall refund the applicable reduction amount to Tenant within thirty (30) days after the receipt of Tenant’s written request. In the event a Letter of Credit is then held by Landlord, then at such time that Tenant timely tenders the replacement or amended Letter of Credit to Landlord in the form required in Article 6, Landlord shall exchange the Letter of Credit then held by Landlord for the replacement or amended Letter of Credit tendered by Tenant.

7. **OPERATING EXPENSES:**

(a) Subject to Section 5, beginning on the Commencement Date, as additional Rent, Tenant shall pay Tenant's Proportionate Share of all Operating Expenses. The term "**Operating Expenses**" means the total amounts paid or payable by Landlord or others on behalf of Landlord during the Term in connection with the ownership, maintenance, repair, and operation of the Premises in a first class condition, and includes, but is not limited to, Taxes (as hereinafter defined), the amount paid for all hot and cold water; the amount paid for lighting; the amount paid for utilities and not paid separately by tenants in the Building; the amount paid for all labor and/or wages and other employment related payments, including cost to Landlord of workmen's compensation and disability insurance, payroll taxes, welfare, and fringe benefits made to janitors, dayporters, employees, building managers, contractors, and subcontractors of the Landlord involved in the operation, maintenance and repair of the Premises to the extent such persons were involved in such activities; the cost of maintenance and repair of the roof membrane, landscaping, sidewalks (including the sidewalks immediately adjacent to the Premises), driveways, parking lots, fences and other areas and facilities of the Premises; the amount paid for maintaining and repairing plumbing, alarm and security systems, heating, air conditioning and ventilation systems, including the cost of preventative maintenance contracts; modifications to the Premises occasioned by any rules, regulations, or laws; permits, licenses, and certificates necessary to operate and manage the Premises; managerial fees and managerial, administrative, and telephone expenses related to the Premises; the total charges of any independent contractors employed in the care and operation, maintenance, cleaning, repair, and restoration of the landscaping; the amount paid for all supplies, tools, equipment, and necessities which are occasioned by everyday wear and tear; the costs of window and exterior wall cleaning; the cost of accounting and bookkeeping services necessary to compute the Rent and charges payable by tenants; legal, inspection, compliance, and consulting services; and the amount paid for premiums for all commercially reasonable insurance obtained by Landlord or required by Landlord's mortgagees; and except with respect to the migration of Hazardous Materials from areas outside of the perimeter of the Premises or those Hazardous Materials brought upon the Premises by Landlord, fifty percent (50%) of the costs incurred by Landlord to remediate the presence of any Hazardous Materials brought on to the Building and/or Premises by a third party after the Commencement Date. Costs which are capitalized under generally accepted accounting principles shall be amortized over the useful life of the capital item in question.

(b) Tenant acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises. Should Landlord provide at Tenant's request security protection for the Premises, the cost of guards and other protection services shall be included within the definition of Operating Expenses.

(c) Operating Expenses shall not include the following: (i) any ground lease rental; (ii) marketing costs including leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with prospective tenants or other occupants of the Building; (iii) interest, principal, points, fees or other finance charges made on any debt incurred by Landlord, and rental payments made under any ground or underlying lease or leases; (iv) advertising and promotional expenditures; (v) depreciation or amortization on mortgages or ground lease payments; (vi) legal fees incurred in negotiating or enforcement of the Lease; (vii) real estate brokers' leasing commissions, attorneys' fees, costs, disbursements and other expenses incurred in connection with negotiations for leases with prospective tenants, or costs and expenses incurred in connection with negotiations or disputes with consultants, management agents, purchasers or mortgagees of the Building; (viii) costs of any items for which Landlord receives reimbursement from insurance proceeds or a third party; (ix) costs incurred in connection with the sales, mortgaging, selling or change of ownership of the Premises, including brokerage commissions, consultants', attorneys' and accountants' fees, closing costs, title insurance premiums, transfer taxes and interest charges; (x) Landlord's general corporate overhead and general and administrative expenses not related to or not allocable to the Property; (xi) the rent for Landlord's management or leasing office (if any), or any other offices or spaces of Landlord or any related entity; (xii) Landlord's income and franchise taxes; (xiii) reserves for maintenance, repairs and replacements, except to the extent actually utilized for such purposes; (xiv) costs incurred by Landlord for trustee's fees, organizational expenses and accounting fees except accounting fees relating directly to the operation of the Building; (xv) all amounts which would otherwise be included in Operating Expenses which are paid to any affiliate or subsidiary of Landlord, or any representative, employee or agent of an affiliate or subsidiary of Landlord, to the extent the costs of such services exceed the competitive rates for similar services of comparable quality rendered by persons or entities of similar skill, competence and experience; (xvi) political or charitable contributions, or payments or contributions to any owners', merchants', business development, neighborhood or other association or organization whether for the benefit of the Premises; (xvii) costs occasioned by the negligent act, omission or violation of any law by Landlord or its agents or contractors or other tenants; (xviii) costs occasioned by casualty or by the exercise of the power of eminent domain; (xix) costs to correct any construction defect in Landlord's Work or to comply with any covenant, condition, restriction, underwriter's requirement or law applicable to Landlord's Work on the Commencement Date; (xx) except as set forth in Section 7(a) above, costs incurred in connection with the existence of any Hazardous Materials; (xxi) replacement or improvement costs (as opposed to repair costs) which are properly capitalized under generally accepted accounting principles except to the extent (1) the foregoing reduces Operating Expenses, (2) the foregoing are for improvements required to be made by law effective after the Commencement Date or (3) the foregoing are to replace portions of the Building or the Premises for the betterment of the Premises, Building or Project, as reasonably determined by Landlord and approved in writing by Tenant, and only to the extent such costs set forth in (1), (2) and (3) above are amortized over the useful life of the capital item in question as reasonably determined by Landlord; (xxii) expense reserves; (xxiii) insurance costs for coverage not customarily carried by landlords of similar projects in the vicinity of the Premises; provided, however, that notwithstanding the foregoing, Tenant acknowledges and agrees that Landlord may carry earthquake insurance, the commercially reasonable premiums of which shall be included as an Operating Expense; (xxiv) property management fees to the extent they exceed three percent (3%) of the Rent from the Building; or (xxv) costs of sculptures, fountains, paintings and other art objects. There shall be deducted from Operating Expenses all funds recovered by or reimbursed to Landlord with respect to expenses which were included in Operating Expenses in the year in which such recovery or reimbursement is paid to Landlord.

(d) Tenant's Proportionate Share of Operating Expenses shall be paid as follows: Landlord shall estimate from time to time, in good faith, the anticipated Operating Expenses, and shall compute Tenant's Proportionate Share thereof. One-twelfth (1/12) of such amount due shall be paid by Tenant to Landlord as additional Rent on the first day of each month. Landlord may revise the same from time to time, in good faith but no more than once per calendar year, and require Tenant to pay one-twelfth (1/12) of such revised annual amount as additional Rent hereunder as of the first of each month. Not later than April 1 of each calendar year, or as soon thereafter as reasonably possible, including the year following the year in which this Lease terminates, Landlord shall furnish to Tenant with a true and correct accounting of actual costs with respect to the items set forth above (an "**Operating Expense Statement**"), and within thirty (30) days following Landlord's delivery of such accounting, Tenant shall pay to Landlord the amount of any underpayment. Notwithstanding the failure by Landlord to timely provide such accounting by such date, such failure shall not constitute a waiver by Landlord of its right to collect Tenant's share of any underpayment. Landlord shall credit the amount of any overpayment of Tenant toward the installment(s) of Rent next becoming due, or where the term of the Lease has expired, promptly refund the amount of overpayment to Tenant.

(e) Tenant shall have the right after reasonable written notice and at reasonable times to inspect Landlord's accounting records at Landlord's accounting office. If after such inspection any dispute arises as to the amount of any portion of the Operating Expenses owed by Tenant hereunder and Tenant and Landlord are unable to resolve such dispute within fifteen (15) days following the completion of Tenant's inspection, a certified public accountant, who shall be reasonably acceptable to Tenant and Landlord, shall prepare a certificate as to the proper amount of the expenditure, which certification shall be final and conclusive. Tenant agrees to pay the cost of such certification unless it is determined that Landlord's original statement overstated Operating Expense by more than five percent (5%), in which case the Landlord agrees to pay the cost of such certification.

(f) Tenant's failure to object to any Operating Expense Statement rendered by Landlord within a period of one hundred eighty (180) days after receipt thereof shall constitute Tenant's agreement with respect thereto and shall render such statement a final and binding account between Landlord and Tenant.

8. **TAXES:**

(a) The term “**Taxes**” shall include all real property taxes and assessments levied against the Premises and the various estates therein and the underlying land, all taxes levied on personal property of Landlord to the extent used in the management, operation, maintenance and repair of the Premises, all taxes, assessments and reassessments of every kind and nature whatsoever levied or assessed in lieu of or in substitution of any existing or additional real or personal property taxes and assessments on the Premises, any increase in taxes or assessments resulting from a re-evaluation of the Premises resulting from the sale, conveyance, assignment, ground lease or other transfer thereof, service payments in lieu of such taxes, excises, transit charges and fees, housing, park and child care assessments, development and other assessments, reassessments, levies, fees or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind which are assessed, levied, charged, confirmed, or imposed by any public authority upon the Premises, its operations or the Rent provided for in this Lease, or amounts necessary to be expended because of governmental orders, whether general or special, ordinary or extraordinary, unforeseen as well as foreseen, of any kind and nature for public improvements, services, benefits, or any other purposes which are assessed, levied, confirmed, imposed or become a lien upon the Premises, Building or Premises or become payable during the Term. Nothing contained in this Lease shall require Tenant to pay any franchise, estate, gift or inheritance tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord from all sources. If a special assessment payable in installments is levied against the Building or the Premises, Taxes for any year shall include only the installment of such assessment and any interest payable or paid during such year as if such assessment were paid over the longest possible term.

(b) Tenant shall pay before delinquent all taxes assessed against and upon equipment, furniture, fixtures, and other personal property of Tenant. If any taxes on Tenant’s personal property are levied against Landlord or Landlord’s property, or if the assessed value of the Building and other improvements is increased by the inclusion of a value placed on Tenant’s personal property, and if Landlord pays the taxes on any of these items, Tenant, on demand, shall immediately reimburse Landlord for the sum of the taxes levied against Landlord, or the proportion of the taxes resulting from the increase in Landlord’s assessment. Landlord shall have the right to pay these taxes regardless of the validity of the levy.

(c) Tenant may, at Tenant’s sole cost and expense, in Tenant’s own name and on Tenant’s own behalf, or in the name and on behalf of Landlord, in good faith, contest any Taxes. Landlord shall reasonably cooperate with Tenant in any such contest.

9. **UTILITIES:**

(a) Tenant shall be solely responsible for the procurement and direct payment of the cost of all utilities, including, but not limited to, sewer use and connection fees, water, gas, electricity, telephone, internet, cable, and other utilities (the “**Utilities**”) provided to the Premises. Without limiting the generality of the foregoing, Tenant shall have full control over the use of the heating, ventilation and air conditioning serving the Premises. If the Utilities are not separately billed to Tenant, Tenant shall pay to Landlord within thirty (30) days after receiving a bill from Landlord the Tenant’s Proportionate Share of the cost of Utilities.

(b) Failure by Landlord to furnish any Utilities, or any cessation thereof, which results from causes beyond the control of Landlord, shall not render Landlord liable in any respect for damages to either person or property, nor be construed as an eviction of Tenant, nor cause an abatement of rent, or relieve Tenant from fulfillment of any covenant or agreement hereof. Tenant shall have no right to terminate this Lease, and shall have no claim for rebate of rent or damages, on account of any interruptions in services or utilities occasioned thereby or resulting therefrom. Notwithstanding the foregoing, where any service or utility that Landlord is required to provide is (i) unavailable or reduced due to Landlord’s negligent act or failure to act where Landlord reasonably knew or should have known that such failure to act would lead to such interruption, reduction or cessation of service or Landlord’s gross negligence or willful misconduct, (ii) such reduction or unavailability prevents Tenant from actually using a material portion of the Premises for its business operations (and Tenant actually does stop using such portion for its intended purpose/use), and (iii) Landlord fails to alleviate such reduction or unavailability of services and/or utilities within three (3) business days after receipt of written notice from Tenant of such reduction and/or unavailability, as Tenant’s sole remedy, Rent (or a portion thereof, where nonuse is only partial) shall abate from the end of such three (3) business day period (i.e. the 4th business day) until such time that Landlord alleviates such reduction or unavailability of services such that Tenant is able to use the affected portion of the Premises.

10. **USE:** Tenant shall use the Premises for the uses set forth in the Basic Lease Information and shall not use the Premises for any other purposes. Tenant shall be solely responsible for obtaining any necessary governmental approvals of such use. Tenant warrants that it shall not make any use of the Premises which may cause contamination of the soil, the subsoil or groundwater with Hazardous Materials. Tenant shall not do, bring, or keep anything in or about the Premises that will cause a cancellation of any insurance covering the Premises. If the rate of any insurance carried by Landlord is increased as a result of Tenant's particular use, Tenant shall pay to Landlord within thirty (30) days before the date Landlord is obligated to pay a premium on the insurance, or within thirty (30) days after Landlord delivers to Tenant a certified statement from Landlord's insurance carrier stating that the rate increase was caused solely by an activity of Tenant on the Premises as permitted in this Lease, whichever date is later, a sum equal to the difference between the original premium and the increased premium. Landlord reserves the right to prescribe the weight and position of all safes, fixtures and heavy installations that Tenant desires to place in the Premises so as to distribute properly the weight, or to require plans prepared by a qualified structural engineer for such heavy objects, which shall be prepared at Tenant's sole cost and expense.

11. **COMPLIANCE WITH THE LAW:** Tenant shall not use the Premises in a manner or permit anything to be done in or about the Premises which will in any way violate any law, statute, zoning restriction, ordinance or governmental law or rule, regulation, or requirement of any duly constituted public authorities now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances, and governmental rules, regulations, which includes, but is not limited to, the Americans with Disability Act ("**ADA**") of 1990 (42 U.S.C. 12101 *et. seq.*), and any amendment thereto or regulations promulgated thereunder, or requirements of any board or fire insurance underwriters or other similar bodies, now or hereafter constituted, relating to or affecting the condition, use, or occupancy of the Premises as they specifically apply to Tenant's use of the Premises, excluding capital improvements not required as a result of Tenant's improvements or acts. The final judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance, or governmental rule, regulation, or requirement, shall be conclusive of that fact as between Landlord and Tenant.

12. **ALTERATIONS AND ADDITIONS:** Tenant shall not make or suffer to be made any alterations, additions, or improvements (collectively, "**Alterations**") to or of the Premises, or any part thereof, without first obtaining the written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Any Alterations to the Premises, including, but not limited to, wall covering, paneling, and built-in cabinet work, but excepting movable furniture and trade fixtures, shall on the expiration of the Term become a part of the realty and belong to Landlord, and shall be surrendered with the Premises. However, Landlord can elect by written notice given at the time that Landlord consents to such Alteration, require Tenant to remove such Alterations at the termination of this Lease. For any Alteration for which Landlord's written consent thereto was not provided, Landlord may elect by written notice to Tenant at any time before the expiration of the Term to require Tenant to remove such Alteration at the termination of the Lease. For the avoidance of doubt, Tenant will not be required to remove from the Premises any alterations or improvements located in the Premises as of the date of Landlord's delivery of the Premises to Tenant. If Landlord so timely elects, Tenant at its own cost shall restore the Premises to the condition designated by Landlord in its election, before the last day of the Term. Before Landlord's consent to such Alterations will be given, Tenant shall submit detailed specifications, floor plans and necessary permits (if applicable) to Landlord for review. In no event shall any Alterations affect the structure of the Building or its facade. As a condition to its consent, Landlord may request adequate assurance that all contractors who will perform such work have in force workman's compensation and such other employee and commercial general liability insurance as Landlord reasonably deems necessary. In the event Landlord consents to the making of any Alterations to the Premises by Tenant, the same shall be made by Tenant at Tenant's sole cost and expense, comply with all applicable laws, statutes and ordinances, be completed to the reasonable satisfaction of Landlord, and any architect, contractor or person selected by Tenant to make the same must first be approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed. If Tenant makes any Alterations to the Premises, the Alterations shall not be commenced until five (5) business days after Landlord has received notice from Tenant stating the date the installation of the alterations is to commence so that Landlord can post and record an appropriate notice of nonresponsibility. Notwithstanding the foregoing, without the prior consent of Landlord, but with the prior notice to Landlord, Tenant shall be entitled to make Alterations within the Premises, provided that (i) the cost of the constructing such Alterations does not exceed One Hundred Thousand and No/100ths Dollars (\$100,000.00) per project in the aggregate, (ii) does not affect the structure or adversely affect the mechanical systems of the Building, and (iii) Tenant otherwise complies with the provisions of this Section. Tenant shall indemnify, defend and hold the Landlord, the Building and the Premises free and harmless from any liability, loss, damage, cost, attorneys' fees and other expenses incurred on account of such construction, or claims by any person performing work or furnishing materials or supplies for Tenant or any persons claiming under Tenant; provided that the foregoing shall not include and Tenant shall not be charged any fees by Landlord in connection with any Alterations.

13. REPAIRS AND MAINTENANCE:

(a) Tenant shall, at Tenant's sole cost and expense, maintain the interior, non-structural portions of the Premises in good, clean and safe condition and repair. Without limiting the generality of the foregoing, Tenant shall be solely responsible for maintaining and repairing all fixtures, electrical lighting, ceilings and floor coverings, windows, doors, plate glass, skylights, and interior walls within the Premises. In addition, Tenant shall be responsible for all repairs made necessary by the negligence or willful misconduct of Tenant, its employees, agents, contractors or invitees. Landlord shall have no obligation to alter, remodel, improve, repair, decorate or paint the Premises except as specifically set forth in this Lease. Notwithstanding anything to the contrary in this Lease, under no circumstances shall Tenant make any repairs to the structural portions of the Building, unless such repairs are previously approved in writing by Landlord, in Landlord's sole discretion.

(b) Landlord shall be responsible for repairing and maintaining the portions of the Premises exterior to the Building, the structural portions of the Building and the Premises (including, without limitation, the exterior walls and the foundations of the Building), elevators, the roof and sidewalks (including the sidewalks adjacent to the Premises) in good, clean and safe condition and repair. Landlord shall also maintain and repair all landscaping, driveways, parking lots, the underground garage, fences, signs, sidewalks and the Common Areas of the Building, if any, in such condition. Landlord shall be responsible for maintaining and repairing, in good, clean and safe condition and repair, all Building operating systems including, without limitation, the plumbing, heating, electrical, fire life safety, sewer and air conditioning and ventilation systems. The foregoing obligations of Landlord contained in this Section 13(b) are collectively referred to as "**Landlord's Repairs**" and shall be included as Operating Expenses except as otherwise provided in Section 7(c). Except as otherwise provided in this Lease, Landlord shall have no liability to Tenant, nor shall Tenant's obligations under this Lease be reduced or abated in any manner whatsoever by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord making any repairs which Landlord is required or permitted by this Lease or by any other tenants' lease or required by law to make in or to any portion of the Premises; provided, however, that Landlord shall use reasonable efforts to minimize any interference with Tenant's business at the Premises. If Landlord or Tenant fails to maintain the Premises in good order, condition and repair, Landlord and Tenant, as the case may be, shall give the responsible party thirty (30) days written notice to do such acts as are reasonably required to so maintain the Premises. If the responsible party fails to promptly commence such work within such time period and diligently prosecute it to completion, then the other party shall have the right to do such acts and expend such funds at the expense of the responsible party as are reasonably required to perform such work. Any amount so expended by the other party shall be paid by the responsible party promptly after demand with interest at the "Reference Rate" (formerly, "Prime Rate") then being charged by the San Francisco main office of Bank of America NT & SA plus two percent (2%) per annum, from the date of such work, but not to exceed the maximum amount then allowed by law.

14. **WASTE:** Tenant shall not use the Premises in any manner that will constitute waste, nuisance, or unreasonable annoyance to owners or occupants of adjacent properties or to other tenants of the Building.

15. **LIENS:** Tenant shall keep the Premises and the Project free from any liens arising out of any work performed, materials furnished, or obligations incurred by Tenant.

16. **ASSIGNMENT AND SUBLETTING:** Tenant shall not assign, transfer, mortgage, pledge, hypothecate, or encumber this Lease or any interest therein, nor sublet the Premises or any part thereof, or any right or privilege appurtenant thereto or permit the use or occupancy by any other party without the written consent of the Landlord first had and obtained, which consent shall not be unreasonably withheld, conditioned or delayed. Any attempted assignment, transfer, mortgage, encumbrance, or subletting without such consent shall be void and shall constitute a breach of this Lease without the need for notice to Tenant. Tenant shall give Landlord written notice of Tenant's desire to assign or sublet all or some portion of the Premises and the date on which Tenant wishes to make such assignment or sublease, at least fifteen (15) days prior to such date. Such written notice shall set forth the name of the proposed assignee or sublessee, the nature of the business to be carried on in the Premises, the space to be assigned or sublet, the material terms and provisions of the proposed sublease or assignment, and such financial information as Landlord may reasonably request to the extent reasonably available. Landlord shall then have a period of fifteen (15) days following receipt of such notice and accompanying information within which to notify Tenant of its decision with respect to the proposed sublease or assignment. If Landlord fails to respond in writing within such period, Tenant may send a second notice to Landlord which notice must state prominently "THIS IS A SECOND REQUEST. FAILURE TO RESPOND WITHIN FIVE (5) BUSINESS DAYS WILL BE DEEMED TO CONSTITUTE A CONSENT TO THE TRANSFER." If Landlord still fails to respond in writing within five (5) business days after receipt of the second notice, Landlord will be deemed to have consented to such assignment or sublease. If Landlord rejects Tenant's request, it shall do so in writing and shall specify the reasons for not giving its consent. If (i) Tenant intends to (or does) sublease, in the aggregate, more than fifty percent (50%) of the Building and (ii) the term of such sublease is for more than half the term of the Lease remaining from the date of such sublease to the earlier of (A) the Termination Date and (B) the expiration date of this Lease (or any sub-sublease or other transfer of an interest in the Premises of more than fifty percent of the Building for a term of more than half the remaining Term of this Lease or if earlier, the Termination Date), Landlord shall then have a period of twenty (20) days [fifteen days plus the second five business day written notice as set forth above] following receipt of such written notice directly from Tenant and all information reasonably requested by Landlord with respect to such sublease within which to notify Tenant in writing that Landlord elects, in Landlord's sole discretion either (i) to terminate this Lease as to that portion of the Premises then being proposed to be sublet as of the date so specified by Tenant, in which event Tenant will be relieved of all further obligations hereunder as to such portion of the Premises, or (ii) to permit Tenant to make such assignment or sublease subject to the following:

(a) Any such assignment, sublease or the like must be pursuant to a written agreement which shall provide that such assignee, sublessee, or other transferee agrees to abide by and not to violate the terms and conditions of this Lease. No sublease or assignment by Tenant shall relieve Tenant of any liability hereunder. Any sublease must provide that Tenant (Sublessor) has the right to reenter the Premises upon termination of such sublease.

(b) One-half (1/2) of any sums or other economic consideration received by Tenant on account of the leasehold interest hereunder, which exceed in the aggregate the total sums which Tenant is obligated to pay under this Lease (prorated to reflect obligations allocable to that portion of the Premises subject to such sublease), after subtracting the amortized (amortized over the term of such sublease or assignment) amount of all transaction related costs including but not limited to rent concessions, improvement allowances, brokerage fees, advertising, and legal fees, shall be payable to Landlord as additional Rent under this Lease without affecting or reducing any other obligation of Tenant hereunder.

(c) No assignment or sublease shall be valid and no assignee or subtenant shall take possession of the Premises until an executed counterpart of such assignment or sublease has been delivered to Landlord. Tenant shall have the duty and responsibility to take such actions as are necessary to ensure that such assignee or sublessee does not violate the terms and provisions of the Lease. In the event Tenant assigns the Lease with respect to less than all of the Premises, all options to purchase the Premises or to renew this Lease at the end of the original term, which options, if any, are defined and explained herein or in an addendum to this Lease, shall terminate.

(d) Notwithstanding the foregoing, Tenant may assign this Lease or sublet the Premises or any portion thereof, without Landlord's consent and without being subject to the termination right set forth in Section 16 above or the provisions of Sections 16(b), but with prior written notice, to any corporation, partnership, individual or other entity which controls, is controlled by or is under common control with Tenant, or to any corporation, partnership, individual or other entity, resulting from a merger or consolidation with Tenant, or to any person or entity which acquires all of the assets of Tenant's business as a going concern, provided that (i) the assignee or sublessee assumes, in full, the obligations of Tenant under this Lease, (ii) Tenant (or its successor following a merger) remains fully liable under this Lease, and (iii) the use of the Premises remains unchanged, unless the approval of the City of Mountain View is obtained (to the extent required). No transfer of stock in the Tenant shall be considered an assignment, sublease or transfer under this Lease.

(e) If Tenant requests Landlord to consent to a proposed assignment or subletting, Tenant shall pay Landlord, whether or not consent is ultimately given, Landlord's reasonable costs, including attorneys' fees (which reasonable costs and attorneys' fees shall not exceed Three Thousand and No/100ths Dollars (\$3,000.00) in the aggregate for each proposed assignment or subletting) incurred in connection with evaluating such request and/or documenting such sublease or assignment.

17. **INDEMNITY:** Except to the extent resulting from the negligence or willful misconduct of Landlord or Landlord's agents, employees, contractors or invitees or a breach of Landlord's obligations under the Lease, Tenant shall indemnify, defend, protect and hold Landlord, any partner, co-venturer, officer, director, employee, agent, or representative of Landlord (collectively, "**Landlord Group**") harmless against and from all claims, damages and liabilities, arising from Tenant's use of the Premises or the conduct of Tenant's business or from any activity, work, or other thing done, permitted or suffered by Tenant in or about the Building, and shall further indemnify and hold the Landlord Group harmless against and from any and all claims, damages and liabilities, directly arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any act or negligence of the Tenant or any officer, agent, employee, guest, or invitee of Tenant, and from all and against all costs, reasonable attorneys' fees, expenses, and liabilities incurred in or about any such claim or any action or proceeding brought thereon, and, in any case, action, or proceeding brought against Landlord by reason of any such claim. Tenant, as a material part of the consideration to Landlord under this Lease, hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises, except that Tenant shall not assume any risk for damage resulting from the negligence or wrongful act of Landlord or Landlord's agents, employees, contractors or invitees or a breach of Landlord's obligations under the Lease.

Except to the extent resulting from the negligence or willful misconduct of Tenant or Tenant's agents, employees, contractors or invitees or a breach of Tenant's obligations under the Lease, Landlord shall indemnify, defend, protect and hold Tenant, any partner, co-venturer, officer, director, employee, agent, or representative of Tenant harmless against and from all claims, damages and liabilities, arising from the gross negligence or willful misconduct of Landlord or Landlord's agents, employees, contractors or invitees or a breach of Landlord's obligations under the Lease.

Subject to Landlord's maintenance obligations in the lease and except to the extent resulting from the gross negligence or wrongful act of Landlord or Landlord's agents, employees, contractors or invitees, Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its employees, invitees or customers, or any other person in or about the Premises, caused by or resulting from fire, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects from pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building or from other sources. Landlord shall not be liable for any damages arising from any act or omission from any other tenant of the Building.

18. DAMAGE TO PREMISES OR BUILDING: All injury to the Premises or the Building caused by moving the property of Tenant or its employees, agents, guests or invitees into, in or out of the Building and all breakage done by Tenant or the agents, servants, employees, and visitors of Tenant shall be repaired as determined by the Landlord at the expense of the Tenant.

19. TENANT'S INSURANCE/WAIVER OF SUBROGATION:

(a) All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies which are rated by Best Insurance Reports as A:VII or better and reasonably acceptable to Landlord and Landlord's lender and licensed or authorized to do business in the State of California. Each policy shall name Landlord, and at Landlord's request, any mortgagee of Landlord, as an additional insured, as their respective interests may appear. Each policy shall contain (i) a separation of insureds condition, (ii) a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance for Landlord's interest only, and (iii) with respect to Tenant's property insurance, a waiver by the insurer of any right of subrogation against Landlord, its agents, employees and representatives, which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees or representatives. A certificate of the insurance evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord before the date Tenant is given possession of the Premises, and thereafter, within thirty (30) days after any demand by Landlord therefor. No such policy shall be canceled, materially changed or reduced in coverage except after thirty (30) days' written notice to Landlord and Landlord's lender. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least ten (10) days prior to the expiration thereof. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge the Tenant the premiums, which shall be payable upon demand. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by the Tenant, provided such blanket policies expressly afford coverage to the Premises, Landlord, Landlord's mortgagee and Tenant as required by this Lease.

(b) Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term or earlier termination of the Lease, Tenant shall procure, pay for and maintain in effect policies of property insurance (excluding flood and earthquake) covering (i) all Tenant Improvements (including any alterations, additions or improvements as may be made by Tenant pursuant to the provisions of Section 12 hereof), and (ii) trade fixtures, merchandise and other personal property from time to time, in, on or about the Premises, in an amount not less than one hundred percent (100%) of their actual replacement cost from time to time, in so called "all risk" or Special Form. The proceeds of such insurance shall be used for the repair or replacement of the property so insured as reasonably necessary for the operation of Tenant's business in the Premises. Upon termination of this Lease following a casualty as set forth herein, the proceeds under (i) shall be paid to Landlord, and the proceeds under (ii) above shall be paid to Tenant.

(c) Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the term of the Lease, Tenant shall procure, pay for and maintain in effect workers' compensation and employer's liability insurance and commercial general liability insurance which includes coverage for personal injury, contractual liability and Tenant's independent contractors. The commercial general liability should be procured and maintained with not less than Three Million Dollars (\$3,000,000.00) per occurrence combined single limit for bodily injury, personal injury or property damage liability. If such insurance covers more than one location, the general aggregate limit shall apply on a per location basis.

(d) Intentionally Omitted.

(e) Intentionally Omitted.

(f) Tenant agrees to obtain certificates of insurance evidencing commercial general liability insurance, including completed operations and XCU coverage, and workers' compensation insurance and employer's liability insurance from any contractors or subcontractors engaged in repairs or maintenance to the Premises during the term of the Lease. Such liability insurance must be for minimum limits of One Million Dollars (\$1,000,000.00) per occurrence combined single limit for bodily injury including death and property damage liability.

(g) Landlord shall procure and maintain in effect property insurance in so-called "all risk" or Special Form covering the Premises, the Building and the Tenant Improvements for the full replacement cost thereof.

(h) Notwithstanding anything to the contrary in the Lease, Landlord and Tenant each hereby waive all rights of recovery against the other and against the officers, employees, agents and representatives of the other, on account of loss by or damage to the waiving party of its property or the property of others under its control, to the extent that such loss or damage is insured against and payment is made under any property insurance policy which either may have in force or are required under the Lease to have in force at the time of the loss or damage. Landlord and Tenant shall give notice to its insurance carrier or carriers regarding the foregoing mutual waiver of subrogation as contained in this Lease.

20. **WAIVER:** No delay or omission in the exercise of any right or remedy of Landlord or Tenant on any default by Tenant or Landlord shall impair such a right or remedy or be construed as a waiver. The subsequent acceptance of Rent by Landlord after breach by Tenant of any covenant or term of this Lease shall not be deemed a waiver of such breach, other than a waiver of timely payment for the particular Rent involved, and shall not prevent Landlord from maintaining an unlawful detainer or other action based on such breach. No act or conduct of Landlord, including without limitation the acceptance of the keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the term. Prior to the scheduled expiration of the term of the Lease, only a notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish an early termination of the Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord or Tenant of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of the Lease. The review, approval, or inspection by Landlord of any item to be reviewed, approved, or inspected by Landlord under the terms of this Lease shall not constitute the assumption of any responsibility by Landlord for the accuracy or sufficiency of any such item or the quality or suitability of such item for its intended use.

21. **ENTRY BY LANDLORD:** Subject to Tenant's reasonable security procedures, except in the event of an emergency (in which event no notice shall be required), Landlord reserves, and shall at any and all reasonable times with at least one (1) business days' notice have the right to enter the Premises to inspect the same, to supply any service to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to maintain and repair the Premises and any portion of the Building that Landlord may deem necessary or desirable, without abatement of Rent, and may for that purpose erect scaffolding and other necessary structures, where reasonably required by the character of the work to be performed, always providing that the entrance to the Premises shall not be blocked thereby and further providing that the business of the Tenant shall not be interfered with unreasonably. Tenant hereby waives any claims for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby, but only to the extent resulting from Landlord's valid exercise of its rights under this Section 21. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in the event of an emergency (as determined by Landlord or its employees or representatives acting in good faith), in order to obtain entry to the Premises without liability to Landlord. Any entry to the Premises obtained by Landlord by any of said means shall not under any circumstances be construed or be deemed to be a forcible or unlawful entry into, or a detainer of the Premises, or an eviction of Tenant from the Premises or any portion thereof.

22. CASUALTY DAMAGE: During the term hereof, if the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give prompt written notice thereof to Landlord. In case the Building shall be so damaged by fire or other casualty that substantial alteration or reconstruction of the Building shall be required, (i) if the Premises have been materially damaged and there is less than one (1) year of the Term remaining on the date of the casualty, or (ii) if insurance proceeds in excess of \$500,000 are unavailable to Landlord for the repair of the Building, Landlord may, at its option, terminate this Lease and the term and estate hereby granted by notifying Tenant in writing of such termination within sixty (60) days after the date of such damage, in which event the Rent shall be abated as of the date of such damage. Notwithstanding the foregoing, with respect to clause (ii) of the preceding sentence, by providing written notice to Landlord (the "**Election Notice**") within 10 days following the date Landlord notifies Tenant of Landlord's determination that a casualty results in a material uninsured loss in excess of \$500,000 (and which notice Landlord shall provide to Tenant within a reasonable period of time following Landlord's determination thereof), Tenant may elect to pay the entire shortfall of all costs and expenses directly related to the restoration of the Building in accordance with the terms of this Lease in excess of \$500,000 (the "**Restoration Funds**"), and, following Landlord's receipt of the Restoration Funds, Landlord shall have no right to terminate this Lease. If the Premises are damaged by fire or other casualty and Landlord does not elect to terminate the Lease or is not entitled to terminate the Lease pursuant to its terms, then Tenant shall have the option to terminate the Lease if the Premises are not reasonably expected to be fully restored by Landlord to their prior condition within three hundred sixty-five (365) days after the damage, as reasonably determined by Landlord, which determination Landlord shall make within thirty (30) days after the date of such damage and shall notify Tenant thereof within such thirty (30) day period, or if the Premises are not actually fully restored by Landlord to their prior condition within three hundred ninety-five (395) days after the damage. If Tenant intends to terminate this Lease pursuant to the immediately preceding sentence, Tenant shall provide written notice to Landlord within thirty (30) days after written notice from Landlord of Landlord's determination that the Premises are not reasonably expected to be fully restored within such three hundred sixty-five (365) day period or within fifteen (15) days after the expiration of such three hundred ninety-five (395) period, as the case may be. If neither party terminates the Lease, Landlord shall, within sixty (60) days after the date of such damage, commence to repair and restore the Building and shall proceed with reasonable diligence to restore the Building (except that Landlord shall not be responsible for delays outside its control) to substantially the same condition in which it was immediately prior to the happening of the casualty, except that Landlord shall not be required to rebuild, repair or replace any part of Tenant's furniture and furnishings or fixtures and equipment removable by Tenant under the provisions of this Lease, but such work shall not exceed the scope of the work done by Landlord in originally constructing the Building and the Landlord's Work. Tenant shall not be entitled to any compensation or damages from Landlord, and Landlord shall not be liable, for any loss of the use of the whole or any part of the Premises, the Building, Tenant's personal property, or any inconvenience or annoyance occasioned by such loss of use, damage, repair, reconstruction or restoration, except that, subject to the provisions of the next sentence, Landlord shall allow Tenant a diminution of Rent on a square footage basis during the time and to the extent the Premises are unfit or unavailable for occupancy. Subject to Section 19(h) of the Lease, if the Premises or any other portion of the Building are damaged by fire or other casualty resulting from the negligence of Tenant or any of Tenant's agents, employees, or invitees, Tenant shall be liable to Landlord for the cost and expense of the repair and restoration of the Building caused thereby to the extent such cost and expense is not covered by insurance proceeds. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or to the Premises shall be for the sole benefit of the party carrying such insurance and under its sole control. Landlord and Tenant each hereby specifically waives any and all rights each may have under any law, statute, ordinance or regulation to terminate the Lease by reason of casualty or damage to the Premises or Building, and the parties hereto specifically agree that the Lease shall not automatically terminate by law upon destruction of the Premises.

23. CONDEMNATION:

(a) If the whole of the Premises, Tenant's access to the Premises, or so much of the Premises as to render the balance unusable by Tenant for its normal business operations are taken by condemnation, this Lease shall terminate as of the date when physical possession of the Premises is taken by the condemning authority. If less than substantially the whole or such portion of the Premises is thus taken or sold, this Lease shall be unaffected by such taking, provided that the Rent payable hereunder shall be diminished by an amount representing that part of the Rent as shall properly be allocable to the portion of the Premises which was so condemned, and Landlord, at Landlord's sole expense, shall restore and reconstruct the remainder of the Premises to substantially their former condition. Subject to the rights of any mortgagee under a mortgage or deed of trust covering the Premises, Landlord shall be entitled to and shall receive the total amount of any award made with respect to condemnation of the

Premises, regardless of whether the award is based on a single award or a separate award as between the respective parties, and to the extent that any such award or awards shall be made to Tenant or to any person claiming through or under Tenant, Tenant hereby irrevocably assigns to Landlord all of its rights, title and interest in and to any such awards. No portion of any such award or awards shall be allocated to or paid to Tenant for any so-called bonus or excess value of this Lease by reason of the relationship between the rental payable under this Lease and what may at the time be a fair market rental for the Premises. The foregoing notwithstanding, and if Tenant is not in default under the Lease, Landlord shall turn over to Tenant, promptly after receipt thereof by Landlord, that portion of any such award received by Landlord hereunder which is attributable to Tenant's fixtures and equipment which are condemned as part of the property taken but which Tenant would otherwise be entitled to remove, and the appraisal of the condemning authority with respect to the amount of any such award allocable to such items shall be conclusive, and the unamortized amount of the cost of the Tenant Improvements paid for by Tenant. The foregoing shall not, however, be deemed to restrict Tenant's right to pursue a separate award specifically for its relocation expenses, loss of business or the taking of Tenant's personal property or trade fixtures or the unamortized amount of the cost of the Tenant Improvements paid for by Tenant. Tenant and Landlord each hereby specifically waives any and all rights each may have under any law, statute, ordinance or regulation (including, without limitation, Sections 1265.120 and 1265.130 of the California Code of Civil Procedure), to terminate or petition to terminate this Lease upon partial condemnation of the Premises, and the parties hereto specifically agree that this Lease shall not automatically terminate as a matter of law upon condemnation.

(b) The words "condemnation" or "condemned" as used herein shall mean the taking for any public or quasi-public use under any governmental law, ordinance, or regulation, or the exercise of, or the intent to exercise, the power of eminent domain, expressed in writing, as well as the filing of any action or proceeding for such purpose, by any person, entity, body, agency, or authority having the right or power of eminent domain, and shall include a voluntary sale by Landlord to any such person, entity, body agency or authority, either under threat of condemnation expressed in writing or while condemnation proceedings are pending, and shall occur in point of time upon the actual physical taking of possession pursuant to the exercise of said power of eminent domain.

24. **TENANT'S DEFAULT:** The occurrence of any one or more of the following events shall constitute a "**Default**" and breach of this Lease by Tenant:

(a) The failure by Tenant to make any payment of Rent or any other payment required to be made by Tenant hereunder as and when due, where such failure shall continue for a period of ten (10) days after written notice of failure to pay after the due date.

(b) Tenant's failure to observe or perform any of the covenants, conditions, or provisions of this Lease to be observed or performed by Tenant, other than as described in subparagraph (a) above, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(c) The making by Tenant of any general assignment or general arrangement for the benefit of creditors, or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within sixty (60) days, or the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged in sixty (60) days.

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

In no event shall Tenant be liable to Landlord for loss of profits, business interruption, or consequential damages for a failure to perform its obligations if Tenant cures such failure within the time periods specified in this Section.

25. REMEDIES FOR TENANT'S DEFAULT: In the event of Tenant's Default, Landlord may:

- (a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event, Landlord shall be entitled to recover from Tenant:
 - (i) the worth at the time of the award of any unpaid rent which had been earned at the time of such termination; plus
 - (ii) the worth at the time of the 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 which Tenant proves could have been reasonably avoided, plus
 - (iii) the worth at the time of the 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 which Tenant proves could be reasonably avoided, plus
 - (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom (including, without limitation, the cost of recovering possession of the Premises, expenses of reletting including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and real estate commissions actually paid for the time period consisting of the unexpired portion of this Lease), plus
 - (v) such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

As used in Subsections (1) and (2) above, the "worth at the time of the award" shall be computed by allowing interest at the Interest Rate defined in Section 39(q) of the Lease. As used in subsection (3) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(b) Pursuant to California Civil Code Section 1951.4, continue this Lease in full force and effect, and the Lease will continue in effect, as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect Rent when due. After Tenant's Default and for as long as Landlord does not terminate Tenant's right to possession of the Premises, if Tenant obtains Landlord's consent, Tenant shall have the right to assign or sublet its interest in this Lease, but Tenant shall not be released from liability.

(c) Cause a receiver to be appointed to collect Rent. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Landlord to terminate the Lease.

(d) Cure the Default at Tenant's cost. If Landlord at any time, by reason of Tenant's default, reasonably pays any sum or does any act that requires the payment of any sum, the sum paid by Landlord shall be due immediately from Tenant to Landlord at the time the sum is paid, and if paid at a later date shall bear interest at the Interest Rate from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant. The sum, together with interest on it, shall be additional Rent.

The foregoing remedies are not exclusive; they are cumulative, in addition to any remedies now or later allowed by law, to any equitable remedies Landlord may have, and to any remedies Landlord may have under bankruptcy laws or laws affecting creditors' rights generally.

26. **SURRENDER OF PREMISES:** On expiration of this Lease or within five (5) days after the earlier termination of the Lease, Tenant shall surrender to Landlord the Premises in good condition (except for ordinary wear and tear, repair and maintenance which is the obligation of Landlord, and damage from casualty or condemnation pursuant to Sections 22 and 23 of this Lease). Tenant shall remove all its personal property within the above-stated time.

27. DEFAULT BY LANDLORD:

(a) Landlord shall not be deemed to be in default in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligations within thirty (30) days after written notice by Tenant to Landlord specifying wherein Landlord has failed to perform such obligation, provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. In no event shall Landlord be liable to Tenant for loss of profits, business interruption, or consequential damages for a failure to perform its obligations if Landlord cures such failure within the time periods specified in this paragraph.

(b) Tenant agrees to give any mortgagee and/or trust deed holders, by registered mail, a copy of any Notice of Default served upon the Landlord, provided that prior to such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of such mortgagee and/or trust deed holder. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the mortgagees and/or trust deed holders shall have an additional thirty (30) days within which to cure such default, or if such default cannot be cured within that time, then such additional time as may be necessary if within thirty (30) days mortgagee and/or trust deed holder has commenced and is diligently pursuing the remedies necessary to cure such default (including, but not limited to, commencement of foreclosure proceedings, if necessary to effect such cure), in which event this Lease shall not be terminated while remedies are being so diligently pursued.

(c) In the event Landlord fails to perform any of its obligations under this Lease and (except in case of emergency posing an immediate threat to persons or property, in which case no prior notice shall be required) fails to commence such cure within said thirty (30) day period and thereafter continuously with due diligence prosecute such cure to completion, then Tenant may cure such default and to demand reimbursement by Landlord of the cost of such cure, with interest thereon at the Interest Rate, from the date of the expenditure until repaid. If Landlord fails to reimburse Tenant within thirty (30) days after demand, then Tenant may set off such amount against the Rent next due. Notwithstanding the foregoing to the contrary, Tenant's self-help rights under this Section 27(c) shall not exceed the amount of two (2) month's Base Rent.

28. **PARKING:** Tenant shall have the right to the exclusive use of all of the parking spaces located in the Building's underground parking facilities at no additional charge to Tenant. Overnight parking therein shall be permitted. Landlord shall not be liable for any claims, losses, damages, expenses or demands with respect to injury or damage to the vehicles of Tenant or Tenant's customers or employees that park in the parking areas of the Project, except for such loss or damage as may be caused by the negligence or willful misconduct of Landlord, its agents, representatives, employees, contractors and subcontractors.

29. **ESTOPPEL CERTIFICATE:** Tenant shall at any time and from time to time upon not less than ten (10) days' prior written notice from Landlord execute, acknowledge, and deliver to Landlord a statement in writing, (a) 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 modified is in full force and effect) and the date to which the Rental and other charges are paid in advance, if any; (b) certifying that the Premises have been accepted by Tenant; (c) confirming the Commencement Date and the expiration date of the Lease; and (d) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder, or specifying such defaults, if any are claimed. Any such statement may be relied upon by a prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part.

30. **SALE OF PREMISES:** In the event of any sale of the Project, Landlord shall be and hereby is entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease provided the purchaser, at such sale or any subsequent sale of the Premises assumes in writing any and all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid Rent has been paid by Tenant, Landlord will transfer the security deposit and prepaid rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

31. **SUBORDINATION, ATTORNMENT:**

(a) This Lease is and shall be subordinate to any ground lease, mortgage, or deed of trust now of record or recorded after the date of this Lease affecting the Building, other improvements, and land of which the Premises are a part. Such subordination is effective without any further act of Tenant. If any mortgagee, trustee, or ground lessor shall elect to have this Lease and any options granted hereby prior to the lien of its mortgage, deed of trust, or ground lease, and shall give written notice thereof to Tenant, this Lease and such options shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease or such options are deeded prior or subsequent to the date of said mortgage, deed of trust, or ground lease, or the date of recording thereof.

(b) In the event any proceedings are brought for foreclosure, or in the event of a sale or exchange of the real property on which the Building is located, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Premises, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease. Tenant agrees to execute any commercially reasonable documents required to effectuate an attornment or to make this Lease or any options granted herein prior to the lien of any mortgage, deed of trust, or ground lease, as the case may be.

(c) Landlord agrees that Tenant's obligations to subordinate under this Section to any future ground lease, mortgage, or deed of trust shall be conditioned upon Tenant's receipt of a non-disturbance agreement reasonably acceptable to Tenant from the party requiring such subordination (which party is referred to for the purposes of this Section as the "**Superior Lienor**"). Such non-disturbance agreement shall, (i) provide that Tenant's possession of the Premises shall not be interfered with following a foreclosure, provided Tenant is not in default beyond any applicable cure periods, and (ii) provide that Superior Lienor, following a foreclosure, will recognize all of Tenant's rights in the Lease except that Superior Lienor (A) shall not be liable for damages for any previous act or omission of the Landlord but the same shall not release Superior Lienor from the obligation to cure any existing defaults following foreclosure; (B) shall not be bound by any payment of rents, additional rents or other sums which Tenant may have paid more than one (1) month in advance to any prior Landlord (except for the initial month's Rent paid by Tenant upon execution of the Lease) unless such sums are actually received by the Superior Lienor; (C) shall not be liable for the return of any security deposit under the Lease unless actually received by the Superior Lienor;

(D) shall not be subject to any offset rights which Tenant might have against any prior landlord (including Landlord), except for those self help rights and offset rights that are expressly set forth in the Lease; or (E) shall not be bound by any agreement (not existing on the date of such non-disturbance agreement) amending or modifying the Lease made without the Superior Lienor's prior written consent. Landlord's obligation with respect to such a non-disturbance agreement shall be limited to obtaining the non-disturbance agreement in such form as the Superior Lienor generally provides in connection with its standard commercial loans, however, Tenant shall have the right to negotiate, and Landlord shall use its good faith efforts and due diligence in assisting Tenant in the negotiation of, revisions to that non-disturbance directly with the Superior Lienor. Tenant agrees to use its good faith efforts to reach agreement with the Superior Lienor upon acceptable terms and conditions of a non-disturbance agreement; provided, however, that Tenant acknowledges and agrees that the form of subordination, attornment and non-disturbance agreement attached hereto as Exhibit D ("**SNDA**") is acceptable to Tenant and that Tenant shall promptly execute such SNDA when required by Superior Lienor.

(d) Landlord represents and warrants to Tenant that there is no ground lease, mortgage, deed of trust or other similar lien encumbering the Building or the Premises as of the date of this Lease.

32. AUTHORITY OF PARTIES:

(a) **Tenant's Authority:** If Tenant is a corporation, Tenant represents and warrants that each individual executing this Lease on behalf of said corporation is duly authorized to execute and deliver this Lease on behalf of said corporation, and that this Lease is binding upon said corporation in accordance with its terms.

(b) **Landlord's Authority:** If Landlord is a partnership, Landlord represents and warrants that each individual executing this Lease on behalf of said partnership is duly authorized to execute and deliver this Lease on behalf of said partnership under the terms of the partnership agreement of said partnership.

33. BROKER: Landlord and Tenant each warrants that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease except for the Brokers listed in the Basic Lease Information, and it knows of no other real estate broker or agent who is entitled to a commission in connection with the Lease. Landlord agrees to pay any commission to which Brokers are entitled in connection with this Lease. Tenant agrees to indemnify and defend Landlord and hold Landlord harmless from any claims for brokerage commissions arising out of any dealings allegedly had by Tenant with any broker other than Broker.

34. HOLDING OVER: Upon termination of the Lease or expiration of the Term hereof, if Tenant retains possession of the Premises without Landlord's written consent first had and obtained, then Tenant's possession shall be deemed a month-to-month tenancy upon all of the terms and conditions contained in this Lease, except the base rent portion of the Rent which shall be increased to one hundred and fifty percent (150%) of the amount of the Base Rent at the expiration or earlier termination of the Lease, as the case may be. Rent, as adjusted pursuant to this Section, shall be payable in advance on or before the first day of each month. If either party desires to terminate such month-to-month tenancy, it shall give the other party not less than thirty (30) days' advance written notice of the date of termination.

35. RULES AND REGULATIONS: Tenant shall faithfully observe and comply with such reasonable rules and regulations that Landlord shall from time to time promulgate with respect to the preservation of the condition of the Premises or the quiet enjoyment of adjacent properties. Landlord reserves the right from time to time to make all reasonable nondiscriminatory modifications to said rules. Such rules and regulations and any additions and modifications thereto shall be binding upon Tenant upon delivery of a copy to them to Tenant. Landlord shall use its reasonable efforts to enforce compliance with such rules, but shall not be responsible to Tenant for the nonperformance of any of said rules by other tenants or occupants.

36. HAZARDOUS MATERIALS:

(a) For the purpose of this Section 36(a) and this Lease, the following terms are defined as follows:

(1) **"Hazardous Materials"** shall mean any substance: (A) that now or in the future is regulated or governed by, requires investigation or remediation under, or is defined as a hazardous waste, hazardous substance, pollutant or contaminant under any governmental statute, code, ordinance, regulation, rule or order, and any amendment thereto, including for example only and without limitation, the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.*, and the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.*, or (B) that is toxic, explosive, corrosive, flammable, radioactive, carcinogenic, dangerous or otherwise hazardous, including for example only and without limitation, gasoline, diesel, petroleum hydrocarbons, polychlorinated biphenyls (PCBs), asbestos, radon and urea formaldehyde foam insulation.

(2) **"Environmental Requirements"** shall mean all present and future governmental statutes, codes, ordinances, regulations, rules, orders, permits, licenses, approvals, authorizations and other requirements of any kind applicable to Hazardous Materials.

(3) **“Handle,” “Handled,” or “Handling”** shall mean any installation, handling, generation, storing, treatment, use, disposal, discharge, release, manufacture, refinement, presence, migration, emission, abatement, removal, transportation, or any other activity of any type in connection with or involving Hazardous Materials by Tenant or its officers, employees, contractors, assignees, sublessees, agents or invitees.

(4) **“Environmental Losses”** shall mean all costs and expenses of any kind, damages, foreseeable and unforeseeable consequential damages, fines and penalties incurred in connection with any violation of Environmental Requirements and all losses of any kind attributable to the diminution of value, loss of use or adverse effects on marketability or use of any portion of the Premises, Building or Project.

(b) No Hazardous Materials shall be Handled at or about the Premises, Building or Project without Landlord’s prior written consent, which consent may be granted, denied, or conditioned upon compliance with Landlord’s requirements, all in Landlord’s absolute discretion. Notwithstanding the foregoing, normal quantities and use of those Hazardous Materials customarily used in the conduct of general office activities, for example, copier fluids and cleaning supplies and, if applicable, generator fuel, may be used and stored at the Premises by Tenant without Landlord’s prior written consent. The Handling of all Hazardous Materials shall comply at all times with all Environmental Requirements. At the expiration or termination of the Lease, Tenant shall promptly remove from the Premises, Building or Project all Hazardous Materials Handled at the Premises, Building or Project (but Tenant shall not be required to remove, or have any liability whatsoever with respect to any Hazardous Materials not in any way Handled or exacerbated by Tenant). Tenant shall keep Landlord fully and promptly informed of all Handling of Hazardous Materials.

(c) Tenant covenants and warrants that it shall, at its own expense, promptly take all actions required by any governmental agency or entity in connection with the Handling of Hazardous Materials at or about the Premises, Building or Project, including without limitation, inspection and testing, performing all cleanup, removal and remediation work required with respect to those Hazardous Materials, complying with all closure requirements and post-closure monitoring, and filing all required reports or plans. All of the foregoing work and all Handling of all Hazardous Materials shall be performed in a good, safe and workmanlike manner by consultants qualified and licensed to undertake such work and in a manner that will not interfere with Landlord’s use, operation, leasing and sale of the Project and other tenants’ quiet enjoyment of their premises in the Property. Tenant shall deliver to Landlord prior to delivery to any governmental agency, or promptly after receipt from any such agency, copies of all permits, manifests, closure or remedial action plans, notices, and all other documents relating to the Handling of Hazardous Materials at or about the Premises, Building or Project. Tenant shall remove at its own expense, by bond or otherwise, all liens or charges of any kind filed or recorded against the Premises, Building or Project in connection with the Handling of Hazardous Materials, within ten (10) days after the filing or recording of such lien or charge, and if Tenant fails to do so, Landlord shall have the right, but not the obligation, to remove the lien or charge at Tenant’s expense in any manner Landlord deems expedient.

(d) Landlord shall have the right, but not the obligation, to enter the Premises at any reasonable time (i) to confirm Tenant’s compliance with the provisions of this Section, and (ii) to perform Tenant’s obligations under this Section if Tenant has failed to do so. Landlord shall also have the right, at Landlord’s sole cost, to engage qualified Hazardous Materials consultants to inspect the Premises and review the Handling of Hazardous Materials, including review of all permits, reports, plans, and other documents regarding same. Tenant shall pay the costs of Landlord’s consultants’ fees and all costs incurred by Landlord in so performing Tenant’s obligations under this Section. Landlord shall use reasonable efforts to minimize any interference with Tenant’s business caused by Landlord’s entry into the Premises, but Landlord shall not be responsible for any interference caused thereby, but only to the extent resulting from Landlord’s valid exercise of its rights under this Section 36(d).

(e) Tenant agrees to indemnify, defend and hold harmless Landlord and its partners and their directors, officers, shareholders, employees and agents from all Environmental Losses and all other claims, losses, damages, liabilities, costs and expenses of every kind, including without limitation, reasonable attorneys’ and consultants’ fees and costs, incurred at any time by Landlord from or in connection with the Handling of Hazardous Materials at or about the Premises, Building or Project.

(f) Landlord agrees to indemnify, defend and hold harmless Tenant from all Environmental Losses and all other claims, losses, damages, liabilities, costs and expenses of every kind, including without limitation, reasonable attorneys' and consultants' fees and costs, incurred at any time by Tenant resulting from claims, costs and liabilities with respect to Hazardous Materials that are either (i) caused by Landlord (to the extent not caused or exacerbated by Tenant), or (ii) unless brought upon the Premises by Tenant or Tenant's employees, contractors, subcontractors or other representatives, existing as of the Commencement Date.

(g) To the best of Landlord's actual and current knowledge, excluding constructive knowledge, the Building and the Premises, as of the Lease Date, do not contain any Hazardous Materials.

(h) Notwithstanding anything to the contrary, except as expressly set forth in Section 7 above, Tenant shall not be responsible or liable under this Lease for any Hazardous Materials at the Building or the Premises except to the extent the same were released thereon by Tenant or its officers, employees, contractors, assignees, sublessees, agents or invitees.

(i) The respective obligations of each party under this Section shall survive the expiration or termination of this Lease.

37. **NOTICES:** All notices and demands required to be sent to the Landlord (with a copy of notices of default to any mortgagee and/or trust deed holders to the extent required under Section 27(b)) or Tenant under the terms of this Lease shall be personally delivered or sent by certified mail, postage prepaid or by overnight courier (i.e. Federal Express), to the addresses indicated in the Basic Lease Information, or to such other addresses as the parties may from time to time designate by notice pursuant to this paragraph. Notices shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice (ii) if mailed, two (2) business days following the date of posting by the U.S. Postal Service, and (iii) if by overnight courier, on the business day following the deposit of such notice with such courier.

38. **CALIFORNIA ACCESSIBILITY DISCLOSURE.** For purposes of Section 1938(a) of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises has not undergone inspection by a Certified Access Specialist (CASp). In addition, the following notice is hereby provided pursuant to Section 1938(e) of the California Civil Code: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In furtherance of and in connection with such notice: (i) Tenant, having read such notice and understanding Tenant's right to request and obtain a CASp inspection and with advice of counsel, hereby elects not to obtain such CASp inspection and forever waives its rights to obtain a CASp inspection with respect to the Premises, Building and/or Project to the extent permitted by applicable laws now or hereafter in effect; and (ii) if the waiver set forth in clause (i) hereinabove is not enforceable pursuant to applicable laws now or hereafter in effect, then Landlord and Tenant hereby agree as follows (which constitute the mutual agreement of the parties as to the matters described in the last sentence of the foregoing notice): (a) Tenant shall have the one-time right to request for and obtain a CASp inspection, which request must be made, if at all, in a written notice delivered by Tenant to Landlord on or before the Commencement Date; (b) any CASp inspection timely requested by Tenant shall be conducted (1) between the hours of 9:00AM and 5:00PM on any business day, (2) only after ten (10) days' prior written notice to Landlord of the date of such CASp inspection, (3) in a professional manner by a CASp designated by Landlord and without any testing that would damage the Premises, Building or Project in any way, and (4) at Tenant's sole cost and expense, including, without limitation, Tenant's payment of the fee for such CASp inspection, the fee for any reports prepared by the CASp in connection with such CASp inspection (collectively, the "**CASp Reports**") and all other costs and expenses in connection therewith; (c) Tenant shall deliver a copy of any CASp Reports to Landlord within two (2) business days after Tenant's receipt thereof; (d) Tenant, at its sole cost and expense, shall be responsible for making any improvements, alterations, modifications and/or repairs to or within the Premises to correct violations of construction-related accessibility standards including, without limitation, any violations disclosed by such CASp inspection; and (e) if such CASp inspection identifies any improvements, alterations, modifications and/or repairs necessary to correct violations of construction-related accessibility standards relating to those items of the Building and Project located outside the Premises that are Landlord's obligation to repair pursuant to the express terms of this Lease, then Landlord shall perform such improvements, alterations, modifications and/or repairs as and to the extent required by applicable laws to correct such violations, and Tenant shall reimburse Landlord for the cost of such improvements, alterations, modifications and/or repairs within ten (10) business days after Tenant's receipt of an invoice therefor from Landlord.

39. GENERAL PROVISIONS:

(a) **Plats and Riders:** Clauses, plats, and riders, if any, signed by the Landlord and Tenant and endorsed on or affixed to this Lease are a part hereof.

(b) **Joint Obligation:** If there be more than one Tenant, the obligations hereunder imposed upon Tenant shall be joint and several.

(c) **Marginal Headings:** The marginal headings and titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(d) **Time:** Time is of the essence in this Lease and with respect to each and all of its provisions in which performance is a factor.

(e) **Quiet Possession:** Upon Tenant paying the Rent reserved hereunder, and observing and performing all of the covenants, conditions, and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

(f) **Prior Agreements:** This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

(g) **Inability to Perform:** Any prevention, delay or stoppage due to contractor strikes, lock-outs, inclement weather, contractor labor disputes, inability to obtain labor, materials, fuels or reasonable substitutes therefor, governmental restrictions, regulations, controls, action or inaction, civil commotion, fire or other acts of God, and other causes beyond the reasonable control of the party obligated to perform (except financial inability) shall excuse the performance, for a period equal to the period of any such prevention, delay or stoppage, of any obligation hereunder except the obligation of Tenant to pay rent or any other sums due hereunder.

(h) **Intentionally Omitted.**

(i) **Intentionally Omitted.**

(j) **Landlord's Personal Liability:** The liability of Landlord (which, for purposes of this paragraph, shall include the owner of the Building if other than Landlord, affiliates, officers, employees, partners or principals) to Tenant for any default by Landlord under the terms of this Lease shall be limited to the interest of Landlord or any of them in the Building, and neither Landlord nor any partner, co-venturer, co-tenant, officer, director, employee, agent, or representative of Landlord (each a "**Landlord Party**") shall have any personal liability whatsoever with respect thereto. Tenant hereby waives, to the extent waivable under the law, any right to satisfy any money judgment against Landlord or any Landlord Party resulting from any default by Landlord under the terms of this Lease except from Landlord's interest in the Building. For purposes of this Section 39(j), the "interest of Landlord or any of them in the Building" shall include rents paid by tenants, insurance proceeds, condemnation proceeds, and proceeds from the sale of the Building (collectively, "**Owner Proceeds**"); provided, however, that Tenant shall not be entitled to recover Owner Proceeds from any Landlord Party (other than Landlord) or any other third party after they have been distributed or paid to such party; provided further, however, that nothing in this sentence shall diminish any right Tenant may have under law, as a creditor of Landlord, to initiate or participate in an action to recover Owner Proceeds from a third party on the grounds that such third party obtained such Owner Proceeds when Landlord was, or could reasonably be expected to become, insolvent or in a transfer that was preferential or fraudulent as to Landlord's creditors.

(k) **Separability:** Any provisions of this Lease which shall prove to be invalid, void, and illegal shall in no way affect, impair, or invalidate any other provision hereof, and such other provisions shall remain in full force and effect.

(l) **Choice of Law:** This Lease shall be governed by the laws of the State in which the Premises are located.

(m) **Signs:** Tenant shall not place any sign upon the Premises without Landlord's prior written consent. Any sign that Tenant has the right to place, construct, and maintain shall comply with all laws, and Tenant shall obtain any approval required by such laws. Landlord makes no representation with respect to Tenant's ability to obtain such approval. Notwithstanding the foregoing to the contrary, Tenant, at its sole cost and expense, shall be entitled to place reasonable signage upon the Building in a location(s) approved by Landlord, such approval not to be unreasonably withheld, conditioned or delayed and, in compliance with applicable laws, statutes and ordinances.

(n) **Project Name:** Tenant may use the name of the Project in which the Premises are located in all Tenant's advertising in connection with Tenant's business at the Premises and for no other purpose, except with Landlord's consent. Tenant shall not have or acquire any property right or interest in the name of the Project. Landlord reserves the right to change the name, title, or address of the Project or the address of the Premises at any time, and Tenant waives all claims for damages caused by such change.

(o) **Late Charges:** Tenant acknowledges that late payment by Tenant to Landlord of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing charges, accounting charges, and late charges that may be imposed on Landlord by the terms of any encumbrance and note secured by any encumbrance covering the Premises. Therefore, if any delinquent installment of Base Rent is not received by Landlord within ten (10) days after written notice from Landlord to Tenant of Tenant's failure to pay such Base Rent by the due date thereof, Tenant shall pay to Landlord an additional sum equal to three percent (3.00%) of such overdue amount as a late charge. The parties agree that this late charge represents a fair and reasonable estimate of the administrative and other costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any late charge shall not constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights and remedies available to Landlord.

(p) **Interest:** Notwithstanding any other provisions of this Lease, any installment of Rent or other amounts due under this Lease not paid to Landlord when due shall bear interest from the date due or from the date of expenditure by Landlord for the account of Tenant, until the same have been fully paid, at a rate per annum which is the lesser of the "prime" or "reference" rate of interest announced or internally posted by the Bank of America, N.T. & S.A., plus two (2) percentage points, but not to exceed the highest rate permitted under applicable law (such lesser rate, the "**Interest Rate**"). The payment of such interest shall not constitute a waiver of any default by Tenant hereunder.

(q) **Attorneys' Fees:** In the event any legal action is brought to enforce or interpret the provisions of this Lease, the prevailing party therein shall be entitled to recover all costs and expenses including reasonable attorneys' fees. In addition, if either party becomes a party to any litigation concerning this Lease, the Premises, or the Building or other improvements, by reason of any act or omission of the other party or its authorized representatives, and not by any act or omission of the party that becomes a party to that litigation or any act or omission of its authorized representatives, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable attorneys' fees and court costs incurred by it in the litigation.

(r) **Modification:** This Lease contains the entire agreement between the parties relating to the rights herein granted and the obligations herein assumed. Any oral representations or modifications concerning this Lease shall be of no force or effect, excepting a subsequent modification in writing signed by the party to be charged.

(s) **Execution:** Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

(t) **Successors and Assigns:** Subject to the provisions of this Lease, this Lease and each of its covenants and conditions shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

(u) **Waiver of California Code Sections:** Notwithstanding any other provision of this Lease and in addition to any waivers which may be contained in this Lease, Tenant waives the provisions of Civil Code Section 1932(2) and 1933(4) with respect to the destruction of the Premises; Civil Code Sections 1932(1), 1941 and 1942 with respect to Landlord's repair duties and Tenant's right of repair; and Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a partial taking of the Premises for public or quasi-public use by statute, by right of eminent domain, or by purchase in lieu of eminent domain. This waiver applies to future statutes enacted in addition or in substitution to the statute specified herein, and this waiver shall apply even though Tenant may be the subject of a voluntary or involuntary petition in bankruptcy.

(v) **Government Energy or Utility Controls:** In the event of imposition of federal, state or local governmental controls, regulations or restrictions on the use or consumption of energy or other utilities during the term, both Landlord and Tenant shall be bound thereby.

(w) **Accord and Satisfaction; Allocation of Payments:** No payment by Tenant or receipt by Landlord of a lesser amount than the Rent provided for in this Lease shall be deemed to be other than account of the earliest due Rent, nor shall any endorsement or statement on any check or letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the Rent or pursue any other remedy provided for in this Lease. In connection with the foregoing, Landlord shall have the absolute right in its sole discretion to apply any payment received from Tenant to any account or other payment of Tenant which is then due or delinquent.

(x) **Changes Requested by Lender:** Neither Landlord nor Tenant shall unreasonably withhold its consent to changes or amendments to this Lease requested by the lender on Landlord's interest, so long as these changes do not alter the basic business terms of this Lease or otherwise diminish any right or increase any obligations of the party for whom consent to such change or amendment is requested.

(y) **Furnishing Financial Statements:** At such time that Tenant is not a publicly traded company, Tenant agrees that it shall promptly furnish any potential purchaser of the Premises and/or Landlord's lender with financial statements reflecting Tenant's current financial condition; provided, however, that (i) Tenant's obligation to provide such financial statements shall not exceed two (2) times in any twelve month period, (ii) Tenant shall not be required to prepare updated financial statements from Tenant's most recent prepared statements and (iii) the proposed recipient of such financial statements agrees to execute a commercially reasonable non-disclosure agreement.

(z) Counterparts/Electronic Signatures. This Lease may be executed in any number of counterparts, and all of such counterparts so executed together shall be deemed to constitute one and the same agreement, and each such counterpart shall be deemed to be an original provided all of the parties have fully executed the Lease. Unless otherwise prohibited by law, the parties agree and intend that an electronic copy of the signed Lease or an electronically signed Lease, has the same force and legal effect as if the Lease had been executed with an original ink signature. The term “electronic copy of the signed Lease” refers to a transmission of a copy of an original ink-signed Lease by facsimile, electronic mail (email), or other electronic or digital means in a portable document format. The term “electronically signed Lease” means the Lease that has been executed by a party by applying an electronic signature. An “electronic signature” means an electronic or digital sound, symbol, or process attached to or logically associated with an electronic or digital record (e.g., docuSign) and executed or adopted by a person with the intent to sign the electronic record. The parties each represent, warrant and agree that the signatures, whether an ink-signed original or electronically signed Lease, by their respective signatories are intended to authenticate such signatures and to give rise to a valid, enforceable, and fully effective agreement when so executed by all the parties. The parties further agree if a party has evidenced its signature by forwarding an electronic copy of the signed Lease, it will confirm that signature by forwarding to the other party within ten (10) days an ink-signed original of the Lease but the failure to so forward an ink-signed original will not affect in any way the validity or enforceability of the Lease.

(aa) Recording: Tenant shall not record this Lease or a memorandum thereof, or any other reference to this Lease, without the prior written consent of Landlord. Notwithstanding the foregoing, Landlord and Tenant, upon the request of the other, shall execute and acknowledge a “short form” memorandum of this Lease for recording purposes; provided, however, that any such short form memorandum requested by Tenant shall include a statement providing that such memorandum shall automatically terminate upon the Commencement Date of the Lease. Tenant further agrees that it shall execute such reasonable document(s) required to remove such memorandum from title upon request by Landlord (but no sooner than thirty (30) days after the Commencement Date).

(bb) Execution of Lease, No Options: The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of or option for Tenant to Lease, or otherwise created any interest of Tenant in the Premises or any other Premises within the Building. This Lease shall not be binding on either party until both Landlord and Tenant have in fact signed and delivered this Lease to the other.

(cc) Reasonable Expenditures: Any expenditure by a party permitted or required under the Lease, for which such party is entitled to demand and does demand reimbursement from the other party, shall be reasonably incurred.

(dd) Generator: Tenant shall have the right to install, at Tenant’s cost but at no additional charge under the Lease, a generator on the roof of the Building subject to Landlord’s approval of the design and specifications thereof, which approval shall not be unreasonably withheld, conditioned or delayed and approval by the City of Mountain View for code compliance purposes.

(ee) Santa Clara Valley Transportation Authority’s Eco-Pass Program: Tenant hereby covenants and agrees to participate in and cooperate with the requirements of any and all transportation system management programs for the Building and/or the area in which the Building is located to the extent expressly required by any governmental entity having jurisdiction, including, without limitation, participation in the Santa Clara Valley Transportation Authority (VTA) Eco-Pass program or comparable transit subsidy program if such Eco- Pass program is no longer available and such other transit subsidy program for employees using transit modes outside of the VTA service area such as “Commuter Check”. Such programs may include, but shall not be limited to, car pools, van pools, and other ride sharing programs, public and private transit, and flexible work hours.

[Remainder of page left intentionally blank]

“Landlord”:

West Evelyn Bryant Office Partners, L.P., a California limited partnership

By: West Evelyn Development, LLC, a California limited liability company, its general partner

By: /s/ Daniel Minkoff
Daniel Minkoff, Member

By: /s/ Jessica Minkoff
Jessica Minkoff, Member

By: The Percent Solution LLC, a California limited liability company, member

By: /s/ Terry Maas
Terry Maas, Managing Member

“Tenant”:

Confluent, Inc., a Delaware corporation

By: /s/ Cheryl Dalrymple
Name: Cheryl Dalrymple
Title: Chief Financial Officer

Date: 4/19/2019

EXHIBIT A

DESCRIPTION OF LOT

**EXHIBIT A
LEGAL DESCRIPTION**

WEST EVELYN AVENUE AND BRYANT STREET

PARCEL ONE

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY OF MOUNTAIN VIEW, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE EASTERLY LINE OF BRYANT STREET (60 FOOT RIGHT-OF-WAY) WITH THE SOUTHERLY LINE OF WEST EVELYN AVENUE (69.65 FOOT RIGHT-OF-WAY, FORMERLY FRONT STREET);

THENCE RUNNING SOUTHERLY ALONG SAID EASTERLY LINE OF BRYANT STREET SOUTH 26°16'50" WEST A DISTANCE OF 110.54 FEET;

THENCE LEAVING SAID EASTERLY LINE SOUTH 63°34'44" EAST A DISTANCE OF 150.00 FEET TO THE WESTERLY LINE OF WILD CHERRY LANE (27' RIGHT-OF-WAY);

THENCE ALONG SAID WESTERLY LINE OF WILE CHERRY LANE, NORTH 26°16'50" EAST A DISTANCE OF 110.35 FEET TO SAID SOUTHERLY LINE OF WEST EVELYN AVENUE ;

THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF WEST EVELYN AVENUE NORTH 63°30'27" WEST A DISTANCE OF 150.00 FEET TO THE POINT OF BEGINNING.

THE ABOVE DESCRIBED PARCEL CONTAINS AN AREA OF 16,567 SQUARE FEET OR 0.38 ACRES MORE OR LESS.

THE PROPERTY DESCRIBED HEREON IS SHOWN ON THE ATTACHED PLAT, EXHIBIT B, AND BY REFERENCE, MADE A PART HEREOF.



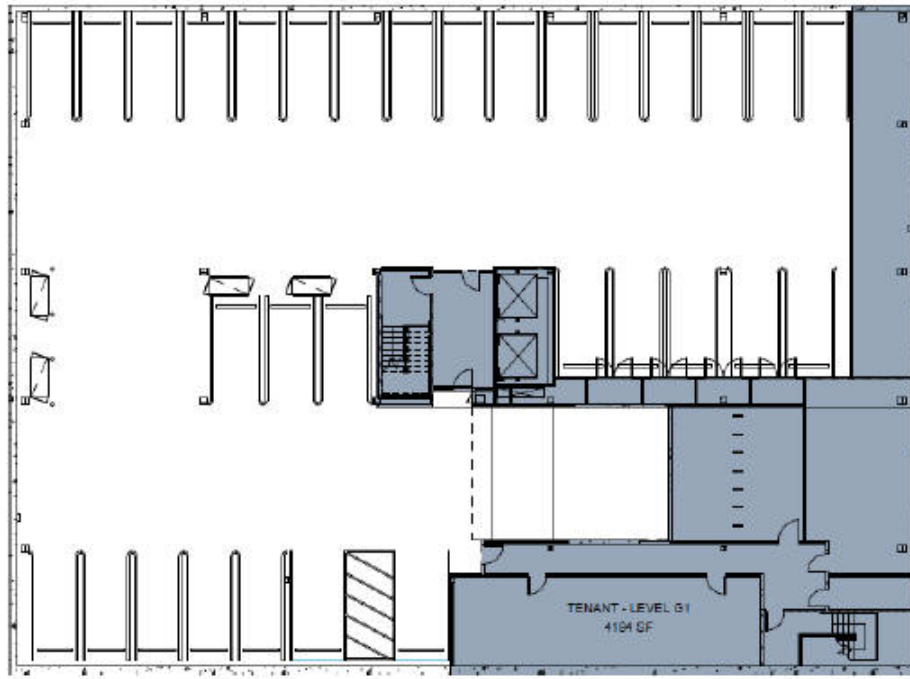
EXHIBIT A-1

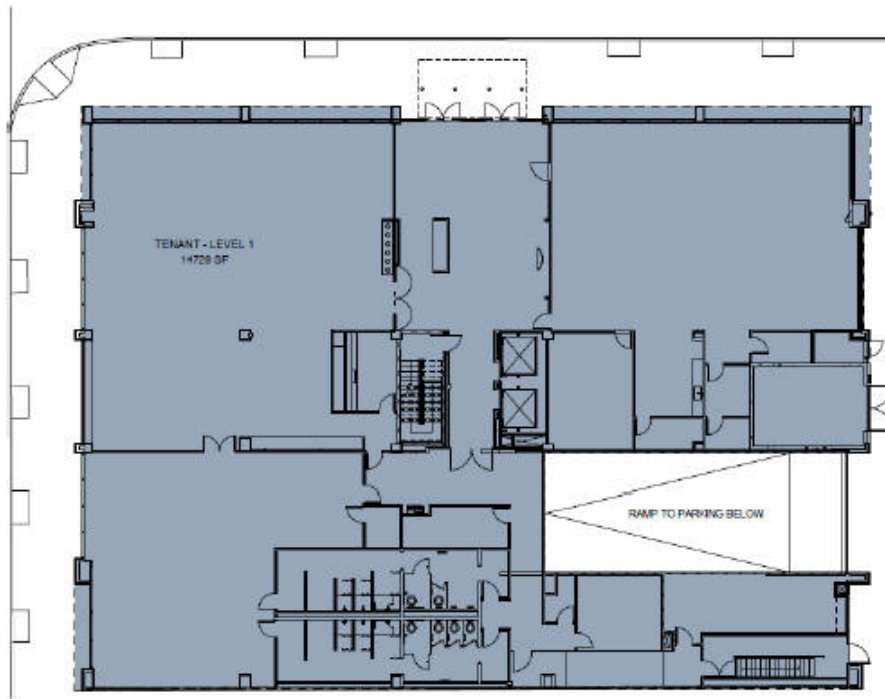
GROSS LEASE MEASUREMENT

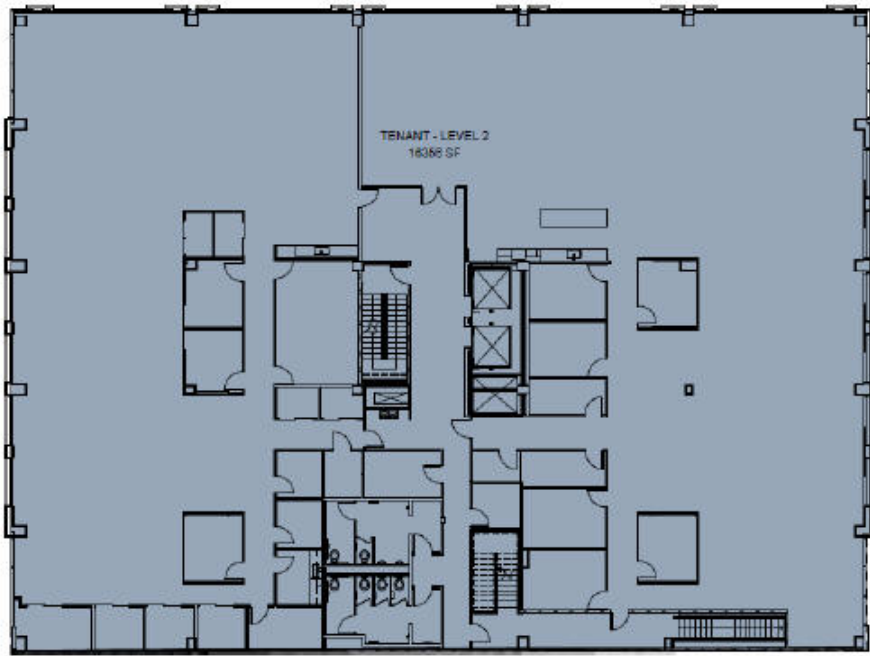
899 WEST EVELYN AVE - MOUNTAIN VIEW, CA 94041

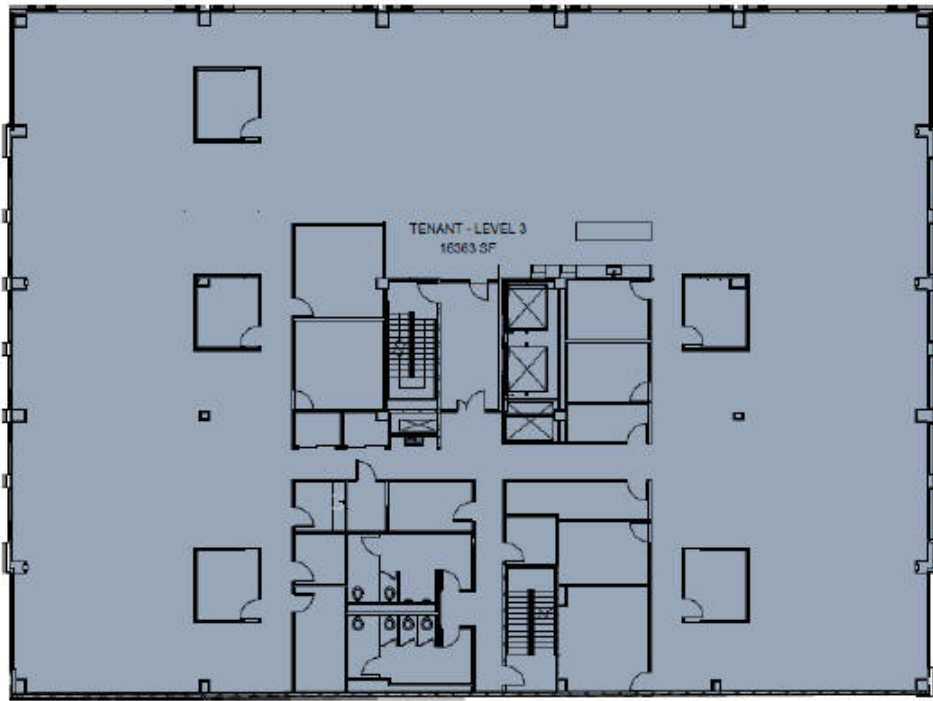
BOMA CALCULATIONS - MODIFIED EXTERIOR GROSS AREA TOTALS

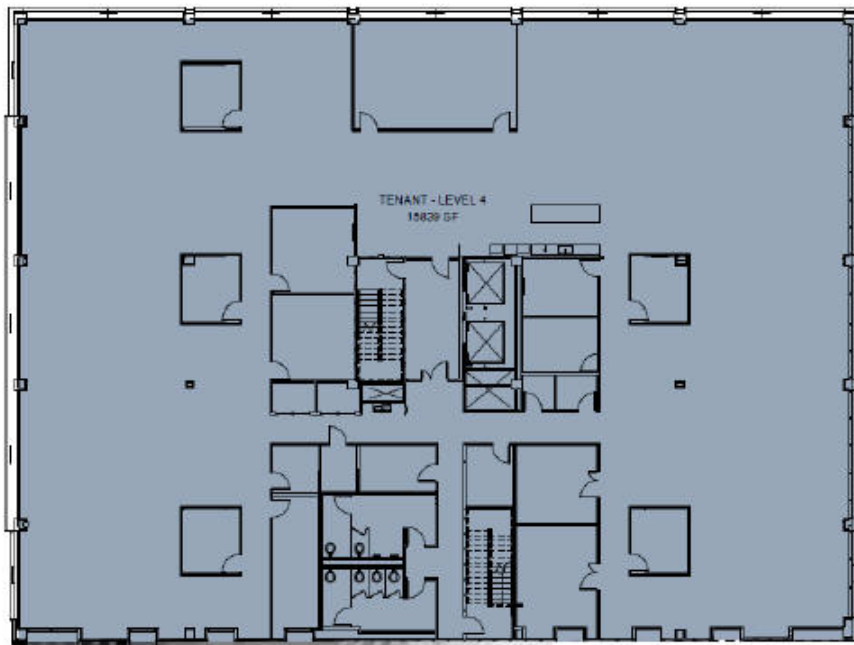
TENANT - LEVEL G1	4,184 SF
TENANT - LEVEL 1	14,729 SF
TENANT - LEVEL 2	16,356 SF
TENANT - LEVEL 3	16,363 SF
TENANT - LEVEL 4	15,839 SF
TENANT - ROOF (ENCLOSED)	<u>2,220 SF</u>
ADDITIONAL AREAS ADDED TO STANDARD EGA TOTALS	
TENANT - ROOF TERRACE	<u>5,784 SF</u>
	<u>75,475 SF</u>











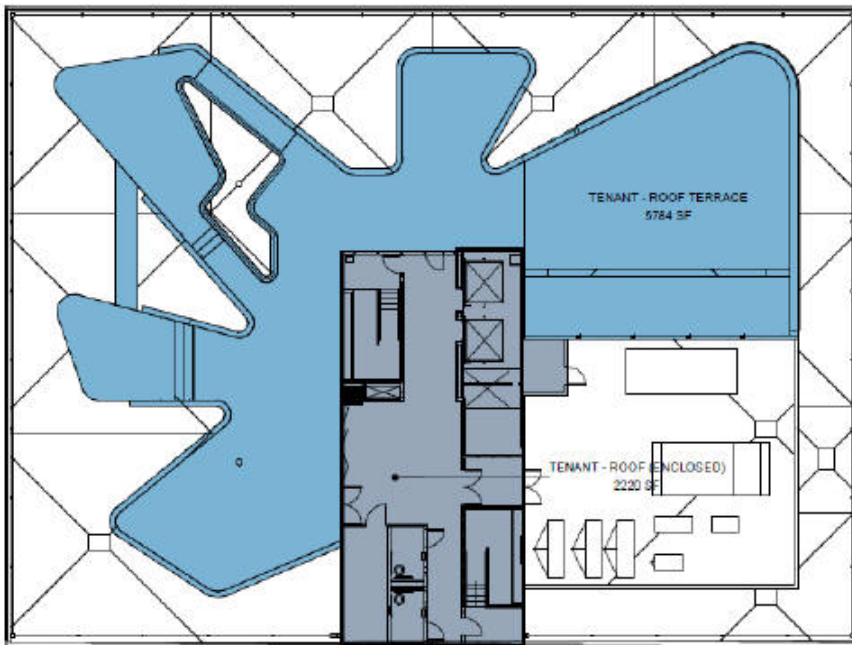


EXHIBIT B

FIRST AMENDMENT TO LEASE AND ACKNOWLEDGMENT

This First Amendment to Lease and Acknowledgment (“**First Amendment**”) is made as of _____, 201__, with reference to that certain Lease Agreement (“**Lease**”) by and between West Evelyn Bryant Office Partners, L.P., a California limited partnership, as “**Landlord**” therein, and Confluent, Inc., a Delaware corporation, as “**Tenant**” therein, regarding that certain premises (“**Premises**”) located at 899 West Evelyn Avenue, Mountain View, California, and which is more particularly described in the Lease.

The undersigned hereby confirms the following and the provisions of the Lease are hereby amended by the following:

1. That Tenant accepted possession of the Premises from Landlord on _____, 201 .
2. That in accordance with the Lease, the Commencement Date is _____, 201 , and that, unless sooner terminated, the Expiration Date is _____.
3. That the Lease is in full force and effect and that the same represents the entire agreement between Landlord and Tenant concerning Tenant’s lease of the Premises.
4. That, to Tenant’s knowledge without duty of inquiry, there are no existing defenses which Tenant has against the enforcement of the Lease by Landlord, and no offsets or credits against any amounts owed by Tenant pursuant to the Lease, except _____.
5. That Tenant has not made any prior assignment, hypothecation or pledge of the Lease or of the rents thereunder, except _____.
6. Except as modified herein, the Lease remains in full force and effect.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date set forth below.

LANDLORD:

West Evelyn Bryant Office Partners, L.P.,
a California limited partnership

By: West Evelyn Development, LLC, a California
limited liability company, its general partner

By: _____
Daniel Minkoff, member

By: _____
Jessica Minkoff, member

By: The Percent Solution LLC, a
California limited liability company, member

By: _____
Terry Maas, Managing Member

TENANT:

Confluent Inc., a Delaware corporation

By: _____
Name: _____
Title: _____
Its: _____

By: _____
Name: _____
Title: _____
Its: _____

EXHIBIT C

LETTER OF CREDIT

This LETTER OF CREDIT Addendum (“**LC Addendum**”) is made and entered into by and between WEST EVELYN BRYANT OFFICE PARTNERS, L.P., a California limited partnership (“**Landlord**”), and CONFLUENT, INC., a Delaware corporation (“**Tenant**”), and is dated as of the date of the Lease Agreement (“**Lease**”) by and between Landlord and Tenant to which this LC Addendum is attached. The agreements set forth in this Letter of Credit Addendum shall have the same force and effect as if set forth in the Lease. To the extent the terms of this LC Addendum are inconsistent with the terms of the Lease, the terms of this LC Addendum shall control.

1. Pursuant to the terms of Section 6 of the Lease, Tenant shall deliver to Landlord, as collateral for the full and faithful performance by Tenant of all of its obligations under the Lease and to compensate Landlord for all losses and damages Landlord may suffer as a result of any default by Tenant under the Lease, an irrevocable and unconditional negotiable standby letter of credit (the “**Letter of Credit**”), in a form reasonably acceptable to Landlord and containing the terms required herein, running in favor of Landlord issued by a solvent, nationally recognized bank under the supervision of the Superintendent of Banks of the State of California, or a national banking association, in the amount of Eight Million One Hundred Fifty-One Thousand Three Hundred and No/100 Dollars (\$8,151,300.00) (the “**Letter of Credit Amount**”).

2. Upon a default by Tenant under the Lease beyond applicable notice and cure periods, Landlord may, without notice or consent from Tenant, draw upon the Letter of Credit, in part or in whole, and the proceeds may be held by Landlord and used by Landlord to cure any default of Tenant and to compensate Landlord for all losses and damages relating to Tenant’s default. Landlord and Tenant acknowledge and agree that the Letter of Credit or any renewal thereof or any proceeds thereof shall not be (i) deemed to be or treated as a “security deposit” within the meaning of California Civil Code Section 1950.7, (ii) subject to the terms of such Section 1950.7, or (iii) intended to serve as a “security deposit” within the meaning of such Section 1950.7. The parties hereto (A) recite that the Letter of Credit is not intended to serve as a security deposit and such Section 1950.7 and any and all other laws, rules and regulations applicable to security deposits in the commercial context (“**Security Deposit Laws**”) shall have no applicability or relevancy thereto and (B) waive any and all rights, duties and obligations either party may now or, in the future, will have relating to or arising from the Security Deposit Laws.

3. The Letter of Credit shall be issued by a commercial bank reasonably acceptable to Landlord and (1) that is chartered under the laws of the United States, any State thereof or the District of Columbia; and (2) which has a short term deposit rating in the highest category from the Rating Agencies (which shall mean P-1 from Moody’s and A-1 from S&P) (collectively, the “**LC Issuer Requirements**”) (in connection therewith, Landlord hereby approves Silicon Valley Bank (“**SVB**”) as the issuer of the initial Letter of Credit, and agrees that the form of Letter of Credit from SVB attached hereto as Exhibit C-1 will be accepted by Landlord). In the event the issuer of the Letter of Credit is insolvent or is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, or if a trustee, receiver or liquidator is appointed for the issuer, then, effective as of the date of such occurrence, the Letter of Credit shall be deemed to not meet the requirements of this Section, and Tenant shall within ten (10) business days of written notice from Landlord deliver to Landlord a replacement Letter of Credit which otherwise meets the requirements of this LC Addendum and that meets the LC Issuer Requirements (and Tenant’s failure to do so shall, notwithstanding anything in this LC Addendum or Lease to the contrary, constitute a default by Tenant under the Lease subject to Section 24 of the Lease); or, alternatively, Tenant shall, within such ten business day period deliver cash to Landlord in the amount required above. The Letter of Credit shall be (i) at sight, irrevocable and unconditional, (ii) maintained in effect, whether through replacement, renewal or extension, for the period from the Commencement Date and continuing until the date (the “**LC Expiration Date**”) which is one hundred twenty (120) days after the expiration of the Term of the Lease (as it may be extended) or earlier termination of the Lease, and if not automatically renewable, Tenant shall deliver a new Letter of Credit or certificate of renewal or extension to Landlord at least thirty (30) days prior to the expiration of the Letter of Credit then held by Landlord, without any action whatsoever on the part of Landlord, (iii) subject to the International Standby Practice (1998 Revision) International Chamber of Commerce Publication #590 or the Uniform Customs And Practice For Documentary Credits (2007 Revision) International Chamber of Commerce Publication # 600, (iv) fully assignable by Landlord, and (v) permit partial draws. In addition to the foregoing, the form of the Letter of Credit shall be acceptable to Landlord and the terms of the Letter of Credit (and the bank issuing the same (the “**Bank**”)) shall be reasonably acceptable to Landlord, and shall provide, among other things, in effect that: (A) Landlord, or its then managing agent, shall have the right to draw down an amount up to the face amount of the Letter of Credit (1) upon the presentation to the Bank of Landlord’s (or Landlord’s then managing agent’s) written statement that such amount is due to Landlord under the terms and conditions of the Lease, or (2) in the event the Letter of Credit is not automatically renewable and Tenant, as applicant, shall have failed to provide to Landlord a new or renewal Letter of Credit satisfying the terms of this LC Addendum at least thirty (30) days prior to the expiration of the Letter of Credit then held by Landlord, it being understood that if Landlord or its managing agent be a limited liability company, corporation, partnership or other entity, then such statement shall be signed by a managing member (if a limited liability company), an officer (if a corporation), a general partner (if a partnership), or any authorized party (if another entity) and (B) the Letter of Credit will be honored by the Bank without inquiry as to the accuracy thereof and regardless of whether Tenant disputes the content of such statement.

4. The Letter of Credit shall also provide that Landlord may, at any time and without notice to Tenant and without first obtaining Tenant’s consent thereto, transfer its interest in and to the Letter of Credit to another party, person or entity, only if such transfer is a part of the assignment by Landlord of its rights and interests in and to the Lease and the Building. In the event of a transfer of Landlord’s interest in the Building, Landlord shall transfer the Letter of Credit, in whole or in part (or cause a substitute letter of credit to be delivered, as applicable) to the transferee and thereupon Landlord shall, without any further agreement between the parties, be released by Tenant from all liability therefor, and it is agreed that the provisions hereof shall apply to every transfer or assignment of the whole or any portion of said Letter of Credit to a new landlord. In connection with any such transfer of the Letter of Credit by Landlord, Tenant shall, at Tenant’s sole cost and expense, execute and submit to the Bank such applications, documents and instruments as may be necessary to effectuate such transfer and, Tenant shall be responsible for paying the Bank’s transfer and processing fees in connection therewith.

5. If, as result of any application or use by Landlord of all or any part of the Letter of Credit, the amount of the Letter of Credit shall be less than the Letter of Credit Amount, Tenant shall, within ten (10) business days after written notice from Landlord, provide Landlord with additional letter(s) of credit in an amount equal to the deficiency (or a replacement letter of credit in the total Letter of Credit Amount), and any such additional (or replacement) letter of credit shall comply with all of the provisions of this LC Addendum, and if Tenant fails to comply with the foregoing, the same shall constitute a Default by Tenant subject to Section 24 of the Lease; or, alternatively, Tenant shall, within such ten business day period deliver cash to Landlord in the amount required above. Tenant further covenants and warrants that it will neither assign nor encumber the Letter of Credit or any part thereof and that neither Landlord nor its successors or assigns will be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance. Without limiting the generality of the foregoing, if the Letter of Credit expires earlier than the LC Expiration Date and is not automatically renewable, a renewal thereof or substitute letter of credit, as applicable, shall be delivered to Landlord not later than thirty (30) days prior to the expiration of the Letter of Credit, which shall be irrevocable and automatically renewable as above provided through the LC Expiration Date upon the same terms as the expiring Letter of Credit or such other terms as may be reasonably acceptable to Landlord. However, if the Letter of Credit is not timely renewed or a substitute letter of credit is not timely received, or if Tenant fails to maintain the Letter of Credit in the amount and in accordance with the terms set forth in this LC Addendum, Landlord shall have the right to present the Letter of Credit to the Bank in accordance with the terms of this LC Addendum, and the proceeds of the Letter of Credit may be applied by Landlord for Tenant's failure to fully and faithfully perform all of Tenant's obligations under this Lease and against any Rent payable by Tenant under this Lease that is not paid when due and/or to pay for all losses and damages that Landlord has suffered or that Landlord reasonably estimates that it will suffer as a result of any default by Tenant under this Lease. Any unused proceeds shall be held by Landlord as a cash security deposit in accordance with Section 6 of the Lease and need not be segregated from Landlord's other assets and, at the expiration or earlier termination of the Lease, shall be returned to Tenant in accordance with Section 6 of the Lease. If a replacement Letter of Credit is thereafter delivered to Landlord in meeting the requirements of this LC Addendum, such unused proceeds held by Landlord shall be promptly returned to Tenant.

6. Tenant hereby acknowledges and agrees that Landlord is entering into the Lease in material reliance upon the ability of Landlord to draw upon the Letter of Credit in the event of any Default on the part of Tenant under the Lease beyond applicable notice and cure periods and to compensate Landlord for all losses and damages Landlord may suffer as a result thereof and Landlord may, at any time, but without obligation to do so, and without notice, draw upon the Letter of Credit, in part or in whole, for such purposes. Tenant agrees not to interfere in any way with payment to Landlord of the proceeds of the Letter of Credit, either prior to or following a "draw" by Landlord of any portion of the Letter of Credit, regardless of whether any dispute exists between Tenant and Landlord as to Landlord's right to draw from the Letter of Credit. No condition or term of the Lease shall be deemed to render the Letter of Credit conditional to justify the issuer of the Letter of Credit in failing to honor a drawing upon such Letter of Credit in a timely manner. Tenant agrees and acknowledges that Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof. Landlord shall be entitled to draw upon the Letter of Credit and to apply the proceeds of the Letter of Credit against any unpaid rent or lease rejection damages sustained by Landlord in the event that Tenant (i) makes a general assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy or suffers the filing of an involuntary petition by creditors, or (iii) suffers the appointment of a receiver to take possession of all or substantially all of its assets where possession is not restored to Tenant within sixty (60) days. Tenant agrees and acknowledges that (i) the Letter of Credit constitutes a separate and independent contract between Landlord and the Bank, (ii) Tenant is not a third party beneficiary of such contract, (iii) Tenant has no property interest whatsoever in the Letter of Credit or the proceeds thereof, and (iv) in the event Tenant becomes a debtor under any chapter of the Bankruptcy Code, neither Tenant, any trustee, nor Tenant's bankruptcy estate shall have any right to restrict or limit Landlord's claim or rights to the Letter of Credit or the proceeds thereof by application of Section 502(b)(6) of the U.S. Bankruptcy Code or otherwise.

LANDLORD:

West Evelyn Bryant Office Partners, L.P.,
a California limited partnership

By: West Evelyn Development, LLC, a California limited liability company, its
general partner

By: /s/ Daniel Minkoff
Daniel Minkoff, member

By: /s/ Jessica Minkoff
Jessica Minkoff, member

By: The Percent Solution LLC, a California limited liability company,
member

By: /s/ Terry Maas
Terry Maas, Managing Member

TENANT:

Confluent Inc.,
a Delaware corporation

By: /s/ Cheryl Dalrymple
Name: Cheryl Dalrymple
Title: Chief Financial Officer

EXHIBIT C-1.

FORM OF APPROVED SVB LETTER OF CREDIT

L/C DRAFT LANGUAGE

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER

ISSUE DATE: _____

ISSUING BANK:
SILICON VALLEY BANK
3003 TASMAN DRIVE
2ND FLOOR, MAIL SORT HF210
SANTA CLARA, CALIFORNIA 95054

BENEFICIARY:
WEST EVELYN BRYANT OFFICE PARTNERS, L.P.
6272 VIRGO ROAD
OAKLAND, CA 94611
ATTN: DANIEL MINKOFF

APPLICANT:
CONFLUENT, INC.
101 UNIVERSITY AVE. STE 111
PALO ALTO, CA 94301

AMOUNT: US\$8,151,300.00 (EIGHT MILLION ONE HUNDRED FIFTY ONE THOUSAND THREE HUNDRED AND XX/100 U.S. DOLLARS)

EXPIRATION DATE: SVB WILL PUT A SPECIFIC DATE HERE THAT'S 1 YEAR ISSUANCE HERE

PLACE OF EXPIRATION: ISSUING BANK'S COUNTERS AT ITS ABOVE ADDRESS

DEAR SIR/MADAM:

WE HEREBY ESTABLISH OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. SVBSF _____ IN YOUR FAVOR AVAILABLE BY PAYMENT AGAINST YOUR PRESENTATION TO US OF THE FOLLOWING DOCUMENT:

1. BENEFICIARY'S SIGNED AND DATED STATEMENT STATING AS FOLLOWS:

"A DEFAULT (AS DEFINED IN THE LEASE) OR OTHER OCCURRENCE UNDER THE LEASE PERMITTING THE PRESENTATION FOR PAYMENT OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT HAS OCCURRED UNDER THAT CERTAIN LEASE AGREEMENT BETWEEN CONFLUENT, INC., AS TENANT, AND WEST EVELYN BRYANT OFFICE PARTNERS, L.P., AS LANDLORD, AS AMENDED, SUPPLEMENTED OR OTHERWISE MODIFIED TO DATE. THE UNDERSIGNED HEREBY CERTIFIES THAT: (I) THE UNDERSIGNED IS AN AUTHORIZED REPRESENTATIVE OF LANDLORD; (II) LANDLORD IS THE BENEFICIARY OF LETTER OF CREDIT NO. SVBSF _____ ISSUED BY SILICON VALLEY BANK; (III) LANDLORD HAS GIVEN WRITTEN NOTICE TO TENANT TO CURE THE DEFAULT (TO THE EXTENT REQUIRED) PURSUANT TO THE TERMS OF THE LEASE; (IV) SUCH DEFAULT HAS NOT BEEN CURED UP TO THIS DATE OF DRAWING UNDER THE LETTER OF CREDIT; (V) LANDLORD IS AUTHORIZED TO DRAW DOWN ON THE LETTER OF CREDIT; AND (VI) LANDLORD WILL HOLD THE FUNDS DRAWN UNDER THE LETTER OF CREDIT AS SECURITY DEPOSIT FOR TENANT OR APPLY SAID FUNDS TO TENANT'S OBLIGATION UNDER THE LEASE. THE AMOUNT HEREBY DRAWN UNDER THE LETTER OF CREDIT IS US\$_____, WITH PAYMENT TO BE MADE TO THE FOLLOWING ACCOUNT: [INSERT WIRE INSTRUCTIONS (TO INCLUDE NAME AND ACCOUNT NUMBER OF THE BENEFICIARY)]"

PARTIAL DRAWS AND MULTIPLE PRESENTATIONS ARE ALLOWED.

THIS LETTER OF CREDIT SHALL BE AUTOMATICALLY EXTENDED FOR AN ADDITIONAL PERIOD OF ONE YEAR, WITHOUT AMENDMENT, FROM THE PRESENT OR EACH FUTURE EXPIRATION DATE UNLESS AT LEAST 60 DAYS PRIOR TO THE THEN CURRENT EXPIRATION DATE WE SEND TO YOU A NOTICE BY REGISTERED OR CERTIFIED MAIL OR OVERNIGHT COURIER SERVICE AT THE ABOVE ADDRESS THAT THIS LETTER OF CREDIT WILL NOT BE EXTENDED BEYOND THE THEN CURRENT EXPIRATION DATE. IN NO EVENT SHALL THIS LETTER OF CREDIT BE AUTOMATICALLY EXTENDED BEYOND APRIL 30, 2021. IN THE EVENT WE SEND SUCH NOTICE OF NON-EXTENSION, YOU MAY DRAW HEREUNDER BY YOUR PRESENTATION TO US OF YOUR SIGNED AND DATED STATEMENT STATING THAT YOU HAVE RECEIVED A NON-EXTENSION NOTICE FROM SILICON VALLEY BANK IN RESPECT OF LETTER OF CREDIT NO. SVBSF_____, YOU ARE DRAWING ON SUCH LETTER OF CREDIT FOR US\$_____, AND YOU HAVE NOT RECEIVED A REPLACEMENT LETTER OF CREDIT ACCEPTABLE TO YOU.

ALL DEMANDS FOR PAYMENT SHALL BE MADE BY PRESENTATION OF THE REQUIRED DOCUMENTS ON A BUSINESS DAY AT OUR OFFICE (THE "BANK'S OFFICE") AT: SILICON VALLEY BANK, 3003 TASMAN DRIVE, MAIL SORT HF 210, SANTA CLARA, CA 95054, ATTENTION: GLOBAL TRADE FINANCE.

FACSIMILE PRESENTATIONS ARE ALSO PERMITTED. SHOULD BENEFICIARY WISH TO MAKE A PRESENTATION UNDER THIS LETTER OF CREDIT ENTIRELY BY FACSIMILE TRANSMISSION IT NEED NOT TRANSMIT THE ORIGINAL OF THIS LETTER OF CREDIT AND AMENDMENTS, IF ANY. EACH FACSIMILE TRANSMISSION SHALL BE MADE AT: (408) 496-2418 OR (408) 969-6510; AND UNDER CONTEMPORANEOUS TELEPHONE ADVICE TO: (408) 654-6274 OR (408) 654-7716, ATTENTION: GLOBAL TRADE FINANCE. ABSENCE OF THE AFORESAID TELEPHONE ADVICE SHALL NOT AFFECT OUR OBLIGATION TO HONOR ANY DRAW REQUEST.

THIS LETTER OF CREDIT IS TRANSFERABLE IN WHOLE BUT NOT IN PART ONE OR MORE TIMES, BUT IN EACH INSTANCE ONLY TO A SINGLE BENEFICIARY AS TRANSFEREE (PROVIDED, THAT IN ADDITION TO SUCH SINGLE BENEFICIARY, THIS LETTER OF CREDIT IS ASSIGNABLE BY THE HOLDER HEREOF TO SUCH HOLDER'S LENDER COLLATERALLY OR OTHERWISE) AND FOR THE THEN AVAILABLE AMOUNT, ASSUMING THE TRANSFER TO SUCH TRANSFEREE WOULD BE IN COMPLIANCE WITH THEN APPLICABLE LAW AND REGULATION, INCLUDING BUT NOT LIMITED TO THE REGULATIONS OF THE U.S. DEPARTMENT OF TREASURY AND U.S. DEPARTMENT OF COMMERCE. AT THE TIME OF TRANSFER, THE ORIGINAL LETTER OF CREDIT AND ORIGINALS OR COPIES OF ALL AMENDMENTS, IF ANY, TO THIS LETTER OF CREDIT MUST BE SURRENDERED TO US AT OUR ADDRESS INDICATED IN THIS LETTER OF CREDIT TOGETHER WITH OUR TRANSFER FORM ATTACHED HERETO AS EXHIBIT A DULY EXECUTED. THE CORRECTNESS OF THE SIGNATURE AND TITLE OF THE PERSON SIGNING THE TRANSFER FORM MUST BE VERIFIED BY BENEFICIARY'S BANK. APPLICANT SHALL PAY OUR TRANSFER FEE OF ¼ OF 1% OF THE TRANSFER AMOUNT (MINIMUM US\$250.00) UNDER THIS LETTER OF CREDIT. EACH TRANSFER SHALL BE EVIDENCED BY EITHER (1) OUR ENDORSEMENT ON THE REVERSE OF THE LETTER OF CREDIT AND WE SHALL FORWARD THE ORIGINAL OF THE LETTER OF CREDIT SO ENDORSED TO THE TRANSFEREE OR (2) OUR ISSUING A REPLACEMENT LETTER OF CREDIT TO THE TRANSFEREE ON SUBSTANTIALLY THE SAME TERMS AND CONDITIONS AS THE TRANSFERRED LETTER OF CREDIT (IN WHICH EVENT THE TRANSFERRED LETTER OF CREDIT SHALL HAVE NO FURTHER EFFECT).

IF ANY INSTRUCTIONS ACCOMPANYING A DRAWING UNDER THIS LETTER OF CREDIT REQUEST THAT PAYMENT IS TO BE MADE BY TRANSFER TO YOUR ACCOUNT WITH ANOTHER BANK, WE WILL ONLY EFFECT SUCH PAYMENT BY FED WIRE TO A U.S. REGULATED BANK, AND WE AND/OR SUCH OTHER BANK MAY RELY ON AN ACCOUNT NUMBER SPECIFIED IN SUCH INSTRUCTIONS EVEN IF THE NUMBER IDENTIFIES A PERSON OR ENTITY DIFFERENT FROM THE INTENDED PAYEE.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (ISP98), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 590.

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

EXHIBIT A

TRANSFER FORM

DATE: _____

TO: SILICON VALLEY BANK
3003 TASMAN DRIVE
SANTA CLARA, CA 95054
ATTN: GLOBAL TRADE FINANCE
STANDBY LETTERS OF CREDIT

RE: IRREVOCABLE STANDBY LETTER OF CREDIT
NO. _____ ISSUED BY
SILICON VALLEY BANK, SANTA CLARA
L/C AMOUNT: _____

LADIES AND GENTLEMEN:

FOR VALUE RECEIVED, THE UNDERSIGNED BENEFICIARY HEREBY IRREVOCABLY TRANSFERS TO:

(NAME OF TRANSFEREE)

(ADDRESS)

ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY TO DRAW UNDER THE ABOVE LETTER OF CREDIT UP TO ITS AVAILABLE AMOUNT AS SHOWN ABOVE AS OF THE DATE OF THIS TRANSFER.

BY THIS TRANSFER, ALL RIGHTS OF THE UNDERSIGNED BENEFICIARY IN SUCH LETTER OF CREDIT ARE TRANSFERRED TO THE TRANSFEREE. TRANSFEREE SHALL HAVE THE SOLE RIGHTS AS BENEFICIARY THEREOF, INCLUDING SOLE RIGHTS RELATING TO ANY AMENDMENTS, WHETHER INCREASES OR EXTENSIONS OR OTHER AMENDMENTS, AND WHETHER NOW EXISTING OR HEREAFTER MADE. ALL AMENDMENTS ARE TO BE ADVISED DIRECTLY TO THE TRANSFEREE WITHOUT NECESSITY OF ANY CONSENT OF OR NOTICE TO THE UNDERSIGNED BENEFICIARY.

THE ORIGINAL OF SUCH LETTER OF CREDIT IS RETURNED HERewith, AND WE ASK YOU TO EITHER (1) ENDORSE THE TRANSFER ON THE REVERSE THEREOF, AND FORWARD IT DIRECTLY TO THE TRANSFEREE WITH YOUR CUSTOMARY NOTICE OF TRANSFER, OR (2) ISSUE A REPLACEMENT LETTER OF CREDIT TO THE TRANSFEREE ON SUBSTANTIALLY THE SAME TERMS AND CONDITIONS AS THE TRANSFERRED LETTER OF CREDIT (IN WHICH EVENT THE TRANSFERRED LETTER OF CREDIT SHALL HAVE NO FURTHER EFFECT).

SINCERELY,

(BENEFICIARY'S NAME)

(SIGNATURE OF BENEFICIARY)

(NAME AND TITLE)

SIGNATURE AUTHENTICATED	
The name(s), title(s), and signature(s) conform to that/those on file with us for the company and the signature(s) is/are authorized to execute this instrument.	

(Name of Bank)	

(Address of Bank)	

(City, State, ZIP Code)	

(Authorized Name and Title)	

(Authorized Signature)	

(Telephone number)	

EXHIBIT D

FORM OF SUBORDINATION, ATTORNMENT AND NON-DISTURBANCE AGREEMENT

[TO BE ADDED]

NET LEASE AGREEMENT

between

WEST EVELYN BRYANT OFFICE PARTNERS, L.P.
a California limited partnership and

CONFLUENT, INC.,
a Delaware corporation

Subsidiaries of Confluent, Inc.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
Confluent Australia Pty Limited	Australia
Infinitem Canada Ltd.	Canada
Confluent France SAS	France
Confluent Germany GmbH	Germany
Confluent India Private Limited	India
Confluent Japan Godo Kaisha	Japan
Confluent Singapore Pte. Ltd.	Singapore
Confluent Spain, Sociedad Limitada	Spain
Confluent Sweden AB	Sweden
Confluent Europe Ltd.	United Kingdom
Confluent Federal, LLC	United States