

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

**FORM S-1
REGISTRATION STATEMENT**

*Under
The Securities Act of 1933*

BlackLine, 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)

46-3354276
(I.R.S. Employer
Identification Number)

**21300 Victory Boulevard, 12th Floor
Woodland Hills, CA 91367
(818) 223-9008**

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

**Therese Tucker, Chief Executive Officer
Mark Partin, Chief Financial Officer
BlackLine, Inc.**

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes 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, 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, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Shares to be Registered(1) | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price(2) | Amount of Registration Fee |
|--|----------------------------|---|--|----------------------------|
| Common Stock, \$0.01 par value per share | | \$ | \$ | \$ |

(1) Includes the additional shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) under the Securities Act, 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 Securities and Exchange 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.

Subject to Completion. Dated September 8, 2016.

Shares



BlackLine, Inc.

Common Stock

This is an initial public offering of shares of common stock of BlackLine, Inc.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ and \$. We intend to apply to list the common stock on the NASDAQ Global Select Market under the symbol "BL".

Following this offering, our Principal Stockholders (as defined herein) will control more than a majority of the voting power of our common stock and we will be a "controlled company" within the meaning of the corporate governance rules of the NASDAQ Stock Market. We have elected not to take advantage of the "controlled company" exemption.

We are an "emerging growth company" as that term is used in the Jumpstart Our Business Startups Act of 2012 and, as such, may elect to comply with certain reduced public company reporting requirements in future reports after the completion of this offering.

See "[Risk Factors](#)" on page 18 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

| | Per Share | Total |
|---|-----------|-------|
| Initial public offering price | \$ | \$ |
| Underwriting discounts and commissions(1) | \$ | \$ |
| Proceeds, before expenses, to BlackLine, Inc. | \$ | \$ |

(1) See the section titled "Underwriting" for a description of the compensation payable to the underwriters.

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from BlackLine, Inc. at the initial public offering price less the underwriting discounts and commissions.

The underwriters expect to deliver the shares against payment in New York, New York on , 2016.

Goldman, Sachs & Co.

J.P. Morgan

Pacific Crest Securities

Raymond James

William Blair

Baird

a division of KeyBanc Capital Markets

Prospectus dated , 2016

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Through and including _____, 2016 (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.

We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

For investors outside the United States: Neither we nor the underwriters have done anything that would permit our initial public 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 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 common stock and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus. You should read the following summary together with the more detailed information appearing in this prospectus, including our consolidated financial statements and related notes, and the sections titled “Risk Factors,” “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 deciding whether to purchase shares of our common stock. Unless the context otherwise requires, the terms “BlackLine, Inc.,” “the company,” “we,” “us” and “our” in this prospectus refer to the consolidated operations of BlackLine, Inc. and its consolidated subsidiaries as a whole, references to “Silver Lake” refers to either or both of Silver Lake Sumeru Fund, L.P. and Silver Lake Technology Investors Sumeru, L.P., and references to “Iconiq” refer to any or all of Iconiq Strategic Partners, L.P., ICONIQ Strategic Partners-B, L.P. and Iconiq Strategic Partners Co-Invest, L.P., BL Series.

BlackLine, Inc.

Overview

We have created a comprehensive cloud-based software platform designed to transform and modernize accounting and finance operations for organizations of all types and sizes. Our secure, scalable platform supports critical accounting processes such as the financial close, account reconciliation, intercompany accounting and controls assurance. By introducing software to automate these processes and to enable them to function continuously, we empower our customers to improve the integrity of their financial reporting, achieve efficiencies and enhance real-time visibility into their operations.

Critical accounting and finance processes underlie the integrity of an organization’s financial reports. The lack of effective accounting and finance tools can result in inefficient and cumbersome processes and, in some cases, accounting errors, restatements and write-offs, as well as material weaknesses and significant deficiencies. Traditional enterprise resource planning, or ERP, systems do not generally provide effective solutions for processes handled outside of an organization’s general ledger, such as balance sheet account reconciliation, intercompany transaction accounting and the broader financial close process. Many organizations also use multiple ERPs and other financial systems without a platform to efficiently integrate them. As a result, to manage these tasks organizations rely on spreadsheets and other labor-intensive processes that are unsuited for the increasing regulatory complexity and transaction volumes encountered by many modern businesses. We believe that we are creating a new category of powerful software that is capable of replacing this outdated approach through cloud-based automation and streamlining of accounting and finance operations, in a manner that complements and supports traditional ERP systems. We believe our customers benefit from cost savings through improvements in process management and staff productivity, in addition to a faster financial close.

Our mission is to transform how corporate accounting and finance departments operate. Our approach modernizes what historically has been done through batch processing and manual controls typically applied only during the month, quarter or year-end financial close, and delivers dynamic workflows embedded within a real-time, highly automated framework, a process we refer to as “continuous accounting.” It also enables up-to-date analytics, provides industry-benchmarked metrics and is designed to help customers run more leanly while achieving greater accuracy, control and transparency. We believe the need for our software has been driven by growing business and information technology complexities, transaction volumes and expanding regulatory requirements. Our

software integrates with and obtains data from more than 30 different ERP systems, including NetSuite, Oracle, SAP and Workday, as well as many other financial systems and applications such as bank accounts, sub-ledgers and in-house databases.

We believe that we have a leading position in the enhanced financial controls and automation market because we were one of the first companies to bring software with this functionality to market and we have a limited number of competitors. The 2016 Gartner Report* identified us as a Leader in the newly created Magic Quadrant for Financial Corporate Performance Management Solutions for our completeness of vision and ability to execute. According to a study we commissioned with Frost & Sullivan, in 2015 there were more than 46,000 corporate organizations in North America and more than 165,000 worldwide that are in our addressable market with revenues greater than \$50 million. According to Frost & Sullivan, these companies employ over 13 million accounting and finance personnel, with over 5.5 million in North America alone, all of whom could be potential users of our software platform. Based on its assessment of the number of corporate organizations, accounting and finance personnel globally and certain assumptions regarding pricing of our products, Frost & Sullivan estimates that our total addressable market in 2015 was \$7.2 billion in North America and \$9.4 billion in Europe, Asia Pacific and Latin America, and is expected to grow to a global total addressable market of \$19.7 billion by 2018.

We sell our software solutions primarily through our direct sales force, which leverages our relationships with technology vendors, professional services firms and business process outsourcers, to expand our sales process and market reach. Our distribution strategy is based on a land-and-expand model and is designed to capitalize on the ease of use and ease of implementation. Our customers include large public and private organizations and small and medium-size businesses across a variety of industries, including healthcare, technology, telecom, financial services, consumer retail and industrial equipment and services. As of June 30, 2016, we had over 147,000 individual users in approximately 120 countries across more than 1,500 customers.

We have experienced significant revenue growth and adoption of our platform in recent periods. For the years ended December 31, 2014 and 2015, we had revenues of \$51.7 million and \$83.6 million, respectively, and we incurred net losses of \$16.8 million and \$24.7 million, respectively. For the six months ended June 30, 2015 and 2016, we had revenues of \$37.5 million and \$55.6 million, respectively, and we incurred net losses of \$10.8 million and \$16.9 million, respectively. See "Summary Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information included in this prospectus for a discussion of our financial performance.

Industry Background

Accounting is a Universal and Mission-Critical Function

Organizations need reliable financial information to plan and execute business initiatives, measure operational progress and satisfy regulatory and financial obligations. For each period-end, enterprise accounting functions typically record, process, reconcile, consolidate and report financial transactions that are consolidated into useable financial information. Traditionally, many accounting processes, such as balance sheet account reconciliation, intercompany transaction accounting and the broader financial close calendar, have been managed and tracked with spreadsheets that were manually reconciled on a periodic basis, which can often be labor-intensive, inefficient and subject to error.

* See "Industry and Market Data."

Modern Business is Increasingly Complex

Organizations of all sizes are operating in an increasingly fast-moving global business environment. Accountants must process and verify transactions that occur both within and across international borders, involve multiple currencies and require compliance with varying legal, regulatory and tax frameworks. It is common for enterprises to have thousands of different accounts—potentially comprising billions of records—and to use numerous different financial and operational systems to store data.

The Risk of Regulatory Non-Compliance is Significant

Public accounting follows a variety of rules and rigorous standards that are highly specific, apply differently across industries and geographies and, in some cases, provide conflicting guidance. The resulting tangle of stringent and changing regulations typically requires that organizations maintain more than one set of records, invest heavily in implementing and monitoring internal controls and undergo expensive and time-consuming audits. Incorrect financial information can have severe repercussions, ranging from damage to an enterprise's reputation to expensive remediation and investor lawsuits.

Companies Lack Real-Time, Actionable Data from Their Accounting Departments

As complexity, transaction volume and regulatory scrutiny increase, management teams often find themselves without clear and immediate insight into their accounting and finance processes and results. By the time data is manually compiled, it is often days or weeks out-of-date, limiting the ability to effectively track and analyze fluctuations and trends, detailed metrics on individual and team performance and transaction risk profiles. Such lack of visibility limits the ability of accounting managers to influence ongoing accounting operations, which can lead to costly errors such as unreconciled balances or unapproved fund transfers.

Accounting Professionals Face Compressed Deadlines and a Heightened Expectation of Accuracy

Many organizations, and public companies in particular, have adopted a practice of reporting financial information by a fixed date following their quarter close. Given limited resources, an accelerated timetable can put immense pressure on a company's accounting function. Accounting professionals are expected not only to address business and regulatory challenges but also to achieve completeness and accuracy of operating results to ensure financial integrity.

Traditional Accounting Processes and Tools are Inefficient

The processes and software solutions traditionally employed by accountants, such as general ledgers and ERP systems, do not provide effective solutions for critical, non-general ledger accounting and finance processes such as balance sheet account reconciliation, intercompany transaction accounting and the overall management of the financial close process. Most core accounting and financing systems are designed as batch transaction repositories without the ability to consume and process continuous streams of data. In addition, most organizations use multiple ERPs and many other financial systems across their information technology environments. Traditionally available accounting tools are inflexible, expensive to configure and maintain and do not scale easily. As a result, we are addressing a clear need for new, scalable accounting and finance tools that can consume and process continuous streams of data, store this data and allow accountants to have a more streamlined, continuous approach to accounting.

Our Solution

We provide a powerful, cloud-based software platform that is designed to automate and streamline accounting and finance operations. Key elements of our solution include:

Comprehensive Platform. We offer an integrated suite of applications that deliver a broad range of capabilities that would otherwise require the purchase and use of multiple products to support critical accounting processes such as the financial close, account reconciliations, intercompany accounting and controls assurance. Our platform consists of seven core cloud-based products, including Account Reconciliation, Task Management, Transaction Matching, Journal Entry, Variance Analysis, Consolidation Integrity Manager and Daily Reconciliation. Customers typically purchase these products in packages that we refer to as solutions, but they have the option to purchase these products individually. Current solutions include our Reconciliation Management and Financial Close Management, Intercompany Hub and Insights.

Enterprise Integration. Our platform integrates with a wide variety of general ledger systems, financial systems and in-house databases, customer applications and data, and over 30 ERP systems including NetSuite, Oracle, SAP and Workday. In addition, for companies with multiple systems and complex needs, we can connect with any number of general ledger systems simultaneously, resolving many of the issues associated with consolidating data across systems.

Independence. Our platform is not dependent on any single operating system and works with most major ERP systems our customers may use. Our cross-system functionality allows us to reach a broader group of customers.

Ease of Use. Our platform is designed by accountants for accountants to be intuitive and easy to use. Our user-friendly interface provides clear visualization of accounting and finance data, enables user collaboration and streamlines business processes.

Innovation. Our ability to develop innovative products has been a key driver of our success and organic growth. Through a history and culture of thought leadership, we have created a new category of powerful software that automates and streamlines antiquated, manual accounting processes to better meet our clients' diverse and rapidly changing needs, and we continue to focus on providing advanced solutions to time and labor intensive accounting practices. Examples of recent innovations include the launches of our Intercompany Hub and Insights solutions.

Security. We have embedded robust security features in our platform designed to meet or exceed both industry standards and the stringent security requirements of our customers.

Key Benefits to our Customers

Our platform provides the following benefits to our customers:

Flexibility and Scalability. Our unified cloud platform is designed for modern business environments and has broad applicability across large and small organizations in any industry. The platform supports complex corporate structures, provides integration across all core financial systems, manages multiple currencies and languages and scales to support high transaction volumes.

Embedded Controls and Workflow. Our platform embeds key controls within standardized, repeatable and well-documented workflows to help ensure compliance with complex regulatory environments and to increase confidence in financial reports.

Real-time Visibility. With configurable dashboards, user-defined reporting and the ability to locate individual reconciliations, journals and tasks, we provide users with real-time visibility into the status, progress and quality of accounting processes.

Automation and Efficiency. Our platform can ingest data from a variety of sources and apply powerful, rules-driven automation to reconciliations, journals and transactions. This streamlines accounting processes, minimizes manual data entry and improves individual productivity to help ensure that accounting processes are completed on time. As a result, this automation allows users to focus on value-added activities instead of process management.

Continuous Processing. Our platform helps organizations embed quality control, compliance and financial integrity into their day-to-day accounting processes. Activities such as account reconciliation and variance analysis can be performed in real-time, thus reducing the risk of error and creating a more agile accounting environment.

Growth Strategy

Our principal growth strategies include the following:

Continue to Innovate and Expand our Platform. Our ability to develop new, market-leading applications and functionalities is integral to our success, and we intend to continue extending the functionality and range of our applications to bring new solutions to accounting and finance.

Enhance Our Leadership Position in the Enterprise Market and Mid-Market Customer Base. We believe we have a leading position in the enhanced financial controls and automation market with both enterprise market and mid-market customers, and we were recognized as a Leader by the Gartner Report^{*} in the newly created Magic Quadrant for Financial Corporate Performance Management Solutions for our completeness of vision and ability to execute. We intend to leverage our brand, history of innovation and customer focus to maintain and grow our leadership position with enterprise market customers, which we define as companies with greater than \$500 million in annual revenue. In addition, we believe that mid-market businesses, which we define as companies with between \$50 and \$500 million in annual revenue, are particularly underserved and that our platform can help these businesses modernize their accounting and finance processes efficiently and effectively. We have made recent investments to grow our mid-market sales team, and we plan to leverage our network of resellers to grow our mid-market business globally.

Increase Customer Spend through Expanded Usage and Adoption of Additional Products. We pursue a land-and-expand sales model and believe there is significant opportunity to increase sales of our solutions within our existing customer base. Our pricing model is designed to allow us to capture additional revenue as our customers' usage of our platform grows, providing us with an opportunity to increase the lifetime value of our customer relationships.

Expand Our International Operations and Customer Footprint. We believe that we have a significant opportunity to expand the use of our cloud-based products outside the United States. We have an established presence in Australia, Canada, England, France, Germany, the Netherlands and Singapore and we intend to invest in further expanding our footprint in these and other regions.

Extend Our Relationships and Distribution Channels. We have established strong relationships with technology vendors such as SAP and NetSuite, professional services firms such as Deloitte & Touche and KPMG, and business process outsourcers such as Cognizant, Genpact and

^{*} See "Industry and Market Data."

IBM. In particular, we offer our customers an integrated SAP-endorsed business solution through our relationship with SAP. We intend to continue to strengthen and expand our existing relationships, seek new relationships and further expand our distribution channels to help us expand into new markets and increase our presence in existing markets.

Recent Developments

On August 31, 2016, we completed our acquisition of Runbook Company B.V., a Netherlands-based provider of financial close automation software and integration solutions for SAP customers. We acquired Runbook to enhance the connectivity and integration of our platform to SAP and other systems. We believe this acquisition enhances our position as a leading provider of software solutions to automate the financial close process for SAP customers and supports our European expansion strategy.

The aggregate purchase consideration of \$34 million for the Runbook acquisition, which is subject to final working capital adjustments, was paid in cash on the acquisition date. The estimated purchased working capital includes approximately \$3 million in cash. We amended our credit facility to add an additional \$30 million term loan and used the proceeds and cash on hand to fund the acquisition. The financial information in this prospectus does not give pro forma effect to the acquisition of Runbook. The acquisition did not meet the significance thresholds under the applicable SEC rules and regulations requiring pro forma financial information for the acquisition or separate financial statements of Runbook.

Risks Affecting Us

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. These risks include, but are not limited to, the following:

- if we are unable to attract new customers and expand sales to existing customers our business growth could be slower than we expect and our business may be harmed;
- our business and growth depend substantially on customers renewing their subscription agreements with us and any decline in our customer renewals could adversely affect our future operating results;
- we have a history of losses in recent periods and we may not be able to generate sufficient revenue to achieve or sustain profitability;
- we have experienced rapid growth and organizational change in recent periods and if we fail to manage our growth effectively, we may be unable to execute our business plan;
- if we are not able to provide successful enhancements, new features and modifications to our software solutions, our business could be adversely affected;
- we derive substantially all of our revenues from a limited number of software solutions, and our future growth is dependent on their success;
- if our relationships with technology vendors and business process outsourcers is not successful, our business and growth will be harmed;
- if our security controls are breached or unauthorized or inadvertent access to customer data is otherwise obtained, our software solutions may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities;

- interruptions or performance problems associated with our software solutions, platform and technology may adversely affect our business and operating results; and
- if our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle product liability claims.

Investment by Silver Lake and Iconiq

We operated as BlackLine Systems, Inc., which we refer to as the “Predecessor,” from 2001 until September 2013. On September 3, 2013, BlackLine, Inc., which we refer to as the “Successor,” acquired BlackLine Systems, Inc. in connection with an investment by Silver Lake and Iconiq, which we refer to as the “Acquisition.” The Successor was created for the sole purpose of acquiring the Predecessor and had no prior operations. We refer to Silver Lake and Iconiq collectively as our “Investors” and, in connection with the Acquisition, our Investors obtained a controlling interest in us.

After giving effect to this offering, our Investors will beneficially own approximately % of our issued and outstanding common stock or % of our issued and outstanding common stock (assuming full exercise of the underwriters’ option to purchase additional shares). The majority of the remaining issued and outstanding common stock, after giving effect to this offering, will be beneficially owned by Therese Tucker, our Chief Executive Officer, and Mario Spanicciati, our Chief Strategy Officer. Therese Tucker and Mario Spanicciati will beneficially own approximately % and % of our issued and outstanding common stock, respectively, or % and % of our issued and outstanding common stock (assuming full exercise of the underwriters’ option to purchase additional shares), respectively. We refer to our Investors, Therese Tucker and Mario Spanicciati collectively as our “Principal Stockholders.”

Presentation of Our Financial Statements

The Acquisition was accounted for as a business combination under GAAP, which resulted in a change in accounting basis as of the date of the Acquisition. As a result, our consolidated financial statements for periods after September 3, 2013 are presented on a different basis than that for the periods before September 3, 2013, due to the application of purchase accounting as of September 3, 2013, and therefore are not comparable. We refer to the period from January 1, 2013 to September 2, 2013 as the 2013 Predecessor Period and the period from September 3, 2013 to December 31, 2013 as the 2013 Successor Period. Please refer to “Summary Consolidated Financial Data” on page 10 of this prospectus for further information.

Corporate Information

Our principal executive offices are located at 21300 Victory Boulevard, 12th Floor, Woodland Hills, CA 91367. The phone number of our principal executive offices is (818) 223-9008, and our main corporate website is www.blackline.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus or the registration statement of which this prospectus forms a part, and is not incorporated by reference herein. We have included our website address in this prospectus solely for informational purposes and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase shares of our common stock.

The names “BlackLine,” “BlackLine Systems,” “Intercompany Hub,” and our logo are our trademarks. This prospectus also contains trademarks and trade names of other businesses that are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks we name in this prospectus.

THE OFFERING

| | |
|--|--------|
| Common stock offered by us | Shares |
| Common stock to be outstanding immediately after this offering | Shares |
| Option to purchase additional shares of common stock from us | Shares |

Use of proceeds

The principal purposes of this offering are to obtain additional capital and increase our financial flexibility, create a public market for our stock and increase our visibility in the marketplace. We currently intend to use the net proceeds we receive from this offering to repay the entire outstanding balance under our credit facility and for general corporate purposes, including working capital, research and development activities, sales and marketing activities, general and administrative matters and capital expenditures and to fund our growth plans. As of June 30, 2016, the outstanding principal balance under our credit facility was approximately \$35.7 million. On August 30, 2016, we amended our credit facility to add an additional \$30 million term loan and used the proceeds and cash on hand to acquire Runbook. We may also, in our discretion, use a portion of the net proceeds for the acquisition of, or investment in, businesses, products, services or technologies that complement our business, although we have no current commitments or agreements to enter into any acquisitions or investments. See "Use of Proceeds."

Risk factors

See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

Controlled company

Following this offering, our Principal Stockholders will control approximately % of the combined voting power of our common stock. As a result, we will be a "controlled company" within the meaning of the corporate governance rules of the NASDAQ Stock Market. We have elected not to take advantage of the "controlled company" exemption.

Proposed symbol

"BL"

The number of shares of our common stock that will be outstanding after this offering is based on 203,655,411 shares of our common stock outstanding as of June 30, 2016, and excludes:

- 29,570,809 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of June 30, 2016, with a weighted-average exercise price of \$1.77 per share;
- 2,500,000 shares of our common stock issuable upon the exercise of warrants to purchase shares of our common stock outstanding as of June 30, 2016, with an exercise price of \$1.00 per share;

- shares of our common stock reserved for future issuance under our stock-based compensation plans, consisting of (i) 5,724,125 shares of common stock reserved for future awards under the 2014 Equity Incentive Plan, or our 2014 Plan, as of June 30, 2016 (which will terminate as of the completion of this offering and no awards will be granted under our 2014 Plan thereafter) and (ii) shares of common stock reserved for issuance under our 2016 Equity Incentive Plan, or our 2016 Plan, which will become effective one business day prior to the effective date of the registration statement of which this prospectus forms a part. Stock options to purchase an aggregate of 480,250 shares of our common stock, with an exercise price of \$3.20 per share were granted after June 30, 2016 under our 2014 Plan. Any shares that, as of immediately prior to the effectiveness of our 2016 Plan, have been reserved but not issued pursuant to awards granted under our 2014 Plan and are not subject to any awards granted under our 2014 Plan, plus any shares covering awards granted under our 2014 Plan that, on or after the effectiveness of our 2016 Plan, expire or terminate without having been exercised in full or are forfeited to or repurchased by us, will become available for issuance under our 2016 Plan, with the maximum number of shares to be added to our 2016 Plan, from our 2014 Plan equal to shares. Our 2016 Plan also provides for automatic annual increases in the number of shares reserved under our 2016 Plan, as more fully described in “Executive Compensation—Employee Benefit and Stock Plans;” and

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

- a one-for- reverse split of our common stock to be effected prior to the effectiveness of the registration statement of which this prospectus forms a part;
- the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the adoption of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering;
- no exercise of outstanding options or warrants subsequent to June 30, 2016; and
- no exercise by the underwriters of their option to purchase up to an additional shares of our common stock from us.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data. You should read this summary consolidated financial data together with our "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

On September 3, 2013, we acquired BlackLine Systems, Inc., which we refer to as the Acquisition. Prior to the Acquisition, we had no significant operations. As a result, the consolidated financial statements for the periods from January 1, 2013 to September 2, 2013 are presented as BlackLine Systems, Inc., which we refer to as the Predecessor, and all subsequent periods are presented as BlackLine, Inc., which we refer to as the Successor. The Successor financial statements reflect a new basis of accounting as a result of the Acquisition and therefore are not comparable to the Predecessor financial statements. We refer to the period from January 1, 2013 to September 2, 2013 as the 2013 Predecessor Period and the period from September 3, 2013 to December 31, 2013 as the 2013 Successor Period.

The consolidated statements of operations data for the 2013 Predecessor Period is derived from the audited consolidated financial statements of the Predecessor not included in this prospectus. The consolidated statements of operations data for the 2013 Successor Period and the consolidated balance sheet data as of December 31, 2013 are derived from the consolidated financial statements of the Successor not included in this prospectus. The consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the consolidated balance sheet data as of December 31, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the six months ended June 30, 2015 and 2016 and the consolidated balance sheet data as of June 30, 2016 are derived from the unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Our unaudited interim condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which consist only of normal recurring adjustments, necessary for the fair statement of those unaudited condensed consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future.

Consolidated Statements of Operations Data:

| | 2013 Predecessor Period | 2013 Successor Period | Year Ended December 31, | | Six Months Ended June 30, | |
|---|-------------------------------|-----------------------------|----------------------------|-------------|------------------------------|-------------|
| | | | 2014 | 2015 | 2015 | 2016 |
| (In thousands, except share and per share data) | | | | | | |
| Revenues | | | | | | |
| Subscription and support | \$ 21,977 | \$ 7,723 | \$ 49,029 | \$ 80,080 | \$ 35,880 | \$ 52,977 |
| Professional services | 1,407 | 860 | 2,648 | 3,527 | 1,592 | 2,610 |
| Total revenues | 23,384 | 8,583 | 51,677 | 83,607 | 37,472 | 55,587 |
| Cost of revenues | | | | | | |
| Subscription and support | 4,442 | 4,346 | 14,380 | 19,773 | 9,101 | 12,075 |
| Professional services | 1,145 | 499 | 2,218 | 2,956 | 1,338 | 1,928 |
| Total cost of revenues(1)(2) | 5,587 | 4,845 | 16,598 | 22,729 | 10,439 | 14,003 |
| Gross profit | 17,797 | 3,738 | 35,079 | 60,878 | 27,033 | 41,584 |
| Operating expenses | | | | | | |
| Sales and marketing(1)(2) | 10,453 | 6,895 | 31,837 | 56,546 | 24,954 | 37,242 |
| Research and development(1) | 4,738 | 2,225 | 9,705 | 18,216 | 8,034 | 10,465 |
| General and administrative(1)(2)(3) | 6,978 | 2,827 | 11,716 | 20,928 | 9,052 | 11,935 |
| Acquisition-related costs | 5,586 | 1,634 | — | — | — | — |
| Total operating expenses | 27,755 | 13,581 | 53,258 | 95,690 | 42,040 | 59,642 |
| Loss from operations | (9,958) | (9,843) | (18,179) | (34,812) | (15,007) | (18,058) |
| Other expense | | | | | | |
| Interest expense, net | (22) | (781) | (3,047) | (3,215) | (1,644) | (1,840) |
| Change in fair value of the common stock warrant liability | — | — | (3,700) | (420) | (250) | 300 |
| Other expense, net | (22) | (781) | (6,747) | (3,635) | (1,894) | (1,540) |
| Loss before income taxes | (9,980) | (10,624) | (24,926) | (38,447) | (16,901) | (19,598) |
| Provision for (benefit from) income taxes | 21 | (3,954) | (8,174) | (13,713) | (6,109) | (2,722) |
| Net loss | \$ (10,001) | \$ (6,670) | \$ (16,752) | \$ (24,734) | \$ (10,792) | \$ (16,876) |
| Net loss per share, basic and diluted | \$ (0.12) | \$ (0.03) | \$ (0.08) | \$ (0.12) | \$ (0.05) | \$ (0.08) |
| Weighted average common shares outstanding, basic and diluted | 82,250,000 | 200,094,118 | 200,445,411 | 202,895,292 | 202,486,866 | 203,535,687 |
| Pro forma net loss per share, basic and diluted (unaudited)(4) | | | | \$ | \$ | \$ |
| Pro forma weighted average common shares, basic and diluted (unaudited) | | | | | | |

(1) The following table presents the stock-based compensation expense included in each respective expense category:

| | 2013 | 2013 | Year Ended | | Six Months | |
|----------------------------|--------------------|------------------|-----------------|-----------------|-----------------|-----------------|
| | Predecessor Period | Successor Period | December 31, | | Ended June 30, | |
| | | | 2014 | 2015 | 2015 | 2016 |
| | (in thousands) | | | | | |
| Cost of revenues | \$ 86 | \$ — | \$ 249 | \$ 466 | \$ 225 | \$ 275 |
| Sales and marketing | 124 | — | 1,059 | 2,418 | 1,145 | 1,333 |
| Research and development | 330 | — | 229 | 588 | 260 | 334 |
| General and administrative | 360 | — | 480 | 2,025 | 680 | 1,232 |
| | <u>\$ 900</u> | <u>\$ —</u> | <u>\$ 2,017</u> | <u>\$ 5,497</u> | <u>\$ 2,310</u> | <u>\$ 3,174</u> |

(2) The following table presents the amortization of intangible assets included in each respective expense category:

| | 2013 | 2013 | Year Ended | | Six Months | |
|----------------------------|--------------------|------------------|------------------|------------------|-----------------|-----------------|
| | Predecessor Period | Successor Period | December 31, | | Ended June 30, | |
| | | | 2014 | 2015 | 2015 | 2016 |
| | (in thousands) | | | | | |
| Cost of revenues | \$ — | \$ 2,048 | \$ 6,139 | \$ 6,139 | \$ 3,069 | \$ 3,069 |
| Sales and marketing | — | 1,162 | 3,487 | 3,487 | 1,744 | 1,744 |
| General and administrative | — | 821 | 2,466 | 2,466 | 1,233 | 1,233 |
| | <u>\$ —</u> | <u>\$ 4,031</u> | <u>\$ 12,092</u> | <u>\$ 12,092</u> | <u>\$ 6,046</u> | <u>\$ 6,046</u> |

(3) General and administrative expenses include a decrease in fair value of contingent consideration of \$781,000 for the year ended December 31, 2014, and increases in fair value of contingent consideration of \$41,000, \$26,000, and \$143,000 for the year ended December 31, 2015 and six months ended June 30, 2015 and 2016, respectively.

(4) Pro forma basic and diluted net loss per share for the year ended December 31, 2015 and the six months ended June 30, 2016 has been computed to give effect to the issuance of _____ and _____ shares of common stock, respectively, that would have been required to be issued to repay the then outstanding credit facility balance, including the prepayment premium, assuming the issuance of such shares at the assumed initial public offering price of \$ _____ per share which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Also, the numerator in the pro forma basic and diluted net loss per share calculation for the year ended December 31, 2015 and the six months ended June 30, 2016 have been adjusted to reverse the interest expense on our credit facility, net of tax, of \$2.1 million and \$1.6 million, respectively. The pro forma net loss per share does not include the proceeds to be received from the assumed initial public offering, or shares expected to be sold in the initial public offering, except for those shares necessary to be issued to repay the credit facility.

Consolidated Balance Sheet Data:

| | As of December 31, | | | As of June 30, 2016 | |
|---|--------------------|-----------|-----------|---------------------|--------------|
| | 2013 | 2014 | 2015 | Actual | Pro Forma(1) |
| | (in thousands) | | | | |
| Cash and cash equivalents | \$ 14,855 | \$ 25,707 | \$ 15,205 | \$ 13,647 | \$ |
| Total assets | 275,025 | 285,550 | 286,750 | 282,798 | |
| Deferred revenue | 17,328 | 34,574 | 52,750 | 60,501 | |
| Capital lease obligations, net of current portion | — | — | 558 | 434 | |
| Long-term debt | 23,132 | 25,673 | 28,267 | 34,399 | |
| Total stockholders' equity | 193,852 | 183,947 | 166,168 | 152,812 | |

- (1) The pro forma balance sheet gives effect to (i) the issuance of _____ shares of our common stock in this offering, at an assumed initial public offering price of \$ _____ per share which is the midpoint of the estimated offering price range set forth on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the use of proceeds from the offering to repay amounts outstanding under our credit facility at June 30, 2016, including prepayment premiums, each as if such events had occurred on June 30, 2016.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

| | December 31, | | | June 30, | |
|---|--------------|--------|---------|----------|---------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| Dollar-based net revenue retention rate | 120% | 118% | 120% | 120% | 119% |
| Number of customers (as of end of period) | 738 | 987 | 1,338 | 1,145 | 1,523 |
| Number of users (as of end of period) | 67,387 | 93,665 | 128,726 | 111,383 | 147,466 |

Dollar-based net revenue retention rate. We believe that dollar-based net revenue retention rate is an important metric to measure the long-term value of customer agreements and our ability to retain and grow our relationships with existing customers over time. We calculate dollar-based net revenue retention rate as the implied monthly subscription and support revenue at the end of a period for the base set of customers from which we generated subscription revenue in the year prior to the calculation, divided by the implied monthly subscription and support revenue one year prior to the date of calculation for that same customer base. This calculation does not reflect implied monthly subscription and support revenue for new customers added during the one year period but does include the effect of customers who terminated during the period. We define implied monthly subscription and support revenue as the total amount of minimum subscription and support revenue contractually committed to, under each of our customer agreements over the entire term of the agreement, divided by the number of months in the term of the agreement.

Number of customers. We believe that our ability to expand our customer base is an indicator of our market penetration and the growth of our business. We define a customer as an entity with an active subscription agreement as of the measurement date. In situations where an organization has

multiple subsidiaries or divisions, each entity that is invoiced as a separate entity is treated as a separate customer. However, where an existing customer requests its invoice be divided for the sole purpose of restructuring its internal billing arrangement without any incremental increase in revenue, such customer continues to be treated as a single customer. For the 2013 Predecessor Period, the 2013 Successor Period, the years ended December 31, 2014 and 2015 and the six months ended June 30, 2015 and 2016, no single customer accounted for more than 10% of our total revenues.

Number of users. Since our customers generally pay fees based on the number of users of our platform within their organization, we believe the total number of users is an indicator of the growth of our business.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the non-GAAP measures below are useful to us and our investors in evaluating our business. These non-GAAP financial measures are useful because they provide consistency and comparability with our past performance, facilitate period-to-period comparisons of operations and facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|-----------------------|------------------------------------|------------|-------------|---------------------------|-------------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | (in thousands, except percentages) | | | | |
| Non-GAAP Revenues | \$38,012 | \$56,629 | \$ 83,607 | \$37,472 | \$ 55,587 |
| Non-GAAP Gross Profit | \$29,714 | \$46,419 | \$ 67,483 | \$30,327 | \$ 44,928 |
| Non-GAAP Gross Margin | 78.2% | 82.0% | 80.7% | 80.9% | 80.8% |
| Non-GAAP Net Loss | \$ (1,604) | \$ (2,550) | \$ (20,114) | \$ (8,059) | \$ (10,424) |

Non-GAAP Revenues. We define non-GAAP revenues as our GAAP revenues adjusted for the impact of purchase accounting resulting from the Acquisition. Upon the Acquisition, deferred revenue at the Acquisition date was recorded at fair value, resulting in a reduction from its then carrying value. This reduction resulted in reduced revenue in the 2013 Successor Period and for the year ended December 31, 2014. Our non-GAAP revenues for the year ended December 31, 2013 combines the GAAP revenues for the 2013 Predecessor Period and the 2013 Successor Period adjusted for by the purchase accounting adjustment. We believe that presenting non-GAAP revenues is useful to investors as it more fully reflects our core revenue growth rate during 2013 and 2014 and allows a direct comparison of revenues between periods. The purchase accounting adjustments to revenues related to the Acquisition did not affect our revenues for the year ended December 31, 2015 and will not affect our revenues for future periods.

Non-GAAP Gross Profit and Non-GAAP Gross Margin. We define non-GAAP gross profit as our non-GAAP revenues less our GAAP cost of revenue adjusted for the amortization of acquired developed technology resulting from the Acquisition and stock-based compensation. We define non-GAAP gross margin as our non-GAAP gross profit divided by our non-GAAP revenues. We believe that presenting non-GAAP gross margin is useful to investors as it eliminates the impact of certain non-cash expenses and allows a direct comparison of gross margin between periods.

Non-GAAP Net Loss. We define non-GAAP net loss as our GAAP net loss adjusted for the impact of the benefit from income taxes, stock-based compensation, amortization of acquired

intangible assets resulting from the Acquisition, accretion of debt discount pertaining to our term loan we entered into under our credit facility in September 2013, or the 2013 Term Loan, accretion of warrant discount relating to warrants issued in connection with our 2013 Term Loan, the adjustment to revenues for the impact of purchase accounting resulting from the Acquisition, the change in the fair value of contingent consideration, the change in fair value of the common stock warrant liability, Acquisition-related costs and one-time cash payments to stock option holders.

The benefit from income taxes excluded from our GAAP net loss represents domestic state and federal tax benefits that we were able to recognize as a result of the deferred tax liabilities associated with the intangible assets established upon the Acquisition. During 2016, our cumulative deferred tax assets, which comprise primarily of net operating losses, are expected to exceed our deferred tax liabilities, and because of our recent history of operating losses we believe that the realization of the deferred tax assets is not more likely than not. Accordingly, we have established a valuation allowance against our deferred tax assets. For 2016 we will no longer be able to fully recognize a tax benefit, which will result in a lower effective income tax benefit than for the years ended December 31, 2014 and 2015. Accordingly, we believe that presenting non-GAAP net loss without this income tax benefit is useful to investors to enhance comparability of our results among periods. We have not excluded income tax expense relating to our international operations as we expect that this will continue to be reflected in our future statements of operations.

We have excluded the effect of stock-based compensation expense in calculating our non-GAAP net loss. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our performance excluding stock-based compensation expense. We record stock-based compensation expense related to grants of options and, depending on the size, timing, and the terms of the grants, stock-based compensation expense may vary significantly.

Amortization of intangibles includes the amortization expense associated with the developed technology, trademarks, non-compete agreements, and customer relationships that were capitalized as a result of the Acquisition. These amortization expenses would not have been incurred absent the Acquisition and are excluded from GAAP net loss to enhance comparability to competitors that did not undergo a similar transaction or recognize similar intangible assets.

We incurred additional indebtedness to fund the Acquisition, and this indebtedness gave rise to debt and warrant discounts that we accrete through interest expense. The accretion of debt and warrant discounts were excluded from GAAP net loss as these costs would not have been incurred without the Acquisition. The accretion of debt discounts for financing transactions not used to fund the Acquisition were not included in the reconciliation to non-GAAP net income (loss) as these financings were used to finance general corporate matters.

The purchase accounting adjustment to revenue impacted the 2013 and 2014 periods, and, as a result, these amounts have been excluded from GAAP loss to enhance comparability to other periods presented.

Contingent consideration represents the cash consideration required to be paid to certain equity holders if we realize a tax benefit from the net operating losses generated from stock options exercised concurrent with the Acquisition. Changes in the fair value of contingent consideration liability primarily reflects changes in the expected timing of our ability to utilize the net operating losses. This liability would not exist had the Acquisition not occurred and thus we exclude changes in the fair value of contingent consideration from our GAAP net loss.

Common stock warrants were issued in conjunction with debt used to fund the Acquisition and the value of these warrants is impacted by a number of factors not directly attributable to our financial performance, including factors affecting our stock price and the volatility of peer companies' stock price. Accordingly, for our internal financial measures we exclude the change in the fair value of common stock warrants from our GAAP net loss.

Both acquisition-related costs as well as compensation costs for payments to stock option holders were a direct result of Acquisition and due to the fact they have not recurred in the subsequent periods presented, we have excluded them from GAAP net loss for the 2013 period to enhance comparability of our results between periods.

We believe that presenting non-GAAP net loss is useful to investors as it eliminates the impact of items that have been impacted by the Acquisition, purchase accounting and other related costs in order to allow a direct comparison of net loss between all periods presented.

Our non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results under GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. First, non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss are not substitutes for revenue, gross profit, gross margin and net loss, respectively. Second, these non-GAAP financial measures may not provide information directly comparable to measures provided by other companies in our industry, as those other companies may calculate their non-GAAP financial measures differently, particularly related to adjustments for acquisition accounting and non-recurring expenses. Third, these non-GAAP measures exclude certain recurring expenses that have been and will continue to be significant expenses of our business.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of revenues, gross profit, gross margin and net loss, the most comparable GAAP measures, to non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss:

| | 2013 Predecessor Period | 2013 Successor Period | Year Ended December 31, | | | Six Months Ended June 30, | |
|---|-------------------------------|-----------------------------|----------------------------|-------------------|-------------------|------------------------------|-------------------|
| | | | 2013 Combined | 2014 | 2015 | 2015 | 2016 |
| (in thousands, except percentages) | | | | | | | |
| Non-GAAP Revenues: | | | | | | | |
| Revenues | \$ 23,384 | \$ 8,583 | \$ 31,967 | \$ 51,677 | \$ 83,607 | \$ 37,472 | \$ 55,587 |
| Purchase accounting adjustment to revenue | — | 6,045 | 6,045 | 4,952 | — | — | — |
| Total Non-GAAP Revenues | \$ 23,384 | \$ 14,628 | \$ 38,012 | \$ 56,629 | \$ 83,607 | \$ 37,472 | \$ 55,587 |
| Non-GAAP Gross Profit: | | | | | | | |
| Gross Profit | \$ 17,797 | \$ 3,738 | \$ 21,535 | \$ 35,079 | \$ 60,878 | \$ 27,033 | \$ 41,584 |
| Purchase accounting adjustment to revenue | — | 6,045 | 6,045 | 4,952 | — | — | — |
| Amortization of developed technology | — | 2,048 | 2,048 | 6,139 | 6,139 | 3,069 | 3,069 |
| Stock-based compensation expense | 86 | — | 86 | 249 | 466 | 225 | 275 |
| Total Non-GAAP Gross Profit | \$ 17,883 | \$ 11,831 | \$ 29,714 | \$ 46,419 | \$ 67,483 | \$ 30,327 | \$ 44,928 |
| Gross Margin | 76.1% | 43.6% | 67.4% | 67.9% | 72.8% | 72.1% | 74.8% |
| Non-GAAP Gross Margin | 76.5% | 80.9% | 78.2% | 82.0% | 80.7% | 80.9% | 80.8% |
| Non-GAAP Net Loss: | | | | | | | |
| Net Loss | \$ (10,001) | \$ (6,670) | \$ (16,671) | \$(16,752) | \$(24,734) | \$(10,792) | \$(16,876) |
| Benefit from income taxes | — | (3,972) | (3,972) | (8,282) | (13,934) | (6,151) | (2,895) |
| Stock-based compensation expense | 900 | — | 900 | 2,017 | 5,497 | 2,310 | 3,174 |
| Amortization of acquired intangible assets | — | 4,031 | 4,031 | 12,092 | 12,092 | 6,046 | 6,046 |
| Accretion of debt discount | — | 57 | 57 | 228 | 228 | 114 | 146 |
| Accretion of warrant discount | — | 74 | 74 | 276 | 276 | 138 | 138 |
| Purchase accounting adjustment to revenue | — | 6,045 | 6,045 | 4,952 | — | — | — |
| Change in fair value of contingent consideration | — | — | — | (781) | 41 | 26 | 143 |
| Change in fair value of common stock warrant liability | — | — | — | 3,700 | 420 | 250 | (300) |
| Acquisition-related costs | 5,586 | 1,634 | 7,220 | — | — | — | — |
| Compensation costs for payments to stock option holders in association with the Acquisition | 712 | — | 712 | — | — | — | — |
| Total Non-GAAP Net Loss | \$ (2,803) | \$ 1,199 | \$ (1,604) | \$ (2,550) | \$(20,114) | \$ (8,059) | \$(10,424) |

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks, together with all of the other information contained in this prospectus, including our financial statements and related notes, before making a decision to invest in our common stock. Any of the following risks could have a material adverse effect on our business, operating results, and financial condition and could cause the trading price of our common stock to decline, which would cause you to lose all or part of your investment.

Risks Related to Our Business

If we are unable to attract new customers and expand sales to existing customers, our business growth could be slower than we expect and our business may be harmed.

Our future growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenues in the future will depend, in large part, upon the effectiveness of our sales and marketing efforts, both domestically and internationally. We may have difficulty attracting a potential client that has already invested substantial personnel and financial resources to integrate on-premise software into its business, as such organizations may be reluctant or unwilling to invest in a new product. If we fail to attract new customers or maintain and expand those customer relationships, our revenues will grow more slowly than expected and our business will be harmed.

Our future growth also depends upon our ability to add users and sell additional products to our existing customers. It is important for the future growth of our business that our existing customers make additional significant purchases of our products and add additional users to our platform. Our business also depends on retaining existing customers. If we do not retain customers, our customers do not purchase additional products or we do not add additional users to our platform, our revenues may grow more slowly than expected, may not grow at all or may decline. Additionally, increasing incremental sales to our current customer base may require additional sales efforts that are targeted at senior management. There can be no assurance that our efforts would result in increased sales to existing customers or additional revenues.

Our business and growth depend substantially on customers renewing their subscription agreements with us and any decline in our customer renewals could adversely affect our future operating results.

Our initial subscription period for the majority of our customers is one year. In order for us to continue to increase our revenue, it is important that our existing customers renew their subscription agreements when the initial contract term expires. Although our agreements typically include automatic renewal language, our customers may cancel their agreements at the expiration of the initial term. In addition, our customers may renew for fewer users, renew for shorter contract lengths or renew for fewer products or solutions. Our customers' renewal rates may decline or fluctuate as a result of a variety of factors, including their satisfaction or dissatisfaction with our software or professional services, our pricing or pricing structure, the pricing or capabilities of products or services offered by our competitors, the effects of economic conditions or reductions in our customers' spending levels. As the markets for our existing solutions mature, or as current and future competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers or attract new customers at prices that are profitable to us. If this were to occur, it is possible that we would have to change our pricing model, offer price incentives or reduce our prices. If our customers do not renew their agreements with us or renew on terms less favorable to us, our revenues may decline.

We have a history of losses in recent periods and we may not be able to generate sufficient revenue to achieve or sustain profitability.

We have incurred net losses in recent periods, including \$16.8 million for the year ended December 31, 2014, \$24.7 million for the year ended December 31, 2015 and \$16.9 million for the six months ended June 30, 2016. We had an accumulated deficit of \$65.1 million at June 30, 2016. We may not be able to generate sufficient revenue to achieve and sustain profitability. We also expect our costs to increase in future periods as we continue to expend substantial financial and other resources on:

- development of our cloud-based platform, including investments in research and development, product innovation to expand the features and functionality of our software solutions and improvements to the scalability and security of our platform;
- sales and marketing, including expansion of our direct sales force and our relationships with technology vendors, professional services firms, business process outsourcers and resellers;
- additional international expansion in an effort to increase our customer base and sales; and
- general administration, including legal, accounting and other expenses related to being a public company.

These investments may not result in increased revenue or growth of our business. If we fail to continue to grow our revenue, we may not achieve or sustain profitability.

We have experienced rapid growth and organizational change in recent periods and if we fail to manage our growth effectively, we may be unable to execute our business plan.

We increased our number of full-time employees from 183 as of December 31, 2013 to 490 as of June 30, 2016 as we have experienced growth in number of customers and expanded our operations. Our growth has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our headcount and operations both domestically and internationally, with no assurance that our business or revenue will continue to grow. Continuing to create a global organization and managing a geographically dispersed workforce will require substantial management effort, the allocation of valuable management resources and significant additional investment in our infrastructure. We will be required to continually improve our operational, financial and management controls and our reporting procedures and we may not be able to do so effectively, which could negatively affect our results of operations and overall business. In addition, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross margins or operating expenses in any particular quarter. Moreover, if we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, the quality of our software solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract customers.

Our quarterly results may fluctuate, and if we fail to meet the expectations of analysts or investors, our stock price and the value of your investment could decline substantially.

Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control. If our quarterly financial results fall below the expectations of investors or any securities analysts who may follow our stock, the price of our common stock could decline substantially. Some of the important factors that may cause our revenue, operating results and cash flows to fluctuate from quarter to quarter include:

- our ability to attract new customers and retain and increase sales to existing customers;
- the number of new employees added;
- the rate of expansion and productivity of our sales force;

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- changes in our or our competitors' pricing policies;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- new products, features or functionalities introduced by us and our competitors;
- significant security breaches, technical difficulties or interruptions to our platform;
- the timing of customer payments and payment defaults by customers;
- general economic conditions that may adversely affect either our customers' ability or willingness to purchase additional products or services, delay a prospective customer's purchasing decision or affect customer retention;
- changes in foreign currency exchange rates;
- the impact of new accounting pronouncements; and
- the timing and the amount of grants or vesting of equity awards to employees.

Many of these factors are outside of our control, and the occurrence of one or more of them might cause our revenue, operating results, and cash flows to vary widely. As such, we believe that quarter-to-quarter comparisons of our revenue, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

If we are not able to provide successful enhancements, new features or modifications to our software solutions, our business could be adversely affected.

If we are unable to provide enhancements and new features for our existing solutions or new solutions that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. The success of enhancements, new products and solutions depends on several factors, including timely completion, introduction and market acceptance. We must continue to meet changing expectations and requirements of our customers and, because our platform is designed to operate on a variety of systems, we will need to continuously modify and enhance our solutions to keep pace with changes in Internet-related hardware and other software, communication, browser and database technologies. Our platform is also designed to integrate with existing enterprise resource planning, or ERP, systems such as NetSuite, Oracle, SAP and Workday, and will require modifications and enhancements as these systems change over time. Any failure of our solutions to operate effectively with future platforms and technologies could reduce the demand for our solutions or result in customer dissatisfaction. Furthermore, uncertainties about the timing and nature of new solutions or technologies, or modifications to existing solutions or technologies, could increase our research and development expenses. If we are not successful in developing modifications and enhancements to our solutions or if we fail to bring them to market in a timely fashion, our solutions may become less marketable, less competitive or obsolete, our revenue growth may be significantly impaired and our business could be adversely affected.

We derive substantially all of our revenues from a limited number of software solutions, and our future growth is dependent on their success.

We currently derive and expect to continue to derive substantially all of our revenues from our Financial Close Management and Reconciliation Management solutions. As such, the continued growth in market demand for these solutions is critical to our continued success. We have recently introduced two new software solutions, Intercompany Hub and Insights, but cannot be certain that they will generate significant revenues. In addition, those solutions are designed to be used with our Financial Close Management and Reconciliation Management solutions and will not be sold independently. Accordingly, our business and financial results will be substantially dependent on a limited number of solutions.

If our relationships with technology vendors and business process outsourcers are not successful, our business and growth will be harmed.

We depend on, and anticipate that we will continue to depend on, various strategic relationships in order to sustain and grow our business. We have established strong relationships with technology vendors such as SAP and Netsuite to market our solutions to users of their ERP solutions, and professional services firms such as Deloitte & Touche and KPMG, and business process outsourcers such as Cognizant, Genpact and IBM to supplement delivery and implementation of our applications. We believe these relationships enable us to effectively market our solutions by offering a complementary suite of services. In particular, we have a strategic relationship with SAP to market our solution to users of SAP's ERP solutions. Our solution is an SAP endorsed business solution that integrates with SAP's ERP solutions. Under our agreement with SAP, which we entered into in 2013, we pay SAP a fee based on a percentage of revenues from our new customers that use an SAP ERP system. We continue to pay SAP a fee for these customers over the term of their subscription agreements. For the six months ended June 30, 2016, revenues from our customers that use an SAP ERP solution accounted for \$8.8 million, or approximately 16%, of our total revenues. For the year ended December 31, 2015, revenues from our customers under this agreement accounted for \$9.4 million, or approximately 11%, of our total revenues. If we are unsuccessful in maintaining our relationship with SAP, or if we are unsuccessful in supporting or expanding our relationships with other companies, our business would be adversely affected.

Identifying, negotiating and documenting relationships with other companies require significant time and resources. Our agreements with technology vendors are typically limited in duration, non-exclusive, cancellable upon notice and do not prohibit the counterparties from working with our competitors or from offering competing services. For example, our agreement with SAP can be terminated by either party upon six months' notice and there is no assurance that our relationship with SAP will continue. If we are no longer an SAP-endorsed business solution, our business could be adversely affected. Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our platform. If we are unsuccessful in establishing or maintaining our relationships, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results would suffer. Even if we are successful, we cannot assure you that these relationships will result in improved operating results.

If our security controls are breached or unauthorized or inadvertent access to customer data is otherwise obtained, our software solutions may be perceived as insecure, we may lose existing customers or fail to attract new customers, and we may incur significant liabilities.

Use of our platform involves the storage, transmission and processing of our customers' proprietary data, including highly confidential financial information regarding their business and personal or identifying information regarding their customers or employees. Our platform is at risk for breaches as a result of third-party action, employee, vendor or contractor error, malfeasance or other factors. If any unauthorized or inadvertent access to or a security breach of our platform occurs, or is believed to occur, such an event could result in the loss of data, loss of business, severe reputational damage adversely affecting customer or investor confidence, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach or penalties for violation of applicable laws or regulations. Security breaches could also result in significant costs for remediation that may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, and other liabilities.

We incur significant expenses to prevent security breaches, including deploying additional personnel and protection technologies, training employees, and engaging third-party experts and contractors. If a high profile security breach occurs with respect to another provider of software as a service, or SaaS, our clients and potential clients may lose trust in the security of our platform or in the

SaaS business model generally, which could adversely impact our ability to retain existing clients or attract new ones. Even in the absence of any security breach, customer concerns about security, privacy, or data protection may deter them from using our platform for activities that involve personal or other sensitive information. Our errors and omissions insurance policies covering certain security and privacy damages and claim expenses may not be sufficient to compensate for all potential liability. Although we maintain cyber liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

Because the techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period.

Because data security is a critical competitive factor in our industry, we make numerous statements in our privacy policy and customer agreements, through our certifications to privacy standards and in our marketing materials, providing assurances about the security of our platform including detailed descriptions of security measures we employ. Should any of these statements be untrue or become untrue, even through circumstances beyond our reasonable control, we may face claims of misrepresentation or deceptiveness by the U.S. Federal Trade Commission, state and foreign regulators and private litigants. Our errors and omissions insurance coverage covering security and privacy damages and claim expenses may not be sufficient to compensate for all liability.

Interruptions or performance problems associated with our software solutions, platform and technology may adversely affect our business and operating results.

Our continued growth depends in part on the ability of our existing and potential customers to access our platform at any time. Our platform is proprietary, and we rely on the expertise of members of our engineering, operations and software development teams for its continued performance. We have experienced, and may in the future experience, disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints due to an overwhelming number of users accessing our platform simultaneously, denial of service attacks or other security related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Because of the seasonal nature of financial close activities, increasing complexity of our platform and expanding user population, it may become difficult to accurately predict and timely address performance and capacity needs during peak load times. If our platform is unavailable or if our users are unable to access it within a reasonable amount of time or at all, our business would be harmed. In addition, our infrastructure does not currently include the real-time mirroring of data. Therefore, in the event of any of the factors described above, or other failures of our infrastructure, customer data may be permanently lost. Our customer agreements typically include performance guarantees and service level standards that obligate us to provide credits in the event of a significant disruption in our platform. To the extent that we do not effectively address capacity constraints, upgrade our systems and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, our business and operating results may be adversely affected.

If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle product liability claims.

Complex software such as ours often contains errors or defects, particularly when first introduced or when new versions or enhancements are released. Despite internal and third-party testing and

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testing by our customers, our current and future software may contain serious defects, which could result in lost revenue or a delay in market acceptance.

Since our customers use our platform for critical business functions such as assisting in the financial close or account reconciliation process, errors, defects or other performance problems could result in damage to our customers. They could seek significant compensation from us for the losses they suffer. Although our customer agreements typically contain provisions designed to limit our exposure to product liability claims, existing or future laws or unfavorable judicial decisions could negate these limitations. Even if not successful, a product liability claim brought against us would likely be time-consuming and costly and could seriously damage our reputation in the marketplace, making it harder for us to sell our products.

We depend on our executive officers and other key employees and the loss of one or more of these employees or an inability to attract and retain highly-skilled employees could adversely affect our business.

Our success depends largely upon the continued services of our executive officers and other key employees. We rely on our leadership team in the areas of research and development, operations, security, marketing, sales and general and administrative functions. In particular, our founder and Chief Executive Officer provides our strategic direction and has built and maintained what we believe is an attractive workplace culture. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives, which could disrupt our business. Key members of our current management and finance teams have only been working together for a relatively short period of time. If we are not successful in integrating these key employees into our organization, such failure could disrupt our business operations. We do not have employment agreements with our executive officers or other key personnel that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. The loss of one or more of our executive officers or key employees, especially our founder and Chief Executive Officer, could have an adverse effect on our business.

In addition, to execute our growth plan, we must attract and retain highly-qualified personnel. Competition for personnel is intense, especially for engineers experienced in designing and developing software applications and experienced sales professionals. We have, from time to time 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 their legal obligations, resulting in a diversion of our time and resources. Likewise, if competitors hire our employees, we may divert time and resources to deterring any breach by our former employees or their new employers of their legal obligations. Given the competitive nature of our industry, we have both received and asserted such claims in the past. In addition, job candidates 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, it may adversely affect our ability to recruit and retain highly-skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

If our industry does not continue to develop as we anticipate or if potential customers do not continue to adopt our platform, our sales would not grow as quickly as expected, or at all, and our business and operating results and financial condition would be adversely affected.

We operate in a rapidly evolving industry focused on modernizing financial and accounting operations. Our solutions are relatively new and have been developed to respond to an increasingly

global and complex business environment with more rigorous regulatory standards. If organizations do not increasingly allocate their budgets to financial automation software as we expect or if we do not succeed in convincing potential customers that our platform should be an integral part of their overall approach to their accounting processes, our sales may not grow as quickly as anticipated, or at all. Our business is substantially dependent on enterprises recognizing that accounting errors and inefficiencies are pervasive and are not effectively addressed by legacy solutions. Future deterioration in general economic conditions may also cause our customers to cut their overall information technology spending, and such cuts may disproportionately affect software solutions like ours to the extent customers view our solutions as discretionary. If our revenue does not increase for any of these reasons, or any other reason, our business, financial condition and operating results may be materially adversely affected.

The market in which we participate is intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The market for accounting and financial software and services is highly competitive and rapidly evolving. Our competitors vary in size and in the breadth and scope of the products and services they offer. We often compete with other vendors of financial automation software such as Trintech. We also compete with large, well-established, enterprise application software vendors, such as Oracle, whose Hyperion software contains components that compete with our platform. In the future, a competitor offering ERP software could include a free service similar to ours as part of its standard offerings or may offer a free standalone version of a service similar to ours. Further, other established software vendors not currently focused on accounting and finance software and services may expand their services to compete with us.

Our competitors may have greater name recognition, longer operating histories, more established customer and marketing relationships, larger marketing budgets and significantly greater resources than we do. They may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. In addition, some of our competitors have partnered with, or have acquired, and may in the future partner with or acquire, other competitors to offer services, leveraging their collective competitive positions, which makes, or would make, it more difficult to compete with them.

With the introduction of new technologies, the evolution of our platform and new market entrants, we expect competition to intensify in the future. Increased competition generally could result in reduced sales, reduced margins, losses or the failure of our platform to achieve or maintain more widespread market acceptance, any of which could harm our business.

Our financial results may fluctuate due to our long and variable sales cycle.

Our sales cycle generally varies in duration between four to nine months and, in some cases, even longer depending on the size of the potential customer. The sales cycle for our global enterprise customers is generally longer than that of our mid-market customers. Factors that may influence the length and variability of our sales cycle include:

- the need to educate potential customers about the uses and benefits of our software solutions;
- the need to educate potential customers on the differences between traditional, on-premise software and SaaS solutions;
- the relatively long duration of the commitment customers make in their agreements with us;
- the discretionary nature and timing of potential customers' purchasing and budget cycles and decisions;

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- the competitive nature of potential customers' evaluation and purchasing processes;
- announcements or planned introductions of new products by us or our competitors; and
- lengthy purchasing approval processes of potential customers.

We may incur higher costs and longer sales cycles as a result of large enterprises representing an increased portion of our revenue. In this market, the decision to subscribe to our solutions may require the approval of more technical and information security personnel and management levels within a potential customer's organization, and if so, these types of sales require us to invest more time educating these potential customers. In addition, larger organizations may demand more features and integration services and have increased purchasing power and leverage in negotiating contractual arrangements with us, which may contain restrictive terms favorable to the larger organization. As a result of these factors, these sales opportunities may require us to devote greater research and development, sales, product support and professional services resources to individual customers, resulting in increased costs and reduced profitability, and would likely lengthen our typical sales cycle, which could strain our resources.

In addition, more sales are closed in the last month of a quarter than other times. If we are unable to close sufficient transactions in a particular period, or if a significant amount of transactions are delayed until a subsequent period, our operating results for that period, and for any future periods in which revenue from such transaction would otherwise have been recognized, may be adversely affected.

We recognize revenue over the term of our customer contracts and, consequently, downturns or upturns in new sales may not be immediately reflected in our operating results and may be difficult to discern.

We recognize subscription revenue ratably over the terms of our customers' agreements, most of which have one-year terms but an increasing number of which have up to three-year terms. As a result, most of the revenue we report in each quarter is derived from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, a decline in new or renewed subscriptions in any single quarter may have a small impact on our revenue results for that quarter. However, such a decline will negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and market acceptance of our platform, and potential changes in our pricing policies or rate of expansion or retention, may not be fully reflected in our results of operations until future periods. We may also be unable to reduce our cost structure in line with a significant deterioration in sales. In addition, a significant majority of our costs are expensed as incurred, while revenue is recognized over the life of the agreement with our customer. As a result, increased growth in the number of our customers could continue to result in our recognition of more costs than revenue in the earlier periods of the terms of our agreements. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription term.

We have identified material weaknesses in our internal controls over financial reporting and, if our remediation of these material weaknesses is not effective, or if we fail to maintain an effective system of internal control over financial reporting in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and the price of our common stock.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires that we evaluate and determine the effectiveness of our

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internal control over financial reporting and, beginning with our second annual report following this offering, which will cover our year ending December 31, 2017, provide a management report on internal control over financial reporting. A material weakness is a deficiency or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

During 2015, we identified material weaknesses in our internal control over financial reporting. We identified a material weakness related to an insufficient complement of resources with an appropriate level of accounting knowledge, experience and training commensurate with our structure and financial reporting requirements. This lack of an effective control environment contributed to material weaknesses from the lack of controls over the selection of certain accounting policies and procedures and segregation of duties. Specifically, we did not have policies and controls designed to address the accounting for unusual or complex transactions, or the initial selection of, and the ongoing monitoring of changes in, accounting policies. Further, we did not maintain sufficiently designed segregation of duties including controls over journal entries such that there was a reasonable possibility that a material misstatement would not be prevented or detected on a timely basis.

These material weaknesses contributed to the restatement and revision of previously issued 2013 financial statements and audit adjustments in the 2014 financial statements principally, but not limited to, the following areas: capitalization of internal use software costs, accounting for and valuation of warrants issued with our debt facility, cut-off of transactions at the Acquisition date, accounting for the new basis of accounting arising from the Acquisition, including the valuation of the fair value deferred revenue assumed at the Acquisition date, forecasting of contingent consideration and the determination of the useful lives of intangible assets.

We began taking steps to address the controls issues that contributed to the material weaknesses in the second half of 2015, including the following:

- hiring of experienced additional finance and accounting personnel;
- implementation of financial reporting risk assessment and formalization of accounting policies and procedures;
- creation of additional internal reporting procedures, including those designed to add depth to our review processes;
- increased segregation of duties, including controls over journal entries; and
- additional engagement of third-party assistance to aid in our evaluation of complex transactions as they arise.

While we believe that these efforts will improve our internal control over financial reporting, the implementation of these measures is ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles. As a result, we determined that the material weaknesses had not been fully remediated as of December 31, 2015.

We cannot assure you that the measures we have taken to date, and are continuing to implement, will be sufficient to remediate the material weaknesses we have identified or avoid potential future material weaknesses. If the steps we take do not correct the material weaknesses in a timely manner, we will be unable to conclude that we maintain effective internal controls over financial reporting. Accordingly, there could continue to be a reasonable possibility that these deficiencies or others could result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis.

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The process of designing and implementing internal control over financial reporting required to comply with Section 404 of the Sarbanes-Oxley Act will be time consuming, costly and complicated. If during the evaluation and testing process, we identify one or more other material weaknesses in our internal control over financial reporting or determine that existing material weaknesses have not been remediated, our management will be unable to assert that our internal control over financial reporting is effective. Even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may conclude that there are material weaknesses with respect to our internal controls or the level at which our internal controls are documented, designed, implemented or reviewed. If we are unable to assert that our internal control over financial reporting is effective, or when required in the future, if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources.

We rely on a limited number of data centers to deliver our cloud-based software solutions and any disruption of service at these centers could harm our business.

We manage our software solutions and serve most of our customers using a cloud-based infrastructure that is operated by a limited number of third-party data center facilities in North America and Europe. We do not control the operation of these facilities. Any changes in third-party service levels at our data centers or any disruptions or delays from errors, defects, hacking incidents, security breaches, computer viruses or other intentional bad acts or performance problems could harm our reputation, damage our customers' businesses, and adversely affect our business and operating results. Our data centers are also vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. If our data centers were compromised or unavailable or our users were unable to access our solutions for any reason, our business and operations would be materially and adversely affected.

Our customers have experienced minor disruptions and outages in accessing our solutions in the past, and may in the future experience, disruptions, outages and other performance problems. Although we expend considerable effort to ensure that our platform performance is capable of handling existing and increased traffic levels, the ability of our cloud-based solutions to effectively manage any increased capacity requirements depends on our third-party providers. Our third-party data center providers may not be able meet such performance requirements, especially to cover peak levels or spikes in traffic, and as a result, our customers may experience delays in accessing our solutions or encounter slower performance in our solutions, which could significantly harm the operations of these facilities. Interruptions in our services might reduce our revenue, cause us to issue credits to customers, subject us to potential liability, and cause customers to terminate their subscriptions or harm our renewal rates.

If we do not accurately predict our infrastructure capacity requirements, our customers could experience service shortfalls. The provisioning of additional cloud hosting capacity and data center infrastructure requires lead time. As we continue to add data centers, restructure our data management plans, and increase capacity in existing and future data centers, we may move or transfer our data and our customers' data. For example, in early 2016 we began hosting customers at a data facility located in Las Vegas, Nevada. Despite precautions taken during such processes and procedures, any unsuccessful data transfers may impair the delivery of our service, and we may experience costs or downtime in connection with the transfer of data to other facilities which may lead to, among other things, customer dissatisfaction and non-renewals. The owners of our data center

facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, we may be required to transfer to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Failure to effectively expand our sales capabilities could harm our ability to increase our customer base.

Increasing our customer base and sales will depend, to a significant extent, on our ability to effectively expand our sales and marketing operations and activities. We are substantially dependent on our direct sales force to obtain new customers. From January 1, 2014 to June 30, 2016, our sales and marketing teams increased from 68 to 248 employees. We plan to continue to expand our direct sales force both domestically and internationally. We believe that there is significant competition for experienced sales professionals with the sales skills and technical knowledge that we require. Our ability to achieve significant revenue growth in the future will depend, in part, on our success in recruiting, training, and retaining a sufficient number of experienced sales professionals. New hires require significant training and time before they achieve full productivity, particularly in new sales segments and territories. Our recent hires and planned hires may not become as productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. Our business will be harmed if our sales expansion efforts do not generate a significant increase in revenue.

If we are unable to develop and maintain successful relationships with resellers, our business, operating results and financial condition could be adversely affected.

We believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with companies that resell our solutions. We plan to expand our small but growing network of resellers and to add new resellers, in particular to help grow our mid-market business globally. Our agreements with our existing resellers are non-exclusive, meaning resellers may offer customers the products of several different companies, including products that compete with ours. They may also cease marketing our solutions with limited or no notice and with little or no penalty. We expect that any additional resellers we identify and develop will be similarly non-exclusive and not bound by any requirement to continue to market our solutions. If we fail to identify additional resellers, in a timely and cost-effective manner, or at all, or are unable to assist our current and future resellers in independently selling our solutions, our business, results of operations, and financial condition could be adversely affected. If resellers do not effectively market and sell our solutions, or fail to meet the needs of our customers, our reputation and ability to grow our business may also be adversely affected.

If we are not able to maintain and enhance our brand, our business, operating results and financial condition may be adversely affected.

We believe that maintaining and enhancing our reputation for accounting and finance software is critical to our relationships with our existing customers and to our ability to attract new customers. The successful promotion of our brand attributes will depend on a number of factors, including our marketing efforts, our ability to continue to develop high-quality software, and our ability to successfully differentiate our platform from competitive products and services. Our brand promotion activities may not ultimately be successful or yield increased revenue. In addition, independent industry analysts provide reviews of our platform, as well as products and services offered by our competitors, and perception of our platform in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products and services, our brand may be adversely affected.

The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets and as more sales are generated. To the extent that these activities yield increased revenue, this revenue may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors, and we could lose customers or fail to attract potential customers, all of which would adversely affect our business, results of operations and financial condition.

Our long-term success depends, in part, on our ability to expand the sales of our solutions to customers located outside of the United States, and thus our business is susceptible to risks associated with international sales and operations.

We currently maintain offices and/or have sales personnel in the United Kingdom, Australia, Singapore, France, Canada and the Netherlands, and we intend to build out our international operations. As part of our ongoing international expansion strategy, in August 2016, we acquired Runbook, a Netherlands-based provider of financial close automation software solutions to SAP customers. We derived approximately 16% of our revenues from sales outside the United States in the six months ended June 30, 2016, and we derived approximately 14% of our revenues from sales outside the United States in the year ended December 31, 2015. Any international expansion efforts that we may undertake, including our acquisition of Runbook, may not be successful. In addition, conducting international operations in new markets subjects us to new risks that we have not generally faced in the United States. These risks include:

- localization of our solutions, including translation into foreign languages and adaptation for local practices and regulatory requirements;
- lack of familiarity and burdens of complying with foreign laws, legal standards, regulatory requirements, tariffs and other barriers;
- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- differing technology standards;
- longer accounts receivable payment cycles and difficulties in collecting accounts receivable;
- difficulties in managing and staffing international operations and differing employer/employee relationships;
- fluctuations in exchange rates that may increase the volatility of our foreign based revenue;
- potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems and restrictions on the repatriation of earnings;
- uncertain political and economic climates, including the significant volatility in the global financial markets as a result of Brexit; and
- reduced or varied protection for intellectual property rights in some countries.

These factors may cause our international costs of doing business to exceed our comparable domestic costs. Operating in international markets also requires significant management attention and financial resources. Any negative impact from our international business efforts could negatively impact our business, results of operations and financial condition as a whole.

We use third-party contractors outside of the United States to supplement our research and development capabilities, which may expose us to risks, including risks inherent in foreign operations.

We use third-party contractors outside of the United States to supplement our research and development capabilities. We currently use third-party contractors located in Romania and China. Managing operations that are remote from our U.S. headquarters is difficult and we may not be able to

manage these third-party contractors successfully. If we fail to maintain productive relationships with these contractors generally, we may be required to develop our solutions in a less efficient and cost-effective manner and our product release schedules may be delayed while we hire software developers or find alternative contract development resources. Additionally, while we take precautions to ensure that software components developed by our third-party contractors are reviewed and that our source code is protected, misconduct by our third-party contractors could result in infringement or misappropriation of our intellectual property. Furthermore, any acts of espionage, malware attacks, theft of confidential information or other malicious cyber incidents attributed to our third-party contractors may compromise our system infrastructure, expose us to litigation and lead to reputational harm that could result in a material adverse effect on our financial condition and operating results.

Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand.

Our success and ability to compete depend in part upon our intellectual property. We currently have one patent application, which may not result in an issued patent. We primarily rely on copyright, trade secret and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. In the past, we have utilized demand letters as a means to assert and resolve claims regarding potential misuse of our proprietary or trade secret information. 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. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand and adversely impact our business.

Suits by third parties for alleged infringement of their proprietary rights could cause us to incur significant expenses or liabilities.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends in part on not infringing upon the intellectual property rights of others. From time to time, our competitors or other third parties may claim that our solutions and underlying technology infringe or violate their intellectual property rights, and we may be found to be infringing upon such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or other companies in connection with any such litigation and to obtain licenses, modify our solutions, or refund subscription fees, which could further exhaust our resources. In addition, we may incur substantial costs to resolve claims or litigation, whether or not successfully asserted against us, which could include payment of significant settlement, royalty or license fees, modification of our solutions, or refunds to customers of subscription fees. Even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business operations. Such disputes could also disrupt our solutions, adversely impacting our customer satisfaction and ability to attract customers.

We use open source software in our products, which could subject us to litigation or other actions.

We use open source software in our products and may use more open source software in the future. From time to time, there have been claims challenging the use of open source software against companies that incorporate open source software into their products. As a result, we could be subject to suits by parties claiming misuse of, or a right to compensation for, what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our products. In addition, if we were to combine our proprietary software products with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software products. If we inappropriately use open source software, we may be required to re-engineer our products, discontinue the sale of our products or take other remedial actions.

If the market for SaaS solutions develops more slowly than we expect or declines, our business would be adversely affected.

The market for SaaS solutions is less mature than the market for on-premise software applications, and the adoption rate of SaaS solutions may be slower at companies in industries with heightened data security interests or business practices requiring highly customizable application software. Many organizations have invested substantial personnel and financial resources to integrate traditional on-premise solutions into their businesses, and therefore may be reluctant or unwilling to purchase SaaS solutions. In addition, some organizations have been reluctant to use cloud-based solutions because they have concerns regarding the risks associated with the reliability or security of the technology delivery model associated with these solutions. Because our solutions involve the aggregation, storage and use of confidential information and related data, including highly confidential financial data, some customers may be reluctant or unwilling to migrate to our cloud-based solutions.

It is difficult to predict customer adoption rates and demand for our software solutions, the future growth rate and size of the market or the entry of competitive products or services. The expansion of the SaaS solutions market depends on a number of factors, including the cost, performance and perceived value associated with SaaS, as well as the ability of SaaS providers to address data security and privacy concerns. Government agencies have adopted, or may adopt, laws and regulations regarding the collection and use of personal information obtained from consumers and other individuals, or may seek to access information on our platform, either of which may reduce the overall demand for our platform. If we or other SaaS providers experience data security incidents, loss of customer data, disruptions in delivery, or other problems, the market for SaaS solutions, including our platform, may be negatively affected. If SaaS solutions do not continue to achieve market acceptance, or there is a reduction in demand for SaaS solutions caused by a lack of customer acceptance, technological challenges, data security or privacy concerns, governmental regulation, competing technologies and products, or decreases in information technology spending, it would result in decreased revenue and our business would be adversely affected.

Privacy and data security concerns, and data collection and transfer restrictions and related domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business.

Personal privacy, information security, and data protection are significant issues in the United States, Europe and many other jurisdictions where we offer our platform. The regulatory framework governing the collection, processing, storage and use of business information, particularly information that affects financial statements, and personal data, is rapidly evolving and any failure or perceived

failure to comply with applicable privacy, security, or data protection laws or regulations may adversely affect our business.

The U.S. federal and various state and foreign governments have adopted or proposed requirements regarding the collection, distribution, use, security and storage of personally identifiable information and other data relating to individuals, and federal and state consumer protection laws are being applied to enforce regulations related to the online collection, use and dissemination of data. Some of these requirements include obligations on companies to notify individuals of security breaches involving particular personal information, which could result from breaches experienced by us or by organizations with which we have formed strategic relationships. Even though we may have contractual protections with such organizations, notifications related to a security breach could impact our reputation, harm customer confidence, hurt our expansion into new markets or cause us to lose existing customers.

Further, many foreign countries and governmental bodies, including the European Union, or EU, where we conduct business and have offices, have laws and regulations concerning the collection and use of personal data obtained from their residents or by businesses operating within their jurisdiction. These laws and regulations often are more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of data that identifies or may be used to identify or locate an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol, or IP, addresses. With regard to data transfers of personal data from our European employees and customers to the United States, we historically relied on our adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU and U.S.-Swiss Safe Harbor Frameworks as agreed to and set forth by the U.S. Department of Commerce, and the European Union and Switzerland, which established means for legitimizing the transfer of personal data by companies doing business in Europe from the EU to the U.S. As a result of the October 6, 2015 European Court of Justice opinion in Case C-362/14 (Schrems v. Data Protection Commissioner) or, the ECJ Ruling, the U.S.-EU Safe Harbor Framework was deemed an invalid method of compliance with EU restrictions on data transfers. We have taken certain measures to legitimize our transfers of personal data, both internally and on behalf of our customers, from the EU to the United States in the wake of the ECJ Ruling. Additionally, EU and U.S. political authorities adopted the U.S.-EU Privacy Shield on July 12, 2016, which may provide a new mechanism for companies to transfer EU personal data to the United States. It is unclear at this time whether the U.S.-EU Privacy Shield will serve as an appropriate means for us to transfer EU personal data from the EU to the U.S. Our means for transferring personal data from the EU may not be adopted by all of our customers and may be subject to legal challenge by data protection authorities, and we may experience reluctance or refusal by European customers to use our solutions due to potential risk exposure as a result of the ECJ Ruling. We and our customers face a risk of enforcement actions taken by EU data protection authorities regarding data transfers from the EU to the United States.

We also expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in the United States, the EU, and other jurisdictions. For example, the European Commission recently adopted a General Data Protection Regulation, effective in May 2018, that will supersede current EU data protection legislation, impose more stringent EU data protection requirements, and provide for greater penalties for noncompliance. We cannot yet determine the impact such future laws, regulations and standards may have on our business. Such laws and regulations are often subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our service, increase our costs, impair our ability to grow our business, or restrict our ability to store and process data or, in some cases, impact our ability to offer our service in some locations and may subject us to liability. Further, in view of new or modified federal, state or foreign laws and regulations, industry standards, contractual obligations and other legal obligations, or any changes in their

interpretation, we may find it necessary or desirable to fundamentally change our business activities and practices or to expend significant resources to modify our software or platform and otherwise adapt to these changes. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited.

Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, it is expected that the United Kingdom government will initiate a process to leave the EU (often referred to as "Brexit"). The Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, it is unclear whether the United Kingdom will enact data protection laws or regulations designed to be consistent with the pending EU General Data Protection Regulation and how data transfers to and from the United Kingdom will be regulated.

Our customers also expect that we comply with regulatory standards that may place additional burdens on us. Our customers expect us to meet voluntary certifications or adhere to standards established by third parties, such as the SSAE 16, SOC1 and SOC2 audit processes, and may demand that they be provided a report from our auditors that we are in compliance. If we are unable to maintain these certifications or meet these standards, it could adversely affect our customers' demand for our service and could harm our business.

The costs of compliance with and other burdens imposed by laws, regulations and standards may limit the use and adoption of our service and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance. Privacy, information security, and data protection concerns, whether valid or not valid, may inhibit market adoption of our platform, particularly in certain industries and foreign countries.

We depend and rely upon SaaS applications from third parties to operate our business and interruptions or performance problems with these technologies may adversely affect our business and operating results.

We rely heavily on SaaS applications from third parties in order to operate critical functions of our business, including billing and order management, enterprise resource planning, and financial accounting services. 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 sales of our solutions 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.

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

We rely on computer hardware purchased or leased and software licensed from third parties in order to deliver our software solutions. This hardware and software may not continue to be available on commercially reasonable terms, if at all. Any loss of the right to use any of this hardware or software could result in delaying or preventing our ability to provide our software solutions until equivalent technology is either developed by us or, if available, identified, obtained and integrated. In addition, errors or defects in third-party hardware or software used in our software solutions could result in errors or a failure, which could damage our reputation, impede our ability to provide our platform or process information, and adversely affect our business and results of operations.

We face exposure to foreign currency exchange rate fluctuations that could harm our results of operations.

We conduct transactions, particularly intercompany transactions, in currencies other than the U.S. dollar, primarily the British pound and the Euro. As we grow our international operations, we expect the amount of our revenues that are denominated in foreign currencies to increase in the future. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar could affect our revenue and operating results due to transactional and translational remeasurements that are reflected in our results of operations. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our common stock could be adversely affected.

Additionally, as a result of Brexit, global markets and foreign currencies have been adversely impacted. In particular, the value of the British pound has declined as compared to the U.S. dollar and other currencies. This volatility in foreign currencies is expected to continue as the U.K. negotiates and executes its exit from the European Union, but it is uncertain over what time period this will occur. A significantly weaker British pound compared to the U.S. dollar could have a negative effect on our business, financial condition and results of operations.

We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

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

Our solutions are subject to export controls, including the Commerce Department's Export Administration Regulations and various economic and trade sanctions regulations established by the Treasury Department's Office of Foreign Assets Controls. Obtaining the necessary authorizations, including any required license, for a particular export or sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. The U.S. export control laws and economic sanctions laws prohibit the export, reexport or transfer of specific products and services to U.S. embargoed or sanctioned countries, governments and persons. Even though we take precautions to prevent our solutions from being provided to U.S. sanctions targets, our solutions could be sold by resellers despite such precautions. Failure to comply with the U.S. export control, sanctions and import laws could have negative consequences, including government investigations, penalties and reputational harm. We and our employees could be subject to civil or criminal penalties, including the possible loss of export or import privileges; fines, and, in extreme cases, the incarceration of responsible employees or managers. In addition, if our resellers fail to obtain appropriate import, export or re-export licenses or authorizations, we may also be adversely affected through reputational harm and penalties.

In addition, various countries regulate the import of encryption technology, including through import permitting/licensing requirements, and have enacted laws that could limit our ability to distribute our solutions or could limit our customers' ability to implement or access our solutions in those countries. Changes in our solutions or changes in export, sanctions and import regulations may create

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delays in the introduction and sale of our solutions in international markets, prevent our customers with international operations from accessing our solutions or, in some cases, preventing the export or import of our solutions to some countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions, or in our decreased ability to export or sell our solutions to existing or potential customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely adversely affect our business, financial condition and results of operations.

We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such transactions.

On August 31, 2016, we completed our acquisition of Runbook. In addition, we may evaluate and consider potential strategic transactions, including mergers with or into other companies, and acquisitions of, or investments in, businesses, technologies, services, products, and other assets in the future. We also may enter into relationships with other businesses to expand our products and services, which could involve preferred or exclusive licenses, additional channels of distributions or discount pricing.

The Runbook acquisition or any future acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, such as Runbook, particularly if the key personnel of the 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. In addition, Runbook offers an on-premise solution to its customers. If we are unable to migrate those customers to our cloud solution or if we are unable to integrate Runbook's on-premise software with our platform, our business may be adversely affected. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to complete these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if announced, may not be completed. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our existing stockholders;
- use cash that we may need in the future to operate our business;
- incur large charges or substantial liabilities;
- incur debt on terms unfavorable to us or that we are unable to repay;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures; and
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

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

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication, and business 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. Regulators in some industries have also adopted, and may in the future adopt regulations or interpretive positions regarding the use of SaaS and cloud computing solutions. For example, some financial services regulators have imposed guidelines for the use of cloud computing services that mandate specific controls or require financial services enterprises to obtain regulatory approval prior to utilizing such software. Changes in these laws or regulations could require us to modify our solutions in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional 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, or result in reductions in the demand for Internet-based solutions and services 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 acceptance as a business tool has been adversely affected by “viruses,” “worms,” and similar malicious programs 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 solutions could decline.

Incorrect or improper implementation or use of our solutions could result in customer dissatisfaction and negatively affect our business, results of operations, financial condition, and growth prospects.

Our platform is deployed in a wide variety of technology environments and into a broad range of complex workflows. Our platform has been integrated into large-scale, enterprise-wide technology environments, and specialized use cases, and our success depends on our ability to implement our platform successfully in these environments. We often assist our customers in implementing our platform, but many customers attempt to implement even complex deployments themselves or use a third-party service firm. If we or our customers are unable to implement our platform successfully, or are unable to do so in a timely manner, customer perceptions of our platform and company may be impaired, our reputation and brand may suffer, and customers may choose not to renew or expand the use of our platform.

Our customers and third-party resellers may need training in the proper use of our platform to maximize its potential. If our platform is not implemented or used correctly or as intended, including if customers input incorrect or incomplete financial data into our platform, inadequate performance may result. Because our customers rely on our platform to manage their financial close and other financial tasks, the incorrect or improper implementation or use of our platform, our failure to train customers on how to efficiently and effectively use our platform, or our failure to provide adequate product support to our customers, may result in negative publicity or legal claims against us. Also, as we continue to expand our customer base, any failure by us to properly provide these services will likely result in lost opportunities for additional subscriptions to our platform.

Any failure to offer high-quality product support may adversely affect our relationships with our customers and our financial results.

In deploying and using our solutions, our customers depend on our support services team to resolve complex technical and operational issues. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for product support. We also may be unable to modify the nature, scope and delivery of our product support to compete with changes in product support services provided by our competitors. Increased customer demand for product support, without corresponding revenue, could increase costs and adversely affect our operating results. Our sales are highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality product support, or a market perception that we do not maintain high-quality product support, could adversely affect our reputation, our ability to sell our solutions to existing and prospective customers, our business, operating results, and financial position.

Unfavorable conditions in our industry or the global economy could limit our ability to grow our business and negatively affect our operating results.

Our operating results may vary based on the impact of changes in our industry or the global economy on us or our customers. The revenue growth and potential profitability of our business depend on demand for business software applications and services generally and for accounting and finance systems in particular. Weak economic conditions affect the rate of accounting and finance and information technology spending and could adversely affect our customers' or potential customers' ability or willingness to purchase our cloud platform, delay purchasing decisions, reduce the value or duration of their subscription contracts, or affect attrition rates, all of which could adversely affect our operating results. If economic conditions deteriorate, our customers and prospective customers may elect to decrease their accounting and finance and information technology budgets, which would limit our ability to grow our business and negatively affect our operating results.

We provide service level commitments under our customer contracts, and if we fail to meet these contractual commitments, our revenues could be adversely affected.

Our customer agreements typically provide service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our applications, we may be contractually obligated to provide these customers with service credits, refunds for prepaid amounts related to unused subscription services, or we could face contract terminations. Our revenues could be significantly affected if we suffer unscheduled downtime that exceeds the allowed downtimes under our agreements with our customers. Any extended service outages could adversely affect our reputation, revenues and operating results.

Seasonality could cause our operating results and financial metrics to fluctuate from quarter to quarter and make them more difficult to predict.

We typically add fewer customers in the first quarter of the year than other quarters. We also experience a higher volume of sales at the end of each quarter and year, which is often the result of buying decisions by our customers. Seasonality may be reflected to a much lesser extent, and sometimes may not be immediately apparent, in our revenue, due to the fact that we recognize subscription revenue over the term of our agreements. We may also increase expenses in a period in anticipation of future revenues. Changes in the number of customers and users in different periods will cause fluctuations in our financial metrics and, to a lesser extent revenues. Those changes and fluctuations in our expenses will affect our results on a quarterly basis, and will make forecasting our future operating results and financial metrics difficult.

Our credit facility contains operating and financial covenants that restrict our business and financing activities and, in some cases, could result in an immediate requirement to repay our outstanding loans.

Borrowings under our credit facility are secured by substantially all of our assets, including our intellectual property. We expect to pay the entire outstanding balance under our credit facility with proceeds from this offering, including prepayment premiums. Our credit facility restricts our ability to, among other things:

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

These restrictions are subject to exceptions. In addition, our credit facility requires us to maintain a maximum consolidated leverage ratio, among other requirements. The credit facility, which was entered into by our operating subsidiary, BlackLine Systems, Inc. and guaranteed by our intermediary holding company, BlackLine Intermediate, Inc., also places restrictions on BlackLine Systems, Inc.'s ability to make dividend payments, loans or advances to us and our subsidiaries. All of BlackLine Systems, Inc.'s net assets are restricted from making dividend payments, loans or advances to us and our subsidiaries. Restricted net assets as of December 31, 2015 amounted to \$166.2 million.

The operating and financial restrictions and covenants in the credit facility, as well as any future financing agreements that we may enter into, could restrict our ability to finance our operations and to engage in, expand or otherwise pursue business activities and strategies that we or our stockholders may consider beneficial. Our ability to comply with these covenants may be affected by events beyond our control, and future breaches of any of these covenants could result in a default under the credit facility. Future defaults, if not waived, could cause all of the outstanding indebtedness under our credit facility to become immediately due and payable and would permit the lenders to terminate all commitments to extend further credit and permit the administrative and collateral agent, on behalf of the lenders, to proceed against the collateral in which we granted the lenders a security interest.

On March 22, 2016, we amended our credit facility to establish an available \$5.0 million revolving line of credit maturing on September 25, 2018. We amended our credit facility again on August 30, 2016 to add an additional \$30 million term loan and used the proceeds and cash on hand to acquire Runbook.

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

Our international operations subject us to potentially adverse tax consequences.

We report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. We believe that our financial statements reflect adequate reserves to cover such a contingency, but there can be no assurances in that regard.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial position and results of operations.

Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Due to expansion of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and adversely affect our financial position and results of operations.

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

As of December 31, 2015, we had federal and State of California net operating loss carryforwards, or NOLs, of \$70.3 million and \$65.6 million, respectively. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after this offering, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Furthermore, our ability to utilize NOLs of companies that we 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 offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

Sales and use, value added and similar tax laws and rates vary greatly by jurisdiction and are subject to change from time to time. Some jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect our results of operations.

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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.

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates and forecasts in this prospectus relating to the size and expected growth of the market for a comprehensive platform to automate accounting and finance processes and integrate ERPs may prove to be inaccurate. 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.

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

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our existing solutions, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired.

Natural disasters and other events beyond our control could harm our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our solutions to our customers, and could decrease demand for our solutions. The majority of our research and development activities, corporate headquarters, information technology systems and other critical business operations are located in California, which has experienced major earthquakes in the past. Significant recovery time could be required to resume operations and our financial condition and operating results could be harmed in the event of a major earthquake or catastrophic event.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. As of June 30, 2016, we had goodwill and intangible assets with a net book value of \$213.9 million related to the Acquisition. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such charges may have a material negative impact on our operating results.

Risks Related to Ownership of Our Common Stock and this Offering

There has been no prior market for our common stock and an active market may not develop or be sustained and investors may not be able to resell their shares at or above the initial public offering price.

There has been no public market for our common stock prior to this offering. The initial public offering price for our common stock was determined through negotiations between the underwriters and us and may vary from the market price of our common stock following this offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the initial public offering price, if at all. An active or liquid market in our common stock may not develop following this offering or, if it does develop, it may not be sustainable.

Our stock price may be volatile or may decline regardless of our operating performance resulting in substantial losses for investors purchasing shares in this offering.

The trading price of our common stock is likely to be volatile and could fluctuate widely regardless of our operating performance. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic relationships, joint ventures, or capital commitments;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- price and volume fluctuations in the overall stock market from time to time, including as a result of trends in the economy as a whole;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- developments or disputes concerning our intellectual property, or our products or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations, or new interpretations of existing laws or regulations applicable to our business;
- any major change in our board of directors or management;
- sales of shares of our common stock by us or our stockholders;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war, incidents of terrorism, or responses to these events.

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In addition, the stock markets, and in particular the market on which our common stock will be listed, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from operating our business, and adversely affect our business, results of operations, financial condition and cash flows.

The company will be controlled by our Principal Stockholders, whose interests may differ from those of other stockholders.

Immediately following this offering, our Principal Stockholders will beneficially own, in the aggregate, approximately % of our outstanding common stock and directors affiliated with our Principal Stockholders will comprise a majority of our board of directors. Further, we will enter into a Stockholders' Agreement with the Principal Stockholders which will provide that the Principal Stockholders will be entitled to designate members of our board of directors as described in "Management—Board Composition." We anticipate that the parties to the Stockholder Agreement will agree to vote for these nominees as well as other directors recommended by our nominating and corporate governance committee.

Under the Stockholder Agreement and subject to our certificate of incorporation and bylaws, as amended and restated in connection with this offering, and applicable law, for so long as the Principal Stockholders collectively beneficially own a number of shares equal to 40% of the total number of shares of our common stock outstanding after completion of this offering, as adjusted for any reorganization, recapitalization, stock dividend, stock split, reverse stock split or similar changes in our capitalization, the following actions will require the approval of our board of directors, including the affirmative vote of at least two directors designated by Silver Lake:

- any voluntary liquidation, winding up or dissolution or any action relating to a voluntary bankruptcy, reorganization or recapitalization of the company or its subsidiaries;
- certain dispositions of assets in excess of \$50 million or entry into joint ventures requiring a capital contribution in excess of \$50 million, in each case, by the company or its subsidiaries;
- fundamental changes in the nature of the company's or its subsidiaries' existing lines of business or the entry into a new significant line of business;
- any amendments to the company's amended and restated certificate of incorporation and amended and restated bylaws;
- incurrence of indebtedness in excess of \$150 million;
- appointment or termination of the Chief Executive Officer; and
- change of control transactions.

See "Certain Relationships and Related Party Transactions—Transactions in Connection with the Offering—Stockholders' Agreement."

Immediately following this offering, the Principal Stockholders will be able to determine the outcome of all matters requiring stockholder approval, including mergers and other material transactions, and will be able to cause or prevent a change in the composition of our board of directors or a change in control of our company that could deprive our stockholders of an opportunity to receive

a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

Further, our amended and restated certificate of incorporation will provide that, to the fullest extent permitted by law, the doctrine of “corporate opportunity” will not apply to Silver Lake, Iconiq, their respective affiliates or the directors they designate, pursuant to their rights under the Stockholders’ Agreement in a manner that would prohibit them from investing in competing businesses or doing business with our partners or customers. Accordingly, these directors will have the rights to pursue business opportunities that may be of interest to the company and which they would otherwise need to provide to the company. See “Description of Capital Stock Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws.”

Although we do not expect to rely on the “controlled company” exemption, we will be a “controlled company” within the meaning of the stock exchange rules and we will qualify for exemptions from certain corporate governance requirements.

Because our Principal Stockholders will, collectively, own a majority of our outstanding common stock following the completion of this offering, we will be considered a “controlled company” as that term is set forth in the stock exchange rules. Under these rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a “controlled company” and may elect not to comply with certain stock exchange rules regarding corporate governance, including:

- the requirement that a majority of its board of directors consist of independent directors;
- the requirement that its nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
- the requirement that its compensation committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities.

These requirements will not apply to us as long as we remain a “controlled company.” Although we qualify as a “controlled company,” we do not expect to rely on this exemption and intend to fully comply with all corporate governance requirements under the stock exchange rules. However, if we were to utilize some or all of these exemptions, you may not have the same protections afforded to stockholders of companies that are subject to all of the stock exchange rules regarding corporate governance.

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

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares. After this offering, we will have outstanding shares of our common stock, based on the number of shares outstanding as of June 30, 2016. This includes the shares included in this offering, which may be resold in the public market immediately. The remaining shares are currently restricted as a result of market stand-off agreements and lock-up agreements with the underwriters restricting their sale for 180 days after the date of this prospectus. Goldman, Sachs & Co. and J.P. Morgan Securities LLC may, in their sole discretion, permit our officers, directors, employees and current stockholders who are subject to lock-up agreements to sell shares prior to the expiration of the lock-up agreements.

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Additionally, the shares of common stock subject to outstanding warrants or outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market in the future, subject to legal and contractual limitations. See “Shares Eligible for Future Sale” for a more detailed description of sales that may occur in the future.

After this offering, the holders of an aggregate of _____ shares of our common stock as of June 30, 2016 will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. We also intend to register shares of common stock that we may issue under our employee equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to market stand-off or lock-up agreements.

As a new investor, you will incur immediate and substantial dilution as a result of this offering.

The initial public offering price will be substantially higher than the pro forma net tangible book value per share of our outstanding common stock. As a result, investors purchasing common stock in this offering will incur immediate dilution of \$ _____ per share, based on an assumed initial public offering price of \$ _____ per share (the midpoint of the price range set forth on the cover page of the prospectus), and new investors will own approximately _____ % of our outstanding common stock. This dilution is due in large part to earlier investors having generally paid substantially less than the initial public offering price when they purchased their shares. In addition, the exercise of outstanding options and warrants will, and future equity issuances may, result in further dilution to investors.

Provisions of our corporate governance documents could make an acquisition of the company more difficult and may impede attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws and the Delaware General Corporation Law, or DGCL, will contain provisions that could make it more difficult for a third-party to acquire us, even if doing so might be beneficial to our stockholders. Among other things:

- we will have authorized but unissued shares of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include supermajority voting, special approval, dividend, or other rights or preferences superior to the rights of stockholders;
- we will have a classified board of directors with staggered three-year terms;
- stockholder action by written consent will be prohibited from and after the date on which the Principal Stockholders beneficially own, in the aggregate, less than 35% in voting power of our stock entitled to vote generally in the election of directors;
- for as long as the Principal Stockholders beneficially own, in the aggregate, at least 40% in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our amended and restated bylaws or our amended and restated certificate of incorporation by our stockholders will require the affirmative vote of 60% of the voting power of our stock entitled to vote thereon, voting together as a single class and at any time when the Principal Stockholders beneficially own, in the aggregate, less than 40% in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our amended and restated bylaws or of certain provisions of our amended and restated certificate of incorporation by our stockholders will require the affirmative vote of the holders of at least 75% of the voting power of our stock entitled to vote thereon, voting together as a single class outstanding; and

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- stockholders are required to comply with advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; provided, however, that such advance notice procedures will not apply to the Principal Stockholders at any time such person or entity owns in the aggregate at least 10% of the voting power of our stock entitled to vote generally in the election of directors.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. See “Description of Capital Stock—Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws.”

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

We are an “emerging growth company,” as defined in the federal securities laws, and we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. We will remain an “emerging growth company” until the last day of the fiscal year following the five-year anniversary of the completion of this offering, although if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of the second quarter of a fiscal year prior to the five-year anniversary, we would cease to be an “emerging growth company” as of the following December 31.

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

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of the exchanges and other markets upon which our common stock is listed, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an “emerging growth company.” The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. We will be required to disclose changes made in our internal control and procedures on a quarterly basis and we will be required to furnish a report by management on, among other things, the

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effectiveness of our internal control over financial reporting for the first fiscal year beginning after the effective date of this offering. However, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an “emerging growth company.” As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management’s attention may be diverted from other business concerns, which could adversely affect our business and operating results. Although we have already hired additional employees to assist us in complying with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our operating expenses.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs, and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest substantial resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management’s time and attention from business operations to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be adversely affected.

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

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

We may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not increase the value of our business, which could cause our stock price to decline.

We do not intend to pay dividends on our common stock so any returns will be limited to changes in the value of our common stock.

We have never declared or paid any cash dividends on our common stock. We currently anticipate that we will retain future earnings for the development, operation, and expansion of our

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business, and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our ability to pay cash dividends on our common stock is restricted by our current credit facility and may be prohibited or limited by the terms of our current and future debt financing arrangements. Any return to stockholders will therefore be limited to the increase, if any, of our stock price, which may never occur.

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

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common 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 common stock could decrease, which might cause our common stock price and trading volume to decline.

Our amended and restated bylaws will designate a state or federal court located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated bylaws, as will be in effect upon the completion of this offering, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against us arising pursuant to any provision of the DGCL, or (4) any action asserting a claim against us that is governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision. The forum selection clause in our amended and restated bylaws may have the effect of discouraging lawsuits against us or our directors and officers and may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our ability to attract new customers and expand sales to existing customers;
- the retention of our customers;
- our ability to manage growth effectively;
- our future financial performance and ability to achieve and maintain profitability;
- our ability to provide successful enhancements, new features and modifications to our solutions;
- the success of a limited number of solutions for which we derive substantially all of our revenues;
- our relationships with technology vendors, professional services firms and business process outsourcers;
- breaches or unauthorized access to customer data;
- interruptions or performance problems associated with our solutions, platform and technology;
- our ability to prevent serious errors or defects in our products; and
- our use of the net proceeds of 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 upon 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, results of operations and prospects. 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. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking 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 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 we may make.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, market opportunity and market size, is based on information from various sources, including reports we commissioned with Frost & Sullivan and an independent industry publication by Gartner Inc., or Gartner.

The Gartner Report (as defined below) described in this prospectus represents research opinions or viewpoints published as part of a syndicated subscription service by Gartner and are not representations of fact. The Gartner Report speaks as of its original publication date (and not as of the date of this prospectus) and the opinions expressed in the Gartner Report are subject to change without notice. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

In certain instances where the Gartner Report is identified as the source of market and industry data contained in this prospectus, the applicable report is identified by superscript notations. The source of this data is provided below:

- Gartner, *Magic Quadrant for Financial Corporate Performance Management Solutions*, May 31, 2016, or the Gartner Report.

In presenting this information, we have also made assumptions based on such data and other similar sources and on our knowledge of the markets for our solutions. While we are not aware of any misstatements regarding any third-party information presented in this prospectus, estimates of third parties, particularly as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties, and are subject to change based on various factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the third parties and by us.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of shares of our common stock in this offering will be approximately \$ _____, based upon the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, we estimate that the net proceeds to us would be approximately \$ _____ million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the net proceeds to us from the sale of shares of our common stock in this offering by \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the net proceeds to us from the sale of shares of our common stock in this offering by approximately \$ _____ million, assuming the assumed initial public offering price 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 obtain additional capital and increase our financial flexibility, create a public market for our stock, and increase our visibility in the marketplace. We currently intend to use the net proceeds we receive from this offering to repay the entire outstanding balance under our credit facility and for general corporate purposes, including working capital, research and development activities, sales and marketing activities, general and administrative matters and capital expenditures and to fund our growth plans. We entered into a term loan under our credit facility in September 2013, or the 2013 Term Loan. In March 2016, we amended our credit facility to add an additional \$5.0 million term loan, or the 2016 Incremental Term Loan. As of June 30, 2016, an aggregate of \$35.7 million of principal was outstanding under our credit facility. In August 2016, we amended our credit facility again to add an additional \$30 million term loan, or the 2016 Acquisition Term Loan. We used the proceeds from the 2016 Acquisition Term Loan and cash on hand to acquire Runbook, and we used the proceeds from the 2016 Incremental Term Loan for general corporate purposes, including working capital, research and development activities, sales and marketing activities and general and administrative matters. Our credit facility requires us to pay a prepayment premium of 1% of the amount prepaid under the 2013 Term Loan in the event of early prepayment prior to September 2016, up to 3% of the 2016 Incremental Term Loan for any prepayment prior to maturity and up to 2% of the 2016 Acquisition Term Loan for any prepayment prior to maturity. The 2013 Term Loan, 2016 Incremental Term Loan and 2016 Acquisition Term Loan expire and mature on September 25, 2018. The 2013 Term Loan, the 2016 Incremental Term Loan and the 2016 Acquisition Term Loan each bear interest at (i) the greater of LIBOR or 1.5% plus (ii) 8%, and can be paid in varying amounts in cash or in kind. At June 30, 2016, the interest rate on the 2013 Term Loan and 2016 Incremental Term Loan was 9.5%. For additional discussion of our credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." We may also, in our discretion, use a portion of the net proceeds for the acquisition of, or investment in, businesses, products, services, or technologies that complement our business, although we have no current commitments or agreements to enter into any acquisitions or investments. We will have broad discretion over the uses of the net proceeds of this offering.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings to fund business development and growth, and we do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and other factors that our board of directors may deem relevant. Currently, the provisions of our credit facility place certain limitations on the amount of cash dividends we can pay.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization at June 30, 2016:

- on an actual basis; and
- on a pro forma basis giving effect to (i) the issuance of _____ shares of our common stock in this 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), after deducting underwriting discounts and commissions and estimated offering expenses payable by us and (ii) and the use of proceeds from the offering to repay amounts outstanding under our credit facility at June 30, 2016, including prepayment premiums, each as if such events had occurred on June 30, 2016.

You should read this table together with our consolidated financial statements and related notes, and the sections titled “Selected Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that are included elsewhere in this prospectus.

| | As of June 30, 2016 | |
|--|--------------------------------------|-----------------|
| | Actual | Pro Forma(1) |
| | (in thousands, except share data) | |
| Cash and cash equivalents | \$ 13,647 | \$ _____ |
| Capital lease obligations, net of current portion | 434 | _____ |
| Term loan, net(2) | 34,399 | _____ |
| Common stock warrant liability | 5,200 | _____ |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 250,000,000 shares authorized, 203,655,411 issued and outstanding actual, and _____ issued and outstanding pro forma | 2,039 | _____ |
| Additional paid-in capital | 215,824 | _____ |
| Accumulated deficit | (65,051) | _____ |
| Total stockholders' equity | 152,812 | _____ |
| Total capitalization | \$ 192,845 | \$ _____ |

- (1) Each \$1.00 increase or decrease in the assumed initial public offering price of our common stock of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the amount of our pro forma cash and cash equivalents, additional paid-in capital and total stockholders' equity by approximately \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. An increase or decrease of _____ shares in the number of shares offered by us would increase or decrease, as applicable, the amount of our pro forma cash and cash equivalents, additional paid-in capital and total stockholders' equity by approximately \$ _____ million, assuming that the initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us.
- (2) Excludes an additional \$30 million term loan we borrowed under our amended credit facility in August 2016. We used the proceeds from the additional term loan and cash on hand to fund the

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acquisition of Runbook as described in Note 8 of our condensed consolidated interim financial statements appearing elsewhere in this prospectus. We currently intend to use a portion of the net proceeds we receive from this offering to repay the entire outstanding balance under our credit facility. See “Use of Proceeds.”

If the underwriters’ option to purchase additional shares of our common stock from us were exercised in full, as of June 30, 2016, pro forma cash and cash equivalents would be \$ million, additional paid-in capital would be \$ million, total stockholders’ equity would be \$ million and shares outstanding would be .

The pro forma column in the table above is based on 203,655,411 shares of our common stock outstanding as of June 30, 2016, and excludes the following:

- 29,570,809 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of June 30, 2016, with a weighted-average exercise price of \$1.77 per share;
- 2,500,000 shares of our common stock issuable upon the exercise of warrants to purchase shares of our common stock outstanding as of June 30, 2016, with an exercise price of \$1.00 per share;
- shares of our common stock reserved for future issuance under our stock-based compensation plans, consisting of (i) 5,724,125 shares of common stock reserved for future awards under the 2014 Equity Incentive Plan, or our 2014 Plan, as of June 30, 2016 (which will terminate as of the completion of this offering and no awards will be granted under our 2014 Plan thereafter) and (ii) shares of common stock reserved for issuance under our 2016 Equity Incentive Plan, or our 2016 Plan, which will become effective one business day prior to the effective date of the registration statement of which this prospectus forms a part. Stock options to purchase an aggregate of 480,250 shares of our common stock, with an exercise price of \$3.20 per share were granted after June 30, 2016 under our 2014 Plan. Any shares that, as of immediately prior to the effectiveness of our 2016 Plan, have been reserved but not issued pursuant to awards granted under our 2014 Plan and are not subject to any awards granted under our 2014 Plan, plus any shares covering awards granted under our 2014 Plan that, on or after the effectiveness of our 2016 Plan, expire or terminate without having been exercised in full or are forfeited to or repurchased by us, will become available for issuance under our 2016 Plan, with the maximum number of shares to be added to our 2016 Plan, from our 2014 Plan equal to shares. Our 2016 Plan also provides for automatic annual increases in the number of shares reserved under our 2016 Plan, as more fully described in “Executive Compensation—Employee Benefit and Stock Plans;” and

DILUTION

If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock immediately after this offering. Dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately after completion of this offering.

Our historical net tangible book deficit as of June 30, 2016 was \$63.8 million, or \$(0.31) per share. Our historical net tangible book value per share represents our total tangible assets less our total liabilities, divided by the number of shares of common stock outstanding as of June 30, 2016.

After giving effect to (i) the sale by us of _____ shares of our common stock in this offering at the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the use of proceeds from the offering to repay amounts outstanding under our credit facility at June 30, 2016 including prepayment premiums, each as if such events had occurred on June 30, 2016, our pro forma net tangible book value as of June 30, 2016 would have been \$ _____ million, or \$ _____ per share. This represents an immediate increase in pro forma net tangible book value of \$ _____ per share to our existing stockholders and an immediate dilution in pro forma net tangible book value of \$ _____ per share to investors purchasing shares of our common stock in this offering at the assumed initial public offering price. The following table illustrates this dilution:

| | |
|--|----------|
| Assumed initial public offering price per share | \$ |
| Historical net tangible book deficit per share as of June 30, 2016 | \$(0.31) |
| Increase in pro forma net tangible book value per share attributable to new investors in this offering | _____ |
| Pro forma net tangible book value per share immediately after this offering | _____ |
| Dilution in pro forma net tangible book value per share to new investors in this offering | \$ _____ |

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro forma net tangible book value per share immediately after this offering by \$ _____, and would increase or decrease, as applicable, dilution per share to new investors in this offering by \$ _____, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, our pro forma net tangible book value by approximately \$ _____ per share and increase or decrease, as applicable, the dilution to new investors by \$ _____ per share, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions payable by us.

If the underwriters' option to purchase additional shares of our common stock from us is exercised in full, the pro forma net tangible book value per share of our common stock, as adjusted to give effect to this offering, would be \$ _____ per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be \$ _____ per share.

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The following table presents, as of June 30, 2016, the differences between the existing stockholders and the new investors purchasing shares of our common stock in this offering with respect to the number of shares purchased from us, the total consideration paid or to be paid to us, which includes net proceeds received from the issuance of shares of our common stock and the average price per share paid or to be paid to us at the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

| | Shares Purchased | | Total Consideration | | Average Price |
|-----------------------|------------------|---------|---------------------|---------|---------------|
| | Number | Percent | Amount | Percent | Per Share |
| Existing stockholders | 203,655,411 | % | \$ 204,982,000 | % | \$ 1.01 |
| New investors | | % | | % | \$ |
| Totals | | 100% | \$ | 100% | |

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our common stock from us. If the underwriters' option to purchase additional shares of our common stock were exercised in full, our existing stockholders would own _____ % and our new investors would own _____ % of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock that will be outstanding after this offering is based on 203,655,411 shares of our common stock outstanding as of June 30, 2016, and excludes:

- 29,570,809 shares of our common stock issuable upon the exercise of options to purchase shares of our common stock outstanding as of June 30, 2016, with a weighted-average exercise price of \$1.77 per share;
- 2,500,000 shares of our common stock issuable upon the exercise of warrants to purchase shares of our common stock outstanding as of June 30, 2016, with an exercise price of \$1.00 per share;
- _____ shares of our common stock reserved for future issuance under our stock-based compensation plans, consisting of (i) 5,724,125 shares of common stock reserved for future awards under the 2014 Equity Incentive Plan, or our 2014 Plan, as of June 30, 2016 (which will terminate as of the completion of this offering and no awards will be granted under our 2014 Plan thereafter) and (ii) _____ shares of common stock reserved for issuance under our 2016 Equity Incentive Plan, or our 2016 Plan, which will become effective one business day prior to the effective date of the registration statement of which this prospectus forms a part. Stock options to purchase an aggregate of 480,250 shares of our common stock, with an exercise price of \$3.20 per share were granted after June 30, 2016 under our 2014 Plan. Any shares that, as of immediately prior to the effectiveness of our 2016 Plan, have been reserved but not issued pursuant to awards granted under our 2014 Plan and are not subject to any awards granted under our 2014 Plan, plus any shares covering awards granted under our 2014 Plan

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that, on or after the effectiveness of our 2016 Plan, expire or terminate without having been exercised in full or are forfeited to or repurchased by us, will become available for issuance under our 2016 Plan, with the maximum number of shares to be added to our 2016 Plan, from our 2014 Plan equal to _____ shares. Our 2016 Plan also provides for automatic annual increases in the number of shares reserved under our 2016 Plan, as more fully described in “Executive Compensation—Employee Benefit and Stock Plans;” and

To the extent that any outstanding options to purchase our common stock or the warrants to purchase common stock are exercised, or new awards are granted under our equity compensation plans, there will be further dilution to investors participating in this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables summarize our consolidated financial data. You should read this selected consolidated financial data together with our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

On September 3, 2013, we acquired BlackLine Systems, Inc., which we refer to as the Acquisition. Prior to the Acquisition, we had no significant operations. As a result, the consolidated financial statements for the periods from January 1, 2013 to September 2, 2013 are presented as BlackLine Systems, Inc., which we refer to as the Predecessor, and all subsequent periods are presented as BlackLine, Inc., which we refer to as the Successor. The Successor financial statements reflect a new basis of accounting as a result of the Acquisition and therefore are not comparable to the Predecessor financial statements. We refer to the period from January 1, 2013 to September 2, 2013 as the 2013 Predecessor Period and the period from September 3, 2013 to December 31, 2013 as the 2013 Successor Period.

The consolidated statements of operations data for the 2013 Predecessor Period is derived from the audited consolidated financial statements of the Predecessor not included in this prospectus. The consolidated statements of operations data for the 2013 Successor Period and the consolidated balance sheet data as of December 31, 2013 are derived from the consolidated financial statements of the Successor not included in this prospectus. The consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the consolidated balance sheet data as of December 31, 2014 and 2015 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statements of operations data for the six months ended June 30, 2015 and 2016 and the consolidated balance sheet data as of June 30, 2016 are derived from the unaudited interim condensed consolidated financial statements included elsewhere in this prospectus. Our unaudited interim condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which consist only of normal recurring adjustments, necessary for the fair statement of those unaudited condensed consolidated financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future.

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Consolidated Statements of Operations Data:

| | 2013 Predecessor Period | 2013 Successor Period | Year Ended December 31, | | Six Months Ended June 30, | |
|--|-------------------------------|-----------------------------|----------------------------|--------------------|------------------------------|--------------------|
| | | | 2014 | 2015 | 2015 | 2016 |
| (In thousands, except share and per share data) | | | | | | |
| Revenues | | | | | | |
| Subscription and support | \$ 21,977 | \$ 7,723 | \$ 49,029 | \$ 80,080 | \$ 35,880 | \$ 52,977 |
| Professional services | 1,407 | 860 | 2,648 | 3,527 | 1,592 | 2,610 |
| Total revenues | 23,384 | 8,583 | 51,677 | 83,607 | 37,472 | 55,587 |
| Cost of revenues | | | | | | |
| Subscription and support | 4,442 | 4,346 | 14,380 | 19,773 | 9,101 | 12,075 |
| Professional services | 1,145 | 499 | 2,218 | 2,956 | 1,338 | 1,928 |
| Total cost of revenues(1)(2) | 5,587 | 4,845 | 16,598 | 22,729 | 10,439 | 14,003 |
| Gross profit | 17,797 | 3,738 | 35,079 | 60,878 | 27,033 | 41,584 |
| Operating expenses | | | | | | |
| Sales and marketing(1)(2) | 10,453 | 6,895 | 31,837 | 56,546 | 24,954 | 37,242 |
| Research and development(1) | 4,738 | 2,225 | 9,705 | 18,216 | 8,034 | 10,465 |
| General and administrative(1)(2)(3) | 6,978 | 2,827 | 11,716 | 20,928 | 9,052 | 11,935 |
| Acquisition-related costs | 5,586 | 1,634 | — | — | — | — |
| Total operating expenses | 27,755 | 13,581 | 53,258 | 95,690 | 42,040 | 59,642 |
| Loss from operations | (9,958) | (9,843) | (18,179) | (34,812) | (15,007) | (18,058) |
| Other expense: | | | | | | |
| Interest expense, net | (22) | (781) | (3,047) | (3,215) | (1,644) | (1,840) |
| Change in fair value of the common stock warrant liability | — | — | (3,700) | (420) | (250) | 300 |
| Other expense, net | (22) | (781) | (6,747) | (3,635) | (1,894) | (1,540) |
| Loss before income taxes | (9,980) | (10,624) | (24,926) | (38,447) | (16,901) | (19,598) |
| Provision for (benefit from) income taxes | 21 | (3,954) | (8,174) | (13,713) | (6,109) | (2,722) |
| Net loss | \$ (10,001) | \$ (6,670) | \$ (16,752) | \$ (24,734) | \$ (10,792) | \$ (16,876) |
| Net loss per share, basic and diluted | \$ (0.12) | \$ (0.03) | \$ (0.08) | \$ (0.12) | \$ (0.05) | \$ (0.08) |
| Weighted average common shares outstanding, basic and diluted | 82,250,000 | 200,094,118 | 200,445,411 | 202,895,292 | 202,486,866 | 203,535,687 |
| Pro forma net loss per share, basic and diluted (unaudited)(4) | | | | \$ | | \$ |
| Pro forma weighted average common shares, basic and diluted (unaudited) | | | | | | |

(1) The following table presents the stock-based compensation expense included in each respective expense category:

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| | 2013 Predecessor Period | 2013 Successor Period | Year Ended December 31, | | Six Months Ended June 30, | |
|----------------------------|-------------------------------|-----------------------------|----------------------------|-----------------|------------------------------|-----------------|
| | | | 2014 | 2015 | 2015 | 2016 |
| | | | (in thousands) | | | |
| Cost of revenues | \$ 86 | \$ — | \$ 249 | \$ 466 | \$ 225 | \$ 275 |
| Sales and marketing | 124 | — | 1,059 | 2,418 | 1,145 | 1,333 |
| Research and development | 330 | — | 229 | 588 | 260 | 334 |
| General and administrative | 360 | — | 480 | 2,025 | 680 | 1,232 |
| | <u>\$ 900</u> | <u>\$ —</u> | <u>\$ 2,017</u> | <u>\$ 5,497</u> | <u>\$ 2,310</u> | <u>\$ 3,174</u> |

(2) The following table presents the amortization of intangible assets included in each respective expense category:

| | 2013 Predecessor Period | 2013 Successor Period | Year Ended December 31, | | Six Months Ended June 30, | |
|----------------------------|-------------------------------|-----------------------------|----------------------------|------------------|------------------------------|-----------------|
| | | | 2014 | 2015 | 2015 | 2016 |
| | | | (in thousands) | | | |
| Cost of revenues | \$ — | \$ 2,048 | \$ 6,139 | \$ 6,139 | \$ 3,069 | \$ 3,069 |
| Sales and marketing | — | 1,162 | 3,487 | 3,487 | 1,744 | 1,744 |
| General and administrative | — | 821 | 2,466 | 2,466 | 1,233 | 1,233 |
| | <u>\$ —</u> | <u>\$ 4,031</u> | <u>\$ 12,092</u> | <u>\$ 12,092</u> | <u>\$ 6,046</u> | <u>\$ 6,046</u> |

(3) General and administrative expenses include a decrease in fair value of contingent consideration of \$781,000 for the year ended December 31, 2014, and increases in fair value of contingent consideration of \$41,000, \$26,000, and \$143,000 for the year ended December 31, 2015 and six months ended June 30, 2015 and 2016, respectively.

(4) Pro forma basic and diluted net loss per share for the year ended December 31, 2015 and the six months ended June 30, 2016 has been computed to give effect to the issuance of _____ and _____ shares of common stock, respectively, that would have been required to be issued to repay the then outstanding credit facility balance, including the prepayment premium, assuming the issuance of such shares at the assumed initial public offering price of \$ _____ per share which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Also, the numerator in the pro forma basic and diluted net loss per share calculation for the year ended December 31, 2015 and the six months ended June 30, 2016 have been adjusted to reverse the interest expense on our credit facility, net of tax, of \$2.1 million and \$1.6 million, respectively. The pro forma net loss per share does not include the proceeds to be received from the assumed initial public offering, or shares expected to be sold in the initial public offering, except for those shares necessary to be issued to repay the credit facility.

[Table of Contents](#)**Consolidated Balance Sheet Data:**

| | As of December 31, | | | As of June 30, 2016 | |
|---|--------------------|-----------|-----------|---------------------|--------------|
| | 2013 | 2014 | 2015 | Actual | Pro Forma(1) |
| | (in thousands) | | | | |
| Cash and cash equivalents | \$ 14,855 | \$ 25,707 | \$ 15,205 | \$ 13,647 | \$ |
| Total assets | 275,025 | 285,550 | 286,750 | 282,798 | |
| Deferred revenue | 17,328 | 34,574 | 52,750 | 60,501 | |
| Capital lease obligations, net of current portion | — | — | 558 | 434 | |
| Long-term debt | 23,132 | 25,673 | 28,267 | 34,399 | |
| Total stockholders' equity | 193,852 | 183,947 | 166,168 | 152,812 | |

- (1) The pro forma balance sheet gives effect to (i) the issuance of _____ shares of our common stock in this offering, at an assumed initial public offering price of \$ _____ per share which is the midpoint of the estimated offering price range set forth on the cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us and (ii) the use of proceeds from the offering to repay amounts outstanding under our credit facility at June 30, 2016, including the prepayment premiums, each as if such events had occurred on June 30, 2016.

Key Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

| | December 31, | | | June 30, | |
|---|--------------|--------|---------|----------|---------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| Dollar-based net revenue retention rate | 120% | 118% | 120% | 120% | 119% |
| Number of customers (as of end of period) | 738 | 987 | 1,338 | 1,145 | 1,523 |
| Number of users (as of end of period) | 67,387 | 93,665 | 128,726 | 111,383 | 147,466 |

Dollar-based net revenue retention rate. We believe that dollar-based net revenue retention rate is an important metric to measure the long-term value of customer agreements and our ability to retain and grow our relationships with existing customers over time. We calculate dollar-based net revenue retention rate as the implied monthly subscription and support revenue at the end of a period for the base set of customers from which we generated subscription revenue in the year prior to the calculation, divided by the implied monthly subscription and support revenue one year prior to the date of calculation for that same customer base. This calculation does not reflect implied monthly subscription and support revenue for new customers added during the one year period but does include the effect of customers who terminated during the period. We define implied monthly subscription and support revenue as the total amount of minimum subscription and support revenue contractually committed to, under each of our customer agreements over the entire term of the agreement, divided by the number of months in the term of the agreement.

Number of customers. We believe that our ability to expand our customer base is an indicator of our market penetration and the growth of our business. We define a customer as an entity with an active subscription agreement as of the measurement date. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced as a separate entity is treated as a separate customer. However, where an existing customer requests its invoice be divided for the sole purpose of restructuring its internal billing arrangement without any incremental increase in revenue, such customer continues to be treated as a single customer. For the 2013 Predecessor Period, the

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2013 Successor Period, the years ended December 31, 2014 and 2015 and the six months ended June 30, 2015 and 2016, no single customer accounted for more than 10% of our total revenues.

Number of users. Since our customers generally pay fees based on the number of users of our platform within their organization, we believe the total number of users is an indicator of the growth of our business.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the non-GAAP measures below are useful to us and our investors in evaluating our business. These non-GAAP financial measures are useful because they provide consistency and comparability with our past performance, facilitate period-to-period comparisons of operations, and facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|-----------------------|------------------------------------|------------|-------------|------------------------------|-------------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | (in thousands, except percentages) | | | | |
| Non-GAAP Revenues | \$38,012 | \$56,629 | \$ 83,607 | \$37,472 | \$ 55,587 |
| Non-GAAP Gross Profit | \$29,714 | \$46,419 | \$ 67,483 | \$30,327 | \$ 44,928 |
| Non-GAAP Gross Margin | 78.2% | 82.0% | 80.7% | 80.9% | 80.8% |
| Non-GAAP Net Loss | \$ (1,604) | \$ (2,550) | \$ (20,114) | \$ (8,059) | \$ (10,424) |

Non-GAAP Revenues. We define non-GAAP revenues as our GAAP revenues adjusted for the impact of purchase accounting resulting from the Acquisition. Upon the Acquisition, deferred revenue at the Acquisition date was recorded at fair value, resulting in a reduction from its then carrying value. This reduction resulted in reduced revenue in the 2013 Successor Period and for the year ended December 31, 2014. Our non-GAAP revenues for the year ended December 31, 2013 combines the GAAP revenues for the 2013 Predecessor Period and the 2013 Successor Period adjusted for by the purchase accounting adjustment. We believe that presenting non-GAAP revenues is useful to investors as it more fully reflects our core revenue growth rate during 2013 and 2014 and allows a direct comparison of revenues between periods. The purchase accounting adjustments to revenues related to the Acquisition did not affect our revenues for the year ended December 31, 2015 and will not affect our revenues for future periods.

Non-GAAP Gross Profit and Non-GAAP Gross Margin. We define non-GAAP gross profit as our non-GAAP revenues less our GAAP cost of revenue adjusted for the amortization of acquired developed technology resulting from the Acquisition and stock-based compensation. We define non-GAAP gross margin as our non-GAAP gross profit divided by our non-GAAP revenues. We believe that presenting non-GAAP gross margin is useful to investors as it eliminates the impact of certain non-cash expenses and allows a direct comparison of gross margin between periods.

Non-GAAP Net Loss. We define non-GAAP net loss as our GAAP net loss adjusted for the impact of the benefit from income taxes, stock-based compensation, amortization of acquired intangible assets resulting from the Acquisition, accretion of debt discount pertaining to our 2013 Term Loan, accretion of warrant discount relating to warrants issued in connection with our 2013 Term Loan, the adjustment to revenues for the impact of purchase accounting resulting from the Acquisition, the change in the fair value of contingent consideration, the change in fair value of the common stock warrant liability, Acquisition-related costs and one-time cash payments to stock option holders.

The benefit from income taxes excluded from our GAAP net loss represents domestic state and federal tax benefits that we were able to recognize as a result of the deferred tax liabilities associated with the intangible assets established upon the Acquisition. During 2016, our cumulative deferred tax

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assets, which comprise primarily of net operating losses, are expected to exceed our deferred tax liabilities, and because of our recent history of operating losses we believe that the realization of the deferred tax assets is not more likely than not. Accordingly, we have established a valuation allowance against our deferred tax assets. For 2016 we will no longer be able to fully recognize a tax benefit which will result in a lower effective income tax benefit than for the years ended December 31, 2014 and 2015. Accordingly, we believe that presenting non-GAAP net loss without this income tax benefit is useful to investors to enhance comparability of our results among periods. We have not excluded income tax expense relating to our international operations as we expect that this will continue to be reflected in our future statements of operations.

We have excluded the effect of stock-based compensation expense in calculating our non-GAAP net loss. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our performance excluding stock-based compensation expense. We record stock-based compensation expense related to grants of options and, depending on the size, timing, and the terms of the grants, stock-based compensation expense may vary significantly.

Amortization of intangibles includes the amortization expense associated with the developed technology, trademarks, non-compete agreements, and customer relationships that were capitalized as a result of the Acquisition. These amortization expenses would not have been incurred absent the Acquisition and are excluded from GAAP net loss to enhance comparability to competitors that did not undergo a similar transaction or recognize similar intangible assets.

We incurred additional indebtedness to fund the Acquisition, and this indebtedness gave rise to debt and warrant discounts that we accrete through interest expense. The accretion of debt and warrant discounts were excluded from GAAP net loss as these costs would not have been incurred without the Acquisition. The accretion of debt discounts for financing transactions not used to fund the Acquisition were not included in the reconciliation to non-GAAP net income (loss) as these financings were used to finance general corporate matters.

The purchase accounting adjustment to revenue impacted the 2013 and 2014 periods, and, as a result, these amounts have been excluded from GAAP loss to enhance comparability to other periods presented.

Contingent consideration represents the cash consideration required to be paid to certain equity holders if we realize a tax benefit from the net operating losses generated from stock options exercised concurrent with the Acquisition. Changes in the fair value of contingent consideration liability primarily reflects changes in the expected timing of our ability to utilize the net operating losses. This liability would not exist had the Acquisition not occurred and thus we exclude changes in the fair value of contingent consideration from our GAAP net loss.

Common stock warrants were issued in conjunction with debt used to fund the Acquisition and the value of these warrants is impacted by a number of factors not directly attributable to our financial performance, including factors affecting our stock price and the volatility of peer companies' stock price. Accordingly, for our internal financial measures we exclude the change in the fair value of common stock warrants from our GAAP net loss.

Both acquisition-related costs as well as compensation costs for payments to stock option holders were a direct result the Acquisition and due to the fact they have not recurred in the subsequent periods presented, we have excluded them from GAAP net loss for the 2013 period to enhance comparability of our results between periods.

We believe that presenting non-GAAP net loss is useful to investors as it eliminates the impact of items that have been impacted by the Acquisition, purchase accounting and other related costs in order to allow a direct comparison of net loss between all periods presented.

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Our non-GAAP financial measures have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results under GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. First, non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss are not substitutes for revenue, gross profit, gross margin and net loss, respectively. Second, these non-GAAP financial measures may not provide information directly comparable to measures provided by other companies in our industry, as those other companies may calculate their non-GAAP financial measures differently, particularly related to adjustments for acquisition accounting and non-recurring expenses. Third, these non-GAAP measures exclude certain recurring expenses that have been and will continue to be significant expenses of our business.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of revenues, gross profit, gross margin and net loss, the most comparable GAAP measures, to non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss:

| | 2013 Predecessor Period | 2013 Successor Period | Year Ended December 31, | | | Six Months Ended June 30, | |
|---|-------------------------------|-----------------------------|----------------------------|-------------------|--------------------|------------------------------|--------------------|
| | | | 2013 Combined | 2014 | 2015 | 2015 | 2016 |
| (in thousands, except percentages) | | | | | | | |
| Non-GAAP Revenues: | | | | | | | |
| Revenues | \$ 23,384 | \$ 8,583 | \$ 31,967 | \$ 51,677 | \$ 83,607 | \$ 37,472 | \$ 55,587 |
| Purchase accounting adjustment to revenue | — | 6,045 | 6,045 | 4,952 | — | — | — |
| Total Non-GAAP Revenues | \$ 23,384 | \$ 14,628 | \$ 38,012 | \$ 56,629 | \$ 83,607 | \$ 37,472 | \$ 55,587 |
| Non-GAAP Gross Profit: | | | | | | | |
| Gross Profit | \$ 17,797 | \$ 3,738 | \$ 21,535 | \$ 35,079 | \$ 60,878 | \$ 27,033 | \$ 41,584 |
| Purchase accounting adjustment to revenue | — | 6,045 | 6,045 | 4,952 | — | — | — |
| Amortization of developed technology | — | 2,048 | 2,048 | 6,139 | 6,139 | 3,069 | 3,069 |
| Stock-based compensation expense | 86 | — | 86 | 249 | 466 | 225 | 275 |
| Total Non-GAAP Gross Profit | \$ 17,883 | \$ 11,831 | \$ 29,714 | \$ 46,419 | \$ 67,483 | \$ 30,327 | \$ 44,928 |
| Gross Margin | 76.1% | 43.6% | 67.4% | 67.9% | 72.8% | 72.1% | 74.8% |
| Non-GAAP Gross Margin | 76.5% | 80.9% | 78.2% | 82.0% | 80.7% | 80.9% | 80.8% |
| Non-GAAP Net Loss: | | | | | | | |
| Net Loss | \$ (10,001) | \$ (6,670) | \$ (16,671) | \$ (16,752) | \$ (24,734) | \$ (10,792) | \$ (16,876) |
| Benefit from income taxes | — | (3,972) | (3,972) | (8,282) | (13,934) | (6,151) | (2,895) |
| Stock-based compensation expense | 900 | — | 900 | 2,017 | 5,497 | 2,310 | 3,174 |
| Amortization of acquired intangible assets | — | 4,031 | 4,031 | 12,092 | 12,092 | 6,046 | 6,046 |
| Accretion of debt discount | — | 57 | 57 | 228 | 228 | 114 | 146 |
| Accretion of warrant discount | — | 74 | 74 | 276 | 276 | 138 | 138 |
| Purchase accounting adjustment to revenue | — | 6,045 | 6,045 | 4,952 | — | — | — |
| Change in fair value of contingent consideration | — | — | — | (781) | 41 | 26 | 143 |
| Change in fair value of common stock warrant liability | — | — | — | 3,700 | 420 | 250 | (300) |
| Acquisition-related costs | 5,586 | 1,634 | 7,220 | — | — | — | — |
| Compensation costs for payments to stock option holders in association with the Acquisition | 712 | — | 712 | — | — | — | — |
| Total Non-GAAP Net Loss | \$ (2,803) | \$ 1,199 | \$ (1,604) | \$ (2,550) | \$ (20,114) | \$ (8,059) | \$ (10,424) |

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our consolidated financial statements and accompanying notes included elsewhere within this prospectus. This discussion includes both historical information and forward-looking information that involves risk, uncertainties and assumptions. Our actual results may differ materially from management's expectations as a result of various factors, including, but not limited to, those discussed in the section entitled "Risk Factors."

Overview

We have created a comprehensive cloud-based software platform designed to transform and modernize accounting and finance operations for organizations of all types and sizes. Our secure, scalable platform supports critical accounting processes such as the financial close, account reconciliations, intercompany accounting and controls assurance. By introducing software to automate these processes and to enable them to function continuously, we empower our customers to improve the integrity of their financial reporting, increase efficiency in their accounting and finance processes and enhance real-time visibility into their operations.

We began operations in 2002 and, in 2004, we were engaged by one of our customers to build custom software to manage their account reconciliations. Because we observed that many accounting processes were managed and tracked with spreadsheets that required manual reconciliation on a periodic basis, which were expensive, labor-intensive, inefficient and subject to error, we believed that other companies could benefit from automated accounting and finance tools and we began licensing our account reconciliation software to other customers. In 2005, we began offering a Software as a Service, or SaaS, platform to provide greater and easier scalability for our customers, and have exclusively sold SaaS solutions since 2009.

As of June 30, 2016, we had more than 1,500 customers with over 147,000 users in approximately 120 countries. Additionally, we continue to build strategic relationships with technology vendors, professional services firms, business process outsourcers and resellers.

We are a holding company and conduct our operations through our wholly-owned subsidiary, BlackLine Systems, Inc. BlackLine Systems, Inc. funded its business with investments from our founder and cash flows from operations until September 3, 2013, when we acquired BlackLine Systems, Inc. and Silver Lake and Iconiq acquired a controlling interest in us, which we refer to as the "Acquisition." We refer to Silver Lake and Iconiq collectively as our "Investors." The Acquisition was accounted for as a business combination under GAAP and resulted in a change in accounting basis as of the date of the Acquisition.

Our platform consists of seven core cloud-based products, including Account Reconciliation, Task Management, Transaction Matching, Journal Entry, Variance Analysis, Consolidation Integrity Manager and Daily Reconciliation. Customers typically purchase these products in packages that we refer to as solutions, but they have the option to purchase these products individually. Current solutions include Reconciliation Management and Financial Close Management. Our platform also includes two new solutions, Intercompany Hub and Insights, which were introduced in November 2015.

We derived approximately 95% of our revenue from subscriptions to our cloud-based software platform and approximately 5% from professional services for the six months ended June 30, 2016. The majority of subscriptions are sold through one-year non-cancellable contracts, with a growing

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percentage of subscriptions sold through three-year non-cancellable contracts. We price our subscriptions based on a number of factors, primarily the number of users having access to the products and the number of products purchased by the customer. Subscription revenue is recognized ratably over the term of the customer agreement. The first year of subscription fees are typically payable within 30 days after execution of a contract, and thereafter upon renewal.

Professional services consist of implementation and consulting services. Although our platform is ready to use immediately after a new customer has access to it, we typically help customers implement our solutions for a fixed fee which is initially recorded as deferred revenue and recognized on a proportional performance basis as the services are performed. We also provide consulting services to help customers optimize the use of our products. We charge customers for our consulting services on a time-and-materials basis and we recognize that revenue as services are performed.

We typically invoice customers annually in advance for annual and multi-year subscriptions and invoice in advance or on a time-and-materials basis for professional services. We record amounts invoiced for portions of annual subscription periods that have not occurred or services that have not been performed as deferred revenue on our balance sheet.

We sell our platform primarily through our direct sales force, which leverages our relationships with technology vendors, professional services firms and business process outsourcers. In particular, we have a strategic relationship with SAP. Our solution is an SAP endorsed business solution that integrates with SAP's ERP solutions. Under our agreement with SAP, which we entered into in 2013, we pay SAP a fee based on a percentage of revenues from our new customers that use an SAP ERP system. We continue to pay SAP a fee for these customers over the term of their subscription agreements. For the six months ended June 30, 2016, revenues from our customers under this agreement accounted for \$8.8 million, or approximately 16%, of our total revenues. For the year ended December 31, 2015, revenues from our customers under this agreement accounted for \$9.4 million, or approximately 11%, of our total revenues. Additionally, we are expanding our channel of resellers, particularly in markets outside of the United States.

We target our sales and marketing efforts at both enterprise and mid-market businesses. We define the enterprise market as companies with greater than \$500 million in annual revenue, and we define mid-market as companies with between \$50 and \$500 million in annual revenue. For the six months ended June 30, 2016, sales to enterprise and mid-market customers represented 83% and 17% of our revenues, respectively. For the years ended December 31, 2014 and 2015, sales to enterprise customers represented 90% and 86% of our revenues, respectively, while sales to mid-market customers represented 10% and 14% of our revenues, respectively. Additionally, we target our efforts at both new customers and existing customers. Existing customers may renew their subscriptions and broaden the deployment of our platform across their organizations by increasing the number of users accessing our platform or by adding additional products. We have historically signed a higher percentage of agreements with new customers, as well as renewal agreements with existing customers, in the fourth quarter of each year and usually during the last month of the quarter. This can be attributed to buying patterns typical in the software industry. As the terms of most of our customer agreements are measured in full year increments, agreements initially entered into the fourth quarter or last month of any quarter will generally come up for renewal at that same time in subsequent years. This seasonality is reflected in our revenues, though the impact to overall annual or quarterly revenues is minimal due to the fact that we recognize subscription revenue ratably over the term of the customer contract.

We believe the addressable market for our platform is large and growing. According to a study we commissioned with Frost & Sullivan, in 2015 there were more than 165,000 corporate organizations worldwide that are in our addressable market with revenues greater than \$50 million. As a result, we expect to continue to grow our direct sales team and to expand our relationships with technology

vendors, professional services firms, business process outsourcers and resellers. We also intend to continue to invest in research and development to extend the functionality of our platform and develop new solutions and features.

We have experienced significant revenue growth and adoption of our platform. Prior to the Acquisition, we funded our business with investments from our founder and cash flows from operations. More recently, we have accelerated investment in our business in 2014 and 2015, including expansion of our software and development teams and our sales force as well as our international presence.

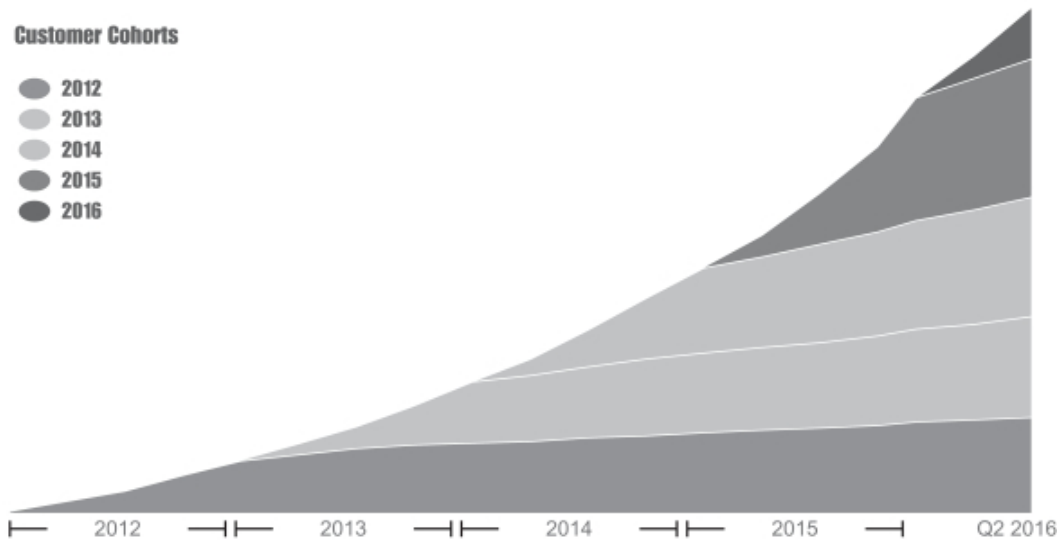
For the years ended December 31, 2014 and 2015, we had revenues of \$51.7 million and \$83.6 million, respectively, and we incurred net losses of \$16.8 million and \$24.7 million, respectively. For the six months ended June 30, 2015 and 2016, we had revenues of \$37.5 million and \$55.6 million, respectively, and we incurred net losses of \$10.8 million and \$16.9 million, respectively.

Factors Affecting Performance

We believe that our future performance will depend on many factors, including those described below. While these areas present significant opportunity, they also present risks that we must manage to achieve successful results. See the section titled "Risk Factors." If we are unable to address these challenges, our business and operating results could be adversely affected.

Expansion and Further Penetration of Our Customer Base. We employ a land-and-expand sales strategy that focuses on efficiently acquiring new customers and growing our relationships with existing customers over time. As the chart below illustrates, we have a history of attracting new customers and expanding their revenue with us over time. Building upon this success, we believe significant opportunity exists for us to acquire new customers in both the enterprise and mid-market segments across all geographies, as well as expand the use of our platform by selling additional products and increasing the number of users within our current customers' organizations.

Total Annualized Subscription and Support Revenue by Customer Cohort



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The chart reflects annualized subscription and support revenue for the group of customers that became our customers in each respective cohort year. A “cohort” is a grouping of customers by the year specified. For instance, the 2012 cohort includes all customers whose contract start date is between January 1, 2012 and December 31, 2012. We calculate annualized subscription and support revenue at a particular date as the total amount of minimum subscription and support revenue contractually committed under each of our customer agreements for that month through the remaining term of the agreement, divided by the remaining number of months in the term of the agreement, multiplied by twelve. Our annualized subscription and support revenue as of June 30, 2016 for each of our 2012, 2013, 2014 and 2015 customer cohorts represented an increase over the initial annualized subscription and support revenue for such customer cohorts of 2.9x, 2.1x, 1.8x and 1.3x, respectively. We calculate initial annualized subscription and support revenue for any given cohort year as the sum of annualized subscription and support revenue as of the first month of each customer agreement that was entered into within that given cohort year. Accordingly, in contrast to annualized subscription and support revenue, initial annualized subscription and support revenue does not reflect any changes in the payments due under or the duration of customer agreements following the first month of the customer agreement.

Investment in Growth. We plan to continue to invest in our business so that we can capitalize on our market opportunity. We intend to continue to grow our global sales and marketing team to acquire new customers and to increase sales to existing customers. We intend to continue to grow our research and development team to extend the functionality and range of our applications to bring new and improved solutions to accounting and finance. However, we expect our sales and marketing expenses and research and development expenses as a percentage of revenues to decrease over time as we grow our revenues and gain economies of scale by increasing our customer base and increase sales to our existing customer base. We believe that these investments will contribute to our long-term growth, although they may adversely affect our profitability in the near term.

Leveraging Strategic Relationships. We plan to continue to strengthen and expand our relationships with technology vendors, professional services firms, business process outsourcers and resellers. These relationships enable us to increase the speed of deployment and offer a wider range of integrated services to our customers. We intend to support these existing relationships, seek additional relationships and further expand our channel of resellers to help us increase our presence in existing markets and to expand into new markets. Our business and results of operations will be significantly affected by our success in leveraging and expanding these relationships.

Market Adoption of Our Platform. A key focus of our sales and marketing efforts is creating market awareness about the benefits of our cloud-based SaaS platform. The market for SaaS solutions for accounting and finance is less mature than the market for on-premise accounting and finance software applications, and potential customers may be slow or unwilling to migrate from their legacy solutions such as spreadsheets, manual processes or home grown solutions. It is difficult to predict customer adoption rates and demand, the future growth rate and size of the SaaS platform for accounting and finance market or the entry of competitive solutions. Our business and operating results will be significantly affected by the degree to and speed with which organizations adopt our solutions.

Metrics

We regularly review a number of metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

| | December 31, | | | June 30, | |
|---|--------------|--------|---------|----------|---------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| Dollar-based net revenue retention rate | 120% | 118% | 120% | 120% | 119% |
| Number of customers (as of end of period) | 738 | 987 | 1,338 | 1,145 | 1,523 |
| Number of users (as of end of period) | 67,387 | 93,665 | 128,726 | 111,383 | 147,466 |

Dollar-based net revenue retention rate. We believe that dollar-based net revenue retention rate is an important metric to measure the long-term value of customer agreements and our ability to retain and grow our relationships with existing customers over time. We calculate dollar-based net revenue retention rate as the implied monthly subscription and support revenue at the end of a period for the base set of customers from which we generated subscription revenue in the year prior to the calculation, divided by the implied monthly subscription and support revenue one year prior to the date of calculation for that same customer base. This calculation does not reflect implied monthly subscription and support revenue for new customers added during the one year period but does include the effect of customers who terminated during the period. We define implied monthly subscription and support revenue as the total amount of minimum subscription and support revenue contractually committed to, under each of our customer agreements over the entire term of the agreement, divided by the number of months in the term of the agreement.

Number of customers. We believe that our ability to expand our customer base is an indicator of our market penetration and the growth of our business. We define a customer as an entity with an active subscription agreement as of the measurement date. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced as a separate entity is treated as a separate customer. However, where an existing customer requests its invoice be divided for the sole purpose of restructuring its internal billing arrangement without any incremental increase in revenue, such customer continues to be treated as a single customer. For the years ended December 31, 2014 and 2015, and the six months ended June 30, 2015 and 2016, no single customer accounted for more than 10% of our total revenues.

Number of users. Since our customers generally pay fees based on the number of users of our platform within their organization, we believe the total number of users is an indicator of the growth of our business.

Key Components of our Results of Operations

Revenues

Subscription and support. The majority of subscriptions are sold through one-year non-cancellable contracts and a growing percentage of subscriptions are sold through three-year non-cancellable contracts. Fees are based on a number of factors, including the number of users having access to the products and the number of products purchased by the customer. The first year of subscription fees are typically payable within 30 days after execution of a contract, and thereafter upon renewal. We initially record the subscription fees as deferred revenue and recognize revenue on a straight-line basis over the term of the agreement. At any time during the subscription period, customers may increase their number of users and add products. Additional fees are payable for the remainder of the initial or renewed contract term. Customers may only reduce their number of users or subscription to products upon renewal of their arrangement. Revenues from subscriptions to our cloud-based software platform comprised approximately 95% of our revenues for the six months ended June 30, 2016.

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Subscription and support revenues also include revenues associated with sales of on-premise software licenses, which we sold prior to our migration to SaaS, and related support. We no longer develop any new applications or functionality for on-premise software licensed to customers, but we continue to provide post-contract support to approximately 20 customers that had not migrated to our SaaS solution as of December 31, 2015. Revenues related to annual renewals of post-contract support are recognized on a straight-line basis over the support period and comprised approximately less than one-half of 1% of total revenues for the six months ended June 30, 2016.

Professional services. We offer our customers implementation and consulting services. Although our platform is ready to use immediately after a new customer has access to it, we typically help customers implement our solutions for a fixed fee and we recognize revenue over the period such services are performed. We also provide consulting and training services to help customers optimize the use of our products. We charge customers for our consulting and training services on a time-and-materials basis and we recognize revenue as services are performed. Professional services revenues comprised approximately 5% of our revenues for the six months ended June 30, 2016.

For a description of our revenue accounting policies, see “Critical Accounting Policies and Estimates.”

Cost of Revenues

Subscription and support cost of revenues. Subscription and support cost of revenues primarily consists of amortization of developed technology costs resulting from the Acquisition, salaries, benefits and stock-based compensation associated with our hosting operations and support personnel, data center costs related to hosting our cloud-based software and amortization of capitalized internal-use software costs. We also allocate a portion of overhead to subscription and support cost of revenues.

Professional services costs of revenues. Costs associated with providing professional services primarily consist of salaries, benefits and stock based compensation associated with our implementation personnel. These costs are expensed as incurred when the services are performed. We also allocate a portion of overhead to professional services cost of revenues.

Operating Expenses

Sales and marketing. Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including salaries, sales commissions and incentives, benefits and stock-based compensation expense, travel and related costs, commissions paid in connection with our strategic relationships, outside consulting fees, marketing programs, including lead generation, costs of our annual conference, advertising and trade shows, other event expenses and allocated overhead costs. We defer sales and partner commissions and amortize them ratably over the term of the corresponding subscription agreement. Sales and marketing expenses also include amortization of customer relationship intangible assets. We expect sales and marketing expenses will increase as we expand our direct sales teams and increase sales through our strategic relationships and resellers.

Research and development. Research and development expenses consist primarily of salaries, benefits and stock-based compensation associated with our engineering, product and quality assurance personnel and allocated overhead costs. Research and development expenses also include the cost of third-party contractors. Other than internal-use software development costs that qualify for capitalization, research and development costs are expensed as incurred. We expect research and development costs to increase as we develop new solutions and make improvements to our existing platform.

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General and administrative. General and administrative expenses consist primarily of salaries, benefits and stock-based compensation associated with our executive, finance, legal, human resources, compliance and other administrative personnel, accounting, auditing and legal professional services fees, recruitment costs, other corporate-related expenses and allocated overhead costs. General and administrative expenses also include amortization of covenant not to compete and tradename intangible assets. We expect that general and administrative expenses will increase as we incur the costs of compliance associated with being a publicly-traded company, including legal, audit and consulting fees.

Interest Income (Expense)

Interest income (expense), net consists primarily of interest expense from borrowings under our credit facility and amortization of debt discounts and issuance costs.

Change in Fair Value of Common Stock Warrant Liabilities

We have issued warrants to purchase common stock in connection with our credit facility. The warrants are measured at fair value each period, with changes in fair value recorded in our consolidated statement of operations. The warrants will continue to be measured at fair value each period until the earlier of their exercise or termination. Increases in the fair value of our common stock will result in an increase in the fair value of our common stock warrant liability and a corresponding increase in our net loss.

Benefit from Income Taxes

We are subject to federal and state income taxes in the United States and taxes in foreign jurisdictions. As of December 31, 2015, for federal and state jurisdictions outside of the State of California we were in a net deferred tax liability position primarily as a result of intangible assets acquired in the Acquisition. These deferred tax liabilities have been an available source of income to realize our losses and accordingly, we have recorded an income tax benefit in our statement of operations. We will be required to record a valuation allowance against our deferred tax assets to the extent that realization of the deferred tax assets, including consideration of our deferred tax liabilities, is not more likely than not. As of December 31, 2015, for the State of California income taxes, our deferred assets exceeded our deferred tax liabilities, and given our cumulative losses, we believe that it is not more likely than not these deferred tax assets will be realized. Accordingly, we recorded a valuation allowance on these net state deferred tax assets. We anticipate that in 2016 our deferred tax assets for federal and non-California jurisdictions, arising principally from our cumulative losses, will exceed our deferred tax liabilities, and given uncertainty as to their realization, we will be required to record a valuation allowance against all our U.S. deferred tax assets.

Our effective tax rate for the periods presented differs from the U.S. federal tax rate of 34% due to state taxes, expenses not deductible for income tax purposes including the change in fair value of common stock warrants, acquisition related costs, other tax credits and the valuation allowance on our California net deferred tax assets. Our effective tax rate in the future will change to the extent we are required to record a valuation allowance on our non-California net deferred tax assets.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the non-GAAP measures below are useful to us and our investors in evaluating our business. These non-GAAP financial measures are useful because they provide consistency and comparability with our past performance, facilitate period-to-period comparisons of operations and facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|-----------------------|------------------------------------|------------|-------------|---------------------------|-------------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | (in thousands, except percentages) | | | | |
| Non-GAAP Revenues | \$38,012 | \$56,629 | \$ 83,607 | \$37,472 | \$ 55,587 |
| Non-GAAP Gross Profit | \$29,714 | \$46,419 | \$ 67,483 | \$30,327 | \$ 44,928 |
| Non-GAAP Gross Margin | 78.2% | 82.0% | 80.7% | 80.9% | 80.8% |
| Non-GAAP Net Loss | \$ (1,604) | \$ (2,550) | \$ (20,114) | \$ (8,059) | \$ (10,424) |

For additional information and our reconciliation of Non-GAAP financial measures to GAAP, refer to "Selected Consolidated Financial Data —Non-GAAP Financial Measures."

Results of Operations

On September 3, 2013, we acquired BlackLine Systems, Inc. and Silver Lake and Iconiq acquired a controlling interest in us, which we refer to as the "Acquisition. We accounted for the Acquisition as a business combination, which resulted in a new basis of accounting. The Acquisition resulted in the following principal impacts on our financial statements:

- A reduction in revenues for the year ended December 31, 2014 as a result of the deferred revenue at the Acquisition date being recorded at fair value at an amount less than its then carrying value;
- Increased amortization costs resulting from recording of intangible assets at fair value. We record amortization of acquired developed technology in cost of revenues, amortization of customer relationships in sales and marketing expenses, and amortization of covenants not to compete and tradename intangible assets in general and administrative expenses;
- Contingent consideration issued as part of the Acquisition is recorded at fair value each period with changes in fair value recorded in general and administrative costs;
- Prior to the Acquisition, BlackLine Systems, Inc. was an S-Corporation, where its earnings flowed through to its shareholders. Post-Acquisition, we are a C-Corporation and are subject to federal and state income taxes in the United States, which resulted in a significant change in our tax provision or tax benefit and our deferred tax assets and liabilities, including \$70.3 million in federal and \$65.6 million in the State of California net operating loss carryforwards, as of December 31, 2015; and
- Shortly after the Acquisition we issued debt, which increased our interest expense for periods post-Acquisition.

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The following table sets forth our statements of operations for each of the periods indicated in dollars.

| | Year Ended December 31, | | Six Months Ended June 30, | |
|--|----------------------------|--------------------|------------------------------|--------------------|
| | 2014 | 2015 | 2015 | 2016 |
| | (In thousands) | | | |
| Revenues | | | | |
| Subscription and support | \$ 49,029 | \$ 80,080 | \$ 35,880 | \$ 52,977 |
| Professional services | 2,648 | 3,527 | 1,592 | 2,610 |
| Total revenues | <u>51,677</u> | <u>83,607</u> | <u>37,472</u> | <u>55,587</u> |
| Cost of revenues | | | | |
| Subscription and support | 14,380 | 19,773 | 9,101 | 12,075 |
| Professional services | 2,218 | 2,956 | 1,338 | 1,928 |
| Total cost of revenues | <u>16,598</u> | <u>22,729</u> | <u>10,439</u> | <u>14,003</u> |
| Gross profit | <u>35,079</u> | <u>60,878</u> | <u>27,033</u> | <u>41,584</u> |
| Operating expenses | | | | |
| Sales and marketing | 31,837 | 56,546 | 24,954 | 37,242 |
| Research and development | 9,705 | 18,216 | 8,034 | 10,465 |
| General and administrative | 11,716 | 20,928 | 9,052 | 11,935 |
| Total operating expenses | <u>53,258</u> | <u>95,690</u> | <u>42,040</u> | <u>59,642</u> |
| Loss from operations | <u>(18,179)</u> | <u>(34,812)</u> | <u>(15,007)</u> | <u>(18,058)</u> |
| Other expense: | | | | |
| Interest expense, net | (3,047) | (3,215) | (1,644) | (1,840) |
| Change in fair value of the common stock warrant liability | (3,700) | (420) | (250) | 300 |
| Other expense, net | (6,747) | (3,635) | (1,894) | (1,540) |
| Loss before income taxes | <u>(24,926)</u> | <u>(38,447)</u> | <u>(16,901)</u> | <u>(19,598)</u> |
| Benefit from income taxes | (8,174) | (13,713) | (6,109) | (2,722) |
| Net loss | <u>\$ (16,752)</u> | <u>\$ (24,734)</u> | <u>\$ (10,792)</u> | <u>\$ (16,876)</u> |

Comparison of Six Months Ended June 30, 2015 and 2016

Total revenues

| | Six Months Ended June 30, | | Change | |
|--------------------------|------------------------------------|-----------------|-----------------|--------------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Subscription and support | \$35,880 | \$52,977 | \$17,097 | 47.7% |
| Professional services | 1,592 | 2,610 | 1,018 | 63.9% |
| Total revenues | <u>\$37,472</u> | <u>\$55,587</u> | <u>\$18,115</u> | <u>48.3%</u> |

Total revenues increased for the six months ended June 30, 2016 as compared to the same period of 2015 primarily due to a 33% increase in the number of customers, a 32% increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers.

[Table of Contents](#)**Total cost of revenues**

| | Six Months Ended June 30, | | Change | |
|-------------------------------|------------------------------------|-----------------|----------------|--------------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Subscription and support | \$ 9,101 | \$12,075 | \$2,974 | 32.7% |
| Professional services | 1,338 | 1,928 | 590 | 44.1% |
| Total cost of revenues | \$10,439 | \$14,003 | \$3,564 | 34.1% |
| Gross margin | 72.1% | 74.8% | | |

Total cost of revenues increased primarily due to a \$2.5 million increase in salaries, benefits and stock-based compensation and a \$0.5 million increase in amortization of capitalized software costs. Salaries, benefits and stock-based compensation increased primarily due to growth in headcount, which increased by 52% between June 30, 2015 and 2016. Amortization of our capitalized software development costs increased due to larger total capitalized costs as we expanded the functionality of our solutions.

The improvement in gross margin was primarily the result of amortization of developed technology included in our cost of revenues which is a fixed cost each period. Accordingly, an increase in revenues resulted in an improvement in our gross margin.

Sales and marketing

| | Six Months Ended June 30, | | Change | |
|------------------------------|------------------------------------|----------|----------|-------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Sales and marketing | \$24,954 | \$37,242 | \$12,288 | 49.2% |
| Percentage of total revenues | 66.6% | 67.0% | | |

Sales and marketing expense increased primarily due to a \$8.1 million increase in salaries, sales commissions and incentives and stock-based compensation, a \$1.4 million increase in commissions payable to third parties that refer customers to us, a \$0.7 million increase in travel and related costs, a \$0.9 million increase in outside consulting fees, and a \$0.4 million increase in advertising and trade show costs. The increase in salaries, sales commissions and incentives and stock-based compensation was primarily driven by an increase in headcount and revenue growth. Our sales and marketing headcount increased by 40% between June 30, 2015 and 2016. The increase in commissions payable to third parties was primarily driven by the expansion of our relationships with technology vendors, including SAP. Travel and related costs have increased due to expansion of our sales organization. The increase in outside consulting fees was primarily due to an increase in digital marketing services.

Research and development

| | Six Months Ended June 30, | | Change | |
|------------------------------|------------------------------------|----------|---------|-------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Research and development | \$8,034 | \$10,465 | \$2,431 | 30.3% |
| Percentage of total revenues | 21.4% | 18.8% | | |

Research and development expense increased primarily due to a \$1.8 million increase in salaries, benefits and stock-based compensation and a \$0.9 million increase in services provided by

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third-party contractors. These increases were partially offset by an increase in capitalized costs related to software development of \$0.5 million. Our research and development headcount increased by 23% between January 1, 2015 and June 30, 2015 and decreased marginally between June 30, 2015 and June 30, 2016. The increase in headcount for the six months ended June 30, 2015 occurred primarily later in that period and so the increase was not fully reflected in salaries, benefits and stock-compensation until the 2016 period. The additional number of third-party contractors were used to further maintain, enhance and develop our platform.

General and administrative

| | Six Months Ended June 30, | | Change | |
|------------------------------|------------------------------------|----------|---------|-------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| General and administrative | \$9,052 | \$11,935 | \$2,883 | 31.8% |
| Percentage of total revenues | 24.2% | 21.5% | | |

General and administrative increased primarily due to a \$2.4 million increase in salaries, benefits and stock-based compensation due to an increase in headcount of 35% between June 30, 2015 and 2016 and stock option grants to new executive officers and other employees and a \$0.3 million increase in facility related expenses.

Interest expense, net

| | Six Months Ended June 30, | | Change | |
|-----------------------|------------------------------------|-----------|----------|-------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Interest expense, net | \$(1,644) | \$(1,840) | \$ (196) | 11.9% |

Interest expense, net increased due to an increase in interest expense on a larger long-term debt principal balance. During the six months ended June 30, 2015 and 2016, we paid between 20% and 30% of our interest costs in cash and the remainder increased the principal balance.

Change in fair value of common stock warrant liability

| | Six Months Ended June 30, | | Change | |
|--|------------------------------------|-------|--------|----------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Change in fair value of common stock warrant liability | \$(250) | \$300 | \$ 550 | (220.0%) |

We value our common stock warrants using a binomial lattice model. The primary input into the binomial lattice model is the fair value of our common stock. The fair value of our common stock did not significantly change between December 31, 2014 and June 30, 2015 and between December 31, 2015 and June 30, 2016.

[Table of Contents](#)**Income tax benefit**

| | Six Months Ended June 30, | | Change | |
|---------------------------|------------------------------------|------------|----------|---------|
| | 2015 | 2016 | Amount | % |
| | (in thousands, except percentages) | | | |
| Benefit from income taxes | \$ (6,109) | \$ (2,722) | \$ 3,387 | (55.4%) |

The effective tax rate for six months ended June 30, 2016 of 13.9% differs from the U.S. federal statutory rate of 34% primarily as a result of state taxes, net of federal benefit, and valuation allowance for U.S. federal and state income taxes. The effective tax rate for six months ended June 30, 2015 of 36.1% differs from the U.S. federal statutory rate of 34% primarily as a result of state taxes, net of federal benefit, foreign taxes and a valuation allowance on State of California net deferred tax assets. We record a valuation allowance against our deferred tax assets to the extent that realization of the deferred tax assets, including consideration of its deferred tax liabilities, is not more likely than not. For the year ending December 31, 2016, for both federal and state income taxes, our deferred assets are estimated to exceed our deferred tax liabilities and because of our recent history of operating losses we believe that the realization of the deferred tax assets is currently not more likely than not. Accordingly, we have recorded a valuation allowance against our federal and state deferred tax assets. Taxes for international operations are not material for the six months ended June 30, 2015 and 2016.

Comparison Years Ended December 31, 2014 and 2015**Total revenues**

| | Year Ended December 31, | | Change | |
|--------------------------|------------------------------------|------------------|------------------|-------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Subscription and support | \$ 49,029 | \$ 80,080 | \$ 31,051 | 63.3% |
| Professional services | 2,648 | 3,527 | 879 | 33.2% |
| Total revenues | <u>\$ 51,677</u> | <u>\$ 83,607</u> | <u>\$ 31,930</u> | 61.8% |

Total revenues increased for the year ended December 31, 2015 as compared to 2014 primarily due to an increase in the number of customers, an increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers. The increase in total revenues was also impacted by purchase accounting. Upon the Acquisition, deferred revenue was recorded at fair value, resulting in a reduction from its then carrying value. This reduction resulted in reduced revenue in the 2014 period by \$5.0 million. There was no corresponding reduction in the 2015 period. Excluding the impact of this purchase accounting adjustment, our total revenue increased by 47.6% for the year ended December 31, 2015 as compared to 2014.

Total cost of revenues

| | Year Ended December 31, | | Change | |
|--------------------------|------------------------------------|------------------|-----------------|-------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Subscription and support | \$ 14,380 | \$ 19,773 | \$ 5,393 | 37.5% |
| Professional services | 2,218 | 2,956 | 738 | 33.3% |
| Total cost of revenues | <u>\$ 16,598</u> | <u>\$ 22,729</u> | <u>\$ 6,131</u> | 36.9% |
| Gross margin | 67.9% | 72.8% | | |

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Total cost of revenues increased primarily due to a \$4.0 million increase in salaries, benefits and stock-based compensation, a \$1.1 million increase in data center costs and a \$0.6 million increase in amortization of capitalized software costs. Salaries, benefits and stock-based compensation increased primarily due to growth in headcount, which increased by 69% between December 31, 2014 and 2015. Costs associated with our datacenter increased due to costs of additional bandwidth associated with the growth in our customer base. Amortization of our capitalized software development costs increased due to larger total capitalized costs as we expanded the functionality of our solutions.

Our gross margin was 67.9% and 72.8% for the years ended December 31, 2014 and 2015, respectively. The improvement in gross margin was primarily the result of the impact of purchasing accounting adjustments, which reduced revenue in the 2014 period with no corresponding adjustment in 2015. In addition, amortization of developed technology included in our cost of revenues is a fixed cost each period. Accordingly, an increase in revenues resulted in an improvement in our gross margin.

Sales and marketing

| | Year Ended December 31, | | Change | |
|------------------------------|------------------------------------|----------|----------|-------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Sales and marketing | \$31,837 | \$56,546 | \$24,709 | 77.6% |
| Percentage of total revenues | 61.6% | 67.6% | | |

Sales and marketing expense increased primarily due to a \$16.4 million increase in salaries, sales commissions and incentives and stock-based compensation, a \$2.4 million increase in commissions payable to third parties that refer customers to us, a \$1.6 million increase in travel and related costs, a \$1.0 million increase in advertising and trade shows and a \$0.9 million increase in outside consulting fees. The increase in salaries, sales commissions and incentives and stock-based compensation was primarily driven by an increase in headcount and revenue growth. Our sales and marketing headcount increased by 59% between December 31, 2014 and 2015. The increase in commissions payable to third parties was primarily driven by the expansion of our relationships with technology vendors, including SAP. The increase in advertising and trade shows was primarily due to an increase in our marketing efforts. The increase in outside consulting fees was primarily due to an increase in digital marketing services.

Research and development

| | Year Ended December 31, | | Change | |
|------------------------------|------------------------------------|----------|---------|-------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Research and development | \$ 9,705 | \$18,216 | \$8,511 | 87.7% |
| Percentage of total revenues | 18.8% | 21.8% | | |

Research and development expense increased primarily due to a \$5.5 million increase in salaries, benefits and stock-based compensation due to an increase in headcount and a \$3.2 million increase in services provided by third-party contractors. These increases were partially offset by an increase in capitalized costs related to software development of \$0.7 million. Our research and development headcount increased by 32% between December 31, 2014 and 2015. Costs of third-party contractors increased by 238% between 2014 and 2015. The additional headcount and number of third-party contractors were used to further maintain, enhance and develop our platform.

[Table of Contents](#)**General and administrative**

| | Year Ended December 31, | | Change | |
|------------------------------|------------------------------------|----------|---------|-------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| General and administrative | \$11,716 | \$20,928 | \$9,212 | 78.6% |
| Percentage of total revenues | 22.7% | 25.0% | | |

General and administrative increased primarily due to a \$4.0 million increase in salaries, benefits and stock-based compensation due to an increase in headcount of 72% between December 31, 2014 and 2015 and stock option grants to new executive officers and other employees, a \$2.8 million increase in professional services costs due to legal, accounting and auditing fees as we prepare for our initial public offering, additional recruitment costs and a \$0.5 million increase in facility related expenses related to the expansion of our global headquarters. In addition, our general and administrative costs in 2014 were reduced by \$0.8 million relating to the change in fair value of contingent consideration. There was no significant change in contingent consideration during 2015.

Interest expense, net

| | Year Ended December 31, | | Change | |
|-----------------------|------------------------------------|-----------|---------|------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Interest expense, net | \$(3,047) | \$(3,215) | \$(168) | 5.5% |

Interest expense, net increased due to an increase in interest expense on a larger long-term debt principal balance. During 2014 and 2015, we paid between 20% and 30% of our interest costs in cash and the remainder increased the principal balance.

Change in fair value of common stock warrant liability

| | Year Ended December 31, | | Change | |
|--|------------------------------------|----------|---------|---------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Change in fair value of common stock warrant liability | \$(3,700) | \$ (420) | \$3,280 | (88.6%) |

We value our common stock warrants using a binomial lattice model. The primary input in the binomial lattice model driving the change in the fair value our common stock warrants is the value of our common stock. The increase in the liabilities associated with our common stock warrants in both years was driven by the increase in the value of our common stock. Refer to “—Critical Accounting Policies and Estimates— Significant Factors, Assumptions, and Methodologies Used in Determining Fair Value of Common Stock”.

Income tax benefit

| | Year Ended December 31, | | Change | |
|---------------------------|------------------------------------|------------|-----------|-------|
| | 2014 | 2015 | Amount | % |
| | (in thousands, except percentages) | | | |
| Benefit from income taxes | \$(8,174) | \$(13,713) | \$(5,539) | 67.8% |

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Our effective tax rate was 32.8% in 2014 and 35.7% in 2015. The effective tax rate differs from the U.S. federal statutory rate of 34% primarily because of state taxes, net of federal benefit, the change in the value of our common stock warrants and contingent consideration, which are not deductible for income tax purposes, and valuation allowance for State of California deferred income tax assets. We record a valuation allowance against our deferred tax assets to the extent that realization of the deferred tax assets, including consideration of our deferred tax liabilities, is not more likely than not. For 2015, for the State of California, our deferred assets exceed our deferred tax liabilities and given our cumulative losses, we believe that it is not more likely than not that these deferred tax assets will be realized. Accordingly, we recorded a valuation allowance on our net State of California deferred tax assets. Taxes for our international operations were not material in 2014 and 2015.

Quarterly Results of Operations

The following tables set forth selected key metrics and unaudited quarterly consolidated statements of operations for 2015 and the first half of 2016. The consolidated financial statements for each of these quarterly periods have been prepared on a basis consistent with our audited financial statements and include, in the opinion of management, all normal recurring adjustments necessary for the fair statement of the financial information contained in these statements. The historical financial results are not necessarily indicative of future results and should be read in conjunction with our annual financial statements and the related notes included elsewhere in this prospectus.

The following table sets forth selected metrics data for each of the periods indicated:

| | Three Months Ended | | | | | |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar 31, 2015 | Jun 30, 2015 | Sep 30, 2015 | Dec 31, 2015 | Mar 31, 2016 | Jun 30, 2016 |
| Dollar-based net revenue retention rate | 120% | 120% | 120% | 120% | 120% | 119% |
| Number of customers (as of end of period) | 1,067 | 1,145 | 1,219 | 1,338 | 1,411 | 1,523 |
| Number of users (as of end of period) | 102,903 | 111,383 | 119,912 | 128,726 | 137,341 | 147,466 |

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The following table sets forth selected consolidated statements of operations data for each of the periods indicated:

| | Three Months Ended | | | | | |
|--|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Mar 31, 2015 | Jun 30, 2015 | Sep 30, 2015 | Dec 31, 2015 | Mar 31, 2016 | Jun 30, 2016 |
| | (in thousands) | | | | | |
| Revenues | | | | | | |
| Subscription and support | \$ 17,282 | \$ 18,598 | \$ 20,786 | \$ 23,414 | \$ 25,328 | \$ 27,649 |
| Professional services | 765 | 827 | 875 | 1,060 | 1,233 | 1,377 |
| Total revenues(1)(2) | <u>18,047</u> | <u>19,425</u> | <u>21,661</u> | <u>24,474</u> | <u>26,561</u> | <u>29,026</u> |
| Cost of revenues | | | | | | |
| Subscription and support | 4,287 | 4,814 | 5,119 | 5,553 | 5,961 | 6,114 |
| Professional services | 666 | 672 | 824 | 794 | 979 | 949 |
| Total cost of revenues(1)(2) | <u>4,953</u> | <u>5,486</u> | <u>5,943</u> | <u>6,347</u> | <u>6,940</u> | <u>7,063</u> |
| Gross profit | <u>13,094</u> | <u>13,939</u> | <u>15,718</u> | <u>18,127</u> | <u>19,621</u> | <u>21,963</u> |
| Operating expenses | | | | | | |
| Sales and marketing(1)(2) | 11,657 | 13,297 | 14,740 | 16,852 | 18,169 | 19,073 |
| Research and development(1) | 3,569 | 4,465 | 4,904 | 5,278 | 5,272 | 5,193 |
| General and administrative(1)(2)(3) | 3,805 | 5,247 | 5,916 | 5,960 | 5,979 | 5,956 |
| Total operating expenses | <u>19,031</u> | <u>23,009</u> | <u>25,560</u> | <u>28,090</u> | <u>29,420</u> | <u>30,222</u> |
| Loss from operations | <u>(5,937)</u> | <u>(9,070)</u> | <u>(9,842)</u> | <u>(9,963)</u> | <u>(9,799)</u> | <u>(8,259)</u> |
| Other income (expense) | | | | | | |
| Interest expense, net | (782) | (862) | (822) | (749) | (861) | (979) |
| Change in fair value of the common stock warrant liability | 30 | (280) | 80 | (250) | — | 300 |
| Other expense, net | (752) | (1,142) | (742) | (999) | (861) | (679) |
| Loss before income taxes | (6,689) | (10,212) | (10,584) | (10,962) | (10,660) | (8,938) |
| Benefit from income taxes | (2,435) | (3,674) | (3,849) | (3,755) | (1,325) | (1,397) |
| Net loss | <u>\$ (4,254)</u> | <u>\$ (6,538)</u> | <u>\$ (6,735)</u> | <u>\$ (7,207)</u> | <u>\$ (9,335)</u> | <u>\$ (7,541)</u> |

(1) The following table presents the stock-based compensation expense included in each respective expense category:

| | Three Months Ended | | | | | |
|----------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar 31, 2015 | Jun 30, 2015 | Sep 30, 2015 | Dec 31, 2015 | Mar 31, 2016 | Jun 30, 2016 |
| Cost of revenues | \$ 87 | \$ 138 | \$ 126 | \$ 115 | \$ 141 | \$ 134 |
| Sales and marketing | 463 | 682 | 602 | 671 | 672 | 661 |
| Research and development | 89 | 171 | 160 | 168 | 161 | 173 |
| General and administrative | 149 | 531 | 672 | 673 | 651 | 581 |
| | <u>788</u> | <u>1,522</u> | <u>1,560</u> | <u>1,627</u> | <u>1,625</u> | <u>1,549</u> |

(2) The following table presents the amortization of intangible assets included in each respective expense category:

| | Three Months Ended | | | | | |
|----------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar 31, 2015 | Jun 30, 2015 | Sep 30, 2015 | Dec 31, 2015 | Mar 31, 2016 | Jun 30, 2016 |
| Cost of revenues | \$ 1,534 | \$ 1,535 | \$ 1,535 | \$ 1,535 | \$ 1,534 | \$ 1,535 |
| Sales and marketing | 872 | 872 | 872 | 871 | 872 | 872 |
| General and administrative | 617 | 616 | 616 | 617 | 617 | 616 |
| | <u>3,023</u> | <u>3,023</u> | <u>3,023</u> | <u>3,023</u> | <u>3,023</u> | <u>3,023</u> |

(3) General and administrative includes increases in fair value of contingent consideration of \$13,000 in each of the first three quarters of 2015, \$2,000 during the three months ended December 31, 2015, \$62,000 during the three months ended March 31, 2016, and \$82,000 during the three months ended June 30, 2016.

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The increase in total revenues in each of the periods presented was primarily due to an increase in the number of customers, an increase in the number of users added by existing customers and an increase in the number of products purchased by existing customers. From December 31, 2014 to June 30, 2016, our customer count increased from 987 to 1,523. In addition, the number of BlackLine users increased from 93,665 to 147,466 at the corresponding dates.

Cost of revenues in each of the periods presented increased on an incremental basis to support the demand for our platform. The improvement in gross margin was primarily the result of the amortization of developed technology included in our cost of revenues, which is a fixed cost each period. Accordingly, increased revenues resulted in an improvement in our gross margin.

Sales and marketing expenses have consistently increased for each of the periods presented due to the expansion in headcount of our mid-market and enterprise direct sales teams.

Research and development expenses increased steadily during 2015 due to growth in headcount and use of third-party contractors to support our development efforts. In 2016, research and development expenses have remained consistent.

General and administrative expenses have increased during the quarterly periods primarily due to increases in our headcount and, during the last four quarters, also due to increased legal, accounting and other costs incurred to support our expanding operations and in preparation for our initial public offering.

More generally, our quarterly operating results have fluctuated in the past and may continue to fluctuate in the future based on a number of factors, many of which are beyond our control. Such factors include, in addition to those described in the "Risk Factors" section of this prospectus:

- our ability to attract new customers;
- the timing and rate at which we enter into agreements for our solutions with new customers;
- the extent to which our existing customers renew their subscriptions for our solutions and the timing of those renewals;
- the extent to which our existing customers purchase additional products or add incremental users;
- changes in the mix of our sales to new and existing customers;
- changes to the proportion of our client base that is comprised of enterprise or mid-market customers;
- seasonal factors affecting the demand for our solutions;
- our ability to manage growth, including in terms of new customers, additional users and new geographies;
- the timing and success of competitive solutions offered by our competitors;
- changes in our pricing policies and those of our competitors; and
- general economic and market conditions.

One or more of these factors may cause our quarterly operating results to vary widely. As such, we believe that our quarterly results of operations may vary significantly in the future and that our historical operating results are not indicative of future performance.

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The following table sets forth selected non-GAAP information for each of the periods selected:

| | Three Months Ended | | | | | |
|-----------------------|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar 31, 2015 | Jun 30, 2015 | Sep 30, 2015 | Dec 31, 2015 | Mar 31, 2016 | Jun 30, 2016 |
| | (in thousands, except percentages) | | | | | |
| Non-GAAP Revenues | \$ 18,047 | \$ 19,425 | \$ 21,661 | \$ 24,474 | \$ 26,561 | \$ 29,026 |
| Non-GAAP Gross Profit | \$ 14,715 | \$ 15,612 | \$ 17,379 | \$ 19,777 | \$ 21,296 | \$ 23,632 |
| Non-GAAP Gross Margin | 81.5% | 80.4% | 80.2% | 80.8% | 80.2% | 81.4% |
| Non-GAAP Net Loss | \$ (2,781) | \$ (5,278) | \$ (5,917) | \$ (6,138) | \$ (5,893) | \$ (4,531) |

The following table presents a reconciliation of revenues, gross profit, gross margin and net loss, the most comparable GAAP measures, to non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss.

| | Three Months Ended | | | | | |
|--|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Mar 31, 2015 | Jun 30, 2015 | Sep 30, 2015 | Dec 31, 2015 | Mar 31, 2016 | Jun 30, 2016 |
| | (in thousands, except percentages) | | | | | |
| Non-GAAP Revenues: | | | | | | |
| Revenues | \$ 18,047 | \$ 19,425 | \$ 21,661 | \$ 24,474 | \$ 26,561 | \$ 29,026 |
| Non-GAAP Revenues(1) | \$ 18,047 | \$ 19,425 | \$ 21,661 | \$ 24,474 | \$ 26,561 | \$ 29,026 |
| Non-GAAP Gross Profit: | | | | | | |
| Gross profit | \$ 13,094 | \$ 13,939 | \$ 15,718 | \$ 18,127 | \$ 19,621 | \$ 21,963 |
| Amortization of developed technology | 1,534 | 1,535 | 1,535 | 1,535 | 1,534 | 1,535 |
| Stock-based compensation expense | 87 | 138 | 126 | 115 | 141 | 134 |
| Non-GAAP Gross Profit(1) | \$ 14,715 | \$ 15,612 | \$ 17,379 | \$ 19,777 | \$ 21,296 | \$ 23,632 |
| Gross Margin | 72.6% | 71.8% | 72.6% | 74.1% | 73.9% | 75.7% |
| Non-GAAP Gross Margin(1) | 81.5% | 80.4% | 80.2% | 80.8% | 80.2% | 81.4% |
| Non-GAAP Net Loss: | | | | | | |
| Net Loss | \$ (4,254) | \$ (6,538) | \$ (6,735) | \$ (7,207) | \$ (9,335) | \$ (7,541) |
| Benefit from income taxes | (2,447) | (3,704) | (3,824) | (3,959) | (1,402) | (1,493) |
| Stock-based compensation expense | 788 | 1,522 | 1,560 | 1,627 | 1,625 | 1,549 |
| Amortization of acquired intangible assets | 3,023 | 3,023 | 3,023 | 3,023 | 3,023 | 3,023 |
| Accretion of debt discount | 57 | 57 | 57 | 57 | 65 | 81 |
| Accretion of warrant discount | 69 | 69 | 69 | 69 | 69 | 69 |
| Change in fair value of contingent consideration | 13 | 13 | 13 | 2 | 62 | 81 |
| Change in fair value of common stock warrant liability | (30) | 280 | (80) | 250 | — | (300) |
| Non-GAAP Net Loss(1) | \$ (2,781) | \$ (5,278) | \$ (5,917) | \$ (6,138) | \$ (5,893) | \$ (4,531) |

(1) Non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss are not a measure of our financial performance under GAAP and should not be considered as an alternative to revenues, gross profit, gross margin and net loss, respectively, in accordance with GAAP. For a definition of non-GAAP revenues, non-GAAP gross profit, non-GAAP gross margin and non-GAAP net loss, see "Selected Consolidated Financial Data – Non-GAAP Financial Measures."

Liquidity and Capital Resources

To date, our operations and growth have been financed primarily through cash generated from investments from our founder, our operations, proceeds from the issuance of debt and the sale of common stock. In September 2013, we raised gross proceeds of \$168.5 million from the sale of common stock and issuance of debt, which were primarily used to finance the Acquisition.

At June 30, 2016, our principal sources of liquidity were \$13.6 million of cash and cash equivalents, which primarily consist of cash deposits and investments in money market funds. We believe our existing cash and cash equivalents and proceeds from our 2016 Incremental Term Loan

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and available borrowings under the \$5.0 million revolving line of credit entered into in March 2016 will be sufficient to meet our working capital needs, capital expenditures and financing obligations for at least the next 12 months.

We entered into a term loan under our credit facility in September 2013, which we refer to as the 2013 Term Loan. In March 2016, we amended our credit facility to add the \$5.0 million 2016 Incremental Term Loan and provide for a \$5.0 million revolving line of credit. As of June 30, 2016, we had \$35.7 million of principal outstanding debt under our credit facility. No borrowings have been made under the revolving line of credit. In August 2016, we amended our credit facility again to add an additional \$30 million term loan, or the 2016 Acquisition Term Loan and used the proceeds and cash on hand to acquire Runbook. We expect to repay the outstanding amount under the 2013 Term Loan, the 2016 Incremental Term Loan and the 2016 Acquisition Term Loan with a portion of the proceeds from this offering. Our credit facility requires us to pay a prepayment premium of 1% of the amount prepaid under the 2013 Term Loan in the event of early prepayment prior to September 2016, up to 3% of the 2016 Incremental Term Loan for any prepayment prior to maturity and up to 2% of the 2016 Acquisition Term Loan for any prepayment prior to maturity. The 2013 Term Loan, 2016 Incremental Term Loan and 2016 Acquisition Term Loan each mature and are repayable on September 25, 2018. There are no minimum principal payments due under the 2013 Term Loan, 2016 Incremental Term Loan, 2016 Acquisition Term Loan or the revolving credit facility. The 2013 Term Loan, the 2016 Incremental Term Loan and the 2016 Acquisition Term Loan each bear interest at (i) the greater of LIBOR or 1.5% plus (ii) 8% and can be paid in varying amounts in cash or in kind. At June 30, 2016, the interest rate on the 2013 Term Loan was 9.5%. The revolving line of credit bears interest at (i) the greater of LIBOR or 0.5% plus (ii) 6%. We are also required to pay a commitment fee equal to 0.5% per annum of the unused portion of the revolving line of credit.

Borrowings under our credit facility are collateralized against all of our assets, including our intellectual property. In connection with certain events, including a change in control, or if we elect an early prepayment as described above, we are required to pay a prepayment penalty. The credit facility requires us to comply on a quarterly basis with a maximum consolidated leverage ratio financial covenant. The consolidated leverage ratio is the ratio of the principal amount of outstanding borrowings to revenues for the most recent four consecutive quarters. The required ratio decreases over time, and for the quarter ended June 30, 2016, was 0.97 to 1.0. We were in compliance with this financial covenant at June 30, 2016. The credit facility also places restrictions on dividend payments, certain investments and acquisitions, and other customary restrictions. The credit facility, which was entered into by our subsidiary, BlackLine Systems, Inc. and guaranteed by our intermediary holding company, BlackLine Intermediate, Inc., also places restrictions on BlackLine Systems, Inc.'s ability to make dividend payments, loans or advances to us and our subsidiaries. All of BlackLine Systems, Inc.'s net assets are restricted from making payments, loans or advances to us and our subsidiaries. Restricted net assets as of December 31, 2015 amounted to \$166.2 million.

In conjunction with the entry into the 2013 Term Loan, we issued warrants to purchase 2,500,000 shares of common stock at an exercise price per share of \$1.00. The warrants are exercisable at any time by the holder and expire upon the earlier of ten years from the issuance date or the sale of the company. At June 30, 2016, all such warrants remain outstanding. No additional warrants were issued in connection with the 2016 Incremental Term Loan or 2016 Acquisition Term Loan.

Our future capital requirements will depend on many factors, including our growth rate, the expansion of our direct sales force, strategic relationships and international operations, the timing and extent of spending to support research and development efforts and the continuing market acceptance of our solutions. We may require additional equity or debt financing. Sales of additional equity could result in dilution to our stockholders. If we raise funds by borrowing from third parties, the terms of those financing arrangements would require us to incur additional interest expense and may include

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negative covenants or other restrictions on our business that could impair our operating flexibility. We can provide no assurance that additional financing will be available at all or, if available, that we could be able to obtain financing on terms favorable to us. If we are unable to raise additional capital when needed, we would be required to curtail our operating activities and capital expenditures, and our business operating results and financial condition would be adversely affected.

Historical Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

| | Year Ended December 31, | | Six Months Ended June 30, | |
|---|----------------------------|-------------|------------------------------|------------|
| | 2014 | 2015 | 2015 | 2016 |
| | (in thousands) | | | |
| Net cash provided by (used in) operating activities | \$ 8,943 | \$ 1,006 | \$ (1,382) | \$ (3,090) |
| Net cash used in investing activities | \$ (2,866) | \$ (12,367) | \$ (6,063) | \$ (2,374) |
| Net cash provided by financing activities | \$ 4,775 | \$ 859 | \$ 1,243 | \$ 3,906 |

Net Cash Provided by Operating Activities

Our net loss and cash flows from operating activities are significantly influenced by our investments in headcount and infrastructure to support anticipated growth. In addition, our net loss in recent periods has generally been significantly greater than our use of cash for operating activities due to our subscription based revenue model in which billings occur in advance of revenue recognition and a substantial amount of non-cash charges incurred by us, primarily related to the Acquisition.

For the six months ended June 30, 2016, cash used in operations was \$3.1 million resulting from our net loss of \$16.9 million, partially offset by net non-cash expenses of \$9.7 million and net cash flow provided through changes in operating assets and liabilities of \$4.1 million. The \$4.1 million of net cash flows provided as a result of changes in our operating assets and liabilities reflected a \$7.8 million increase in deferred revenue as a result of the growth of our customer and user base which are billed in advance of our revenue recognition. This change in our operating assets and liabilities was partially offset by a \$2.8 million decrease in accrued expenses primarily associated with payments of 2015 employee bonuses during the quarter and a \$1.4 million increase in accounts receivable due to the growth of our customer and user base.

For the six months ended June 30, 2015, cash used in operations was \$1.4 million resulting from our net loss of \$10.8 million, partially offset by net non-cash expenses of \$4.7 million and net cash flows provided through changes in our operating assets and liabilities of \$4.7 million. The \$4.7 million of net cash flows provided as a result of changes in our operating assets and liabilities reflected a \$6.2 million increase in deferred revenue as a result of the growth of our customer and user base which are billed in advance of our revenue recognition, a \$2.6 million increase in accrued expenses primarily associated with increases in employee related accruals as a result of increases in headcount and increases in professional services costs, and a \$2.1 million increase in other long-term liabilities primarily related to deferred rent due to the leasehold improvement allowances and free rent periods associated with the expansion of our corporate headquarters. This change in our operating assets and liabilities was partially offset by a \$3.8 million increase in accounts receivable due to the growth of our customer and user base.

For the year ended December 31, 2015, cash provided by operations was \$1.0 million resulting from our net loss of \$24.7 million, largely offset by net cash flows provided through changes in our operating assets and liabilities of \$16.4 million and net non-cash expenses of \$9.4 million. The \$16.4 million of net cash flows provided as a result of changes in our operating assets and liabilities

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reflected a \$18.2 million increase in deferred revenue as a result of the growth of our customer and user base which are billed in advance of our revenue recognition, a \$6.8 million increase in accrued expenses primarily associated with increases in employee related accruals as a result of increases in headcount and bonuses, and professional services costs, a \$2.0 million increase in other long-term liabilities primarily related to deferred rent due to the leasehold improvement allowances and free rent periods associated with the expansion of our corporate headquarters, and a \$1.1 million increase in accounts payable associated with the growth of our business. The changes in our operating assets and liabilities were partially offset by a \$6.2 million increase in accounts receivable due to the growth of our customer and user base, and a \$4.3 million increase in deferred sales commissions due to an increase in revenues.

During the year ended December 31, 2014, cash provided by operations was \$8.9 million resulting from our net loss of \$16.8 million, largely offset by net cash flows provided through changes in our operating assets and liabilities of \$13.0 million and non-cash expenses of \$12.6 million. The \$13.0 million of net cash flows provided as a result of changes in our operating assets and liabilities reflected a \$17.2 million increase in deferred revenue as a result of the growth of our customer and user base which are billed in advance of our revenue recognition, a \$3.2 million increase in accrued expenses primarily associated with increases in employee related accruals as a result of increases in headcount, and a \$1.0 million increase in deferred rent due to the leasehold improvement allowances and free rent periods associated with the expansion of our corporate headquarters. The changes in our operating assets and liabilities were partially offset by a \$6.8 million increase in accounts receivable due to the growth of our customer and user base, a \$1.3 million increase in deferred sales commissions due to an increase in commissionable revenues, and a \$1.1 million increase in prepaid expenses and other current assets associated with the growth of our business.

Net Cash Used in Investing Activities

Our investing activities consist primarily of capital expenditures for property and equipment and capitalized software development costs.

For the six months ended June 30, 2016, we used \$2.4 million in cash primarily as a result of \$1.5 million in payments of costs related to capitalized software development activities. During the six months ended June 30, 2016, we also purchased \$0.9 million of property and equipment.

For the six months ended June 30, 2015, we used \$6.1 million in cash primarily as a result of \$5.2 million in purchases of property and equipment related to the expansion of our global headquarters. During the six months ended June 30, 2015, we also paid \$0.9 million of costs related to capitalized software development activities.

For the year ended December 31, 2015, we used \$12.4 million in cash primarily as a result of \$10.1 million in purchases of property and equipment of which \$7.1 million related to the expansion of our global headquarters. During 2015, we also paid \$2.3 million of costs related to capitalized software development activities.

For the year ended December 31, 2014, we used \$2.9 million in cash as a result of \$1.4 million in capitalized software development costs and \$1.4 million of purchases of property and equipment. Of the \$1.4 million of purchases of property and equipment, \$0.8 million related to the expansion of our global headquarters.

Net Cash Provided By Financing Activities

For the six months ended June 30, 2016, financing activities provided \$3.9 million in cash primarily as a result of proceeds from our 2016 Incremental Term Loan, net of issuance costs, of \$4.8 million issued in March 2016. These proceeds were partially offset by payments of \$1.1 million for initial public offering costs.

For the six months ended June 30, 2015, financing activities provided \$1.2 million from proceeds from exercise of stock options.

For the year ended December 31, 2015, financing activities provided \$0.9 million in cash primarily as a result of \$1.4 million in proceeds from exercise of stock options. These proceeds were partially offset by \$0.5 million in principal payments on capital lease obligations.

For the year ended December 31, 2014, financing activities provided \$4.8 million in cash primarily as a result of our issuance of common stock.

Backlog

We enter into both single and multi-year subscription contracts for our solutions. The timing of our invoices to the customer is a negotiated term and thus varies among our subscription contracts. For multi-year agreements, it is common to invoice an initial amount at contract signing followed by subsequent annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenues, deferred revenue or elsewhere in our consolidated financial statements, and are considered by us to be backlog. As of December 31, 2015 and June 30, 2016, we had backlog of approximately \$49.0 million and \$52.8 million, respectively. We expect backlog will change from period to period for several reasons, including the timing and duration of customer agreements, varying billing cycles of subscription agreements, and the timing and duration of customer renewals. Because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as contract renewals and new customer contracts during the period, backlog at the beginning of any period is not necessarily indicative of future revenue performance. We do not utilize backlog as a key management metric internally.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations at June 30, 2016:

| | Total | Less Than | | | More Than 5 Years |
|--------------------------------|-----------------|----------------|------------------|-----------------|----------------------|
| | | 1 Year | 1 – 3 Years | 3 – 5 Years | |
| | | | (in thousands) | | |
| Long-term debt obligations(1) | \$43,910 | \$1,315 | \$ 42,595 | \$ — | \$ — |
| Operating lease obligations(2) | 15,303 | 3,494 | 5,048 | 3,686 | 3,075 |
| Capital lease obligations | 992 | 558 | 434 | — | — |
| | <u>\$60,205</u> | <u>\$5,367</u> | <u>\$ 48,077</u> | <u>\$ 3,686</u> | <u>\$ 3,075</u> |

- (1) Long-term debt obligations includes principal and expected interest at 9.5% per annum due under the Term Loan and assumes a portion of interest due increases the principal and is due at maturity as described in Note 6 of our audited consolidated financial statements appearing elsewhere in this prospectus. In March 2016, we amended the credit facility to add the \$5.0 million 2016 Incremental Term Loan and provide for a \$5.0 million revolving line of credit. In August 2016, we amended our credit facility again to add the 2016 Acquisition Term Loan. The

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amounts in the table above include the borrowings under the 2016 Incremental Term Loan as described in Note 8 of our condensed consolidated interim financial statements appearing elsewhere in this prospectus. The amounts in the table above exclude the borrowings under the 2016 Acquisition Term Loan as described in Note 4 of our condensed consolidated interim financial statements appearing elsewhere in this prospectus. No borrowings have been made under the revolving line of credit. As described in "Use of Proceeds," we plan to repay borrowings under the credit facility with proceeds from this offering.

- (2) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements.

At December 31, 2015, liabilities for unrecognized tax benefits of \$278,000 are not included in the table above because, due to their nature, there is a high degree of uncertainty regarding the timing of future cash outflows and other events that extinguish these liabilities.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not have any relationships with other entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are therefore not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships.

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments we could be required to make under these indemnification provisions is indeterminable. We have never paid a material claim, nor have we been sued in connection with these indemnification arrangements. As of December 31, 2015, we have not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

Critical Accounting Policies and Estimates

Our financial statements and the related notes included elsewhere in this prospectus are prepared in accordance with generally accepted accounting principles, or GAAP, in the United States. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

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

Revenue Recognition and Deferred Revenue

Subscription and support revenue—Customers pay subscription fees for access to our SaaS platform generally for a one year period. In more limited cases customers may subscribe for up to three years. Fees are based on a number of factors, including the solutions subscribed for by the customer and the number of users having access to the solutions. The first year subscription fees are typically payable within 30 days after the execution of the arrangement, and thereafter upon renewal. We initially record the subscription fees as deferred revenue and recognize revenues on a straight-line basis over the term of the agreement. At any time during the subscription period, customers may increase the number of their users or subscribe for additional products. Additional user fees and additional subscriptions are payable for the remainder of the initial or extended contract term. Subscription and support revenue also includes software license revenue related to maintenance and support fees on a limited number of customers who still utilize on-premise software.

Professional services—We offer customers assistance in implementing our solutions and optimizing their use. Professional services include training and consulting. These services are billed on either a fixed fee or time and material basis. Revenues from time and material arrangements are recognized as services are performed and revenues from fixed fee arrangements are initially recorded as deferred revenue and recognized on a proportional performance basis as the services are performed.

We recognize revenues when: (i) persuasive evidence of an arrangement for the sale of our solutions or implementation and consulting services exists, (ii) the solutions have been made available or delivered, or services have been performed, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. The timing and amount we recognize as revenue is determined based on the facts and circumstances of each customer's arrangement. Evidence of an arrangement consists of a signed customer agreement. We consider that delivery of a solution has commenced once we provide the customer with log-in information to access and use the solution. Fees are fixed based on stated rates specified in the customer agreement. We assess collectability based on a number of factors, including the creditworthiness of the customer, review of their financial information or transaction history. If collectability is not considered reasonably assured, revenue is deferred until the fees are collected.

The majority of customer arrangements include multiple deliverables such as subscriptions to our SaaS solutions and professional services. We recognize revenue in accordance with the guidance for arrangements with multiple deliverables under Accounting Standards Update ("ASU") 2009-13 *Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements – a Consensus of the Emerging Issues Task Force* or ASU 2009-13. For subscription agreements, as customers do not have the right to the software code underlying our solutions, subscription revenue arrangements are outside the scope of software revenue recognition guidance as defined by ASC Topic 985-605, *Software*. Our agreements do not contain any refund provisions other than in the event of our non-performance or breach.

For multiple-deliverable revenue arrangements, we first assess whether each deliverable has value to the customer on a standalone basis. We have determined that the SaaS solutions have standalone value, because, once access is given to the customer, the solutions are fully functional and do not require any additional development, modification, or customization. Professional services have standalone value, because third-party partners and customers themselves can perform these services without our involvement. The performance of these professional services generally does not require highly specialized or technologically skilled individuals and the professional services are not essential to the functionality of the solutions.

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We allocate revenue among the separate non-contingent deliverables in an arrangement under the relative selling price method using the selling price hierarchy established in ASU 2009-13. This hierarchy requires the selling price of each deliverable in a multiple deliverable arrangement to be based on, in descending order: (i) vendor-specific objective evidence of fair value, or VSOE, (ii) third-party evidence of fair value, or TPE, or (iii) management's best estimate of the selling price, or BESP.

We are not able to determine VSOE or TPE for our deliverables, because the deliverables are typically bundled and infrequently sold separately within a consistent price range. Additionally, management has determined that there are no third-party offerings reasonably comparable to our solutions. Therefore, the selling prices of subscriptions to the SaaS solutions and professional services are based on BESP. The determination of BESP requires us to make significant estimates and judgments. We consider numerous factors, including the nature of the deliverables themselves, geography, customer size and number of users, and discounting practices. The determination of BESP is made through consultation with senior management. We update our estimates of BESP on an ongoing basis as events and as circumstances may require. As our marketing strategies evolve, we may modify its pricing practices in the future, which could result in changes in relative selling prices and BESP.

In addition to our direct sales and marketing efforts, we have strategic relationships with business process outsourcers, or BPOs, and resellers. The BPOs and resellers place orders with us after receiving an order from an end customer. The BPOs and resellers receive business terms of sale similar to those received by our direct customers, and payment to us is not contingent on the receipt of payment from the end customer. The BPOs and resellers negotiate pricing with the end customer and are responsible for implementation services, if any, and for certain support levels directly with the end customer. We recognize revenue over the term of the arrangement for the contractual amount charged to the BPO or reseller, once access to our solution has been provided to the end customer provided that the other revenue recognition criteria noted above have been met.

Deferred Sales Commissions

Deferred sales commissions are the incremental costs that are directly associated with non-cancelable subscription contracts with customers and consist of sales commissions paid to our direct sales force and third-party partners. The commissions are deferred and amortized over the non-cancelable terms of the related customer contracts, which are typically one year in duration. The commission payments are paid in full the month after the customer's service commences. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. We believe this is the preferable method of accounting as the sales commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the subscription revenue is recognized. Amortization of deferred sales commissions is included in sales and marketing in our consolidated statements of operations.

Stock-based Compensation

We account for stock-based compensation awards granted to employees and directors based on the awards' estimated grant date fair value. We estimate the fair value of our stock options using the Black-Scholes option-pricing model. The resulting fair value, net of estimated forfeitures, is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for the award, usually the vesting period, which is generally four years. We recognize the fair value of stock options which contain performance conditions based upon the probability of the performance conditions being met, net of estimated forfeitures, using the graded vesting method. Estimated forfeitures are based upon our historical experience and we revise our estimates, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

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Determining the grant date fair value of options using the Black-Scholes option pricing model requires management to make assumptions and judgments. These estimates involve inherent uncertainties and if different assumptions had been used, stock-based compensation expense could have been materially different from the amounts recorded.

The assumptions and estimates are as follows:

- **Value per share of our common stock.** Because there is no public market for our common stock, we, with the assistance of a third-party valuation specialist, determined the common stock fair value at the time of the grant of stock options by considering a number of objective and subjective factors, discussed further below. The fair value of our common stock will be determined by the Company's board of directors until such time as our common stock commences trading on an established stock exchange or national market system.
- **Expected volatility.** We determine the expected volatility based on historical average volatilities of similar publicly traded companies corresponding to the expected term of the awards.
- **Expected term.** We determine the expected term of awards which contain only service conditions using the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award. For awards granted which contain performance conditions, we estimate the expected term based on estimates of post-vesting employment termination behavior taking into account the life of the award.
- **Risk-free interest rate.** The risk-free interest rate is based on the United States Treasury yield curve in effect during the period the options were granted corresponding to the expected term of the awards.
- **Estimated dividend yield.** The estimated dividend yield is zero, as we do not currently intend to declare dividends in the foreseeable future.

Information related to our stock-based compensation activity is as follows:

| | Year Ended December 31, | | Six Months Ended June 30, | |
|---|-------------------------|------------|---------------------------|-----------|
| | 2014 | 2015 | 2015 | 2016 |
| Stock options granted | 22,070,000 | 11,259,384 | 8,512,884 | 1,181,750 |
| Weighted average exercise price | \$ 1.07 | \$ 2.86 | \$ 2.83 | \$ 3.00 |
| Weighted average Black-Scholes model assumptions: | | | | |
| Estimated fair value of common stock | \$ 1.07 | \$ 2.86 | \$ 2.83 | \$ 2.83 |
| Estimated volatility | 54.0% | 49.6% | 49.4% | 47.9% |
| Estimated dividend yield | — | — | — | — |
| Expected term (years) | 6.2 | 6.3 | 6.3 | 6.3 |
| Risk-free rate | 1.9% | 1.7% | 1.8% | 1.6% |

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value of Common Stock

The fair value of the common stock underlying our stock options was historically determined by our board of directors with input from management based upon information available at the time of grant. Given the absence of a public trading market for our common stock and in accordance with the American Institute of Certified Public Accountants Accounting & Valuation Guide, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, our board of directors has

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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 included the following:

- the results of contemporaneous valuations performed by unrelated third-party specialists;
- our operating and financial performance;
- current business conditions and projections;
- our history and stage of development;
- hiring of key personnel and the experience of our management;
- significant new client sales by us and by our competitors and our competitive position in general;
- sales of our common stock to third-party investors;
- the likelihood of achieving different liquidity events, such as an initial public offering or a merger or acquisition given prevailing market conditions;
- the market performance of comparable publicly traded companies;
- indications from recent transactions involving comparable acquisition targets; and
- U.S. and global capital market conditions.

The per share estimated fair value of our common stock in the table below represents the determination by our board of directors of the fair value of our common stock as of the date of grant, taking into consideration the various objective and subjective factors described above, including the valuations of our common stock. There is inherent uncertainty in these estimates and, if we had made different assumptions than those described below, the fair value of the underlying common stock and amount of our stock-based compensation expense, net loss, and net loss per share amounts would have differed.

| <u>Grant Date</u> | <u>Number of Shares</u> | <u>Exercise Price at Grant Date</u> | <u>Estimated per Share Fair Value of Common Stock at Grant Date</u> |
|-------------------|-------------------------|-------------------------------------|---|
| January 15, 2015 | 310,000 | \$ 2.80 | \$ 2.80 |
| March 30, 2015 | 5,183,884 | \$ 2.80 | \$ 2.80 |
| April 6, 2015 | 50,000 | \$ 2.80 | \$ 2.80 |
| May 20, 2015 | 1,969,000 | \$ 2.90 | \$ 2.90 |
| May 30, 2015 | 1,000,000 | \$ 2.90 | \$ 2.90 |
| August 31, 2015 | 1,971,000 | \$ 2.90 | \$ 2.90 |
| November 10, 2015 | 775,500 | \$ 3.00 | \$ 3.00 |
| March 9, 2016 | 857,500 | \$ 3.00 | \$ 2.80 |
| May 18, 2016 | 324,250 | \$ 3.00 | \$ 2.90 |
| September 2, 2016 | 480,250 | \$ 3.20 | \$ 3.20 |

The aggregate intrinsic value of vested and unvested stock options as of June 30, 2016 was \$ _____ million, of which \$ _____ million related to vested options and \$ _____ million related to unvested options, based on a price of \$ _____ per share, which is the midpoint of the estimated offering price range on the cover page of this prospectus.

In valuing our common stock, the fair value of our business, or enterprise value, was determined using various valuation methods, including combinations of methods and scenarios, as deemed appropriate under the circumstances applicable at each valuation date.

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Using the market approach, enterprise value is estimated considering an analysis of both guideline public companies, or GPC, and guideline transactions, or GT.

- The GPC analysis estimates value based on a comparison our company to comparable public companies in a similar line of business. We selected software public companies, which we refer to as the Benchmarked Companies, based on their similarity of their businesses in offering SaaS services, stage of development, size, and profitability. We also considered companies which our underwriters had compared to us. While the Benchmarked Companies were generally larger than us in terms of total revenue, assets and market capitalization, several of the companies, like us, are in the investment and growth stage and have experienced operating losses while they have been growing their businesses. Also, several of the comparable companies completed initial public offerings in recent years. The selection of Benchmarked Companies has changed over time based on whether we believe the selected companies remain comparable to us. For valuations received subsequent to June 30, 2014, the Benchmarked Companies have remained consistent. Based on these considerations, we believe that the companies selected are a representative group for the GPC analysis.
- From the Benchmarked Companies, representative market values were calculated which were applied to our company's financial results to estimate enterprise value. Given our significant focus on investing in and growing our business, we primarily utilized revenue multiples (both trailing 12-month revenue and forecast future 12-month revenue) when performing our valuation assessment under the GPC analysis.
- The GT analysis is based upon the premise that indications of value can be estimated utilizing valuation multiples implied by acquisitions involving target companies in a similar line of business. This approach involved the identification of relevant transactions, calculation of valuation multiples, and the selection and application of appropriate multiples to the financial metrics of our company. Similar to the GPC analysis, we focused on the use of revenue multiples.

The market-based approach considerations also incorporated indications from recent sales of our company's stock. Considerations included the size of the common stock sale, relationship of the parties involved in the transaction, timing, and financial condition of our company at the time of sale. In late 2014, we sold common stock for \$2.80 per share.

The income approach estimates the fair value of the enterprise based on the present value of future estimated net cash flows and the residual value of the enterprise beyond the forecast period. The future net cash flows and residual value are discounted to their present values to reflect the risks inherent in achieving these estimated net cash flows. The discount rate was based on market-derived weighted average cost of capital calculations.

For valuations of our common stock related to options granted prior to April 30, 2015, fair values were generally estimated using the income and market-based approaches – with our enterprise value adjusted to reflect our capital structure as well as lack of marketability for the common stock.

For valuations of our common stock related to options granted after April 2015 we used the probability-weighted expected return method, or PWERM. We commenced using the PWERM given greater visibility into the potential exit scenarios, including an initial public offering. Under the PWERM, value is based on an analysis of future values for the enterprise assuming various possible liquidity scenarios, including an initial public offering, merger or sale, or staying private. Future values were discounted to the present, and a discount for lack of marketability was applied. We based the anticipated timing of such potential liquidity events primarily on our then-current plans and associated risks, as estimated by our board of directors and management.

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During 2015, the value of our common stock increased primarily due to continued progress towards a proposed initial public offering reflecting the growth in our revenues and a reduction in the discount for lack of marketability. The value of our common stock decreased in early 2016 and then subsequently increased primarily reflecting changes in revenue multiples of our Benchmarked Companies.

Capitalized Software Costs

We account for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles—Goodwill and Other* (“ASC 350”). We capitalize certain costs in the development of our SaaS subscription solutions when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and performed as intended. These capitalized costs include personnel and related expenses for employees and costs of third-party contractors who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to our SaaS software solutions are also capitalized. Costs incurred for post-configuration training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years.

Business Combinations

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed and allocate the purchase price to its respective assets and liabilities. Determining the fair value of assets acquired and liabilities assumed requires our management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates and selection of comparable companies. We engage the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination.

The fair value of the deferred revenue at the date of acquisition is determined based on the estimated direct and incremental costs to fulfill the legal performance obligations associated with the deferred revenue, plus a reasonable profit margin. To the extent that the fair value of deferred revenue at the acquisition date is less than its then carrying value, the revenue in periods subsequent to the acquisition date is reduced until such time that the underlying revenue is recognized.

Contingent consideration payable in cash arising from business combinations is recorded as a liability and measured at fair value each period. Changes in fair value are recorded in general and administrative expenses in the consolidated statements of operations. Determining the fair value of the contingent consideration each period requires our management to make assumptions and judgments. These estimates involve inherent uncertainties and if different assumptions had been used, the fair value of contingent consideration could have been materially different from the amounts recorded. We determine the fair value of contingent consideration by discounting estimated future taxable income. The significant inputs used in the fair value measurement of contingent consideration are the timing

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and amount of taxable income in any given period and determining an appropriate discount rate which considers the risk associated with the forecasted taxable income. Significant changes in the estimated future taxable income and the periods in which they are generated would significantly impact the fair value of the contingent consideration liability.

Income Taxes

We use the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities, using tax rates expected to be in effect during the years in which the bases differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

We have assessed our income tax positions and recorded tax benefits for all years subject to examination, based upon our evaluation of the facts, circumstances and information available at each period-end. For those tax positions where we have determined there is a greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where we have determined there is a less than 50% likelihood that a tax benefit will be sustained, no tax benefit has been recognized in our financial statements.

Fair Value of Common Stock Warrants

In September 2013, in connection with the Term Loan, we issued warrants to purchase 2,500,000 shares of common stock at an exercise price per share of \$1.00. The warrants are exercisable at any time by the holder and expire upon the earlier of ten years from the issuance date or the sale of our company.

These warrants are classified as a liability and are measured at fair value each period with changes in fair value recorded in our consolidated statement of operations. The warrants will continue to be measured at fair value each period until the earlier of exercise or termination.

Determining the fair value of the common stock warrants each period requires our management to make assumptions and judgments. These estimates involve inherent uncertainties and if different assumptions had been used, fair value of the common stock warrants could have been materially different from the amounts recorded. The fair value is determined using a binomial lattice valuation model. The significant inputs used in the fair value measurement of the common stock warrants are the estimated fair value of our common stock and to a lesser extent the expected stock volatility, the probability of a change in control and future stock issuances which impact the term of the warrants. Significant increases or decreases in the estimated fair value of our common stock would significantly impact the fair value of the warrant liability. The fair value of our common stock is based on a number of quantitative and qualitative factors as described in Stock-Based Compensation section above.

Recent Accounting Pronouncements

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

In May 2014, the Financial Accounting Standards Board, or FASB, issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is

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expected to be received for those goods or services. The updated standard will replace all existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018, with early adoption beginning January 1, 2017. In March, April and May 2016, the FASB issued additional amendments to the new revenue guidance relating to reporting revenue on a gross versus net basis, identifying performance obligations and licensing arrangements, and other narrow scope improvements. We are evaluating the impact of adopting this guidance on our consolidated financial statements.

In April 2015, the FASB issued new guidance related to the customer's accounting for fees paid in a cloud computing arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance was effective for annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued new guidance which significantly changes the accounting for leases. The new guidance requires a lessee recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. For income statement purposes, the new guidance retained a dual model, requiring leases to be classified as either operating or financing. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern similar to existing capital lease guidance. For statement of cash flow purposes, the new guidance also retained the existing dual method, where cash payments for operating leases are reflected in cash flows from operating activities and principal and interest payments for finance leases are reflected in cash flows from financing activities and cash flows from operating activities, respectively. The new guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The new guidance requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach. The use of the modified retrospective approach allows an entity to use a number of practical expedients in the application of this new guidance. We are evaluating the impact of adopting this guidance on our consolidated financial statements.

In March 2016, the FASB issued new guidance to simplify various aspects relating to accounting for stock-based compensation and related tax impacts, the classification of excess tax benefits on the statement of cash flows, statutory tax withholding requirements and other stock based compensation classification matters. The guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. All of the amendments in the new guidance must be adopted in the same period. We are evaluating the impact of this guidance on our consolidated financial statements. We plan to adopt this guidance during the first quarter ended March 31, 2017.

In August 2016, the FASB issued cash flow guidance which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice, including presentation of cash flows relating to contingent consideration payments, debt prepayment and debt extinguishment costs, among other matters. This guidance is effective for fiscal years beginning after December 15, 2017,

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and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If adopted in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of this guidance should be applied using a retrospective transition method to each period presented, unless impracticable to do so. We are evaluating the impact of this guidance on our consolidated statement of cash flows.

Quantitative and Qualitative Disclosures about Market Risk

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce these risks, we monitor the financial condition of our clients and limit credit exposure by collecting in advance and setting credit limits as we deem appropriate. In addition, our investment strategy has historically been to invest in financial instruments that are highly liquid and readily convertible into cash and that mature within three months from the date of purchase. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We have also not used, nor do we intend to use, derivatives for trading or speculative purposes.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates.

Our investments are considered cash equivalents and primarily consist of money market funds. At June 30, 2016, we had cash and cash equivalents of \$13.6 million. The carrying amount of our cash equivalents reasonably approximates fair value, due to the short maturities of these instruments. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Our investments are exposed to market risk due to a fluctuation in interest rates, which may affect our interest income and the fair market value of our investments. Due to the short-term nature of our investment portfolio, however, we do not believe an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our portfolio. We therefore do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

We do not believe our cash equivalents have significant risk of default or illiquidity. While we believe our cash equivalents do not contain excessive risk, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits. We cannot be assured that we will not experience losses on these deposits.

We are exposed to market risk from changes in interest rates on our 2013 Term Loan and our 2016 Incremental Term Loan, which bear interest at (i) the greater of LIBOR or 1.5% plus (ii) 8%. As of June 30, 2016, we had \$35.7 million of principal outstanding under our credit facility. We have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. Dollar. Our historical revenues have primarily been denominated in U.S. Dollars, and a significant portion of our current revenues continue to be denominated in U.S. Dollars. However, we expect an increasing portion of our future revenues to be denominated in currencies other than the U.S. Dollar, primarily the Euro and British pound. The effect of an immediate 10%

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adverse change in foreign exchange rates on foreign-denominated accounts receivable at June 30, 2016 would not be material to our financial condition or results of operations. Our operating expenses are generally denominated in the currencies of the countries in which our operations are located, primarily the United States and, to a much lesser extent, the United Kingdom, other European Union countries, Canada, Australia, and Singapore. Increases and decreases in our foreign-denominated revenue from movements in foreign exchange rates are partially offset by the corresponding decreases or increases in our foreign-denominated operating expenses.

As our international operations grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. In addition, currency fluctuations or a weakening U.S. Dollar can increase the costs of our international expansion. To date, we have not entered into any foreign currency hedging contracts, since exchange rate fluctuations have not had a material impact on our operating results and cash flows. Based on our current international structure, we do not plan on engaging in hedging activities in the near future.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

BUSINESS

Overview

We have created a comprehensive cloud-based software platform designed to transform and modernize accounting and finance operations for organizations of all types and sizes. Our secure, scalable platform supports critical accounting processes such as the financial close, account reconciliation, intercompany accounting and controls assurance. By introducing software to automate these processes and to enable them to function continuously, we empower our customers to improve the integrity of their financial reporting, achieve efficiencies and enhance real-time visibility into their operations.

Critical accounting and finance processes underlie the integrity of an organization's financial reports. The lack of effective accounting and finance tools can result in inefficient and cumbersome processes and, in some cases, accounting errors, restatements and write-offs, as well as material weaknesses and significant deficiencies. Traditional enterprise resource planning, or ERP, systems do not generally provide effective solutions for processes handled outside of an organization's general ledger, such as balance sheet account reconciliation, intercompany transaction accounting and the broader financial close process. Many organizations also use multiple ERPs and other financial systems without a platform to efficiently integrate them. As a result, to manage these tasks organizations rely on spreadsheets and other labor-intensive processes that are unsuited for the increasing regulatory complexity and transaction volumes encountered by many modern businesses. We believe that we are creating a new category of powerful software that is capable of replacing this outdated approach through cloud-based automation and streamlining of accounting and finance operations, in a manner that complements and supports traditional ERP systems. We believe our customers benefit from cost savings through improvements in process management and staff productivity, in addition to a faster financial close.

Our mission is to transform how corporate accounting and finance departments operate. Our approach modernizes what historically has been done through batch processing and manual controls typically applied only during the month, quarter or year-end financial close, and delivers dynamic workflows embedded within a real-time, highly automated framework, a process we refer to as "continuous accounting." It also enables up-to-date analytics, provides industry-benchmarked metrics and is designed to help customers run more leanly while achieving greater accuracy, control and transparency. We believe the need for our software has been driven by growing business and information technology complexities, transaction volumes and expanding regulatory requirements. Our software integrates with and obtains data from more than 30 different ERP systems, including NetSuite, Oracle, SAP and Workday, as well as many other financial systems and applications such as bank accounts, sub-ledgers and in-house databases.

We believe that we have a leading position in the enhanced financial controls and automation market because we were one of the first companies to bring software with this functionality to market and we have a limited number of competitors. The 2016 Gartner Report* identified us as a Leader in the newly created Magic Quadrant for Financial Corporate Performance Management Solutions for our completeness of vision and ability to execute. According to a study we commissioned with Frost & Sullivan, in 2015 there were more than 46,000 corporate organizations in North America and more than 165,000 worldwide that are in our addressable market with revenues greater than \$50 million. According to Frost & Sullivan, these companies employ over 13 million accounting and finance personnel, with over 5.5 million in North America alone, all of whom could be potential users of our software platform. Based on its assessment of the number of corporate organizations, accounting

* See "Industry and Market Data."

finance personnel globally and certain assumptions regarding pricing of our products, Frost & Sullivan estimates that our total addressable market in 2015 was \$7.2 billion in North America and \$9.4 billion in Europe, Asia Pacific and Latin America, and is expected to grow to a global total addressable market of \$19.7 billion by 2018.

We sell our software solutions primarily through our direct sales force, which leverages our relationships with technology vendors, professional services firms and business process outsourcers, to expand our sales and marketing reach. Our distribution strategy is based on a land-and-expand model and is designed to capitalize on the ease of use and ease of implementation. Our customers include large public and private organizations and small and medium-size businesses across a variety of industries, including healthcare, technology, telecom, financial services, consumer retail and industrial equipment and services. As of June 30, 2016, we had over 147,000 individual users in approximately 120 countries across more than 1,500 customers.

We have experienced significant revenue growth and adoption of our platform in recent periods. For the years ended December 31, 2014 and 2015, we had revenues of \$51.7 million and \$83.6 million, respectively, and we incurred net losses of \$16.8 million and \$24.7 million, respectively. For the six months ended June 30, 2015 and 2016, we had revenues of \$37.5 million and \$55.6 million, respectively, and we incurred net losses of \$10.8 million and \$16.9 million, respectively. See “Summary Consolidated Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and other information included in this prospectus for a discussion of our financial performance.

Industry Background

Accounting is a Universal and Mission-Critical Function

Organizations need reliable financial information to plan and execute business initiatives, measure operational progress and satisfy regulatory and financial obligations. For each period-end, enterprise accounting functions typically record, process, reconcile, consolidate and report financial transactions that are consolidated into useable financial information. These activities typically support other core business functions such as payroll, treasury, procure-to-pay and order-to-cash processes. Traditionally, many accounting processes, such as balance sheet account reconciliation, intercompany transaction accounting and the broader financial close calendar, have been managed and tracked with spreadsheets that were manually reconciled on a periodic basis, which can often be labor-intensive, inefficient and subject to error. The risks of employing traditional methods include lapses in regulatory compliance, damage to brand and public image, and negative impacts on financial health and transparency.

Modern Business is Increasingly Complex

Organizations of all sizes are operating in an increasingly global, complex, and fast-moving business environment that presents significant challenges to the performance of the accounting and finance functions. Accountants must process and verify transactions that occur both within and across international borders, involve multiple currencies and require compliance with varying legal, regulatory, and tax frameworks. This transactional complexity is exacerbated by other factors typical of global business, such as distance, language barriers and differing time zones. In addition, modern enterprises generate massive amounts of transaction data. It is common for organizations to have thousands of different accounts—potentially comprising billions of records—and to use numerous different financial and operational systems that store data. Furthermore, companies employ increasingly sophisticated corporate structures that often require accountants to reconcile accounts across various business units and geographies. We believe that the complexity of modern corporate structures and transactions, combined with mounting transaction volumes and a fragmented information technology landscape, creates a significant need for increased automation, efficiency, and visibility in accounting and finance.

The Risk of Regulatory Non-Compliance is Significant

Public accounting follows a variety of rules and standards for the processing, recognition, and reporting of transactions. These standards, such as generally accepted accounting principles, or GAAP, and International Financial Reporting Standards, or IFRS, are highly specific, apply differently across industries and geographies and, in some cases, provide conflicting guidance. More specific frameworks such as the Sarbanes-Oxley Act of 2002 govern internal controls, disclosure management, and audit conduct. Some highly-regulated industries, including financial services, gaming and insurance, have additional specific regulatory requirements. In addition, accounting standards periodically change, such as the revenue recognition accounting standard issued by the FASB in 2014, which must be adopted by public companies over the next several years and will require an overhaul of many public accounting systems and practices. The resulting tangle of stringent, changing and sometimes conflicting regulations typically requires that organizations maintain more than one set of records, invest heavily in implementing and monitoring internal controls, and undergo expensive and time-consuming audits.

Incorrect financial information can have severe repercussions. A single restatement can cost millions of dollars in forensic and audit fees, lead to significant remediation expenses, generate investor lawsuits and seriously damage an enterprise's reputation. A material weakness can also trigger noncompliance with debt covenants and damage an organization's credit-worthiness. The SEC has also proposed new rules that will require companies to "claw back" incentive-based executive compensation as a result of an accounting restatement. According to the Center for Audit Quality, from 2003 to 2012, 10,479 accounting restatements were reported by SEC reporting companies, including 4,246 restatements requiring reissuance of the affected financial statements, and there was a demonstrated negative near-term effect on the public market price of securities of many companies making such restatements.

Companies Lack Real-Time, Actionable Data from Their Accounting Departments

As complexity, transaction volume, and regulatory scrutiny increase, management teams often find themselves without clear and immediate insight into their accounting and finance processes and results. In most cases, the accounting department's work is done within desktop applications or with the use of spreadsheets, leaving management with an incomplete view of their progress in closing, consolidating, and reporting each period. By the time data is manually compiled, it is often days or weeks out-of-date, limiting the ability to effectively track and analyze fluctuations and trends, detailed metrics on individual and team performance, and transaction risk profiles in a timely manner.

Such lack of visibility limits the ability of accounting managers to influence ongoing accounting operations. Instead, they are often relegated to conducting quality control measures after a process is completed. Important decisions may be made by less experienced employees and costly errors, such as unreconciled balances or unapproved fund transfers may go undetected. In addition, the discipline of accounting frequently lacks established metrics by which to gauge performance.

Accounting Professionals Face Compressed Deadlines and a Heightened Expectation of Accuracy

Many organizations, and public companies in particular, have adopted a practice of reporting financial information by a fixed date following their quarter close. Given limited resources, an accelerated timetable can put immense pressure on a company's accounting function. Accounting professionals are expected not only to address business and regulatory challenges but also to achieve completeness and accuracy of operating results to ensure financial integrity. Given these challenges and deadlines, accountants are often forced to leave certain accounts and transactions unreconciled, which can dramatically increase risk and create situations of concern for controllers, chief financial officers and audit committee members.

Traditional Accounting Processes and Tools are Inefficient

The processes and software solutions traditionally employed by accountants, such as general ledgers and ERP systems, do not provide effective solutions for critical, non-general ledger accounting and finance processes such as balance sheet account reconciliation, intercompany transaction accounting and the overall management of the entire financial close process. Most core accounting and financing systems are designed as batch transaction repositories without the ability to consume and process continuous streams of data. In addition, most organizations use multiple ERPs and many other financial systems across their IT environments. Traditionally available accounting tools are inflexible, expensive to configure and maintain, and do not scale easily. As a result, we are addressing a clear need for new scalable accounting and finance tools that can consume data from a variety of sources, process it quickly with embedded business logic, provide a collaborative workspace for accountants, and then store information within a data warehouse or ERP system. Furthermore, accounting processes themselves have not evolved over time and instead remain focused on producing financial information only after period-end, ignoring the growing demand for a more streamlined, continuous approach to accounting.

The BlackLine Solution

We provide a powerful cloud-based software platform designed to automate and streamline accounting and finance operations. The key elements of our solutions include:

Comprehensive Platform

We offer an integrated suite of applications that delivers a broad range of capabilities that would otherwise require the purchase and use of multiple products to support critical accounting processes such as the financial close, account reconciliations, intercompany accounting and controls assurance. Our platform consists of seven core cloud-based products, including Account Reconciliation, Task Management, Transaction Matching, Journal Entry, Variance Analysis, Consolidation Integrity Manager and Daily Reconciliation. Customers typically purchase these products in packages that we refer to as solutions, but they have the option to purchase these products individually. Current solutions include our Reconciliation Management and Financial Close Management, Intercompany Hub and Insights. The technology underpinning our platform includes a comprehensive base of accounting-specific business logic and rules engines, which enable our customers to implement continuous accounting.

Enterprise Integration

Our platform provides simple, secure and automated tools and integrations to transfer data to and from a range of enterprise-wide processes and systems, including ERPs, financial systems and in-house databases, and other custom applications and data. Our platform integrates with over 30 ERP systems, including NetSuite, Oracle, SAP and Workday. In addition, for companies with multiple systems and complex needs, we can connect with any number of general ledger systems simultaneously, resolving many of the issues associated with consolidating data across systems.

Independence

Our platform is not dependent on any single operating system and works with most major ERP systems our customers may use. Our cross-system functionality allows us to reach a broader group of customers. We are also able to focus on and innovate for the needs of the customers irrespective of updates or changes in their existing systems. We believe this independence provides us with a competitive advantage in the industry over traditional methods.

Ease of Use

Our platform is designed by accountants for accountants to be intuitive and easy to use. We strive to enable any user to rapidly implement our platform to manage their accounting and finance activities, from the simplest to the most sophisticated tasks. Our user-friendly interface provides clear visualization of accounting and finance data, enables user collaboration and streamlines business processes.

Innovation

Our ability to develop innovative products has been a key driver of our success and organic growth. Through a history and culture of thought leadership, we have created a new category of powerful software that automates and streamlines antiquated, manual accounting processes to better meet our clients' diverse and rapidly changing needs, and we continue to focus on providing advanced solutions to time and labor intensive accounting practices. Examples of recent innovations include the launches of our Intercompany Hub solution, which is designed to manage all intercompany transactions through one centralized, cloud-based system, and the launch of our Insights solution, which provides real-time performance measures and a benchmarking dashboard.

Security

The robust security features embedded in our platform are designed to meet or exceed both industry standards and the stringent security requirements of our customers. We engage independent security auditors to assess the effectiveness of our comprehensive information security program consisting of risk-driven policies and procedures.

Key Benefits

Our platform is designed to provide the following benefits to our customers:

Flexibility and scalability

Our unified cloud platform is designed for modern business environments and has broad applicability across large and small organizations in any industry. The platform supports complex corporate structures, provides integration across all core financial systems, manages multiple currencies and languages, and scales to support high transaction volumes.

Embedded controls and workflow

Our platform was designed for the complex global regulatory environment. Our platform embeds key controls within standardized, repeatable, and well-documented workflows, which are designed to result in substantially reduced risk of non-compliance or negative audit findings, greater tolerance for regulatory complexity and increased confidence in financial reports.

Real-time visibility

We provide users with real-time visibility into the status, progress and quality of their accounting processes. With configurable dashboards, user-defined reporting, and the ability to drill down to individual reconciliations, journals and tasks, users can track open items, identify bottlenecks within a process or intervene to prevent mistakes.

Automation and efficiency

Our platform can ingest data from a variety of sources, including ERP systems and other data repositories, and apply powerful, rules-driven automation to reconciliations, journals and transactions. This streamlines accounting processes, minimizes manual data entry, and improves individual productivity to help ensure that accounting processes are completed on time. As a result, this automation allows users to focus on value-added activities instead of process management.

Continuous processing

Our platform helps organizations embed quality control, compliance and financial integrity into their day-to-day processes rather than rely on the traditional process of validating financial information at the end of each period. Activities such as account reconciliation and variance analysis can be performed in real-time, thus reducing the risk of errors and creating a more agile accounting environment.

Our Growth Strategy

We intend to continue investing in a number of growth initiatives to provide our customers with advanced solutions and to address and expand our market opportunity. Our principal growth strategies include the following:

Continue to Innovate and Expand Our Platform

Our ability to develop new, market-leading applications and functionalities is integral to our success. We intend to continue extending the functionality and range of our applications to bring new and improved solutions to accounting and finance. Examples of recent innovations include the launch of our Intercompany Hub solution, which is designed to manage all intercompany transactions through one centralized, cloud-based system and the launch of our Insights solution, which provides real-time performance measures and a benchmarking dashboard.

Enhance Our Leadership Position in the Enterprise Market and Mid-Market Customer Base

We believe we have a leading position in the enhanced financial controls and automation market with both enterprise market and mid-market customers, and we were recognized as a Leader by the Gartner Report* in the newly created Magic Quadrant for Financial Corporate Performance Management Solutions for our completeness of vision and ability to execute. We had more than 1,500 customers across a variety of industries and geographies as of June 30, 2016. Our customers include some of the largest multi-national enterprises, as well as leading medium and small businesses around the world. We intend to leverage our brand, history of innovation and customer focus to maintain and grow our leadership position with enterprise market customers. We believe that mid-market businesses are particularly underserved and that our platform can help these businesses modernize their accounting and finance processes efficiently and effectively. We have made recent investments to grow our mid-market sales team, and plan to continue leveraging our network of resellers to grow our mid-market business globally.

Increase Customer Spend through Expanded Usage and Adoption of Additional Products

We believe there is a significant opportunity to increase sales of our products within our existing customer base. We pursue a land-and-expand sales model to increase the use of our platform by selling additional solutions and features and increasing the number of users within our customers' organizations. Our pricing model is designed to allow us to capture additional revenue as our customers' usage of our platform grows, providing us with an opportunity to increase the lifetime value of our customer relationships.

* See "Industry and Market Data."

Expand Our International Operations and Customer Footprint

We believe that we have a significant opportunity to expand the use of our cloud-based products outside the United States. We currently have users in approximately 120 countries, and our platform supports applicable international accounting standards as well as 16 languages and all ISO currencies. We derived approximately 16% of our revenues from sales outside the United States in the six months ended June 30, 2016, and we derived approximately 14% of our revenues from sales outside the U.S. in the year ended December 31, 2015 and believe there are substantial opportunities to increase sales to customers outside of the U.S. We have an established presence in Australia, Canada, England, France, Germany, the Netherlands and Singapore and we intend to invest in further expanding our footprint in these and other regions.

Extend Our Customer Relationships and Distribution Channels

We have established strong relationships with key industry participants to supplement marketing and delivery of our applications. These relationships include agreements with technology vendors such as SAP and Netsuite, professional services firms such as Deloitte & Touche and KPMG, and business process outsourcers, or BPOs, such as Cognizant, Genpact and IBM.

These relationships enable us to effectively market our solutions by offering a complementary suite of services to our customers. In particular, we offer our customers an integrated SAP-endorsed business solution through our relationship with SAP. We intend to continue to strengthen and expand our existing relationships, seek new relationships and further expand our distribution channels to help us expand into new markets and increase our presence in existing markets.

Customers

Our customers include multinational corporations, large domestic enterprises and mid-market companies across a broad array of industries. These businesses include publicly-listed entities and privately-owned enterprises, as well as non-profit entities. From January 1, 2012 to December 31, 2014, our customer base increased from approximately 500 customers to nearly 1,000 customers. As of June 30, 2016, we had over 147,000 individual users in approximately 120 countries across more than 1,500 customers. We define a customer as an entity with an active subscription agreement as of the measurement date. In situations where an organization has multiple subsidiaries or divisions, each entity that is invoiced as a separate entity is treated as a separate customer. However, where an existing customer requests its invoice be divided for the sole purpose of restructuring its internal billing arrangement without any incremental increase in revenue, such customer continues to be treated as a single customer. For the six months ended June 30, 2016, sales to enterprise and mid-market customers represented 83% and 17% of our revenues, respectively. For the years ended December 31, 2014 and 2015, sales to enterprise customers represented 90% and 86% of our revenues, respectively, while sales to mid-market customers represented 10% and 14% of our revenues, respectively.

Our customers operate in complex, diverse and often global information technology ecosystems with numerous general ledgers, sub-ledgers, treasury systems, and ERP systems from different vendors, including NetSuite, Oracle, SAP and Workday. Our platform is designed for and used by employees across the organization, including end users such as internal accounting employees, controllers and chief accounting officers, as well as chief financial officers and other senior executives and external auditors.

We believe our customers benefit from improvements in process management and staff productivity, in addition to a faster financial close. Cost savings are achieved from the reconciliations of accounts, across approval and review roles, in process administration, and in audit, storage and paper expenses.

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The following is a sample of our current customers across some of the industries we serve. The customers below vary in size of their respective business and the amount of revenue we derive from them.

Consumer/Retail
 Costco Wholesale Corporation
 Kraft Heinz Foods Company
 Mondelez
 The Coca-Cola Company
 Under Armour

Healthcare
 Alliance Healthcare Services
 American Dental Partners, Inc.
 Brooks Rehabilitation
 DaVita HealthCare Partners Inc.
 Shire Pharmaceuticals
 Zeltiq Aesthetic

Financial Services
 CSAA Insurance Exchange
 Russell Investment Group
 RSA Insurance Group plc
 SunTrust Bank
 Xoom Corporation

Technology
 Adaptive Insights
 Autodesk
 GoDaddy.com
 Rackspace
 Zendesk, Inc.

Industrial/Energy
 British Gas Trading Limited
 Kimberly-Clark Global Sales, LLC
 Greif Inc.
 Hubbell Incorporated
 Stanley Black & Decker
 Tyco International Management Company LLC

Services
 Brink's Company
 Kempinski Hotels
 Orange Lake Resorts
 SiriusXM Radio Inc.

Products and Services

Our platform consists of seven core cloud-based products, including Transaction Matching, Account Reconciliations, Consolidation Integrity Manager, Journal Entry, Variance Analysis, Task Management and Daily Reconciliations. Customers typically purchase these in packages that we refer to as solutions, but they have the option to purchase these products individually. Current solutions include our Reconciliation Management, Financial Close Management, Intercompany Hub and Insights.

SOLUTIONS

Four dark grey rectangular boxes arranged horizontally. Each box contains a white icon at the top, followed by the name of the solution in white text. From left to right: 1. Icon of a document with a checkmark; text: "Reconciliation Management". 2. Icon of a calendar with a checkmark; text: "Financial Close Management". 3. Icon of a network of nodes; text: "Intercompany Hub". 4. Icon of a bar chart; text: "Insights".

PRODUCTS

Seven light grey rectangular boxes arranged horizontally. Each box contains the name of a product in dark grey text. From left to right: "Account Reconciliations", "Transaction Matching", "Consolidation Integrity Manager", "Daily Reconciliations", "Task Management", "Journal Entry", and "Variance Analysis".

TECHNOLOGY PLATFORM

Three dark grey horizontal bars. The top bar features a white padlock icon on the left, the text "Enterprise-Class Security" in the center, and three certification logos (AICPA SOC, ISAE 3402, ISO 27001) on the right. The middle bar features a white bar chart icon on the left and the text "Enhanced Reporting, Dashboards, Benchmarking and Analytics" in the center. The bottom bar features a white cloud icon on the left and the text "ERP-Agnostic, Automated System Integration Layer" in the center.

Reconciliation Management

The process of verifying and validating transactions, balances, and consolidated financial results is referred to as account reconciliation. Our Reconciliation Management solution provides a framework for the reconciliation process, allowing users to build integrity checks and automation into the entire end-to-end work flow. The solution includes:

- **Account Reconciliations** provides a centralized workspace from which users can collaborate to complete account reconciliations. Features include standardized templates, workflows for review and approval, linkage to policies and procedures, and integrated storage of supporting documentation. The product automates otherwise manual activities in the reconciliation process, significantly reducing time and effort and increasing productivity. It also enhances internal controls by facilitating the appropriate segregation of duties, simplifying reconciliation audits, and adding transparency and visibility to the reconciliation process.
- **Transaction Matching** analyzes and reconciles high volumes of individual transactions from different sources of data based upon user-configured logic. Our rules engine automatically identifies exceptions, errors, missing data, and variances within massive data sets. The matching engine processes millions of records per minute, can be used with any type of data, and allows customers to reconcile transactions in real-time.
- **Consolidation Integrity Manager** manages the automated system-to-system tie-out process that occurs during the consolidation phase of the financial close. Companies with multiple ERPs utilize a consolidation system to produce their consolidated financial results. Because these systems contain and produce information that changes continually and requires constant adjustments, a final tie-out that is typically handled manually in a spreadsheet is necessary prior to publishing results. This product automates the tie-out process, aggregating balances from dozens or hundreds of different systems and allowing users to identify exceptions and create adjustments quickly.
- **Daily Reconciliations** narrows the scope of a reconciliation to a single day's transactions or balance detail. Users can then perform their analysis in minutes per day, rather than attempting to review an entire month's worth of activity in a limited time during the period-end close. Some industries, such as banking, require that organizations track the creation and certification of daily reconciliations. Daily reconciliations are a prime example of continuous accounting in action.

Financial Close Management

The collection of processes by which organizations reconcile, consolidate and report on their financial information at the end of each period is referred to as the financial close. Our Financial Close Management solution allows customers to manage the key steps within the close, applying automation where possible, and ensure that tasks are properly completed and reviewed. This solution includes the components of the Reconciliation Management solution, as well as the following products:

- **Task Management** enables users to create and manage processes and task lists. The product provides automatic and recurring task scheduling, includes configurable workflow, and provides a management console for accounting and finance projects. Though most commonly used with the financial close, users can create task lists and projects for hundreds of different use cases ranging from external audits to environmental impact surveys.
- **Journal Entry** allows users to manually or automatically generate, review, and post manual journal entries. Journals can be automatically allocated across multiple business units and calculated based on complex, client-defined logic. More importantly, the addition of validation and approval checkpoints helps ensure the integrity of information passed to other financial

applications. Customers can use the Journal Entry product to pass information to hundreds of different ERPs and subsystems in a configurable, easily consumable format.

- **Variance Analysis** provides “always-on” monitoring and automatically identifies anomalous fluctuations in balance sheet and income statement account balances. Once an account in flux is identified, users are automatically alerted so they can research and determine the source of the fluctuation.

Intercompany Hub

Intercompany transactions occur when entities within a corporate parent organization transact with each other. These transactions are some of the most complex and frequent sources of uncertainty for the accounting function. Our Intercompany Hub solution, which was made generally available in November 2015, manages the entire intercompany transaction lifecycle within our platform and we believe it is the only widely available end-to-end intercompany solution. This solution includes the following features:

- **Intercompany Workflow** replaces informal, ad-hoc intercompany requests and approvals with a simple, structured workflow approval process. The application stores permissions by entity and transaction type, ensuring that both the initiator and the approver of the intercompany transaction are authorized to conduct business.
- **Intercompany Processing** records an organization’s intercompany transactions once they reach an appropriate completion level and posts them to the appropriate systems from a single source. The product automatically incorporates local taxes, exchange rates, invoicing requirements and customer-specific transfer pricing so that the resulting journal entries will net, which reduces the possibility of intercompany differences and eliminates the need to perform a manual reconciliation.
- **Netting and Settlement** automatically generate a real-time, aggregated settlement matrix, which show the balance of transactions across an entire organization. Users can filter the information by transaction type, currency or business relationship, easing the process of netting transactions and helping them make informed, strategic decisions.

Insights

Our platform provides us with detailed information about the accounting and finance function for most of our cloud-based customers. Insights, which was made generally available in November 2015, aggregates and analyzes that information and can help clients assess productivity, risk, and timeliness. We also provide a series of key performance indicators and allow clients to compare metrics across their own operating entities, set goals, and gauge their performance over time. Insights provides benchmarking, scores for a variety of industries, company sizes and geographies. These benchmarks are drawn from actual client usage of the application, rather than survey data, which provides valuable context for users.

Services

Customer service is essential to our success. We offer the following services for our customers:

- **Implementation.** With a focus on configuration over customization, our implementation approach favors rapid and efficient deployments led by accounting experts, rather than technical resources. A typical project will focus on mapping our application to a customer’s current or ideal process, coaching them on best practices, and helping organizations become self-sufficient, instead of dependent on additional professional services. For clients that elect to

work with a business process outsourcer or other company for implementation services, our implementation team provides ongoing support in order to ensure that the implementation or finance transformation projects are completed successfully. We generally provide this service for a fixed fee.

- **Support.** We provide live customer support 24/7/365 from our offices in Los Angeles, Sydney, and London. All customers have access to support resources by phone, email or through our portal, free of charge.
- **Customer Success.** Our customer success managers, many of whom are former users, provide customers with best practices and help create a roadmap for expanded usage of our platform. We believe that this service, which is made available to all customers, is central to our retention and upsell efforts.
- **Training.** We offer a variety of live and web-based training options, but most customers elect to consume their training through our e-learning environment, BlackLine U. Courses cover platform functionality, as well as the underlying concepts that make reconciliation, the financial close, and other accounting and finance activities necessary.

Sales and Marketing

We sell our solutions through our direct sales force. Our enterprise field sales team focuses on selling our solutions to large, global enterprises with annual revenues above \$500 million. Our mid-market sales team focuses on selling our solutions to mid-market businesses with annual revenues between \$50 million and \$500 million. We also have an account management team dedicated to our existing customer base that generates sales by focusing on contract renewals, expanding the current number of users within an organization and up-selling additional products.

Our direct sales force leverages our relationships with technology vendors such as SAP and Netsuite, professional services firms such as Deloitte & Touche and KPMG and business process outsourcers such as Cognizant, Genpact and IBM, to influence and drive customer growth. In particular, we offer our customers an integrated SAP-endorsed business solution in connection with our relationship with SAP. We also utilize a reseller channel that includes software vendors throughout the world.

Our marketing efforts are focused on creating sales leads, establishing and extending our brand proposition, generating product awareness, and cultivating our community of users. We generate sales leads primarily through word-of-mouth, search engine marketing, outbound lead generation and our network of business process outsourcers, business services organizations and resellers. We leverage online and offline marketing channels on a global basis and organize customer roundtables and user conferences and release white papers, case studies, blogs, and digital programs and seminars. We have further extended our brand awareness through sponsorships with leading industry organizations such as the American Institute of Certified Public Accountants, or AICPA, the Institute of Management Accountants, or IMA, the Financial Executives International, or FEI, the Institute of Chartered Accountants in England and Wales, or ICAEW, and the Association of Chartered Certified Accountants, or ACCA.

Technology, Operations and Development

Technology

Our platform has been designed to deliver a consistent, scalable, high-performing and secure experience for our customers. Our platform is enabled by rules engines, flexible templates, role-based

workflows and accounting-specific business logic. We deliver our hosted solution on a single code base and via a multi-tenant architecture with unique database instances for each customer. All SaaS customers run the current version of our platform and access it through a web browser. We utilize industry-leading hardware and software components to deliver on the following objectives:

- **Scalability and Performance.** Our platform supports a high, sustained level of client activity and a large, globally distributed client base while remaining high-performing and reliable. Our infrastructure incorporates load balancing technology and can scale quickly to absorb spikes in usage. We also monitor application performance and intervene as necessary to prevent degradation. Finally, our platform incorporates technologies to manage volume within the solutions. These include a near real-time data warehouse, a high-volume transaction processing engine, and a custom-built user interface.
- **Reliability.** During 2015, we had no unscheduled downtime and 99.945% total availability, including scheduled maintenance. Client data is mirrored between primary and alternate data centers, providing effective redundancy and disaster recovery.
- **Flexibility.** Our application architecture is modular, which allows us to quickly release new products or expand existing feature-sets by combining and configuring existing components. Our development has always been both rapid and responsive, which allows us to support a wide array of clients and bring new products to market while maintaining a consistent user interface and single, cohesive code base.

Security

Due to the sensitive nature of the data we store for our clients, we place a heavy emphasis on security. Our infrastructure and software products are designed to meet and exceed rigorous security standards and to assure customers that we are taking appropriate measure to protect their data.

We maintain a comprehensive information security management system that extends companywide and integrates into our core technology and business processes. This system includes deployment of a variety of detective, preventive, and deterrent controls that include technical and administrative safeguards. The controls are regularly tested, both internally and by third-party audits and penetration tests. We are certified for compliance with the ISO 27001 framework and we regularly undergo SSAE16 and SOC audits. We believe that we are in compliance with regulatory requirements and that we employ security best practices. A dedicated team of security professionals orchestrate our information security program. Our information security controls and practices include strong encryption for data at rest and in transit and extensive monitoring with comprehensive security incident detection and response process.

Operations

We host our platform and solutions for our customers in data centers located in North America (Culpeper, Virginia and Las Vegas, Nevada) and Europe (Amsterdam, Netherlands and London, United Kingdom). We contract with Verizon (Virginia and Netherlands), SuperNap (Nevada) and VMware (UK) for use of these data center facilities. These facilities provide extensive physical security, including manned security 365 days a year, 24 hours a day, seven days a week, with armed guards, video surveillance, redundant power and environmental controls, and technical controls including biometric access. Network equipment, servers, and applications are managed by our employees and we staff a network operations center, or NOC, to monitor performance 365 days a year, 24 hours a day, seven days a week. We regularly conduct risk and security assessments of these facilities and review their SSAE16, SOC, and/or ISO 27001 attestations and certifications to ensure that our datacenter providers have adequate controls to maintain availability and security of our services.

Development

Our research and development organization focuses on developing new software solutions and enhancing existing products, conducting software and quality assurance testing and improving our core technology. Our research and development organization is located primarily in our Los Angeles, California headquarters, where we are committed to recruiting, hiring and retaining top technical talent. We invest substantial resources in research and development to drive core technology innovation and to bring new products to market.

Our research and development expenses were \$9.7 million in 2014, \$18.2 million in 2015 and \$10.5 million for the six months ended June 30, 2016. Our research and development expenses as a percentage of revenue were 18.8%, 21.8% and 18.8% for the years ended December 31, 2014 and 2015 and the six months ended June 30, 2016, respectively.

Competition

The market for accounting and financial software and services is competitive, rapidly evolving and requires deep understanding of the industry standards, accounting rules and global financial regulations.

We compete with vendors of financial automation software such as Trintech and we also compete with components of Oracle's Hyperion software.

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

- level of customer satisfaction;
- ease of deployment and use of applications;
- ability to integrate with multiple legacy enterprise infrastructures and third-party applications;
- domain expertise on accounting best practices;
- ability to innovate and respond to customer needs rapidly;
- capability for configurability, integration and scalability of applications;
- cloud-based delivery model;
- advanced security and reliability features;
- brand recognition and historical operating performance; and
- price and total cost of ownership.

We believe we are positioned favorably against our competitors based on these factors. However, certain of our competitors may have greater name recognition, longer operating histories, more established customer and marketing relationships, larger marketing budgets and significantly greater resources.

Intellectual Property and Proprietary Rights

Our intellectual property and proprietary rights are important to our business. We currently have one patent application, which may not result in an issued patent. We primarily rely on copyright, trade secret and trademark laws, trade secret protection, and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. Though we rely in

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part upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees and the functionality and frequent enhancements to our solutions are larger contributors to our success in the marketplace.

Despite our efforts to preserve and protect our intellectual property and proprietary rights, unauthorized third parties may attempt to copy, reverse engineer, or otherwise obtain portions of our software. Competitors may attempt to develop similar products that could compete in the same market as our products. Unauthorized disclosure of our confidential information by our employees or third parties could occur. Laws of other jurisdictions may not protect our intellectual property and proprietary rights from unauthorized use or disclosure in the same manner as the United States. The risk of unauthorized use of our proprietary and intellectual property rights may increase as our company continues to expand outside of the United States.

Third-party infringement claims are also possible in our industry, especially as software functionality and features expand, evolve and overlap with other industry segments.

Employees and Culture

We believe our culture and employees are fundamental to our success. Therese Tucker, our founder and Chief Executive Officer, has led our company since its inception in 2001 and has built and maintained a culture committed to empowering our employees and communities around us. Our motto “Think. Create. Serve.” expresses our core values as a company dedicated to innovation and creativity, collaboration and action and service to each other and our customers.

We seek to hire talented employees and are focused on their long-term development and training. We work to foster a collaborative, performance-driven working environment where integrity, open and honest communication and accountability are embraced and cultivated. By mixing these important features with an element of fun, we seek to maintain a satisfying workplace for our employees. We are proud of our recognition as a best place to work in the Los Angeles area in 2013, 2014, 2015 and 2016.

Many of our employees have previously worked for our customers. We believe this uniquely positions us to build compelling and effective products while also enhancing the user experience for our customers. Our desire to build a platform that creates value for all stakeholders in the accounting and financial process informs our decisions regarding product design and development.

We also believe in making a positive impact on our communities. Each year during our annual Users Conference we join with our customers to perform a day of community service — in 2014, through a joint event with Windy City Habitat for Humanity, our employees, interested clients and partners volunteered their time to help rebuild homes in the Chicago area and in 2015 we did the same with Atlanta-based Habitat for Humanity to help rebuild homes in the Atlanta area.

As of June 30, 2016, we employed 490 people globally. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Facilities

Our principal executive offices are located in Los Angeles, California where we occupy approximately 66,000 square feet of space under a lease that expires in June 2022. We also occupy additional leased offices located in Chicago, Illinois; Atlanta, Georgia; New York, New York; London,

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the United Kingdom; Melbourne, Australia; Sydney, Australia; Paris, France; Johannesburg, South Africa; Frankfurt, Germany; Kuala Lumpur, Malaysia; Vancouver, Canada; and Singapore. We believe that our properties are generally suitable to meet our needs for the foreseeable future. In addition, to the extent we require additional space in the future, we believe that it would be readily available on commercially reasonable terms.

Legal Proceedings

From time to time, we may be subject to legal proceedings arising in the ordinary course of business. In addition, from time to time, third parties may assert intellectual property infringement claims against us in the form of letters and other forms of communication. As of the date of this prospectus, we are not a party to any litigation the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our results of operations, prospects, cash flows, financial position or brand.

MANAGEMENT

Executive Officers, Directors and Key Employees

The following table provides information regarding our executive officers, directors and key employees as of June 30, 2016:

| Name | Age | Position |
|--------------------------------|-----|--------------------------------------|
| Executive Officers: | | |
| Therese Tucker | 54 | Chief Executive Officer and Director |
| Chris Murphy | 47 | Chief Revenue Officer |
| Mark Partin | 48 | Chief Financial Officer |
| Karole Morgan-Prager | 54 | Chief Legal Officer |
| Non-Employee Directors: | | |
| Jason Babcoke | 43 | Director |
| John Brennan | 51 | Director |
| William Griffith | 44 | Director |
| Hollie Haynes | 44 | Director |
| Graham Smith | 56 | Director |
| Thomas Unterman | 71 | Director |
| Other Key Employees: | | |
| Alain Avakian | 46 | Chief Technology Officer |
| Max Solonski | 44 | Chief Security Officer |
| Mario Spanicciati | 35 | Chief Strategy Officer and Director |
| Karen Flathers | 49 | Chief Services Officer |

Executive Officers

Therese Tucker founded BlackLine Systems, Inc. and has served as our Chief Executive Officer and a member of our Board of Directors since August 2001. Prior to founding BlackLine Systems, Inc., Ms. Tucker served as Chief Technology Officer for SunGard Treasury Systems, Inc., a provider of software solutions and information technology services, from 1998 to 2001. Ms. Tucker holds a B.S. in Computer Science and Mathematics from University of Illinois at Urbana-Champaign.

We believe that Ms. Tucker possesses specific attributes that qualify her to serve as a member of our Board of Directors, including over 25 years of experience in the finance and technology industry and the operational insight and expertise she has accumulated as our founder and Chief Executive Officer.

Chris Murphy has served as our Chief Revenue Officer since March 2014. Prior to joining us, Mr. Murphy served as Senior Vice President and General Manager of the Financial Solutions Group for Infor, Inc., a provider of business management enterprise software, from March 2004 to February 2014. From May 2003 to February 2004, Mr. Murphy served as the Vice President of Global Sales Operations for Melita International, a provider of customer contact management solutions. From October 1999 to May 2003, Mr. Murphy served as the Vice President of Sales Operations for divine, inc., an internet incubator. From October 1991 to June 1999, Mr. Murphy served in various financial roles for Platinum Technology Inc., a management software and database company, Information Resources, Inc, a market research company, and United States Cellular Corporation, a provider of wireless services. Mr. Murphy holds an M.B.A. from DePaul University, Charles H. Kellstadt Graduate School of Business, a B.S. in finance from University of South Carolina, Darla Moore School of Business and a B.A. in French from University of South Carolina, Columbia.

Mark Partin has served as our Chief Financial Officer since January 2015 and as our Treasurer since February 2015. Prior to joining us, Mr. Partin served as the Chief Financial Officer for Fiberlink Communications Corporation (now MaaS360, an IBM Company), an Enterprise Mobility Management company from 2005 to 2014. From 1995 to 2005, Mr. Partin served in various senior financial roles for companies such as Headhunter.net, Inc. (now Careerbuilder.com), Contour Medical, Inc. (acquired by Sun Healthcare Group, Inc.), American Health Imaging, and Williams Group International. From 1991 to 1995, Mr. Partin was a CPA and auditor with Arthur Andersen & Co. in Atlanta, Ga. Mr. Partin holds an M.B.A. from Harvard Business School and a B.S. in business administration from the University of Tennessee.

Karole Morgan-Prager has served as our Chief Legal Officer since May 2015 and as our Secretary since August 2015. Prior to joining us, Ms. Morgan-Prager served as General Counsel and Corporate Secretary of McClatchy Company, a newspaper and internet publisher, from July 1995 to May 2015. She was named Vice President of The McClatchy Company in May 1998 and Vice President, Corporate Development in May 2012. From November 1992 to June 1995, Ms. Morgan-Prager served as Associate General Counsel for The Times Mirror Company, a newspaper publishing company that was acquired by Tribune Co. From October 1987 to October 1992, Ms. Morgan-Prager was an Associate with the law firm Morrison & Foerster, working on corporate securities matters. Ms. Morgan-Prager holds a J.D. from the University of California, Los Angeles and a B.A. in Journalism and Political Science from University of Nevada.

Non-Employee Directors

Jason Babcoke has served as a member of our Board of Directors since September 2013. Mr. Babcoke has served as a Managing Director of Sumeru Equity Partners, a private equity firm, since March 2014. Since July 2011, Mr. Babcoke has served as a Principal for Silver Lake Sumeru, a middle-market investment group of Silver Lake, a global private equity firm and one of our Investors. From August 2008 to July 2011, Mr. Babcoke worked at Symphony Technology Group, a private equity firm. From July 2004 to August 2006, Mr. Babcoke served as a Senior Manager for Life Technologies, a biotech company. From February 2001 to March 2004, Mr. Babcoke served as Director of Engineering for Angstrom Systems, Inc., a nano-deposition technology company, acquired by Novellus. From July 2000 to January 2001, Mr. Babcoke served as a Venture Capital Associate for The Spark Group, a technology-focused investment group. Currently, Mr. Babcoke serves as a member of the Board of Directors for Buildium, LLC. Mr. Babcoke holds an M.B.A. from Harvard Business School, an M.S. in Management Science and Engineering from Stanford University and a B.S. in Mechanical Engineering from University of California, Berkeley.

We believe that Mr. Babcoke possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his experience in venture capital investing and knowledge of technology companies.

John Brennan has served as a member of our Board of Directors since September 2013. Mr. Brennan cofounded Sumeru Equity Partners, a private equity firm and has served as Managing Director since March 2014. Since February 2008, Mr. Brennan has served as a Managing Director for Silver Lake Sumeru, a middle-market investment group of Silver Lake, a global private equity firm and one of our Investors. From June 2003 to February 2008, Mr. Brennan served as Senior Vice President of Platform Software for Adobe Systems Incorporated, a computer software company. Mr. Brennan served as Senior Vice President of SMB Segment Operations for Hewlett Packard Company, an information technology company, from April 2000 to June 2003 and as Principal and Associate Partner of Electronics and High-Tech Practice for Accenture Strategic Services, a management consulting, technology services and outsourcing company, from August 1991 to March 1999. Currently, Mr. Brennan serves as a member of the Board of Directors for ForeFlight, LLC, Influence Health, Inc.

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(formerly Medseek), Talend, and Digital Reasoning Systems, Inc. Mr. Brennan holds an M.B.A. from University of California, Berkeley Haas School of Business and a B.A. in History from Yale University.

We believe that Mr. Brennan possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his experiences in the technology and venture capital industries and service as a Senior Executive for publicly traded technology companies.

William Griffith has served as a member of our Board of Directors since September 2013. Since January 2013, Mr. Griffith has served as a partner of ICONIQ Capital Group, L.P., the parent company of an independent SEC Registered Investment Advisor and one of our Investors. From January 2012 to December 2012, Mr. Griffith was a private investor. From August 2000 to December 2011, Mr. Griffith was employed by Technology Crossover Ventures, a private equity and venture capital firm, and served as a General Partner starting in 2003. Prior to joining Technology Crossover Ventures, Mr. Griffith served as an Associate for Beacon Group Ventures, a private equity firm acquired by JP Morgan Chase & Co. Before joining Beacon Group Ventures, Mr. Griffith served as an Investment Banking Analyst at Morgan Stanley, a financial services company. Currently, Mr. Griffith serves as a Board member for Age of Learning, Inc. and Procure Technologies, Inc. From July 2007 to August 2011, Mr. Griffith served as a Board member for Orbitz Worldwide, Inc., a company that operates a website used to research, plan and book travel. Mr. Griffith holds an M.B.A. from Stanford University Graduate School of Business and an A.B. in History and Engineering from Dartmouth College.

We believe that Mr. Griffith possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his experience as an investment professional in the technology industry and service as a Board member for private and publicly traded companies.

Hollie Haynes has served as a member of our Board of Directors since September 2013. Ms. Haynes founded Luminate Capital Partners, a private equity firm, and has served as its Managing Partner since January 2015. Since June 2007, Ms. Haynes has served as Managing Director for Silver Lake Sumeru, a middle-market investment group of Silver Lake, a global private equity firm. Ms. Haynes joined Silver Lake in August 1999. From June 1993 to July 1997, Ms. Haynes served in various analyst roles for Hellman & Friedman, a private equity firm, and Morgan Stanley, an investment bank. Currently, Ms. Haynes serves as a member of the Board of Directors for Influence Health, Inc. (formerly Medseek), Opera Solutions, LLC, Professional Datasolutions, Inc. and Oversight Systems, Inc. Ms. Haynes holds an M.B.A. from Stanford University Graduate School of Business and an A.B. in Economics from Harvard University.

We believe that Ms. Haynes possesses specific attributes that qualify her to serve as a member of our Board of Directors, including her experience in the technology and financial industries and service as a board member for privately held companies.

Graham Smith has served as a member of our Board of Directors since May 2015. Mr. Smith served as Executive Vice President of Salesforce, Inc., a provider of customer relationship management software from April 2015 to June 2015. He also served as Salesforce, Inc.'s Executive Vice President, Finance from August 2014 to March 2015, Executive Vice President and Chief Financial Officer from March 2008 to August 2014, and Executive Vice President and Chief Financial Officer Designate from December 2007 to March 2008. From January 2003 to December 2007, Mr. Smith served as Chief Financial Officer of Advent Software, Inc., a provider of portfolio accounting software. Mr. Smith has served as a member of the board of directors for Splunk Inc., a provider of operational intelligence software, since July 2011, MINDBODY, Inc., a provider of software to the wellness industry, since February 2015, Xero, Inc., a provider of online accounting software, since February 2015 and Citrix Systems, Inc., a provider of workplace software, since December 2015. Mr. Smith holds a B.Sc. in Economics and Politics from University of Bristol in England and is qualified as a chartered accountant in England & Wales.

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We believe that Mr. Smith possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his experiences in the software industry and service as an Executive for publicly traded companies.

Thomas Unterman has served as a member of our Board of Directors since 2010. Since September 1999, Mr. Unterman has served as Partner for Rustic Canyon Partners, an early stage venture capital firm, which he founded in September 1999. From August 1992 to December 1999, Mr. Unterman served as Executive Vice President and Chief Financial Officer of The Times Mirror Company, a newspaper publishing company that was acquired by Tribune Co. Currently, Mr. Unterman serves as Chairman of the Board of the California Community Foundation and Westwood Technology Transfer. He is a Trustee of the California State Teachers Retirement System and a Director of several Los Angeles community based non-profit companies. He also serves as a director for several of the Rustic Canyon portfolio companies and Praedicat, a private company whose largest shareholder is Rand Corporation. Mr. Unterman holds a J.D. from University of Chicago and a B.A. from the Woodrow Wilson School of Public Affairs at Princeton University.

We believe that Mr. Unterman possesses specific attributes that qualify him to serve as a member of our Board of Directors, including his substantial experience as an executive officer of a public company, as an investment professional and as a director of private technology companies. We also believe that Mr. Unterman brings historical knowledge and continuity to the board of directors.

Other Key Employees

Alain Avakian has served as our Chief Technology Officer since March 2014. Prior to joining us, Mr. Avakian served as Chief Technology Officer for Rent.com, Inc. from July 2011 to January 2014. From February 2007 to July 2011, Mr. Avakian served as Head of Technology and Principal Architect for Rent.com, an apartment search website acquired by eBay, Inc. From July 2001 to February 2007, Mr. Avakian served as Principal Architect and Senior Software Engineer for Rent.com, Inc. From December 1992 to May 2001, Mr. Avakian served in various Senior and Lead Architect and Software Engineer roles for Stamps.com Inc., a provider of Internet-based mailing and shipping services, CitySearch, an online city guide that provides information about businesses, Tele-Communications, Inc. (now Comcast), a cable television provider, and Packard Bell, a computer manufacturing subsidiary of Acer, Inc. Mr. Avakian holds a B.S. in computer science and mathematics from California State University, Northridge.

Karen Flathers joined us in September 2016 as our Chief Services Officer. Prior to joining us, Ms. Flathers served as the Vice President Global Field Operations of Zoura Inc., a provider of SaaS-based billing, commerce and finance management products from September 2015 to September 2016. Ms. Flathers also served as Zoura Inc.'s Vice President Professional Services from September 2014 to September 2015. From September 2008 to June 2014, Ms. Flathers served as Senior Vice President Services and Support/General Manager Software of Aclara Technologies LLC, a provider of SaaS and on premise solutions to the utility industry. From January 1999 to September 2008, Ms. Flathers served in various senior professional services roles for SAP America, Inc., a developer of business software solutions. Ms. Flathers holds a B.A. from Brown University.

Max Solonski has served as our Vice President of Information Security from March 2012 to October 2015 and was named Chief Security Officer in October 2015. From November 2010 to March 2012, Mr. Solonski served as Senior Manager of Information Security and Compliance for Mattel, Inc., a multinational toy manufacturing company. From February 2009 to November 2010, Mr. Solonski served as Manager of Global Information Security for Westfield Corporation, one of the world's leading shopping center companies. From April 2006 to January 2009, Mr. Solonski served as Manager of

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Information Security for Warner Bros. Entertainment Inc., an entertainment company. From April 2002 to April 2006, Mr. Solonski served as Senior Security Analyst for The Walt Disney Company, a multinational mass media and entertainment company.

Mario Spanicciati joined us in 2004 and has served as our Chief Strategy Officer since August 2015. Previously, Mr. Spanicciati served as our Executive Vice President. He has been a member of our Board of Directors since September 2013. Prior to joining us, Mr. Spanicciati served as an Analyst for Merrill Lynch's Private Banking & Investment Group, a division of Merrill Lynch that offers personalized wealth management products and services from January 2003 to June 2004. Mr. Spanicciati holds a B.S. in Hotel Administration from Cornell University.

We believe that Mr. Spanicciati possesses specific attributes that qualify him to serve as a member of our Board of Directors, including the perspective and experience he brings as our Chief Strategy Officer. We also believe that he brings historical knowledge, operational expertise and continuity to the board of directors.

Board Composition

Our business and affairs are managed under the direction of our board of directors. Our board of directors currently consists of Messrs. Babcoke, Brennan, Griffith, Smith, Spanicciati and Unterman and Ms. Tucker and Haynes. Following the completion of this offering, we expect our board of directors to consist initially of eight directors. Within one year of the effective date of the registration statement, we intend to increase the size of our board of directors by one director and will fill the vacancy with a director who will be elected to serve on our audit committee and who satisfies the enhanced independence standards for audit committee members established by applicable Securities and Exchange Commission, or SEC, rules and the rules of the NASDAQ Stock Market.

Pursuant to the Stockholders' Agreement described under "Certain Relationships and Related Party Transactions—Transactions in Connection with the Offering—Stockholders' Agreement," our stockholders will be entitled to designate members of our Board as follows:

- Silver Lake will be entitled to initially designate: (i) seven directors of up to a 13 member Board for so long as Silver Lake beneficially owns 35% or more of the total number of shares of our common stock then outstanding; (ii) six directors for so long as Silver Lake beneficially owns at least 25% and less than 35% of the total number of shares of our common stock then outstanding; (iii) three directors for so long as Silver Lake beneficially owns at least 20% and less than 25% of the total number of shares of our common stock then outstanding; (iv) two directors for so long as Silver Lake beneficially owns at least 10% and less than 20% of the total number of shares of our common stock then outstanding; and (v) one director for so long as Silver Lake beneficially owns at least 5% and less than 10% of the total number of shares of our common stock then outstanding.
- Iconiq will be entitled to initially designate one director for so long as Iconiq beneficially owns at least 5% of the total number of shares of our common stock then outstanding.

Silver Lake and Iconiq designees to the Board will each serve until the annual meeting of stockholders in the year in which their respective Board terms expire. If Silver Lake or Iconiq meet the applicable beneficial ownership thresholds as of 120 days prior to such annual meetings, the Silver Lake or Iconic designees will be nominated by the Board for election by the stockholders at such annual meeting. The Principal Stockholders will agree to vote their shares in favor of the directors nominated as set forth above. In addition, Silver Lake and Iconiq shall be entitled to designate the replacement for any of their respective board nominees or designees, as applicable, whose board

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service terminates prior to the end of the director's term. In each case, Silver Lake's and Iconiq's nominees or designees, as applicable, must comply with applicable law and stock exchange rules.

Directors nominated or designated by Silver Lake under the Stockholders' Agreement are referred to in this prospectus as the "Silver Lake Directors." The initial Silver Lake Directors will be Messrs. Babcoke and Brennan and Ms. Haynes. The initial Iconiq Director will be Mr. Griffith.

Ms. Tucker and Mr. Spanicciati will also each be entitled to membership on the Board. In the event that Ms. Tucker or Mr. Spanicciati ceases to be employed by the company for any reason and she or he beneficially owns less than 5% of the total number of shares of our common stock outstanding (i) she or he will be required to immediately tender her or his resignation from the Board effective only upon acceptance by the Board and (ii) the Board may, in its sole discretion, accept or reject such resignation. If the Board rejects the resignation, Ms. Tucker or Mr. Spanicciati, as applicable, will continue to have the right to be designated for membership on the Board; provided that the Board will have the right, by unanimous vote of the other directors (excluding both Ms. Tucker and Mr. Spanicciati), to require such director's resignation from the Board if the Board determines such resignation would be in the best interests of the company, regardless of the number of shares of common stock held by Ms. Tucker or Mr. Spanicciati.

Silver Lake shall also have the right to have one designee serve on the audit committee until a new independent director is elected within one year of the effective date of the registration statement and two designees serve on each of the compensation committee and nominating and corporate governance committee, subject to compliance with applicable law and stock exchange rules, so long as Silver Lake owns at least 15% of the total number of shares of our common stock then outstanding. The Stockholders' Agreement, subject to certain exceptions, will also prohibit us from increasing or decreasing the size of our Board without the prior written consent of Silver Lake so long as Silver Lake owns at least 15% of the total number of shares of our common stock then outstanding. The affiliates of each of the Principal Stockholders will agree to vote their shares in favor of the directors designated as set forth above.

As of the closing of this offering, our amended and restated certificate of incorporation and amended and restated bylaws will provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the years 2017 for the Class I directors, 2018 for the Class II directors, and 2019 for the Class III directors.

- Our Class I directors will be .
- Our Class II directors will be .
- Our Class III directors will be .

Upon expiration of the term of a class of directors, directors for that class will be elected for three-year terms at the annual meeting of stockholders in the year in which that term expires. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Any increase or decrease 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. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Our board of directors is responsible for, among other things, overseeing the conduct of our business, reviewing and, where appropriate, approving our long-term strategic, financial and organizational goals and plans, and reviewing the performance of our chief executive officer and other members of senior management. Following the end of each year, our board of directors will conduct an

annual self-evaluation, which includes a review of any areas in which the board of directors or management believes the board of directors can make a better contribution to our corporate governance, as well as a review of our committee structure and an assessment of the board of directors' compliance with corporate governance principles. In fulfilling the board of directors' responsibilities, directors have full access to our management and independent advisors.

Director Independence

Upon completion of our initial public offering, we intend to have:

- a majority of our board of directors consisting of independent directors as defined under the rules of the NASDAQ Stock Market;
- an audit committee consisting of a majority of fully independent directors, as defined under the rules of the NASDAQ Stock Market and Rule 10A-3 of the Exchange Act, and a fully independent audit committee within one year of the effective date of the registration statement;
- a nominating and corporate governance committee consisting of fully independent directors as defined under the rules of the NASDAQ Stock Market; and
- a compensation committee consisting of fully independent directors as defined under the rules of the NASDAQ Stock Market and Rule 10C-1 of the Exchange Act and also satisfying the definitions of "non-employee" directors within the meaning of Rule 16b-3(b)(3) under the Exchange Act and "outside" directors within the meaning of Section 162(m)(4)(c)(i) of the Code.

Because the Principal Stockholders will own a majority of our outstanding common stock following the completion of this offering, we will be a "controlled company" as that term is set forth in the stock exchange rules and we will be eligible to rely on certain corporate governance exemptions. Although we will qualify as a "controlled company," we do not expect to rely upon these exemptions. Under the stock exchange rules, a "controlled company" may elect not to comply with certain corporate governance requirements, including: (1) the requirement that a majority of our board of directors consist of independent directors, (2) the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (3) the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. Even as a "controlled company," we must comply with the rules applicable to audit committees set forth in the stock exchange rules.

In addition, certain phase-in periods with respect to director independence will be available to us under the stock exchange rules. We do expect to take advantage of certain of these provisions. The phase-in periods allow us to have only one independent member on the audit committee upon the listing date of our common stock, a majority of independent members on the audit committee within 90 days of the effective date of the registration statement and a fully independent audit committee within one year of the effective date of the registration statement. Our audit committee will consist of a majority of independent directors upon the listing date of our common stock and we will have a fully independent audit committee within one year of the effective date of this registration statement.

In _____, our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that each of our directors, other than Ms. Tucker and Mr. Spanicciati, are "independent directors" as defined under the rules of the NASDAQ Stock Market. In addition, our board of directors determined that _____ and _____, who are members

of our audit committee, satisfy the enhanced independence standards for audit committee members established by applicable Securities and Exchange Commission, or SEC, rules and the rules of the NASDAQ Stock Market. Our board of directors has determined that _____, who are members of our compensation committee, satisfy the enhanced independence standards for compensation committee members established by applicable SEC rules and the rules of the NASDAQ Stock Market. Our board of directors has determined that _____, who are members of our nominating and corporate governance committee, satisfy the independence standards for nominating and corporate governance committee members established by applicable SEC rules and the rules of the NASDAQ Stock Market. In making this determination, our board of directors considered the 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, including the beneficial ownership of our common stock by each non-employee director.

Board Committees

Our board of directors has an audit committee, a compensation committee and a nominating and corporate governance committee. Pursuant to the Stockholders' Agreement, Silver Lake will have the right to have one designee serve on the audit committee until a new independent director is elected to serve on the audit committee within one year of the effective date of this registration statement and two designees serve on each of the compensation committee and nominating and corporate governance committee, so long as Silver Lake owns at least 15% of the total number of shares of our common stock then outstanding, subject to compliance with applicable law and stock exchange rules. Each of the committees has the composition and the responsibilities described below.

Audit Committee. Our audit committee oversees our corporate accounting and financial reporting process and assists our board of directors in monitoring our financial systems and our legal and regulatory compliance. Our audit committee will also:

- oversee the work of our independent auditors and our internal control function;
- approve the hiring, discharging and compensation of our independent auditors;
- approve engagements of the independent auditors to render any audit or permissible non-audit services;
- review the qualifications, independence and performance of our independent auditors;
- review the scope of the annual audit;
- review our financial statements and review our critical accounting policies and estimates;
- review the adequacy and effectiveness of our internal controls;
- review and discuss with management and our independent auditors the results of our annual audit, our quarterly financial statements and our publicly filed reports;
- review our risk assessment and risk management processes;
- establish procedures for receiving, retaining and investigating complaints received by us regarding accounting, internal accounting controls or audit matters; and
- review and approve related party transactions under Item 404 of Regulation S-K.

Upon the completion of this offering, our audit committee will consist of _____, _____ and _____, with _____ serving as chairperson. _____ is considered an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K promulgated under the Securities Act and all members

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of the audit committee are financially literate. We believe that our audit committee charter and the functioning of our audit committee comply with the applicable requirements of rules and regulations of the SEC and the NASDAQ Stock Market.

Compensation Committee. Our compensation committee oversees our corporate compensation programs. Our compensation committee will also:

- review and recommend policies relating to compensation and benefits of our officers and employees;
- review and approve corporate goals and objectives relevant to compensation of our chief executive officer and other senior officers;
- evaluate the performance of our officers in light of established goals and objectives;
- recommend compensation of our officers based on its evaluations;
- administer our equity compensation plans; and
- make recommendations regarding non-employee director compensation to the full board of directors.

Upon the completion of this offering, our compensation committee will consist of _____, _____ and _____, with _____ serving as the chairperson. We believe that our compensation committee charter and the functioning of our compensation committee comply with the applicable requirements of the rules and regulations of the SEC and the NASDAQ Stock Market.

Nominating and Corporate Governance Committee. Subject to the Stockholders' Agreement, our nominating and corporate governance committee will oversee and assist our board of directors in reviewing and recommending nominees for election as directors. Our nominating and corporate governance committee will also:

- evaluate and make recommendations regarding the organization and governance of the board of directors and its committees;
- assess the performance of members of the board of directors and make recommendations regarding committee and chair assignments;
- recommend desired qualifications for board of directors membership and conduct searches for potential members of the board of directors;
- review and make recommendations with regard to our corporate governance guidelines;
- approve our committee charters;
- oversee compliance with our code of business conduct and ethics;
- contribute to succession planning;
- review actual and potential conflicts of interest of our directors and officers other than related party transactions reviewed by our audit committee; and
- oversee the board self-evaluation process.

Upon completion of this offering, our nominating and corporate governance committee will consist of _____, _____ and _____, with _____ serving as the chairperson. We believe that the nominating and corporate governance committee charter and the functioning of our nominating and corporate governance committee comply with the applicable requirements of rules and regulations of the SEC and the NASDAQ Stock Market.

Director Compensation

Our employee directors, Ms. Tucker and Mr. Spanicciati, have not received any compensation as directors.

The following table provides information regarding compensation of our non-employee directors for service as directors, for the year ended December 31, 2015. Other than as set forth in the table and described more fully below, in 2015 we did not pay any compensation to any person who served as a non-employee member of our board of directors who is affiliated with our Principal Stockholders or any fees to, reimburse any expense of, make any equity awards or non-equity awards to, or pay any other compensation to any of the other non-employee members of our board of directors.

| Name | Fees Earned or Paid in Cash | Option Awards (1) | All Other Compensation | Total |
|------------------|-----------------------------|-------------------|------------------------|-----------|
| Jason Babcoke | — | — | — | — |
| John Brennan | — | — | — | — |
| William Griffith | — | — | — | — |
| Hollie Haynes | — | — | — | — |
| Graham Smith | \$ 30,640(2) | \$ 716,238 | — | \$746,878 |
| Thomas Unterman | \$ 40,000(3) | — | — | \$ 40,000 |

- (1) The amounts in the “Option Awards” column reflect the aggregate grant date fair value of stock options granted during the fiscal year computed in accordance with FASB ASC Topic 718. The assumptions that we used to calculate these amounts are discussed in Note 2 to our financial statements included in this prospectus. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (2) The amount shown reflects an annual cash retainer for such director’s service as a member of our board of directors and audit committee. Mr. Smith joined the board of directors in May 2015 and therefore, this amount reflects payment for Mr. Smith’s service on the board for part of the year.
- (3) The amount shown reflects an annual cash retainer for such director’s service as a member of our board of directors.

The following table lists all outstanding equity awards held by non-employee directors as of December 31, 2015:

| Name | Date of Grant | Number of Shares Underlying Options Exercisable | Number of Shares Underlying Options Unexercisable | Option Exercise Price Per Share (\$)(1) | Option Expiration Date |
|--------------------|---------------|---|---|---|------------------------|
| Jason Babcoke | — | — | — | — | — |
| John Brennan | — | — | — | — | — |
| William Griffith | — | — | — | — | — |
| Hollie Haynes | — | — | — | — | — |
| Graham Smith(2)(3) | 5/20/2015 | — | 500,000 | \$ 2.90 | 5/19/2025 |
| Thomas Unterman(4) | 3/3/2014 | 125,000 | 375,000 | \$ 1.00 | 3/2/2024 |

- (1) This column represents the fair market value of a share of our common stock on the date of grant as determined by the board of directors.
- (2) Mr. Smith joined our board of directors in May 2015.
- (3) Twenty-five percent (25%) of the shares (rounded down to the nearest whole number of shares) vests on each of the first four anniversaries of the vesting commencement date (May 20, 2015), subject to continued service with us through each applicable vesting date.

- (4) Twenty-five percent (25%) of the shares (rounded down to the nearest whole number of shares) vests on each of the first four anniversaries of the vesting commencement date (March 3, 2014), subject to continued service with us through each applicable vesting date.

Code of Conduct

Our board of directors has adopted a Code of Conduct that applies to all of our employees, officers, and directors, including our chief executive officer, chief financial officer and other principal executive and senior financial officers.

Compensation Committee Interlocks and Insider Participation

The members of our compensation committee are _____, _____ and _____. _____ is the chairperson of our compensation committee. None of the members of our compensation committee is an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

EXECUTIVE COMPENSATION**2015 Summary Compensation Table**

The following table presents information concerning the total compensation of our named executive officers, or NEOs, which consist of our principal executive officer and the next two most highly compensated executive officers, for services rendered to us in all capacities during the year ended December 31, 2015:

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Salary (\$)</u> | <u>Bonus(\$)</u> | <u>Option Awards(\$)(1)</u> | <u>Non-Equity Incentive Plan Compensation (\$)(2)</u> | <u>All Other Compensation (\$)</u> | <u>Total</u> |
|---|-------------|--------------------|------------------|-----------------------------|---|------------------------------------|--------------|
| Therese Tucker Chief Executive Officer | 2015 | \$322,530 | — | — | \$ 325,000 | \$ 175 | \$ 647,705 |
| Mark Partin Chief Financial Officer | 2015 | \$286,351 | — | \$3,891,736 | \$ 55,000 | \$ 10,545 | \$4,243,632 |
| Karole Morgan-Prager Chief Legal Officer | 2015 | \$179,101 | \$50,000(3) | \$1,424,000 | \$ 70,000 | \$ 9,898 | \$1,732,999 |

- (1) The amounts in these columns represent the aggregate grant date fair value of stock option awards as computed in accordance with Financial Accounting Standard Board Accounting Standards Codification Topic 718. The assumptions used in calculating the grant date fair value of the awards reported in this column are set forth in Note 2 to our audited consolidated financial statements included elsewhere in this prospectus. As required by SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (2) The amounts in these columns represent annual incentives earned for 2015 under our 2015 Executive Officer Bonus Plan, as described in additional detail below. For Mr. Partin and Ms. Morgan-Prager, these amounts were pro-rated based on the number of full months they were employed by the company in 2015.
- (3) Reflects amount paid for a one-time signing bonus.

Non-Equity Incentive Plan Compensation

Each of our NEOs participated in the 2015 Executive Officer Bonus Plan, or the 2015 Bonus Plan, which provided for cash incentives for certain company executives, including our NEOs, for 2015 performance. Target bonuses for the NEOs were based on a percentage of his or her 2015 annual base salary. The 2015 target bonus amounts under the 2015 Bonus Plan for the NEOs were: Ms. Tucker (100%), Mr. Partin (20%), and Ms. Morgan-Prager (40%).

The 2015 Bonus Plan was designed to fund based on company performance, measured by projected net bookings and free cash flow, and, in the case of Mr. Partin and Ms. Morgan-Prager, subject to adjustment based on the NEO's individual contributions to our business. The 2015 Bonus Plan provides that if the free cash flow threshold was achieved, then the 2015 Bonus Plan would fund as to: (a) 50%, if between 80% and 99% of the projected net bookings target was achieved or (b) 100%, if 100% or above of the projected net bookings target was achieved. In addition, for Mr. Partin, the 2015 Bonus Plan provides that if between 100% and 120% of the projected net bookings target was achieved, the 2015 Bonus Plan would pay a 5% increased payout for each 1% of net bookings that was achieved, with a total cap of 200% of his target bonus. Each NEO's bonus payment under the 2015 Bonus Plan was based on the percentage at which the 2015 Bonus Plan funded as described above, and, in the case of Mr. Partin and Ms. Morgan-Prager, subject to adjustment based on the NEO's individual performance.

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For 2015, our compensation committee established a net bookings target based on the change in annualized subscription and support revenue from the end of the year 2014 to the end of the year 2015 and a free cash flow target based on cash flow from operations less capital expenditures. After the end of 2015, our compensation committee determined that we did not achieve the free cash flow threshold but exercised its discretion to waive this threshold in light of our achievements in net bookings and other of our key financial areas, including revenue growth, in 2015. The compensation committee determined we achieved 100% of our projected net bookings target for 2015, and therefore determined to fund 100% of the 2015 Bonus Plan. After considering the individual performance of Mr. Partin and Ms. Morgan-Prager, our compensation committee did not make any adjustments to their bonus amounts. Each NEO received a bonus payment equal to 100% of his or her 2015 target bonus.

2015 Outstanding Equity Awards at Year-End

The following table presents information concerning all outstanding equity awards held by each of our named executive officers as of December 31, 2015:

| <u>Named Executive Officer</u> | <u>Grant Date</u> | <u>Option Awards— Number of Securities Underlying Unexercised Options (#) Exercisable</u> | <u>Option Awards— Securities Underlying Unexercised Options (#) Unexercisable</u> | <u>Option Awards— Option Exercise Price (\$)(1)</u> | <u>Option Awards— Option Expiration Date</u> |
|--------------------------------|-------------------|---|---|---|--|
| Therese Tucker | — | — | — | — | — |
| Mark Partin(2) | 3/30/2015 | — | 2,800,884 | \$ 2.80 | 3/29/2025 |
| Karole Morgan-Prager(3) | 5/30/2015 | — | 1,000,000 | \$ 2.90 | 5/29/2025 |

- (1) This column represents the fair market value of a share of our common stock on the date of grant, as determined by our board of directors.
- (2) Twenty-five percent (25%) of the shares (rounded down to the nearest whole number of shares) vest on each of the first four anniversaries of the vesting commencement date (January 20, 2015), subject to continued service with us through each applicable vesting date.
- (3) Twenty-five percent (25%) of the shares (rounded down to the nearest whole number of shares) vest on each of the first four anniversaries of the vesting commencement date (May 30, 2015), subject to continued service with us through each applicable vesting date.

Executive Employment Arrangements

Offer Letters

Therese Tucker. On August 24, 2016, we entered into an employment agreement with Therese Tucker, our Chief Executive Officer. The employment agreement has an initial term of three years from January 1, 2016 and is expected to automatically renew on each year thereafter, unless we or Ms. Tucker provides the other party at least 30 days written notice. In the event of a “change in control” (as defined in Ms. Tucker’s agreement), the term will extend for an additional two years from the date of such change in control.

The employment agreement provides Ms. Tucker with an initial annual base salary of \$350,000 and an on-target bonus equal to 100% of her base salary, based upon achievement of performance objectives to be determined by our compensation committee.

Ms. Tucker’s employment agreement also provides that if her employment is terminated by us without “cause” (excluding by death or disability), we decide to not renew Ms. Tucker’s agreement, or

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Ms. Tucker resigns for “good reason” (as such terms are defined in Ms. Tucker’s agreement), Ms. Tucker will receive (i) a lump sum payment equal to 18 months of Ms. Tucker’s base salary then in effect; (ii) a lump sum payment equal to the premium costs for Ms. Tucker and her eligible dependents to continue health insurance coverage under COBRA for 18 months; and (iii) a lump sum amount equal to the prorated portion of Ms. Tucker’s annual bonus for the year of termination that would have been paid to Ms. Tucker had Ms. Tucker been employed by us for the entire fiscal year of termination, based on actual performance for the year (and assuming any individual performance goals would have been met at target levels) and (iv) a lump sum amount equal to the earned but unpaid bonus for the prior fiscal year, if any.

Ms. Tucker’s employment agreement also provides that if Ms. Tucker’s employment is terminated by us without “cause” (excluding by death or disability), we decide to not renew Ms. Tucker’s agreement, or Ms. Tucker resigns for “good reason” and such termination occurs in connection with, or within three months before or 24 months after a “change of control” (as such term is expected to be defined in Ms. Tucker’s agreement), Ms. Tucker will receive (i) a lump sum payment equal to 12 months of Ms. Tucker’s base salary then in effect, or, if greater, as in effect immediately prior to the change of control; (ii) a lump sum payment equal to the premium costs for Ms. Tucker and her eligible dependents to continue health insurance coverage under COBRA for 12 months; (iii) a lump sum amount equal to the earned but unpaid bonus for the prior fiscal year, if any; and (iv) 100% of the shares subject to Ms. Tucker’s outstanding Company equity awards will vest and, to the extent applicable, become exercisable.

Ms. Tucker’s employment agreement also provides that if her employment is terminated due to her death or disability, Ms. Tucker will receive (i) a lump sum amount equal to the earned but unpaid bonus for the prior fiscal year, if any and (ii) a lump sum amount equal to the Ms. Tucker’s target bonus, pro-rated to reflect time served in the year of termination.

Any receipt of severance benefits by Ms. Tucker will be contingent upon her execution and non-revocation of a separation agreement and release of claims against us. In the event any of the payments provided for under this agreement or otherwise payable to Ms. Tucker would constitute “parachute payments” within the meaning of Section 280G of the Code could be subject to the related excise tax under Section 4999 of the Code, she would be entitled to receive either full payment of benefits or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to her. This employment agreement does not require us to provide any tax gross-up payments.

Mark Partin. On December 25, 2014, we entered into an employment offer letter with Martin Partin, our Chief Financial Officer. This employment letter has no specific term and provides for at-will employment. This employment offer letter provides for an initial annual base salary, an initial annual on-target bonus opportunity, and a commitment to grant him an initial option to purchase shares of our common stock, the material terms of such option are described in the “2015 Outstanding Equity Awards At Year-End” table above. This employment letter also provides for vesting acceleration and severance benefits.

Prior to the completion of this offering, we intend to enter into a confirmatory employment letter with Mr. Partin. The confirmatory employment letter will have no specific term and will provide for at-will employment. The confirmatory employment letter will supersede Mr. Partin’s original employment offer letter. The vesting acceleration and severance benefits have been replaced by the Policy as described in the “Change of Control and Severance Policy” below. Mr. Partin’s current annual base salary is \$ _____ and Mr. Partin’s current annual on-target bonus is \$ _____.

Karole Morgan-Prager. On May 4, 2015, we entered into an employment offer letter with Karole Morgan-Prager, our Chief Legal Officer. This employment letter has no specific term and

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provides for at-will employment. This employment offer letter provides for an initial annual base salary, an initial annual on-target bonus opportunity, a signing bonus, relocation benefits, and a commitment to grant her an initial option to purchase shares of our common stock, the material terms of such option are described in the "2015 Outstanding Equity Awards At Year-End" table above. This employment letter also provides for vesting acceleration and severance benefits.

Prior to the completion of this offering, we intend to enter into a confirmatory employment letter with Ms. Morgan-Prager. The confirmatory employment letter will have no specific term and will provide for at-will employment. The confirmatory employment letter will supersede Ms. Morgan-Prager's original employment offer letter. The vesting acceleration and severance benefits have been replaced by the Policy as described in the "Change of Control and Severance Policy" below. Ms. Morgan-Prager's current annual base salary is \$ _____ and Ms. Morgan-Prager's current annual on-target bonus is \$ _____.

Change of Control and Severance Policy

Our compensation committee approved the following change of control and severance benefits for our executive officers and other key employees, other than Ms. Tucker, that are set forth in our Change of Control and Severance policy, or the Policy:

If we terminate an executive officer's employment other than for "cause," death or "disability" or such participant resigns for "good reason" during the period from the period beginning three months prior to a "change of control" (as such terms are defined in the Policy) and ending twelve months following a change of control (the "change of control period"), such executive officer will be eligible to receive the following severance benefits (less applicable tax withholdings):

- 100% of the executive officer's then-outstanding and unvested equity awards granted in connection with his or her hiring or promotion, as applicable, will become fully vested and exercisable and any applicable performance goals will be deemed achieved at 100% of target levels;
- A lump sum cash amount equal to six months of the executive officer's base salary in effect immediately prior to the termination (or if the termination is due to a resignation for good reason based on a material reduction in base salary, then the executive officer's annual base salary in effect immediately prior to such reduction) or the change of control, whichever is greater; and
- Payment or reimbursement of continued health coverage for the executive officer and the executive officer's eligible dependents under COBRA for a period of up to six months or a taxable lump sum payment in lieu of payment or reimbursement, as applicable.

To receive the severance benefits upon a qualifying termination, an executive officer must sign and not revoke our standard separation agreement and release of claims within the timeframe set forth in the Policy. If any of the payments provided for under the Policy or otherwise payable to an executive officer would constitute "parachute payments" within the meaning of Section 280G of the Code and would be subject to the related excise tax under Section 4999 of the Code, then the executive officer will be entitled to receive either full payment of benefits or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to him or her. The Policy does not require us to provide any tax gross-up payments to any executive officer.

Employee Benefit and Stock Plans

2016 Equity Incentive Plan

Our board of directors is expected to adopt, and we expect our stockholders will approve, our 2016 Equity Incentive Plan, or the 2016 Plan, prior to the completion of this offering. Subject to board of directors and stockholder approval, the 2016 Plan will be effective one business day prior to the effective date of the registration statement of which this prospectus forms a part and is not expected to be used until after the completion of this offering. Our 2016 Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any of our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

Authorized Shares. A total of _____ shares of our common stock will be reserved for issuance pursuant to the 2016 Plan, of which no awards are issued and outstanding. In addition, the shares reserved for issuance under our 2016 Plan will also include (a) those shares reserved but unissued under our 2014 Plan as of the effective date described above and (b) shares subject to options or similar awards granted under our 2014 Plan that, after the effectiveness of our 2016 Plan, expire or otherwise termination without having been exercised or issued in full and shares issued pursuant to awards granted under our 2016 Plan that, on or after the effectiveness our 2016 Plan, are forfeited to or repurchased by us (provided that the maximum number of shares that may be added to the 2016 Plan pursuant to (a) and (b) is _____ shares).

The number of shares available for issuance under the 2016 Plan will also include an annual increase on the first day of each fiscal year beginning in 2017, equal to the least of:

- _____ shares;
- _____ % of the outstanding shares of common stock as of the last day of our immediately preceding year; or
- such other amount as our board of directors may determine.

Plan Administration. Our compensation committee will administer our 2016 Plan. In the case of granting options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the committee will consist of two or more "outside directors" within the meaning of Section 162(m).

Subject to the provisions of our 2016 Plan, the administrator will have the power to determine the terms of the awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards and the form of consideration, if any, payable upon exercise. The administrator also will have the authority to amend existing awards to reduce their exercise price, to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator and to institute an exchange program by which outstanding awards may be surrendered in exchange for awards with a higher or lower exercise price.

Stock Options. The exercise price of options granted under our 2016 Plan must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. Subject to the provisions of our 2016 Plan, the administrator will determine the term of all other options. The

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administrator will determine the methods of payment of the exercise price of an option, which may include, to the extent permitted by applicable law, cash, shares, or other property acceptable to the administrator, as well as other types of consideration, subject to the provisions of our 2016 Plan.

After the termination of service of an employee, director or consultant, he or she may exercise his or her option or stock appreciation right for the period of time stated in his or her award agreement. Generally, if termination is due to death or disability, the option or stock appreciation right will remain exercisable for 12 months. In all other cases, the option or stock appreciation right will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term.

Stock Appreciation Rights. Stock appreciation rights may be granted under our 2016 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. Subject to the provisions of our 2016 Plan, the administrator will determine the terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of our common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

Restricted Stock. Restricted stock may be granted under our 2016 Plan. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted and may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us). The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units. Restricted stock units may be granted under our 2016 Plan. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one share of our common stock. The administrator will determine the terms and conditions of restricted stock units, including the number of units granted, the vesting criteria (which may include accomplishing specified performance criteria or continued service to us), and the form and timing of payment. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed.

Performance Units and Performance Shares. Performance units and performance shares may be granted under our 2016 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares. The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares, or in some combination thereof.

Non-Employee Directors. Our 2016 Plan will provide that all non-employee directors will be eligible to receive all types of awards (except for incentive stock options) under the 2016 Plan. In order to provide a maximum limit on the awards that can be made to our non-employee directors, our 2016

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Plan will provide that in any given year, a non-employee director will not be granted awards under our 2016 Plan having a grant-date fair value greater than \$ _____, but that in the fiscal year that an outside director first joins our board of directors, he or she may be granted an award under our 2016 Plan with a grant-date fair value of up to \$ _____. The grant-date fair values will be determined according to GAAP. The maximum limits do not reflect the intended size of any potential grants or a commitment to make grants to our non-employee directors under our 2016 Plan in the future. See the section of this prospectus captioned "Management—Non-Employee Director Compensation."

Non-Transferability of Awards. Unless the administrator provides otherwise, our 2016 Plan generally will not allow for the transfer of awards, and only the recipient of an award may exercise an award during his or her lifetime.

Certain Adjustments. In the event of certain changes in our capitalization as set forth in our 2016 Plan, to prevent diminution or enlargement of the benefits or potential benefits available under our 2016 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2016 Plan and/or the number, class and price of shares covered by each outstanding award, and the numerical share limits set forth in our 2016 Plan.

Dissolution or Liquidation. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or Change in Control. Our 2016 Plan provides that in the event of a merger or change in control, as defined under our 2016 Plan, each outstanding award will be treated as the administrator determines. With respect to awards granted to an outside director that are continued under the terms of our 2016 Plan, if the service of that outside director is terminated on or following a change in control, other than pursuant to a voluntary resignation, his or her stock options, RSUs, and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock will lapse and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels, and all other terms and conditions met.

Forfeiture and clawback. All awards granted under our 2016 Plan will be subject to recoupment under any clawback policy that we are required to adopt under applicable law. In addition, the administrator may provide in an award agreement that the recipient's rights, payments, and benefits with respect to such award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events. In the event of any accounting restatement, the recipient of an award will be required to repay a portion of the proceeds received in connection with the settlement of an award earned or accrued under certain circumstances.

Amendment; Termination. The administrator will have the authority to amend, suspend, or terminate our 2016 Plan provided such action does not materially impair the existing rights of any participant, subject to certain exceptions in accordance with the terms of our 2016 Plan. Our 2016 Plan will automatically terminate in 2026, unless we terminate it sooner.

2014 Equity Incentive Plan

Our board of directors adopted and our stockholders approved our 2014 Plan, in March 2014, which was most recently amended in December 2015. Our 2014 Plan permits the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any of our parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, and restricted stock units to our employees, directors, and

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consultants and our parent and subsidiary corporations' employees and consultants. As of the effectiveness of our 2016 Plan, the 2014 Plan will terminate and we will not grant any additional awards under the 2014 Plan. However, the 2014 Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

Authorized Shares. The maximum aggregate number of shares issuable under the 2014 Plan was 37,007,310 shares of our common stock. As of June 30, 2016, options to purchase 29,570,809 shares of our common stock were outstanding under our 2014 Plan.

Plan Administration. The 2014 Plan is administered by our board of directors or a committee or committees appointed by our board of directors (referred to as the "administrator").

Subject to the provisions of the 2014 Plan, the administrator has the power to: (i) construe and interpret the 2014 Plan and the awards granted thereunder and to establish, amend, and revoke rules and regulations for administration of the 2014 Plan, (ii) settle all controversies regarding the 2014 Plan and awards granted thereunder, (iii) accelerate the time at which an award first vests or may be exercised, (iv) amend the 2014 Plan in any respect the administrator deems necessary or advisable, (v) exercise such powers and perform such acts as the administrator deems necessary or expedient to promote our best interests, and (vi) to effect, with the consent of any adversely affected participant, (a) the reduction of the exercise price of any outstanding option, (b) the cancellation of any outstanding option in substitution therefor of another equity award under another of our equity plans, cash, or other valuable consideration, or (c) any other action that is treated as a repricing under generally accepted accounting principles.

Stock Options. The administrator had the power to grant incentive and nonstatutory stock options under our 2014 Plan. The term of an option could not exceed ten years from the date of grant or such shorter term indicated in the stock option award agreement. The exercise price per share of stock options granted under the 2014 Plan had to equal at least 100% of the fair market value per share of our common stock on the date of grant, provided that an option could have been granted with an exercise price lower than 100% of the fair market value per share of our common stock on the date of grant if such option was granted pursuant to an assumption or substitution of another option pursuant to a change in control and in a manner compliant with applicable law.

Except as otherwise provided in the stock award agreement, in the event a participant's service terminates (other than for cause or the participant's death or disability), the participant may exercise his or her option, to the extent vested as of the date of such termination, for 60 days following the date of termination (or such longer or shorter period of time, as provided in the stock award agreement, provided that this period may not be less than 30 days). Generally, if termination is due to participant's disability or death (or, if specified in the stock option agreement, participant dies following termination and during a period of time set forth in the stock option agreement), the option will remain exercisable, to the extent vested as of the date of such termination, for 6 months or such longer period of time as specified in the option agreement.

Unless otherwise provided in the stock option agreement, if the exercise of an option following the termination of a participant's service (other than due to participant's death or disability) would be prohibited solely because the issuance of shares would violate the registration requirements under the Securities Act of 1933, as amended, then the participant may exercise his or her option for three months after the termination of participant's service during which the exercise of such option would not be in violation of such registration requirements. Further, unless otherwise provided in an option agreement, if the sale of shares received upon exercise of an option following the termination of a participant's service would violate our insider trading policy, then the option will terminate on the expiration of a period equal to the applicable post-termination exercise period after the termination of

the participant's service during which the exercise of the option would not be in violation of our insider trading policy. However, in no event may an option be exercised later than the expiration of its term.

If a participant's service terminates for cause, then, except as explicitly provided otherwise in the applicable option agreement or other agreement between us and the participant, the option will terminate upon the termination date of such service and the participant will be prohibited from exercising his or her option from and after the time of such termination of service.

Transferability of Awards. Our 2014 Plan generally provides that awards granted thereunder are not transferable except by will or the laws of descent and distribution and may be exercised by the award recipient during the award recipient's lifetime.

Certain Adjustments. In the event of certain changes in our capitalization, our board of directors will appropriately and proportionally adjust the classes and number of securities and price per share of shares subject to outstanding awards. In the event of our proposed dissolution or liquidation, all unvested awards will terminate immediately prior to the completion of such transaction.

Change in Control. Our 2014 Plan provides that in the event of a change in control (as defined in the 2014 Plan), unless otherwise provided in an individual award agreement, our board of directors may take one or more of the following actions: (i) arrange for the surviving or acquiring entity to assume, continue, or substitute for the award; (ii) accelerate the vesting, in whole or part, of the award, with such award terminating if not exercised prior to the effective time of the change in control; (iii) cancel the award in exchange for such cash consideration, if any, as our board may consider appropriate; or (iv) make a payment, in such form as may be determined by our board of directors, equal to the excess, if any, of (a) the value of the property the holder of the award would have received upon the exercise of the award over (b) any exercise price payable by such holder in connection with such exercise. The administrator is not obligated to treat all awards similarly in the transaction.

Amendment or Termination. Our board of directors may amend the 2014 Plan at any time. As noted above, in connection with this offering, the 2014 Plan will terminate and no further awards will be granted thereunder. All outstanding options will continue to be governed by their existing terms.

Employee Incentive Compensation Plan

Our compensation committee adopted an Employee Incentive Compensation Plan, which we refer to as our Bonus Plan. Our Bonus Plan will allow our compensation committee (or other such committee as determined by our board of directors) to provide cash incentive awards to selected employees of our company or our affiliates, including our named executive officers, based upon performance goals established by our compensation committee. Pursuant to the Bonus Plan, our compensation committee, in its sole discretion, will establish a target award for each participant and a bonus pool, with actual awards payable from such bonus pool, with respect to the applicable performance period.

Under the Bonus Plan, our compensation committee, in its sole discretion, will determine the performance goals applicable to awards, which goals may include, without limitation: annualized recurring revenue, attainment of research and development milestones, bookings, business divestitures and acquisitions, cash flow, cash position, contract awards or backlog, customer renewals, customer retention rates, earnings (which may include earnings before interest and taxes, earnings before taxes, and net taxes), earnings per share, expenses, free cash flow, gross margin, growth in stockholder value relative to the moving average of the S&P 500 Index or another index, internal rate of return, market share, net income, net profit, net sales, new product development, new product invention or innovation, number of customers, operating cash flow, operating expenses, operating

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income, operating margin, overhead or other expense reduction, product defect measures, product release timelines, productivity, profit, retained earnings, return on assets, return on capital, return on equity, return on investment, return on sales, revenue, revenue growth, sales results, sales growth, stock price, time to market, total stockholder return, working capital and individual objectives such as peer reviews or other subjective or objective criteria. As determined by our compensation committee, performance goals that include our financial results may be determined in accordance with GAAP, or such financial results may consist of non-GAAP financial measures and any actual results may be adjusted by our compensation committee for one-time items or unbudgeted or unexpected items and/or payments when determining whether the performance goals have been met. The goals may be on the basis of any factors our compensation committee determines relevant, and may be on an individual, divisional, business unit or company-wide basis. The performance goals may differ from participant to participant and from award to award.

Our compensation committee may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, in our compensation committee's discretion. Our compensation committee may determine the amount of any reduction on the basis of such factors as it deems relevant, and it will not be required to establish any allocation or weighting with respect to the factors it considers.

Actual awards will be paid in cash (or its equivalent) in a single lump sum as soon as practicable after the end of the performance period during which they are earned and after they are approved by our compensation committee, but in no event later than the 15th day of the third month of the calendar year following the date the award has been earned. Unless otherwise determined by our compensation committee, to earn an actual award, a participant must be employed by us (or an affiliate of ours) through the date the bonus is paid.

Our board of directors and/or our compensation committee, in their sole discretion, may alter, suspend or terminate the Bonus Plan, provided such action does not, without the consent of the participant, alter or impair the rights or obligations under any award theretofore earned by such participant.

401(k) Plan

We maintain a tax-qualified retirement plan, or the 401(k) plan, that provides eligible employees with an opportunity to save for retirement on a tax-advantaged basis. Eligible employees are able to participate in the 401(k) plan as of the first day of the month following the date they meet the 401(k) plan's eligibility requirements, and participants are able to defer up to 100% of their eligible compensation subject to applicable annual Code limits. All participants' interests in their deferrals are 100% vested when contributed. The 401(k) plan permits us to make matching contributions and profit sharing contributions to eligible participants. In 2015, we paid discretionary matching contributions that vest over a 3-year period.

Limitation of Liability and Indemnification Matters

Our amended and restated certificate of incorporation and amended and restated bylaws, each to be effective upon the completion of this offering, will contain provisions that limit the liability of our directors for monetary damages and that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;

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- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our amended and restated certificate of incorporation does not eliminate a director's duty of care and in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our amended and restated bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we plan to enter into indemnification agreements with each of our current directors, officers, and certain employees before the completion of this offering. These agreements will provide indemnification for certain expenses and liabilities incurred in connection with any action, suit, proceeding, or alternative dispute resolution mechanism, or hearing, inquiry, or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that they are or were a director, officer, employee, agent, or fiduciary of our company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, employee, agent, or fiduciary, or by reason of the fact that they were serving at our request as a director, officer, employee, agent, or fiduciary of another entity. In the case of an action or proceeding by, or in the right of, our company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain 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 directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as we may provide indemnification for liabilities arising under the Securities Act to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have 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. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a summary of transactions since January 1, 2012 to which we have been a participant in which the amount involved exceeded or will exceed \$120,000, and in which any of our then directors, executive officers or holders of more than 5% of any class of our common stock at the time of such transaction, or any members of their immediate family, had or will have a direct or indirect material interest.

Transactions in Connection with the Offering

In connection with the consummation of this offering, we will enter into the following agreements:

Stockholders' Agreement

Prior to the consummation of this offering, we will enter into a Stockholders' Agreement with our Principal Stockholders, or the Stockholders' Agreement. The Stockholders' Agreement will contain specific rights, obligations and agreements of these parties as owners of our common stock. In addition, the Stockholders' Agreement will contain provisions related to the composition of our board of directors and its committees, which are discussed under "Management—Board Composition" and "Management—Board Committees."

Voting Agreement. Under the Stockholders' Agreement, our Principal Stockholders will agree to take all necessary action, including casting all votes to which such existing owners are entitled to cast at any annual or special meeting of stockholders, so as to ensure that the composition of our board of directors and its committees complies with (and includes all of the nominees in accordance with) the provisions of the Stockholders' Agreement related to the composition of our board of directors and its committees, which are discussed under "Management—Board Composition" and "Management—Board Committees."

Silver Lake Approvals. Under the Stockholders' Agreement and subject to our certificate of incorporation and bylaws, as amended and restated in connection with this offering, and applicable law, for so long as the Principal Stockholders collectively beneficially own a number of shares equal to 40% of the total number of shares of our common stock outstanding after completion of this offering, as adjusted for any reorganization, recapitalization, stock dividend, stock split, reverse stock split or similar changes in the Company's capitalization, the following actions will require the approval of our Board, including the affirmative vote of at least two Silver Lake Directors:

- any voluntary liquidation, winding up or dissolution or any action relating to a voluntary bankruptcy, reorganization or recapitalization of the Company or its subsidiaries;
- certain dispositions of assets with a value in excess of \$50 million or entry into joint ventures requiring a capital contribution in excess of \$50 million, in each case, by the Company or its subsidiaries;
- fundamental changes in the Company's or its subsidiaries' existing lines of business or the entry into a new significant line of business;
- any amendments to the Company's amended and restated certificate of incorporation and amended and restated bylaws;
- incurrence of indebtedness in excess of \$150 million;
- appointment or termination of the Chief Executive Officer; and
- change of control transactions.

Transfer Restrictions. Under the Stockholders' Agreement, each of Iconiq, Ms. Tucker and Mr. Spanicciati will agree, subject to certain limited exceptions, not to transfer, sell, exchange, assign, pledge, hypothecate, convey or otherwise dispose of or encumber any shares of our common stock

without the consent of Silver Lake until the earlier of (i) two years following the completion of this offering and (ii) Silver Lake's reduction of its holdings of common stock following this offering by 50%; provided, however, that Ms. Tucker and Mr. Spanicciati will each have the right to sell a number of shares equal to up to 1% of the total outstanding shares of our common stock annually pursuant to Rule 144 of the Securities Act.

Drag Along Right. For so long as Silver Lake holds greater than 10% of our common stock then outstanding, if Silver Lake approves a change of control transaction, each of Iconiq, Ms. Tucker and Mr. Spanicciati will be required to vote in favor of and not oppose such transaction and, if structured as a sale of shares, sell its shares to a prospective buyer on the same terms that are applicable to Silver Lake.

Registration Rights Agreement

Prior to the consummation of this offering, we will enter into a registration rights agreement with the Principal Stockholders pursuant to which such holders will be entitled to rights with respect to the registration of their shares under the Securities Act. We will pay the registration expenses (other than underwriting discounts and commissions and stock transfer taxes) of the holders of the shares registered pursuant to the registrations described below.

At the completion of this offering, Silver Lake will be entitled to certain S-1 and S-3 registration rights on one or more occasions. Beginning one year following the completion of this offering, Iconiq will be entitled to certain S-3 registration rights on one or more occasions. Beginning two years following the completion of this offering, Ms. Tucker and Mr. Spanicciati will also be entitled to certain S-3 registration rights on one or more occasions. In addition, if we or a Principal Stockholder proposes to register the offer and sale of our capital stock under the Securities Act, the other Principal Stockholders will be entitled to certain "piggyback" registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations set forth in the registration rights agreement.

The registration rights described above apply to (i) shares of our common stock held by our Principal Stockholders and their respective affiliates, and (ii) any of our capital stock (or that of our subsidiaries) issued or issuable with respect to the common stock described in clause (i) with respect to any dividend, distribution, recapitalization, reorganization, or certain other corporate transactions ("Registrable Securities"). These registration rights are also for the benefit of any subsequent holder of Registrable Securities; provided that any particular securities will cease to be Registrable Securities when they have been sold in a registered public offering, sold in compliance with Rule 144 of the Securities Act or repurchased by us or our subsidiaries. In addition, with the consent of the company and holders of a majority of Registrable Securities, any Registrable Securities held by a person other than Silver Lake and its affiliates will cease to be Registrable Securities if they can be sold without limitation under Rule 144 of the Securities Act.

Acquisition of BlackLine Systems, Inc.

On September 3, 2013, we acquired BlackLine Systems, Inc. and our Investors obtained a controlling interest in us. In connection with the Acquisition, we issued and sold an aggregate of 141,325,000 shares of our common stock to our Investors at \$1.00 per share, for aggregate gross cash proceeds of \$141,325,000. We sold an additional 2,225,000 shares to two investors at \$1.00 per share, for aggregate gross cash proceeds of \$2,225,000 and issued an aggregate of 56,450,000 shares of our common stock to sixteen stockholders in exchange for all the issued and outstanding shares of BlackLine Systems, Inc.

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Additionally, in connection with the consummation of the Acquisition, we entered into a number of agreements that are described below. With respect to a number of the agreements, the approximate dollar value of the related person's interest in the particular agreement is not determinable. The agreements are described below because they are part of a series of transactions entered into between us and our Investors and our founders and their respective affiliates. In connection with the consummation of our acquisition by our Investors, we entered into the following agreements:

Stockholders Agreement

On September 3, 2013, we entered into a stockholders agreement with certain holders of our common stock, including our Principal Stockholders. The stockholders agreement contains certain nomination rights to designate candidates for nomination to our board of directors, to appoint members to each board committee and requires that the Company obtain the consent of Silver Lake before taking certain actions. The stockholders agreement also contains agreements among the parties, including transfer restrictions, tag-along rights, drag-along rights and rights of first refusal. This agreement will terminate upon completion of this offering.

Registration Rights Agreement

On September 3, 2013, we entered into a registration rights agreement with certain holders of our common stock, including our Principal Stockholders, which will be terminated in connection with the completion of this offering. Pursuant to the registration rights agreement we have agreed to register the sale of these shares of our common stock under certain circumstances.

Merger Agreement

On September 3, 2013, we entered into a merger agreement with certain holders of our common stock, including our Principal Stockholders. Pursuant to the terms of the merger agreement, our optionholders were allowed to cancel their stock option rights and receive a cash payment equal to the amount of calculated gain (less applicable expense and other items) had they exercised their stock options and then sold their common shares as part of the Acquisition. As a condition of the Acquisition, we are required to pay additional cash consideration to certain equity holders, including Ms. Tucker, Mr. Spanicciati and Mr. Unterman, if we realize a tax benefit from the use of net operating losses generated from the stock option exercises concurrent with the Acquisition. This agreement will survive after the completion of this offering. The maximum contingent cash consideration to be distributed is \$8.0 million.

Contribution and Exchange Agreements

In connection with the Acquisition, we entered into Contribution and Exchange Agreements pursuant to which we issued shares of our common stock in exchange for all of the issued and outstanding shares of common stock of BlackLine Systems, Inc., which shares were cancelled as of September 3, 2013.

Restrictive Covenant Agreements

On August 8, 2013, we entered into a restrictive covenant agreement with Ms. Tucker, and on August 9, 2013, we entered into a restrictive covenant agreement with Mr. Spanicciati, pursuant to which each of Ms. Tucker and Mr. Spanicciati agreed to refrain from engaging or having any interest in any business or person that competes with our business or soliciting any of our service providers to terminate or reduce their relationship with us. Each of the restrictive covenant agreements will expire in September 2018.

Notes with Related Parties

Thomas Unterman Loans

On October 16, 2012, we entered into a promissory note with Mr. Unterman in the principal amount of \$150,000, having a five year term and bearing an interest rate of 2.28% per annum. On January 21, 2013, we entered into a promissory note with Mr. Unterman in the principal amount of \$50,000, having a five year term and bearing interest of 2.29% per annum. On April 3, 2013, we entered into a promissory note with Mr. Unterman in the principal amount of \$232,500 having a five year term and bearing an interest rate of 2.29% per annum. Mr. Unterman executed these notes in connection with the exercise of his stock options. The outstanding principal and interest on each of the notes was settled in full upon consummation of the Acquisition.

Mario Spanicciati Loan

On June 12, 2012, we entered into a promissory note with Mr. Spanicciati in the principal amount of \$50,000, having a five year term and bearing an interest rate of 2.64% per annum. Mr. Spanicciati executed this note in connection with the exercise of his stock options. The outstanding principal and interest on the note was fully paid upon consummation of the Acquisition.

Therese Tucker Promissory Note

On May 17, 2004, we entered into a promissory note in favor of Ms. Tucker in the principal amount of \$1.0 million and bearing an interest rate per annum of 1% over the prime rate. We repaid the outstanding principal and related interest on this note on September 3, 2013 in connection with the Acquisition.

Silver Lake Unsecured Subordinated Promissory Notes

On September 3, 2013 we entered into convertible subordinated promissory notes with Silver Lake for an aggregate principal amount of \$20,000,000 and bearing an interest rate of 0.25%. We repaid the outstanding principal and related interest on these notes in September 2013.

Stock Subscription Agreement

On October 21, 2014, we entered into a stock subscription agreement with Iconiq pursuant to which we issued 1,785,714 shares of our common stock to Iconiq at \$2.80 per share, for aggregate gross cash proceeds of \$5,000,000.

Employment Arrangement

Isaac Tucker, who is the son of Therese Tucker, our Chief Executive Officer, has been employed by us since 2006 and currently serves as Vice President of Product Management. His 2013, 2014 and 2015 total compensation, which is comprised of a base salary, bonus, equity and commissions, as applicable, was \$190,916, \$424,436, and \$282,920, respectively, and was in line with similar roles at the company.

Legal Services Reimbursement

As of December 31, 2015, we accrued for costs of third party legal services incurred on behalf of Silver Lake, Iconiq and Mr. Spanicciati relating to our proposed initial public offering and other corporate related matters. Total amounts accrued at December 31, 2015 were \$161,000, of which \$84,000 were expensed during 2015 and \$77,000 were included in other assets as deferred offering costs.

Indemnification of Officers and Directors

See “Executive Compensation—Limitation of Liability and Indemnification Matters.”

Certain Relationships

From time to time, we do business with other companies affiliated with our Investors. We believe that all such arrangements have been entered into in the ordinary course of business and have been conducted on an arms-length basis.

Policies and Procedures for Related Party Transactions

Our amended and restated audit committee charter will be effective when we complete this offering. The charter states that our audit committee is responsible for reviewing and approving in advance any related party transaction. All of our directors, officers and employees are required to report to the audit committee prior to entering into any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we are to be a participant, the amount involved exceeds \$120,000 and a related person had or will have a direct or indirect material interest, including purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees or indebtedness and employment by us of a related person. Our full board of directors has reviewed and approved our related party transactions.

We believe that we have executed all the transactions described above on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and Principal Stockholders and their affiliates, are approved by the audit committee of our board of directors, and are on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of June 30, 2016, and as adjusted to reflect the shares of common stock to be issued and sold in the offering assuming no exercise of the underwriters' option to purchase additional shares from us in the offering, by:

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

Applicable percentage ownership is based on 203,655,411 shares of our common stock outstanding at June 30, 2016. Shares of common stock subject to options currently exercisable or exercisable within 60 days of June 30, 2016 are deemed to be outstanding and beneficially owned by the person holding the options for the purpose of computing the percentage of beneficial ownership of that person and any group of which that person is a member, but are not deemed outstanding for the purpose of computing the percentage of beneficial ownership for any other person.

Unless otherwise indicated in the footnotes below, each stockholder named in the following table possesses sole voting and investment power over the shares listed. The information does not necessarily indicate beneficial ownership for any other purpose. Unless otherwise noted below, the address of each person listed on the table is c/o BlackLine, Inc., 21300 Victory Boulevard, 12th Floor, Woodland Hills, CA 91367.

| <u>Name and Address of Beneficial Owner</u> | <u>Shares Beneficially Owned Prior to the Offering</u> | | <u>Shares Beneficially Owned After the Offering</u> | |
|--|--|-------------------|---|-------------------|
| | <u>Shares</u> | <u>Percentage</u> | <u>Shares</u> | <u>Percentage</u> |
| 5% Stockholders: | | | | |
| Funds affiliated with Silver Lake(1) | 95,967,857 | 47.1% | | |
| Funds affiliated with ICONIQ(2) | 47,142,857 | 23.1% | | |
| Named Executive Officers and Directors: | | | | |
| Jason Babcoke(3) | — | — | | |
| John Brennan(4) | — | — | | |
| William Griffith(5) | — | — | | |
| Hollie Haynes(6) | — | — | | |
| Karole Morgan-Prager(7) | 250,000 | * | | |
| Chris Murphy(8) | 1,250,000 | * | | |
| Mark Partin(9) | 700,221 | * | | |
| Graham Smith(10) | 125,000 | * | | |
| Mario Spanicciati | 22,125,000 | 10.9% | | |
| Therese Tucker | 31,860,000 | 15.6% | | |
| Thomas Unterman(11) | 750,000 | * | | |
| All Directors and Executive Officers as a Group (11 Persons) | 57,060,221 | 27.7% | | |

(*) Represents beneficial ownership of less than 1%.

(1) Includes 95,118,445 shares held by Silver Lake Sumeru Fund, L.P. ("SLS"), a Delaware limited partnership, and 849,412 shares held by Silver Lake Technology Investors Sumeru, L.P. ("SLTI"), a Delaware limited partnership (collectively, the "Silver Lake Shares"). Silver Lake Technology

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Associates Sumeru, L.P. (the "Lower GP"), a Delaware limited partnership, is the general partner of each of SLS and SLTI. SLTA Sumeru (GP), L.L.C. (the "Upper GP"), a Delaware limited liability company, is the general partner of the Lower GP. Silver Lake Group, L.L.C. ("SLG"), a Delaware limited liability company, is the managing member of the Upper GP. The managing members of SLG are Michael Bingle, James Davidson, Egon Durban, Kenneth Hao and Greg Mondre (collectively, the "Managing Members"). The address for Messrs. Bingle and Mondre is c/o Silver Lake, 9 West 57th Street, 32nd Floor, New York, NY 10019. The address for Messrs. Davidson, Durban and Hao, SLS, SLTI, the Lower GP, the Upper GP and SLG is c/o Silver Lake, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.

- (2) Includes 28,537,626 shares held by ICONIQ Strategic Partners, L.P. ("ICONIQ"), 7,162,374 shares held by ICONIQ Strategic Partners-B, L.P. ("ICONIQ B"), 10,000,000 shares held by ICONIQ Strategic Partners Co-Invest, L.P., BL Series ("ICONIQ BL") and 1,442,857 shares held by ICONIQ Strategic Partners Co-Invest, L.P., BL 2 Series ("ICONIQ BL2") (collectively, the "ICONIQ Shares"). Iconiq Strategic Partners GP, L.P. (the "ICONIQ GP"), is the general partner of each of ICONIQ, ICONIQ B, ICONIQ BL and ICONIQ BL2. ICONIQ Strategic Partners TT GP, Ltd. (the "ICONIQ Parent GP") is the general partner of the ICONIQ GP. Divesh Makan and William Griffith (collectively, the "Managing Holders") are the sole equity holders and directors of the ICONIQ Parent GP. The addresses of each of the entities and individuals listed in this footnote are c/o ICONIQ Strategic Partners, 394 Pacific Avenue, 2nd Floor, San Francisco, CA 94111.
- (3) Mr. Babcoke, who is one of our directors, is a Principal of Silver Lake. Mr. Babcoke has no voting or investment power over the Silver Lake Shares. The address for Mr. Babcoke is c/o Silver Lake Sumeru, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.
- (4) Mr. Brennan, who is one of our directors, is a Managing Director of Silver Lake. Mr. Brennan has no voting or investment power over the Silver Lake Shares. The address for Mr. Brennan is c/o Silver Lake Sumeru, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.
- (5) Mr. Griffith, who is one of our directors, is an equity holder and director of ICONIQ Parent GP. Mr. Griffith has voting and investment power over the ICONIQ Shares as described above in note 2. The address for Mr. Griffith is c/o ICONIQ Strategic Partners, 394 Pacific Avenue, 2nd Floor, San Francisco, CA 94111.
- (6) Ms. Haynes, who is one of our directors, is a Managing Director of Silver Lake. Ms. Haynes has no voting or investment power over the Silver Lake Shares. The address for Ms. Haynes is c/o Silver Lake Sumeru, 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025.
- (7) Includes 250,000 shares of common stock issuable upon the exercise of outstanding stock options exercisable within 60 days of June 30, 2016.
- (8) Includes 1,250,000 shares of common stock issuable upon the exercise of outstanding stock options exercisable within 60 days of June 30, 2016.
- (9) Includes 700,221 shares of common stock issuable upon the exercise of outstanding stock options exercisable within 60 days of June 30, 2016.
- (10) Includes 125,000 shares of common stock issuable upon the exercise of outstanding stock options exercisable within 60 days of June 30, 2016.
- (11) Includes 500,000 shares of common stock held by ETU Rustic Canyon Trust of which Mr. Unterman is the trustee and includes 250,000 shares of common stock issuable upon the exercise of outstanding stock options exercisable within 60 days of June 30, 2016.

DESCRIPTION OF CAPITAL STOCK

The following description summarizes the material terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of our capital stock, you should refer to our amended and restated certificate of incorporation and our amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the provisions of applicable Delaware law.

Immediately following the closing of this offering, our authorized capital stock will consist of _____ shares of common stock, \$0.01 par value. As of June 30, 2016, there were 203,655,411 shares of our common stock issued and outstanding held of record by 84 stockholders.

Common Stock

Voting Rights

Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Under our amended and restated certificate of incorporation and bylaws, our stockholders will not have cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose.

Dividends

Holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the board of directors out of legally available funds.

Liquidation

In the event of our liquidation, dissolution or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities.

Rights and Preferences

Holders of shares of common stock have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences and privileges of the holders of shares of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that we may designate in the future.

Preferred Stock

No shares of our preferred stock are currently outstanding. Under our amended and restated certificate of incorporation, our board of directors, without further action by our stockholders, is authorized to issue shares of preferred stock in one or more classes or series. The board may fix or alter the rights, preferences and privileges of the preferred stock, along with any limitations or restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of each class or series of preferred stock. The preferred stock could have voting or conversion rights that could adversely affect the voting power or other rights of holders of our common stock. The issuance of preferred stock could also have the effect, under certain circumstances, of delaying, deferring or preventing a change of control of our company. We currently have no plans to issue any shares of preferred stock.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Our amended and restated certificate of incorporation and our amended and restated bylaws will contain certain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate more favorable terms with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us.

Classified Board

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes of directors, with the classes as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our board will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our board. Our amended and restated certificate of incorporation will also provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed exclusively pursuant to a resolution adopted by our board. Upon completion of this offering, we expect that our board of directors will have eight members.

Stockholder Action by Written Consent

Our amended and restated certificate of incorporation will preclude stockholder action by written consent at any time when the Principal Stockholders beneficially own, in the aggregate, less than 35% of the total number of shares of our common stock then outstanding.

Special Meetings of Stockholders

Our amended and restated certificate of incorporation will provide that, except as required by law, special meetings of our stockholders may be called at any time only by or at the direction of our board or the chairman of our board; provided, however, at any time when the Principal Stockholders beneficially own, in the aggregate, at least 35% of the total number of shares of our common stock then outstanding, special meetings of our stockholders will also be called by our board or the chairman of our board at the request of Silver Lake or Ms. Tucker. Our amended and restated bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the company.

Advance Notice Procedures

Our amended and restated bylaws will establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board; provided, however, such advance notice procedures will not apply to a Principal Stockholder at any time when such Principal Stockholder beneficially owns at least 10% of the total number of shares of our common stock then outstanding. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the amended and restated bylaws will not give our board the power to approve or disapprove stockholder nominations of candidates or proposals regarding other

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business to be conducted at a special or annual meeting, the bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the company. These provisions do not apply to nominations by Silver Lake pursuant to the Stockholders Agreement.

Removal of Directors; Vacancies

Our amended and restated certificate of incorporation will provide that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, at any time when the Principal Stockholders beneficially own, in the aggregate, less than 40% of the voting power of our stock entitled to vote generally in the election of directors, directors may only be removed for cause, and only by the affirmative vote of holders of at least 66 2/3% in voting power of our stock entitled to vote thereon, voting together as a single class. In connection with votes for removal, the parties to the Stockholders' Agreement will agree to vote their shares in accordance with the board composition requirements in such agreement and the wishes of the party which designated a director regarding removal of such director. Any newly created directorships that result in a vacancy on the board will be filled by Silver Lake if Silver Lake is entitled to fill the vacancy pursuant to the Stockholders' Agreement. In the event that Silver Lake is not entitled to, or chooses not to, fill the vacancy, then such vacancy may only be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by the stockholders). In addition, in the event that Ms. Tucker or Mr. Spanicciati ceases to be employed by the company for any reason and she or he beneficially owns less than 5% of the total number of shares of our common stock outstanding, (i) she or he will be required to immediately tender her or his resignation from the Board effective only upon acceptance by the Board and (ii) the Board may, in its sole discretion, accept or reject such resignation. If the Board rejects the resignation, Ms. Tucker or Mr. Spanicciati, as applicable, will continue to have the right to be designated for membership on the Board; provided that the Board will have the right, by unanimous vote of the other directors (excluding both Ms. Tucker and Mr. Spanicciati), to require such director's resignation from the Board if the Board determines such resignation would be in the best interests of the company, regardless of the number of shares of common stock held by Ms. Tucker or Mr. Spanicciati.

Supermajority Approval Requirements

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board is expressly authorized to make, alter, amend and rescind, in whole or in part, our bylaws without a stockholder vote in any matter not inconsistent with the laws of the State of Delaware and our certificate of incorporation. For as long as the Principal Stockholders beneficially own, in the aggregate, at least 40% in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our amended and restated bylaws by our stockholders will require the affirmative vote of 60% of the voting power of all the then outstanding shares of our stock entitled to vote thereon, voting together as a single class. At any time when the Principal Stockholders beneficially own, in the aggregate, less than 40% in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission or repeal of our amended and restated bylaws by our stockholders will require the affirmative vote of the holders of at least 75% voting power of all the then outstanding shares of our stock entitled to vote thereon, voting together as a single class.

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The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

Our certificate of incorporation will provide that (i) at any time when the Principal Stockholders collectively beneficially own, in the aggregate, at least 40% in voting power of our stock entitled to vote generally in the election of directors, the amended and restated certificate of incorporation may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least 60% of the voting power of our stock entitled to vote thereon, voting together as a single class, and (ii) at any time when the Principal Stockholders beneficially own, in the aggregate, less than 40% in voting power of our stock entitled to vote generally in the election of directors, the following provisions in our amended and restated certificate of incorporation may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least 75% of the voting power of all the then outstanding shares of our stock entitled to vote thereon, voting together as a single class:

- the provisions providing for a classified board of directors (the election and term of our directors);
- the provisions regarding resignation and removal of directors;
- the provisions regarding competition and corporate opportunity;
- the provisions regarding entering into business combinations with interested stockholders;
- the provisions regarding stockholder action by written consent;
- the provisions regarding calling special meetings of stockholders;
- the provisions regarding filling vacancies on our board and newly created directorships;
- the provisions eliminating monetary damages for breaches of fiduciary duty by a director; and
- the amendment provision requiring that the above provisions be amended only with a 75% supermajority vote.

The combination of the classification of our board, the lack of cumulative voting and the supermajority voting requirements will make it more difficult for our existing stockholders to replace our board as well as for another party to obtain control of us by replacing our board. Because our board has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval, subject to stock exchange rules. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. One of the effects of the existence of authorized but unissued common stock or preferred stock may be to enable our board to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Business Combinations

Upon completion of this offering, we will not be subject to the provisions of Section 203 of the DGCL. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that the person becomes an interested stockholder, unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. An "interested stockholder" is a

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person who, together with affiliates and associates, owns, or did own within three years prior to the determination of interested stockholder status, 15% or more of the corporation's voting stock.

Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions: (1) before the stockholder became an interested stockholder, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (2) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances; or (3) at or after the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares.

We have opted out of Section 203; however, our amended and restated certificate of incorporation will contain similar provisions providing that we may not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board and by the affirmative vote of holders of at least 66 2/3% of our outstanding voting stock that is not owned by the interested stockholder.

Under certain circumstances, this provision will make it more difficult for a person who would be an "interested stockholder" to effect various business combinations with the company for a three-year period. This provision may encourage companies interested in acquiring the company to negotiate in advance with our board because the stockholder approval requirement would be avoided if our board approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Our certificate of incorporation will provide that Silver Lake, Iconiq and Ms. Tucker, and certain transferees who, following the transfer, will beneficially own at least 15% of the total number of shares of our common stock then outstanding, and any of their respective affiliates or successors or any group as to which such persons are a party, do not constitute "interested stockholders" for purposes of this provision.

Exclusive Forum

Our amended and restated bylaws will provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim against the company or any director or officer of the company arising pursuant to any provision of the DGCL, or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having jurisdiction over indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our amended and restated certificate of incorporation will, to the maximum extent permitted from time to time by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to certain of our officers, directors or stockholders or their respective affiliates, other than those officers, directors, stockholders or affiliates who are our or our subsidiaries' employees. Our certificate of incorporation will provide that, to the fullest extent permitted by law, none of Silver Lake or Iconiq, their respective affiliates or the directors they designate will have any duty to refrain from (1) engaging in a corporate or business opportunity or offer a prospective economic or competitive advantage in which we, or any of our affiliates, directly could have an interest of expectancy, (2) otherwise competing with us or our affiliates, (3) otherwise doing business with any potential or actual customer or supplier of ours or our affiliates or (4) otherwise employing or engaging any officer or employee or any of our affiliates. In addition, to the fullest extent permitted by law, in the event that Silver Lake or Iconiq, their respective affiliates or the directors they designate acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself, herself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. Our amended and restated certificate of incorporation will not renounce our interest in any business opportunity that is expressly offered to Silver Lake, Iconiq, their respective affiliates or the directors they designate solely in his or her capacity as a director or officer of the company. To the fullest extent permitted by law, no business opportunity will be deemed to be a potential corporate opportunity for us unless we would be permitted to undertake the opportunity under our amended and restated certificate of incorporation, we have sufficient financial resources to undertake the opportunity, the opportunity would be in line with our business, and the opportunity is one in which we have an interest or reasonable expectancy.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation will include a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions will be to eliminate the rights of us and our

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stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation will not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

Our amended and restated bylaws will provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL. We also will be expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance will be useful to attract and retain qualified directors and officers.

The limitation of liability, indemnification and advancement provisions that will be included in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breaches of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be _____ .

Listing

We will apply to list our common stock for quotation on the NASDAQ Global Select Stock Market under the trading symbol "BL".

SHARES ELIGIBLE FOR FUTURE SALE

No public market currently exists for our common stock, and we cannot predict the effect, if any, that sales of shares or availability of any shares for sale will have on the market price of our common stock prevailing from time to time. Sales of substantial amounts of common stock (including shares issued on the exercise of options, warrants or convertible securities, if any) or the perception that such sales could occur, could adversely affect the market price of our common stock and our ability to raise additional capital through a future sale of securities.

Upon completion of this offering, we will have _____ shares of common stock issued and outstanding. All of the _____ shares of our common stock offered by us pursuant to this prospectus will be freely tradable without restriction or further registration under the Securities Act unless such shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. Upon completion of this offering, approximately _____ % of our outstanding common stock will be held by our Principal Stockholders. These shares will be "restricted securities" as that phrase is defined in Rule 144. Subject to certain contractual restrictions, including the lock-up agreements described below, holders of restricted shares will be entitled to sell those shares in the public market if they qualify for an exemption from registration under Rule 144 or any other applicable exemption under the Securities Act. Subject to the lock-up agreements described below and the provisions of Rules 144 and 701, additional shares will be available for sale as set forth below. Upon completion of this offering, investors holding an aggregate of _____ shares of common stock, assuming exercise in full of the underwriters' option to purchase additional shares, have registration rights.

Lock-up Agreements

In connection with this offering, we and holders of substantially all of our common stock have agreed, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for our common stock for 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC on behalf of the underwriters. In addition to the restrictions contained in the lock-up agreements described above, we have entered into agreements with certain of our security holders, including our registration rights agreement and our standard forms of option agreements under our equity incentive plans, that contain 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.

Rule 144

In general, under Rule 144, beginning 90 days after the date of this prospectus, a person who is not our affiliate and has not been our affiliate at any time during the preceding three months will be entitled to sell any shares of our common stock that such person has beneficially owned for at least six months, including the holding period of any prior owner other than one of our affiliates, without regard to volume limitations. Sales of our common stock by any such person would be subject to the availability of current public information about us if the shares to be sold were beneficially owned by such person for less than one year. Beginning 90 days after the date of this prospectus, our affiliates who have beneficially owned shares of our common stock for at least six months, including the holding period of any prior owner other than one of our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately _____ shares immediately after this offering; or

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- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

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

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to 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 upon 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 to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

As of June 30, 2016, 1,704,697 shares of our outstanding common stock had been issued in reliance on Rule 701 as a result of exercises of stock options and stock awards.

Stock Options

We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of our common stock subject to options outstanding or reserved for issuance under our stock plans and shares of our common stock issued upon the exercise of options by employees. We expect to file this registration statement as soon as practicable after this offering. In addition, we intend to file a registration statement on Form S-8 or such other form as may be required under the Securities Act for the resale of shares of our common stock issued upon the exercise of options that were not granted under Rule 701. We expect to file this registration statement as soon as permitted under the Securities Act. However, the shares registered on Form S-8 will be subject to volume limitations, manner of sale, notice and public information requirements of Rule 144 and will not be eligible for resale until expiration of the lock-up agreements and market standoff agreements to which they are subject.

Registration Rights

When this offering is complete, the holders of an aggregate of _____ shares of our common stock, or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. For a further description of these rights, see "Certain Relationships and Related Party Transactions—Registration Rights."

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES
TO NON-U.S. HOLDERS OF OUR COMMON STOCK**

The following is a summary of the material U.S. federal income tax consequences of the ownership and disposition of our common stock to non-U.S. holders issued pursuant to this offering, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought any ruling from the Internal Revenue Service, or 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 summary also does not address the tax consequences arising under the laws of any non-U.S., state or local jurisdiction or other U.S. federal laws, including gift and estate tax laws. In addition, this discussion does not address tax consequences applicable to an investor's particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions;
- persons subject to the alternative minimum tax or the Medicare tax on net investment income;
- tax-exempt organizations or governmental organizations;
- controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than five percent of our common stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons who do not hold our stock as a capital asset within the meaning of Section 1221 of the Code; and
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner generally will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors regarding the federal income tax consequences to them.

YOU ARE URGED TO CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX RULES OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Non-U.S. Holder Defined

For purposes of this discussion, you are a non-U.S. holder (other than a partnership) if you are a beneficial holder of our common stock that, for U.S. federal income tax purposes, is not a U.S. person. For purposes of this discussion, you are a U.S. person if you are:

- an individual citizen or resident of the United States for U.S. tax purposes;
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof or treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more “United States persons” (within the meaning of Section 7701(a)(30)) who have the authority to control all substantial decisions of the trust or (y) which has made an election to be treated as a United States person for U.S. federal income tax purposes.

Distributions

We have not made any distributions on our common stock, and we do not plan to make any distributions for the foreseeable future. However, if we do make distributions on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our common stock, but not below zero, and any excess will be treated as gain from the sale of stock as described below under “—Gain on Disposition of Stock.”

Subject to the discussion below on effectively connected income, any dividend paid to you generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. In order to receive a reduced treaty rate, you must provide us with a valid IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate. A non-U.S. holder of shares of our common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder’s behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business, and, if required by a tax treaty, are attributable to a permanent establishment that you maintain in the United States, are generally exempt from the withholding tax described above. In order to obtain this exemption, you must provide the applicable paying agent with a valid IRS Form W-8ECI or other appropriate IRS Form W-8 properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons. In addition, if you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

For additional withholding rules that may apply to dividends paid to “foreign financial institutions” or to “non-financial foreign entities” (as specifically defined in the Code) that have substantial direct or indirect U.S. owners, see the discussion below under the heading “—Foreign Account Tax Compliance Act (FATCA).”

Gain on Disposition of Common Stock

Subject to discussions below regarding backup withholding and FATCA, you generally will not be required to pay U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business, and, if required by a tax treaty, the gain is attributable to a permanent establishment that you maintain in the United States;
- you are an individual non-resident alien who is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs and certain other conditions are met; or
- our common stock constitutes a U.S. real property interest, or USRPI, by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes.

We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and other business assets, there can be no assurance that we are not a USRPHC or will not become a USRPHC in the future. Even if we are or were to become a USRPHC, however, as long as our common stock is “regularly traded” (as defined by applicable Treasury Regulations) on an established securities market, such common stock will be treated as USRPIs only if you actually or constructively hold more than five percent of such regularly traded common stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our common stock. You should consult any applicable tax treaties that may provide for different rules.

If you are a non-U.S. holder described in the first bullet above, you will be required to pay tax on the net gain derived from the sale at the same graduated rates applicable to U.S. persons, and corporate non-U.S. holders described in the first bullet above may be subject to the branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. If you are an individual non-U.S. holder described in the second bullet above, you will be required to pay a flat 30% tax (or such lower rate specified by an applicable income tax treaty) on the gain derived from the sale, which tax may be offset by U.S. source capital losses (even though you are not considered a resident of the United States), provided you have timely filed U.S. federal income tax returns with respect to such losses. You should consult any applicable tax treaties that may provide for different rules.

For additional withholding rules that may apply to gross proceeds from the sale or other disposition of our common stock paid to “foreign financial institutions” or to “non-financial foreign entities” (as specifically defined in the Code) that have substantial direct or indirect U.S. owners, see the discussion below under the heading “—Foreign Account Tax Compliance Act (FATCA).”

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address, and the amount of tax withheld, if any. A similar report is sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends or of proceeds on the disposition of stock made to you may be subject to information reporting and backup withholding at a current rate of 28% unless you establish an exemption, for example by properly certifying your non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act (FATCA)

Under Sections 1471 to 1474 of the Code (such Sections commonly referred to as FATCA), a U.S. federal withholding tax of 30% may be imposed on dividends on and the gross proceeds from a disposition of our common stock to a “foreign financial institution” (as specifically defined in the Code) unless such institution enters into an agreement with the U.S. government to, among other things, 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 and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. A U.S. federal withholding tax of 30% under FATCA generally applies to dividends on and the gross proceeds from a disposition of our stock to a “non-financial foreign entity” (as specifically defined under the Code) unless such entity provides the withholding agent with either a certification that it does not have any “substantial United States owners” (as defined in the Code) or provides information regarding each substantial United States owner of the entity or otherwise establishes an exception. The withholding provisions described above apply to payments of dividends on our stock and, under current transition rules, are expected to apply with respect to payments of gross proceeds from a sale or other disposition of such common stock on or after January 1, 2019. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. You should consult your tax advisors regarding these withholding provisions.

The preceding discussion of U.S. federal tax consequences is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed change in applicable laws.

UNDERWRITING

The company and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and J.P. Morgan Securities LLC are the representatives of the underwriters.

| <u>Underwriters</u> | <u>Number of Shares</u> |
|--|-----------------------------|
| Goldman, Sachs & Co. | |
| J.P. Morgan Securities LLC | |
| Pacific Crest Securities, a division of KeyBanc Capital Markets Inc. | |
| Raymond James & Associates, Inc. | |
| William Blair & Company, L.L.C. | |
| Robert W. Baird & Co., Incorporated | |
| Total | <u> </u> |

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional _____ shares from the company to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by the company. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase _____ additional shares.

Paid by the Company

| | <u>No Exercise</u> | <u>Full Exercise</u> |
|-----------|--------------------|----------------------|
| Per Share | \$ | \$ |
| Total | \$ | \$ |

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ _____ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. 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 company and its officers, directors, and holders of substantially all of the company's common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

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Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among the company and the representatives. Among the factors to be considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be the company's historical performance, estimates of the business potential and earnings prospects of the company, an assessment of the company's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the company's stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on _____, in the over-the-counter market or otherwise.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

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- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or
- (d) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of shares to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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 in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; 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 in, from or otherwise involving the United Kingdom.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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 may not be circulated or distributed, nor may the shares 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

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(the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Canada

The shares may be sold in Canada 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.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

The company estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$.

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The company has agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, and for the underwriters by Latham & Watkins LLP, Los Angeles, California. Wilson Sonsini Goodrich & Rosati, P.C. and certain of its members are associated with WS Investment Company, LLC (2007A), which is an investor in certain investment funds affiliated with Silver Lake. Upon the consummation of the offering, WS Investment Company (2007A) will directly or indirectly own less than 0.03% of the outstanding shares of our common stock.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On November 24, 2014, we dismissed Moss Adams LLP as our independent accountants with the recommendation and approval of our audit committee. We engaged PricewaterhouseCoopers LLP, or PwC, as our independent registered public accounting firm on November 24, 2014 to audit our financial statements as of December 31, 2014 and for the year then ending. Subsequent to their appointment, we engaged PwC to reaudit our consolidated financial statements as of December 31, 2013 for the period from January 1, 2013 to September 2, 2013 and for the period from September 3, 2013 to December 31, 2013.

The reports of Moss Adams LLP on our consolidated financial statements did not contain any adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2012 and 2013 and through November 24, 2014, Moss Adams LLP did not have any disagreement with us on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of Moss Adams LLP, would have caused it to make reference to the subject matter of the disagreement in connection with its report on our financial statements.

We did not consult with PwC on any financial or accounting reporting matters in the period before its appointment.

We delivered a copy of this disclosure to Moss Adams LLP and requested that they furnish us a letter addressed to the SEC stating whether they agree with the above statements. In their letter to the SEC dated February 8, 2016, attached as Exhibit 16.1 to the Registration Statement of which this prospectus is a part, Moss Adams LLP states that they agree with the statements above concerning their firm.

EXPERTS

The financial statements of BlackLine, Inc. as of December 31, 2014 and 2015 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 MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from that office at prescribed rates. You may obtain information on the operation of the SEC's public reference room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference room and accessible through the SEC's Internet website referenced above. We also maintain an Internet website at www.blackline.com. Upon completion 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 does not constitute a part of this prospectus or the registration statement of which this prospectus forms a part, and is not incorporated by reference herein. We have included our website address in this prospectus solely for informational purposes and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase shares of our common stock.

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BLACKLINE, INC.

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Report of Independent Registered Public Accounting Firm

To the board of directors and stockholders of BlackLine, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of BlackLine, Inc. and its subsidiaries at December 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the accompanying financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
March 24, 2016

BLACKLINE, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except shares and par values)

| | December 31, 2014 | December 31, 2015 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 25,707 | \$ 15,205 |
| Accounts receivable, net of allowance for doubtful accounts of \$77 and \$168 at December 31, 2014 and 2015, respectively | 18,040 | 24,235 |
| Deferred sales commissions | 1,903 | 6,246 |
| Prepaid expenses and other current assets | 2,294 | 2,801 |
| Total current assets | 47,944 | 48,487 |
| Capitalized software development costs, net | 1,576 | 2,967 |
| Property and equipment, net | 3,279 | 12,419 |
| Intangible assets, net | 68,920 | 56,828 |
| Goodwill | 163,154 | 163,154 |
| Other assets | 677 | 2,895 |
| Total assets | <u>\$ 285,550</u> | <u>\$ 286,750</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,171 | \$ 4,648 |
| Accrued expenses and other current liabilities | 7,362 | 15,012 |
| Deferred revenue | 34,574 | 52,750 |
| Short-term portion of contingent consideration | 2,008 | 2,008 |
| Total current liabilities | 47,115 | 74,418 |
| Term loan, net | 25,673 | 28,267 |
| Common stock warrant liability | 5,080 | 5,500 |
| Contingent consideration | 2,818 | 2,859 |
| Deferred tax liabilities | 19,848 | 5,907 |
| Other long-term liabilities | 1,069 | 3,631 |
| Total liabilities | 101,603 | 120,582 |
| Commitments and contingencies (Note 10) | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 250,000,000 shares authorized, 202,185,714 issued and 201,960,714 outstanding as of December 31, 2014, 203,601,640 issued and 203,366,640 outstanding as of December 31, 2015 | 2,022 | 2,036 |
| Treasury stock, 225,000 shares at cost at December 31, 2014 and 235,000 shares at cost at December 31, 2015 | (225) | (254) |
| Additional paid-in capital | 205,572 | 212,542 |
| Accumulated deficit | (23,422) | (48,156) |
| Total stockholders' equity | 183,947 | 166,168 |
| Total liabilities and stockholders' equity | <u>\$ 285,550</u> | <u>\$ 286,750</u> |

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

| | Year Ended December 31, | |
|---|----------------------------|--------------------|
| | 2014 | 2015 |
| Revenues | | |
| Subscription and support | \$ 49,029 | \$ 80,080 |
| Professional services | 2,648 | 3,527 |
| Total revenues | <u>51,677</u> | <u>83,607</u> |
| Cost of revenues | | |
| Subscription and support | 14,380 | 19,773 |
| Professional services | 2,218 | 2,956 |
| Total cost of revenues | <u>16,598</u> | <u>22,729</u> |
| Gross profit | <u>35,079</u> | <u>60,878</u> |
| Operating expenses | | |
| Sales and marketing | 31,837 | 56,546 |
| Research and development | 9,705 | 18,216 |
| General and administrative | 11,716 | 20,928 |
| Total operating expenses | <u>53,258</u> | <u>95,690</u> |
| Loss from operations | <u>(18,179)</u> | <u>(34,812)</u> |
| Other expense: | | |
| Interest expense, net | (3,047) | (3,215) |
| Change in fair value of the common stock warrant liability | (3,700) | (420) |
| Other expense, net | <u>(6,747)</u> | <u>(3,635)</u> |
| Loss before income taxes | (24,926) | (38,447) |
| Benefit from income taxes | (8,174) | (13,713) |
| Net loss | <u>\$ (16,752)</u> | <u>\$ (24,734)</u> |
| Net loss per share, basic and diluted | <u>\$ (0.08)</u> | <u>\$ (0.12)</u> |
| Weighted average common shares outstanding, basic and diluted | <u>200,445,411</u> | <u>202,895,292</u> |

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except shares)

| | Common Stock | | Treasury Stock, at cost | Additional Paid-in Capital | Accumulated Deficit | Total |
|------------------------------|--------------------|----------|----------------------------|----------------------------------|------------------------|-----------|
| | Shares Outstanding | Amount | | | | |
| Balance at December 31, 2013 | 200,400,000 | \$ 2,004 | \$ — | \$ 198,518 | \$ (6,670) | \$193,852 |
| Common stock issuance | 1,785,714 | 18 | — | 4,982 | — | 5,000 |
| Stock repurchase | (225,000) | — | (225) | — | — | (225) |
| Stock-based compensation | — | — | — | 2,072 | — | 2,072 |
| Net loss | — | — | — | — | (16,752) | (16,752) |
| Balance at December 31, 2014 | 201,960,714 | \$ 2,022 | \$ (225) | \$ 205,572 | \$ (23,422) | \$183,947 |
| Stock option exercises | 1,415,926 | 14 | — | 1,406 | — | 1,420 |
| Stock repurchase | (10,000) | — | (29) | — | — | (29) |
| Stock-based compensation | — | — | — | 5,564 | — | 5,564 |
| Net loss | — | — | — | — | (24,734) | (24,734) |
| Balance at December 31, 2015 | 203,366,640 | \$ 2,036 | \$ (254) | \$ 212,542 | \$ (48,156) | \$166,168 |

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended December 31, | |
|---|----------------------------|------------------|
| | 2014 | 2015 |
| Cash flows from operating activities | | |
| Net loss | \$ (16,752) | \$ (24,734) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 13,455 | 14,739 |
| Accretion of debt discount and paid in kind interest | 2,541 | 2,594 |
| Increase in fair value of common stock warrant liability | 3,700 | 420 |
| Change in fair value of contingent consideration | (781) | 41 |
| Stock-based compensation | 2,017 | 5,497 |
| Deferred income taxes | (8,283) | (13,941) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (6,821) | (6,195) |
| Deferred sales commissions | (1,254) | (4,343) |
| Prepaid expenses and other current assets | (1,116) | (507) |
| Other assets | (98) | (571) |
| Accounts payable | 810 | 1,073 |
| Accrued expenses and other current liabilities | 3,241 | 6,753 |
| Deferred revenue | 17,246 | 18,176 |
| Other long-term liabilities | 1,038 | 2,004 |
| Net cash provided by operating activities | <u>8,943</u> | <u>1,006</u> |
| Cash flow from investing activities | | |
| Capitalized software development costs | (1,437) | (2,273) |
| Purchase of property and equipment | (1,429) | (10,094) |
| Net cash used in investing activities | <u>(2,866)</u> | <u>(12,367)</u> |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock | 5,000 | — |
| Repurchase of common stock | (225) | (29) |
| Principal payments on capital lease obligations | — | (532) |
| Proceeds from exercise of stock options | — | 1,420 |
| Net cash provided by financing activities | <u>4,775</u> | <u>859</u> |
| Net increase (decrease) in cash and cash equivalents | 10,852 | (10,502) |
| Cash and cash equivalents, beginning of period | 14,855 | 25,707 |
| Cash and cash equivalents, end of period | <u>\$ 25,707</u> | <u>\$ 15,205</u> |

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

BLACKLINE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SUPPLEMENTAL CASH FLOW DISCLOSURE
(in thousands)

| | Year Ended December 31, | |
|--|----------------------------|---------|
| | 2014 | 2015 |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest | \$506 | \$ 634 |
| Cash paid for income taxes | \$ 10 | \$ 6 |
| Non-cash financing and investing activities | | |
| Capitalized software development costs included in accounts payable and accrued expenses and other current liabilities | \$ 80 | \$ — |
| Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities | \$996 | \$ 172 |
| Stock-based compensation capitalized for software development | \$ 55 | \$ 67 |
| Property and equipment acquired under capital leases | \$ — | \$1,648 |
| Deferred offering costs in accounts payable and accrued expenses and other current liabilities | \$ — | \$1,647 |

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

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—The Company

BlackLine, Inc. and its subsidiaries (the “Company” or “BlackLine”) provide financial accounting close solutions delivered as a Software as a Service (“SaaS”). The Company’s solutions enable its customers to address various aspects of their financial close process including account reconciliations, variance analysis of account balances, journal entry capabilities and certain types of data matching capabilities.

The Company is headquartered in Los Angeles, California and has offices in Chicago, Atlanta, Vancouver, London, Paris, Sydney, Melbourne, and Singapore.

On September 3, 2013, SLS Breeze Holdings, Inc., SLS Breeze Intermediate Holdings, Inc. (“Intermediate Corp”), and SLS Breeze Merger Sub, Inc., formed by Silver Lake Sumeru Fund, LP (“Silver Lake”), acquired BlackLine Systems, Inc. (the “Acquisition”). Prior to the Acquisition, SLS Breeze Holdings, Inc., Intermediate Corp, and SLS Breeze Merger Sub, Inc. had no significant operations. Upon completion of the Acquisition BlackLine Systems, Inc. became indirectly controlled by Silver Lake through SLS Breeze Holdings, Inc. The Acquisition resulted in a new basis of accounting and was accounted for as a business combination. On August 21, 2014, SLS Breeze Holdings, Inc. changed its name to BlackLine, Inc. Prior to the Acquisition, BlackLine Systems, Inc. operated as an S-Corporation under the laws of the State of California. BlackLine, Inc. operates as a C-Corporation under the laws of the State of Delaware.

Note 2—Significant accounting policies

Principles of consolidation

The Company’s consolidated financial statements include the operating results of its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, management evaluates its estimates, primarily those related to determining the best estimate of the selling price (“BESP”) for separate deliverables in the Company’s revenue arrangements, allowance for doubtful accounts, the fair value of assets and liabilities assumed in a business combination, the recoverability of goodwill and long-lived assets, useful lives associated with long-lived assets, contingencies, fair value of contingent consideration, and the valuation and assumptions underlying stock-based compensation and common stock warrants. These estimates are based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Segments

Management has determined that the Company has one operating segment. The Company’s chief executive officer, who is the Company’s chief operating decision maker, reviews financial

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

information on a consolidated and aggregate basis, together with certain operating metrics principally to make decisions about how to allocate resources and to measure the Company's performance.

Cash and cash equivalents

The Company considers all highly liquid investments with an original or remaining maturity of three months or less at the date of purchase to be cash equivalents. Cash includes cash held in checking and savings accounts. Cash equivalents are comprised of investments in money market mutual funds. Cash and cash equivalents are recorded at cost, which approximates fair value.

Restricted cash

Included in non-current other assets at December 31, 2014 and 2015 was cash of \$400,000 required to be restricted as to use by the Company's office leaseholder to collateralize a standby letter of credit.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount, do not require collateral, and do not bear interest. The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the Company's customers may have an inability to meet financial obligations, such as bankruptcy and significantly aged receivables outstanding. The allowance for doubtful accounts as of December 31, 2014 and 2015 was \$77,000 and \$168,000, respectively.

Concentration of credit risk and significant customers

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents, and accounts receivable.

The Company maintains the majority of its cash balances with one major commercial bank in non-interest bearing accounts which exceed the Federal Deposit Insurance Corporation, or FDIC, federally insured limits.

The Company invests its excess cash in money market mutual funds. To date, the Company has not experienced any impairment losses on its cash equivalents.

For the years ended December 31, 2014 and 2015, no single customer comprised of more than 10% of the Company's total revenues. No single customer had an accounts receivable balance greater than 10% of total accounts receivable at December 31, 2014 and 2015.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are expensed as incurred, while renewals and betterments are capitalized. Depreciation expense is charged to operations on a straight-line basis over the estimated useful lives of the assets.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The estimated useful lives of the Company's property and equipment are as follows:

| | Useful Lives |
|-------------------------|---------------------------------|
| Computers and equipment | 3 years |
| Software | 3 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Lesser of 7 years or lease term |

Assets acquired under capital leases are capitalized at the present value of the related lease payments and are amortized over the shorter of the lease term or useful life of the asset.

Capitalized internal-use software costs

The Company accounts for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"). The Company capitalizes certain costs in the development of its SaaS subscription solution when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and performed as intended. These capitalized costs include personnel and related expenses for employees and costs of third-party contractors who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to the Company's SaaS software solutions are also capitalized. Costs incurred for training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years.

During the years ended December 31, 2014 and 2015, the Company capitalized \$1,508,000 and \$2,260,000, respectively, of internal-use software development costs. During the years ended December 31, 2014 and 2015, the Company amortized \$274,000 and \$869,000, respectively, of internal-use software development costs to subscription and support cost of revenue. Based on the Company's capitalized internal-use software costs, net at December 31, 2015, estimated amortization expense of \$1,365,000, \$1,098,000, and \$504,000 is expected to be recognized in 2016, 2017, and 2018, respectively.

Business combinations

The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business generally being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

Contingent consideration payable in cash arising from business combinations is recorded as a liability and measured at fair value each period. Changes in fair value are recorded in general and administrative expenses in the consolidated statements of operations.

Transaction costs associated with business combinations are expensed as incurred.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company performs valuations of assets acquired and liabilities assumed and allocates the purchase price to its respective assets and liabilities. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates and selection of comparable companies. The Company engages the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination.

Intangible assets

Intangible assets primarily consist of acquired developed technology, customer relationships, trade name and non-compete agreements which were acquired as part of the Acquisition. The Company determines the appropriate useful life of its intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed. The estimated useful lives of the Company's finite-lived intangible assets are as follows:

| | <u>Useful Lives</u> |
|------------------------|---------------------|
| Trade name | 10 years |
| Developed technology | 6 years |
| Non-compete agreements | 5 years |
| Customer relationships | 8 years |

Impairment of long-lived assets

Management evaluates the recoverability of the Company's property and equipment, finite-lived intangible assets and capitalized internal-software costs, when events or changes in circumstances indicate a potential impairment exists. Events and changes in circumstances considered by the Company in determining whether the carrying value of long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends and changes in the Company's business strategy. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities (an "asset group"). In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of the asset group. If impairment is indicated based on a comparison of the assets' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Company determined that there were no events or changes in circumstances that potentially indicated that the Company's long-lived assets were impaired during the years ended December 31, 2014 and 2015.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. The Company tests goodwill for impairment in accordance with the provisions of ASC 350. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, unanticipated competition, loss of key personnel, significant changes

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

in the use of the acquired assets or the Company's strategy, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

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

The first step involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then under the second step the carrying amount of the goodwill is compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

The Company has one reporting unit and it tests for goodwill impairment annually during the fourth quarter of the calendar year. At December 31, 2015, the fair value of the Company significantly exceeded the carrying value of its net assets and accordingly goodwill was not impaired.

Deferred rent

Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rent expense and the cash paid under the lease agreement is recorded as deferred rent. Lease incentives, including tenant improvement allowances, are also recorded as deferred rent and amortized on a straight-line basis over the lease term.

Debt issued with warrants to purchase common stock

The Company has issued warrants to purchase common stock in connection with debt arrangements (see Note 6 – Term loan). These warrants are a liability classified under ASC 815-40, *Contracts in entity's own equity*, as they contain down-round protection such that in the event of subsequent issuances of shares at-market by the Company below the exercise price of the warrant then the warrant's exercise price is reduced. The warrants are measured at fair value each period with changes in fair value recorded in other income (expense), net in the consolidated statements of operations. The warrants will continue to be measured at fair value each period until the earlier of exercise or termination.

The initial carrying value of the debt was reduced by the fair value of the warrants. The resulting debt discount is being amortized over the life of the debt on a straight-line basis which approximates the effective interest method. The amortization of the debt discount is recorded in interest expense in the consolidated statements of operations.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair value of financial instruments

ASC 820, *Fair Value Measurements* ("ASC 820") require entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1:** Quoted prices in active markets for identical or similar assets and liabilities.
- Level 2:** Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of December 31, 2014 and 2015, the carrying value of cash equivalents, accounts receivable, accounts payable and accrued expenses, approximates fair value due to the short-term nature of such instruments. The carry value of long-term debt, excluding related debt discounts, approximates its fair value based on rates available to the Company for debt with similar terms and maturities.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2015 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

| | December 31, 2014 | | | Total |
|--------------------------------|-------------------|-------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | | | | |
| Money market funds | \$24,870 | \$ — | \$ — | \$24,870 |
| Total Assets | \$24,870 | \$ — | \$ — | \$24,870 |
| Liabilities | | | | |
| Common stock warrant liability | \$ — | \$ — | \$ 5,080 | \$ 5,080 |
| Contingent consideration | — | — | 4,826 | 4,826 |
| Total Liabilities | \$ — | \$ — | \$ 9,906 | \$ 9,906 |
| | | | | |
| | December 31, 2015 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | | | | |
| Money market funds | \$15,990 | \$ — | \$ — | \$15,990 |
| Total Assets | \$15,990 | \$ — | \$ — | \$15,990 |
| Liabilities | | | | |
| Common stock warrant liability | \$ — | \$ — | \$ 5,500 | \$ 5,500 |
| Contingent consideration | — | — | 4,867 | 4,867 |
| Total Liabilities | \$ — | \$ — | \$10,367 | \$10,367 |

Upon the consummation of the Acquisition, the Company recorded a liability for the estimated fair value of the contingent consideration (see Note 9—Contingent Consideration). The contingent consideration is measured at fair value each period and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions management believe would be made by a market participant. Management assesses these estimates on an on-going basis as additional data impacting the assumptions becomes available. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within general and administrative expenses in the consolidated statements of operations. The Company determined the fair value of the contingent consideration by discounting estimated future taxable income. The significant inputs used in the fair value measurement of contingent consideration are the timing and amount of taxable income in any given period and determining an appropriate discount rate which considers the risk associated with the forecasted taxable income. Significant changes in the estimated future taxable income and the periods in which they are generated would significantly impact the fair value of the contingent consideration liability.

Warrants to purchase common stock are liability classified and are measured at fair value each period. The fair value is determined using a binomial lattice valuation model. The fair value includes significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of common stock warrants uses assumptions management believe would be made by a market participant. Management assesses these estimates on an on-going basis

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as additional data impacting the assumptions becomes available. Changes in the fair value of common stock warrant liability related to updated assumptions and estimates are recognized within other income (expense), net in the consolidated statements of operations. The significant inputs used in the fair value measurement of the common stock warrants are the estimated fair value of the Company's common stock and to a lesser extent the expected stock volatility, the probability of a change in control and future stock issuances which impact the term of the warrants. Significant increases or decreases in the estimated fair value of the Company's common stock would significantly impact the fair value of the warrant liability. The fair value of the Company's common stock is based on a number of quantitative and qualitative factors as described in Stock-Based Compensation accounting policy below.

The following table summarizes the changes in the common stock warrant liability and contingent consideration liability (in thousands):

| | <u>Contingent Consideration</u> | <u>Common Stock Warrant Liability</u> |
|------------------------------------|-------------------------------------|---|
| Fair value as of December 31, 2013 | \$ 5,607 | \$ 1,380 |
| Change in fair value | (781) | 3,700 |
| Fair value as of December 31, 2014 | 4,826 | 5,080 |
| Change in fair value | 41 | 420 |
| Fair value as of December 31, 2015 | <u>\$ 4,867</u> | <u>\$ 5,500</u> |

Certain assets, including goodwill and long-lived assets, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired a result of an impairment review. For the years ended December 31, 2014 and 2015, no impairments were identified on those assets required to be measured at fair value on a non-recurring basis.

Revenue recognition

The Company derives its revenue from the following sources:

Subscription and support revenue – Customers pay subscription fees for access to the Company's SaaS platform generally for a one year period. In more limited cases customers may subscribe for up to three years. Fees are based on a number of factors, including the solutions subscribed for by the customer and the number of users having access to the solutions. The first year subscription fees are typically payable within 30 days after the execution of the arrangement, and thereafter upon renewal. The Company initially records the subscription fees as deferred revenue and recognizes revenue on a straight-line basis over the term of the agreement. At any time during the subscription period, customers may increase the number of their users or subscribe for additional products. Additional user fees and additional product subscriptions are payable for the remainder of the initial or extended contract term. Subscription and support revenue also includes software license revenue related to maintenance and support fees on legacy software sales as described below.

Professional services – The Company offers its customers assistance in implementing its solutions and optimizing their use. Professional services include consulting and training. These services are billed on either a fixed fee or time and material basis. Revenues from time and material arrangements are recognized as services are performed and revenues from fixed fee arrangements are initially recorded as deferred revenue and recognized on a proportional performance basis as the services are performed.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes subscription and professional services revenues when: (i) persuasive evidence of an arrangement for the sale of the Company's solutions or consulting services exists, (ii) the solutions have been made available or delivered, or services have been performed, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured. The timing and amount the Company recognizes as revenue is determined based on the facts and circumstances of each customer's arrangement. Evidence of an arrangement consists of a signed customer agreement. The Company considers that delivery of a solution has commenced once it provides the customer with log-in information to access and use the solution. Fees are fixed based on stated rates specified in the customer agreement. The Company assesses collectability based on a number of factors, including the creditworthiness of the customer, review of their financial information or transaction history. If collectability is not considered reasonably assured, revenue is deferred until the fees are collected.

The majority of customer arrangements include multiple deliverables such as subscriptions to the Company's SaaS solutions and professional services. The Company recognizes revenue in accordance with the guidance for arrangements with multiple deliverables under Accounting Standards Update ("ASU") 2009-13 *Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements – a Consensus of the Emerging Issues Task Force* ("ASU 2009-13"). For subscription agreements, as customers do not have the right to the software code underlying the Company's solutions, subscription revenue arrangements are outside the scope of software revenue recognition guidance as defined by ASC Topic 985-605, *Software*. The Company's agreements do not contain any refund provisions other than in the event of the Company's non-performance or breach.

For multiple-deliverable revenue arrangements, the Company first assesses whether each deliverable has value to the customer on a standalone basis. The Company has determined that the SaaS products have standalone value, because, once access is given to the customer, the solutions are fully functional and do not require any additional development, modification, or customization. Professional services have standalone value, because third-party partners and customers themselves can perform these services without the Company's involvement. The performance of these professional services generally does not require highly specialized or technologically skilled individuals and the professional services are not essential to the functionality of the solutions.

The Company allocates revenue among the separate non-contingent deliverables in an arrangement under the relative selling price method using the selling price hierarchy established in ASU 2009-13. This hierarchy requires the selling price of each deliverable in a multiple deliverable arrangement to be based on, in descending order: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of fair value ("TPE") or (iii) management's best estimate of the selling price ("BESP").

The Company is not able to determine VSOE or TPE for its deliverables, because the deliverables are typically bundled and infrequently sold separately within a consistent price range. Additionally, management has determined that there are no third-party offerings reasonably comparable to the Company's solutions. Therefore, the selling prices of subscriptions to the SaaS solutions and professional services are based on BESP. The determination of BESP requires the Company to make significant estimates and judgments. The Company considers numerous factors, including the nature of the deliverables themselves, geography, customer size and number of users, and discounting practices. The determination of BESP is made through consultation with senior management. The Company updates its estimates of BESP on an ongoing basis as events and as circumstances may require. As the Company's marketing strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative selling prices and BESP.

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The Company uses business process outsourcers (“BPOs”) and resellers to complement its direct sales and marketing efforts. The BPOs and resellers place orders with the Company after receiving an order from an end customer. The BPOs and resellers receive business terms of sale similar to those received by the Company’s direct customers, and payment to the Company is not contingent on the receipt of payment from the end customer. The BPOs and resellers negotiate pricing with the end customer and are responsible for implementation services, if any, and for certain support levels directly with the end customer. The Company recognizes revenue over the term of the arrangement for the contractual amount charged to the BPO or reseller, once access to the Company’s solution has been provided to the end customer provided that the other revenue recognition criteria noted above have been met.

Subscription and support revenues also include revenues associated with sales of software licenses and related support. Prior to the development of the Company’s SaaS solutions, the Company sold software licenses and post contract support which was accounted for in accordance with ASC Topic 985-605, *Software*. The Company continues to provide post contract support to a limited number of customers that have not yet migrated to the SaaS solution. Software revenues relates primarily to annual renewals of post contract support which are recognized on a straight-line basis over the support period. Software revenues comprised approximately 3% and 1% of total revenues for the years ended December 31, 2014 and 2015, respectively. The Company no longer develops any new applications or functionality for the legacy software licensed to customers.

Taxes collected from customers are accounted for on a net basis and are excluded from revenue.

Cost of revenues

Cost of revenues primarily consists of costs related to hosting the Company’s cloud-based application suite, salaries and benefits of operations and support personnel, including stock-based compensation, and amortization of capitalized internal-use software costs. The Company allocates a portion of overhead, such as rent, IT costs, and depreciation and amortization to cost of revenues. Costs associated with providing professional services are expensed as incurred when the services are performed. In addition, subscription and support cost of revenues includes amortization of acquired developed technology.

Sales and marketing

Sales and marketing expenses consist primarily of compensation and employee benefits, including stock-based compensation of sales and marketing personnel and related sales support teams, sales and partner commissions, marketing events, advertising costs, travel, trade shows, other marketing materials and allocated overhead. Sales and marketing expenses also include amortization of customer relationship intangible assets. Advertising costs are expensed as incurred and totaled \$1,549,000 and \$2,950,000 for the years ended December 31, 2014 and 2015, respectively.

Deferred sales commissions

Deferred sales commissions are the incremental costs that are directly associated with non-cancelable subscription contracts with customers and consist of sales commissions paid to the Company’s direct sales force and third-party partners. The commissions are deferred and amortized over the non-cancelable terms of the related customer contracts, which are typically one year in duration. The commission payments are paid in full the month after the customer’s service

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commences. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. The Company believes this is the preferable method of accounting as the sales commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the subscription revenue is recognized. Amortization of deferred sales commissions is included in sales and marketing in the accompanying consolidated statements of operations. As of December 31, 2014 and 2015, deferred commission costs, net of accumulated amortization were \$1,903,000 and \$6,246,000, respectively. Amortization of commission costs was \$2,458,000 and \$7,324,000 for the years ended December 31, 2014 and 2015, respectively.

Research and development

Research and development expenses are comprised primarily of salaries, benefits, and stock-based compensation associated with the Company's engineering, product and quality assurance personnel. Research and development expenses also include third-party contractors and supplies and allocated overhead. Other than software development costs that qualify for capitalization, discussed above, research and development costs are expensed as incurred.

General and administrative

General and administrative expenses consist primarily of personnel costs associated with the Company's executive, finance, legal, human resources, compliance, and other administrative personnel, as well as accounting and legal professional services fees, other corporate related expenses and allocated overhead. General and administrative expenses also include amortization of covenant not to compete and tradename intangible assets.

Stock-based compensation

The Company accounts for stock-based compensation awards granted to employees and directors based on the awards' estimated grant date fair value. The Company estimates the fair value of its stock options using the Black-Scholes option-pricing model. The resulting fair value, net of estimated forfeitures, is recognized on a straight-line basis over the period during which an employee is required to provide service in exchange for the award, usually the vesting period, which is generally four years. The Company recognizes the fair value of stock options which contain performance conditions based upon the probability of the performance conditions being met, net of estimated forfeitures, using the graded vesting method. Estimated forfeitures are based upon the Company's historical experience and the Company revises its estimates, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

Determining the grant date fair value of options using the Black-Scholes option pricing model requires management to make assumptions and judgments. These estimates involve inherent uncertainties and if different assumptions had been used, stock-based compensation expense could have been materially different from the amounts recorded.

The assumptions and estimates are as follows:

Value per share of the Company's common stock. Because there is no public market for the Company's common stock, the Company's management, with the assistance of a third-party valuation specialist, determined the common stock fair value at the time of the grant of stock options by

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considering a number of objective and subjective factors, including the Company's actual operating and financial performance, market conditions and performance of comparable publicly traded companies, developments and milestones in the Company, the likelihood of achieving a liquidity event and transactions involving the Company's common stock, among other factors. The fair value of the underlying common stock will be determined by the Company's board of directors until such time as the Company's common stock commences trading on an established stock exchange or national market system. The fair value of the Company's common stock has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants, *Valuation of Privately Held Company Equity Securities Issued as Compensation*.

Expected volatility. The Company determines the expected volatility based on historical average volatilities of similar publicly traded companies corresponding to the expected term of the awards.

Expected term. The Company determines the expected term of awards which contain only service conditions using the simplified approach, in which the expected term of an award is presumed to be the mid-point between the vesting date and the expiration date of the award, as the Company does not have sufficient historical data relating to stock-option exercises. For awards granted which contain performance conditions, the Company estimates the expected term based on estimates of post-vesting employment termination behavior taking into account the life of the award.

Risk-free interest rate. The risk-free interest rate is based on the United States Treasury yield curve in effect during the period the options were granted corresponding to the expected term of the awards.

Estimated dividend yield. The estimated dividend yield is zero, as the Company does not currently intend to declare dividends in the foreseeable future.

The following information represents the weighted average of the assumptions used in Black-Scholes option-pricing model:

| | Year Ended December 31, | |
|-------------------------|----------------------------|-------|
| | 2014 | 2015 |
| Expected term (years) | 6.2 | 6.3 |
| Expected volatility | 54.0% | 49.6% |
| Risk free interest rate | 1.9% | 1.7% |
| Expected dividends | — | — |

Income taxes

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

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

Net loss per share

Basic and diluted loss per share is calculated by dividing net loss by the weighted average number of shares of common stock outstanding. As the Company has net losses for the periods presented all potentially dilutive common stock, which are comprised of stock options and warrants, are antidilutive.

As of December 31, 2014 and 2015, the following potentially dilutive shares have been excluded from the calculation of diluted net loss per share attributable to common stockholders because they are anti-dilutive:

| | December 31, | |
|---|-------------------|-------------------|
| | 2014 | 2015 |
| Options to purchase common stock | 20,730,000 | 29,521,884 |
| Common stock warrants | 2,500,000 | 2,500,000 |
| Total shares excluded from net loss per share | <u>23,230,000</u> | <u>32,021,884</u> |

Foreign currency

The Company's foreign subsidiaries' functional currency is the U.S. Dollar. The foreign exchange impacts of remeasuring the foreign subsidiaries' local currency to the U.S. Dollar functional currency is recorded in general and administrative expenses, net in the Company's consolidated statement of operations. Monetary assets and liabilities of foreign operations are remeasured at balance sheet date exchange rates, non-monetary assets and liabilities and equity are remeasured at the historical exchange rates, while results of operations are remeasured at average exchange rates in effect for the period. The foreign currency transaction gains or losses were immaterial for each period presented.

Comprehensive income or loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive income or loss and its components in the financial statements. For the years ended December 31, 2014 and 2015, the Company had no other comprehensive income (loss) items and therefore, comprehensive loss equaled net loss. Accordingly, a separate statement of comprehensive loss has not been presented.

Recently issued accounting standards

Under the Jumpstart Our Business Startups Act, or the JOBS Act, the Company meets the definition of an emerging growth company. The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

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In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace all existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018, with early adoption beginning January 1, 2017. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance related to the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction for the associated debt liability. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. The Company early adopted this guidance in connection with the issuance of its prior year financial statements. The adoption resulted in \$304,000 of issuance costs as of December 31, 2013 related to the Company’s long-term debt being recorded as a reduction in the carrying amount of the debt rather than deferred charges recorded in other assets on the consolidated balance sheet

In April 2015, the FASB issued new guidance related to the customer’s accounting for fees paid in a cloud computing arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance is effective for annual reporting periods beginning after December 15, 2015. The adoption of this guidance is not expected to have a material impact on its consolidated financial statements.

In November 2015, the FASB issued new authoritative accounting guidance on simplifying the presentation of deferred income taxes, which requires that deferred income tax liabilities and assets be presented as a net non-current deferred tax asset or liability by jurisdiction on the balance sheet. The guidance is effective for periods beginning after December 15, 2016, however earlier adoption is permitted for all entities for any interim or annual financial statements that have not been issued. The Company early adopted this guidance as of December 31, 2015 and applied the guidance retrospectively to prior periods. As a result, the Company reclassified \$634,000 from a short-term deferred tax asset to a long-term deferred tax liability as of December 31, 2014.

In February 2016, the FASB issued new guidance which significantly changes the accounting for leases. The new guidance requires a lessee recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. For income statement purposes, the new guidance retained a dual model, requiring leases to be classified as either operating or financing. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern similar to existing capital lease guidance. For statement of cash flow purposes, the new guidance also retained the existing dual method, where cash payments for operating leases are reflected in cash flows from operating activities and principal and interest payments for finance leases

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are reflected in cash flows from financing activities and cash flows from operating activities, respectively. The new guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The new guidance requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach. The use of the modified retrospective approach allows an entity to use a number of practical expedients in the application of this new guidance. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements.

Note 3—Property and equipment

Property and equipment consist of the following at December 31, 2014 and 2015 (in thousands):

| | December 31, | |
|--------------------------------|-----------------|-----------------|
| | 2014 | 2015 |
| Computers and equipment | \$ 1,024 | \$ 2,173 |
| Software | 589 | 2,501 |
| Furniture and fixtures | 466 | 1,852 |
| Leasehold improvements | 799 | 7,670 |
| Construction in progress | 1,674 | 1,274 |
| | <u>4,552</u> | <u>15,470</u> |
| Less: accumulated depreciation | (1,273) | (3,051) |
| | <u>\$ 3,279</u> | <u>\$12,419</u> |

Depreciation expense was \$1,089,000 and \$1,778,000 for the years ended December 31, 2014 and 2015, respectively.

Software and construction in progress includes assets held under capital lease of \$1,648,000 as of December 31, 2015, with related accumulated amortization thereon of \$60,000.

Note 4—Intangible assets

The carrying value of intangible assets as of December 31, 2014 and 2015 was as follows (in thousands):

| | December 31, 2014 | | |
|------------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Trade name | \$15,964 | \$ (2,129) | \$ 13,835 |
| Developed technology | 36,844 | (8,187) | 28,657 |
| Non-compete agreements | 4,341 | (1,158) | 3,183 |
| Customer relationships | 27,894 | (4,649) | 23,245 |
| | <u>\$85,043</u> | <u>\$ (16,123)</u> | <u>\$ 68,920</u> |

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| | December 31, 2015 | | |
|------------------------|-----------------------------|-----------------------------|---------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Trade name | \$15,964 | \$ (3,727) | \$12,237 |
| Developed technology | 36,844 | (14,326) | 22,518 |
| Non-compete agreements | 4,341 | (2,026) | 2,315 |
| Customer relationships | 27,894 | (8,136) | 19,758 |
| | <u>\$85,043</u> | <u>\$ (28,215)</u> | <u>\$56,828</u> |

Amortization expense is included in the following functional statement of operations expense categories (in thousands):

| | Year ended December 31, | |
|----------------------------|----------------------------|-----------------|
| | 2014 | 2015 |
| Cost of revenues | \$ 6,139 | \$ 6,139 |
| Sales and marketing | 3,487 | 3,487 |
| General and administrative | 2,466 | 2,466 |
| | <u>\$12,092</u> | <u>\$12,092</u> |

The following table presents the Company's estimate of remaining amortization expense for each of the five succeeding fiscal years and thereafter for finite-lived intangible assets at December 31, 2015 (in thousands):

| | |
|------------|-----------------|
| 2016 | \$12,092 |
| 2017 | 12,092 |
| 2018 | 11,803 |
| 2019 | 9,177 |
| 2020 | 5,083 |
| Thereafter | 6,581 |
| | <u>\$56,828</u> |

Note 5—Accrued expenses and other current liabilities

At December 31, 2014 and 2015, accrued expenses and other current liabilities comprise the following (in thousands):

| | December 31, | |
|---|----------------|-----------------|
| | 2014 | 2015 |
| Accrued salary and employee benefits | \$5,786 | \$ 9,716 |
| Accrued income and other taxes payable | 588 | 1,047 |
| Short-term portion of capital lease obligations | — | 558 |
| Accrued commissions to third party partners | 512 | 2,305 |
| Deferred offering costs | — | 419 |
| Other accrued expenses | 476 | 967 |
| | <u>\$7,362</u> | <u>\$15,012</u> |

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Note 6—Term loan

In September 2013, the Company entered into a \$25 million term loan agreement (the "Term Loan"). The Term Loan has a term of five years and expires and is repayable on September 25, 2018. There are no minimum principal payments due under the Agreement. The Term Loan bears interest at (i) the greater of LIBOR or 1.5% plus (ii) 8%. At December 31, 2014 and 2015, the interest rate on the Term Loan was 9.5%. The interest is due quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, commencing December 31, 2013. Interest can be paid in varying amounts in cash or in payment in kind. For the years ended December 31, 2014 and 2015, interest of \$2,037,000 and \$2,090,000, respectively, was paid in kind, thereby increasing the outstanding principal. Interest paid in kind is due and payable at maturity of the Term Loan. The Term Loan is collateralized against all of the Company's assets. In connection with certain events, including a change in control, or if the Company elects to repay the Term Loan, within three years of September 2013 the Company is required to pay a prepayment penalty. The Term Loan requires the Company to comply on a quarterly basis with a maximum consolidated leverage ratio financial covenant. The consolidated leverage ratio is the ratio of the principal amount of the Term Loan outstanding to revenues for the most recent four consecutive quarters. The Company was in compliance with this financial covenant at December 31, 2014 and 2015. The Term Loan also places restrictions on dividends payments, certain investments and acquisitions, and other customary restrictions. The Term Loan, which was entered into by the Company's subsidiary, BlackLine Systems, Inc. also places restrictions on making dividend payments, loans or advances to BlackLine Inc. and its subsidiaries. All of the BlackLine Systems, Inc.'s net assets are restricted from making payments, loans or advances to BlackLine, Inc. and its subsidiaries. Restricted net assets as of December 31, 2015 amounted to \$166.2 million.

The Company incurred \$1,140,000 in transaction costs and fees payable to the lender related to the Term Loan. This amount, net of amortization, is presented as a discount against the carrying amount of the Term Loan as of December 31, 2014 and 2015. A total of \$228,000 of debt discount has been amortized to interest expense for each of the years ended December 31, 2014 and 2015.

In conjunction with Term Loan, the Company issued warrants to purchase 2,500,000 shares of common stock at an exercise price per share of \$1.00. The warrants are exercisable at any time by the holder and expire upon the earlier of ten years from the issuance date or the sale of the Company. At December 31, 2015, the warrants remain outstanding. The carrying value of the Term Loan was reduced by the fair value of the warrants at issuance of \$1,380,000. The resulting debt discount is being amortized over the term of the debt on a straight-line basis which approximates the effective interest method. The amortization of the debt discount is recorded in interest expense in the consolidated statements of operations. For each of the years ended December 31, 2014 and 2015, amortization of debt discount relating to the warrant was \$276,000. As of December 31, 2014 and 2015, the Company reserved 2,500,000 shares of common stock for issuance from its authorized and unissued common stock.

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The net carrying value of the Term Loan as of December 31, 2014 and 2015 consists of the following (in thousands):

| | December 31, | |
|---|-----------------|-----------------|
| | 2014 | 2015 |
| Principal amount (including interest paid in kind) | \$27,558 | \$29,648 |
| Unamortized debt issuance costs and debt discount | (855) | (627) |
| Unamortized common stock warrant liability discount | (1,030) | (754) |
| Net carrying value | <u>\$25,673</u> | <u>\$28,267</u> |

Note 7—Other long-term liabilities

At December 31, 2014 and 2015, other long-term liabilities comprise the following (in thousands):

| | December 31, | |
|---|----------------|----------------|
| | 2014 | 2015 |
| Deferred rent | \$1,069 | \$3,073 |
| Capital lease obligations, net of current portion | — | 558 |
| | <u>\$1,069</u> | <u>\$3,631</u> |

Note 8—Income taxes

The components of income (loss) before income taxes for the years ended December 31, 2014 and 2015 are as follows (in thousands):

| | Year Ended December 31, | |
|---------------|----------------------------|-------------------|
| | 2014 | 2015 |
| United States | \$(25,387) | \$(39,350) |
| International | 461 | 903 |
| | <u>\$(24,926)</u> | <u>\$(38,447)</u> |

The components of the total income tax benefit for the years ended December 31, 2014 and 2015 are summarized as follows (in thousands):

| | Year Ended December 31, | |
|-----------------------------------|----------------------------|-------------------|
| | 2014 | 2015 |
| Current | | |
| Federal | \$ — | \$ — |
| State | 1 | 7 |
| International | 108 | 221 |
| Total current income tax expense | <u>109</u> | <u>228</u> |
| Deferred | | |
| Federal | (7,111) | (12,468) |
| State | (1,172) | (1,473) |
| Total deferred income tax benefit | <u>(8,283)</u> | <u>(13,941)</u> |
| Total income tax benefit | <u>\$(8,174)</u> | <u>\$(13,713)</u> |

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A reconciliation of the statutory U.S. federal income tax rate to the Company's effective tax rate for the years ended December 31, 2014 and 2015 is as follows:

| | Year Ended December 31, | |
|-----------------------------------|----------------------------|--------------|
| | 2014 | 2015 |
| Federal statutory income tax rate | 34.0% | 34.0% |
| State tax, net of federal benefit | 3.1% | 4.0% |
| Federal tax credits | 0.6% | 1.1% |
| Change in valuation allowance | — | (2.3%) |
| Common stock warrants | (5.0%) | (0.4%) |
| Contingent consideration | 1.0% | — |
| Other | (0.9%) | (0.7%) |
| | <u>32.8%</u> | <u>35.7%</u> |

Significant components of the Company's tax assets and liabilities at December 31, 2014 and 2015 are as follows (in thousands):

| | December 31, | |
|---|--------------------|-------------------|
| | 2014 | 2015 |
| Deferred tax assets | | |
| Accrued expenses and other current liabilities | \$ 188 | \$ 1,147 |
| Business credits | 1,146 | 1,962 |
| Contingent consideration | 358 | 356 |
| Stock-based compensation | 769 | 2,488 |
| Net operating loss carryover | 4,626 | 13,586 |
| Other | 1 | 2 |
| Total deferred tax assets | 7,088 | 19,541 |
| Less valuation allowance | — | (887) |
| Deferred tax assets, net of valuation allowance | 7,088 | 18,654 |
| Deferred tax liabilities | | |
| Property and equipment | (222) | (1,473) |
| Common stock warrants | (87) | (63) |
| Intangible assets | (26,115) | (21,800) |
| Prepaid expenses | (512) | (1,225) |
| Total deferred tax liabilities | (26,936) | (24,561) |
| Net deferred taxes | <u>\$ (19,848)</u> | <u>\$ (5,907)</u> |

ASC 740 requires that the tax benefit of net operating losses, temporary differences, and credit carryforwards be recorded as an asset to the extent that the Company assesses that realization is "more likely than not." A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. With respect to tax jurisdictions outside of California, deferred tax liabilities, which exceed deferred tax assets, are an available source of income to realize the deferred tax assets. Accordingly, the Company has determined that it is more likely not that the deferred tax assets will be realized and no valuation allowance has been recorded. The Company will continue to evaluate the realizability of these deferred tax assets and, in the future, to the extent that deferred tax assets exceed deferred tax liabilities that are an available source of income to realize the

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deferred tax assets, the Company will be required to record a valuation allowance against the deferred tax assets, unless the Company has objective evidence to determine that sufficient future taxable income will be generated to realize the deferred tax assets. In the State of California, the Company's deferred tax assets exceed deferred tax liabilities, and because of the Company's recent history of operating losses, the Company believes that recognition of these deferred tax assets is currently not likely to be realized. Accordingly, the Company has provided a valuation allowance against its California deferred tax assets.

The change in the valuation allowance for the years ended December 31, 2014 and 2015, is as follows (in thousands):

| | December 31, | |
|---|--------------|--------------|
| | 2014 | 2015 |
| Valuation allowance, at beginning of year | \$ — | \$ — |
| Increase in valuation allowance | — | 887 |
| Valuation allowance, at end of year | <u>\$ —</u> | <u>\$887</u> |

The Company did not provide for United States income taxes on the undistributed earnings and other outside temporary differences of foreign subsidiaries as they are considered indefinitely reinvested outside the United States. As of December 31, 2014 and 2015 the amount of temporary differences related to undistributed earnings and other outside temporary differences upon which United States income taxes have not been provided is immaterial to these financial statements.

As of December 31, 2015, the Company had consolidated federal and State of California net operating loss carryforwards available to offset future taxable income of approximately \$70.3 million and \$65.6 million, respectively. Pursuant to Internal Revenue Code Section 382, use of the Company's net operating loss carryforwards may be limited if the Company experiences a cumulative change in ownership of more than 50% over a three-year period. At December 31, 2015, \$32.8 million of net operating losses related to tax benefits for stock-based compensation resulting from gains that certain individual option holders experienced from the Acquisition to date and are not included in the deferred tax assets and will be recorded to additional paid in capital when and if they reduce taxes payable.

The following is a roll-forward of the Company's total gross unrecognized tax benefits (in thousands):

| | |
|---|--------------|
| Gross unrecognized tax benefits, December 31, 2013 | \$153 |
| Increase related to positions taken in the year ended December 31, 2014 | 35 |
| Total gross unrecognized tax benefits, December 31, 2014 | 188 |
| Increase related to positions taken in the year ended December 31, 2015 | 90 |
| Total gross unrecognized tax benefits, December 31, 2015 | <u>\$278</u> |

As of December 31, 2014 and 2015, \$188,000 and \$146,000, respectively, of unrecognized tax benefits would affect the Company's effective rate if recognized. The Company has not recorded any interest or penalties in its benefit from income taxes for the years ended December 31, 2014 and 2015 and no such amounts have been accrued as of December 31, 2014 and 2015.

The Company's 2013 and 2014 tax returns remain open for examination by the Internal Revenue Service and various state authorities. Internationally, the Company's 2013 and 2014 returns remain open for examination in various foreign jurisdictions by non-US tax authorities.

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The Company does not anticipate either material changes in the total amount or composition of its unrecognized tax benefits within 12 months of the reporting date.

Note 9—Contingent consideration

On September 3, 2013, The Company entered into a merger agreement with certain holders of its common stock, including Silver Lake, Iconiq, Ms. Tucker and Mr. Spanicciati. Pursuant to the terms of the merger agreement, the Company's optionholders were allowed to cancel their stock option rights and receive a cash payment equal to the amount of calculated gain (less applicable expense and other items) had they exercised their stock options and then sold their common shares as part of the Acquisition. As a condition of the Acquisition, the Company is required to pay additional cash consideration to certain equity holders, including Ms. Tucker, Mr. Spanicciati and Mr. Unterman, if the Company realizes a tax benefit from the use of net operating losses generated from the stock option exercises concurrent with the Acquisition. The maximum contingent cash consideration to be distributed is \$8.0 million. The fair value of the contingent consideration was \$4.8 million and \$4.9 million as of December 31, 2014 and 2015, respectively. See Note 2—Significant accounting policies—Fair value of financial instruments for additional information regarding the valuation of the contingent consideration.

Note 10—Commitments and contingencies

Operating leases—The Company has various non-cancelable operating leases for its corporate and international offices. These leases expire at various times through 2023. Certain lease agreements contain renewal options, rent abatement, and escalation clauses. The Company recognizes rent expense on a straight-line basis over the lease term, commencing when the Company takes possession of the property. Certain of the Company's office leases entitle the Company to receive a tenant allowance from the landlord. The Company records tenant allowances as a deferred rent credit, which the Company amortizes on a straight-line basis, as a reduction of rent expense, over the term of the underlying lease. Total rent expense under the operating leases was approximately \$1,800,000 and \$2,507,000 for the years ended December 31, 2014 and 2015, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows for the years ended December 31 (in thousands):

| | |
|------------|-----------------|
| 2016 | \$ 3,699 |
| 2017 | 3,316 |
| 2018 | 2,553 |
| 2019 | 1,978 |
| 2020 | 1,825 |
| Thereafter | 3,912 |
| | <u>\$17,283</u> |

Capital leases—The Company leases computer software from various parties under capital lease agreements. Outstanding principal payments under capital lease obligations were \$1,116,000 as of December 31, 2015 of which \$558,000 is payable in 2016 and \$558,000 is payable in 2017.

Litigation—From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Company is not currently a party to any

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

legal proceedings, nor is it aware of any pending or threatened litigation, that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Indemnification—In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor have it been sued in connection with these indemnification arrangements. As of December 31, 2014 and 2015, the Company has not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

Note 11—Capitalization

As of December 31, 2015, the authorized capital stock of the Company consisted of 250 million shares of common stock.

As of December 31, 2015, the Company had reserved for issuance 32.0 million shares of common stock from its available but unissued authorized shares, consisting of 29.5 million shares issuable upon the exercise of stock options under the Company's Equity Incentive Plan (the "Plan") and warrants to purchase 2.5 million shares of common stock.

On November 19, 2014, the Company raised gross proceeds of \$5.0 million from the issuance of 1,785,714 shares of common stock from an existing investor.

During the years ended December 31, 2014 and 2015, the Company repurchased in aggregate 225,000 and 10,000 shares of common stock from former employees for \$225,000 and \$29,000, respectively, which are held in treasury stock.

Note 12—Stock options

The Company's board of directors may grant stock options to employees, directors and consultants under the 2014 Equity Incentive Plan (the "2014 Plan"). Under the 2014 Plan, the number of shares of common stock to be granted or subject to options or rights may not exceed 32 million. The aggregate number of shares available under the 2014 Plan and the number of shares subject to outstanding options automatically adjusts for any changes in the Company's outstanding common stock by reason of any recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction. As of December 31, 2015, 1,069,500 shares were available for grant under the 2014 Plan. The exercise price of incentive stock options may not be less than the fair value of the Company's common stock at the date of grant. The exercise price of incentive stock options granted to individuals that own greater than 10% of the Company's voting stock may not be less than 110% of the fair value of the Company's common stock at the date of grant. Stock options generally vest over four years and have contractual terms of ten years.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the Company's stock option activity and related information for the year ended December 31, 2015 is as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|--|-------------------|--|---|---------------------------------|
| Outstanding, December 31, 2014 | 20,730,000 | \$ 1.07 | 9.2 | \$35,766,000 |
| Granted | 11,259,384 | 2.86 | | |
| Exercised | (1,415,926) | 1.01 | | |
| Forfeited | (1,051,574) | 2.02 | | |
| Outstanding, December 31, 2015 | <u>29,521,884</u> | \$ 1.72 | 8.6 | \$37,788,000 |
| Exercisable at December 31, 2015 | 3,766,375 | \$ 1.27 | 8.3 | \$ 6,516,000 |
| Vested and expected to vest at December 31, 2015 | 26,694,800 | \$ 1.72 | 8.6 | \$34,169,000 |

The weighted average grant date fair value per share of options granted during the years ended December 31, 2014 and 2015 was \$0.57 and \$1.41, respectively. The aggregate intrinsic value of options exercised during the year ended December 31, 2015 was \$2,573,000. No options were exercised during the year ended December 31, 2014.

Unrecognized compensation expense relating to stock options was \$16.5 million at December 31, 2015 which is expected to be recognized over a weighted-average period of 2.9 years.

Stock-based compensation expense for stock option awards for the years ended December 31, 2014 and 2015 was as follows (in thousands):

| | Year Ended December 31, | |
|----------------------------|----------------------------|----------------|
| | 2014 | 2015 |
| Cost of revenue | \$ 249 | \$ 466 |
| Sales and marketing | 1,059 | 2,418 |
| Research and development | 229 | 588 |
| General and administrative | 480 | 2,025 |
| | <u>\$2,017</u> | <u>\$5,497</u> |

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below sets forth information regarding stock options granted subsequent to December 31, 2014:

| Grant Date | Number of Shares | Exercise Price at Grant Date | Estimated per Share Fair Value of Common Stock at Grant Date |
|-------------------|------------------|------------------------------|--|
| January 15, 2015 | 310,000 | \$ 2.80 | \$ 2.80 |
| March 30, 2015 | 5,183,884 | 2.80 | 2.80 |
| April 6, 2015 | 50,000 | 2.80 | 2.80 |
| May 20, 2015 | 1,969,000 | 2.90 | 2.90 |
| May 30, 2015 | 1,000,000 | 2.90 | 2.90 |
| August 31, 2015 | 1,971,000 | 2.90 | 2.90 |
| November 10, 2015 | 775,500 | 3.00 | 3.00 |
| March 9, 2016 | 857,500 | 3.00 | 2.80 |

Note 13—Defined contribution plan

The Company sponsors a defined contribution retirement plan (the "Plan") that covers substantially all domestic employees. Employees who have completed at least one year of service with the Company are eligible to participate in the Plan. The Company makes matching contributions of 100% of each \$1 of the employee's contribution up to the first 3% of the employee's bi-weekly compensation and 50% of each \$1 of the employee's contribution up to the next 2% of the employee's bi-weekly compensation. Matching contributions to the Plan totaled \$949,000 and \$1,728,000 for the years ended December 31, 2014 and 2015, respectively.

Note 14—Related party transactions

As of December 31, 2015, the Company accrued for costs of third party legal services incurred on behalf of Silver Lake, ICONIQ Capital Group, L.P., a minority shareholder, and Mr. Spanicciati, a minority shareholder, relating to the Company's initial public offering and other corporate related matters. Total amounts accrued at December 31, 2015 were \$161,000, of which \$84,000 were expensed during 2015 and \$77,000 were included in other assets as deferred offering costs.

Note 15—Geographic information

Revenue by region is classified based on the country of the customer's contracting office. The following table sets forth the Company's revenue by geographic region (in thousands):

| | Year Ended December 31, | |
|---------------|-------------------------|-----------------|
| | 2014 | 2015 |
| United States | \$45,039 | \$71,832 |
| International | 6,638 | 11,775 |
| | <u>\$51,677</u> | <u>\$83,607</u> |

No countries outside the United States represented greater than 10% of total revenues.

Substantially all of the Company's property and equipment is located in the United States.

BLACKLINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16—Subsequent events

The Company has evaluated subsequent events through March 24, 2016, which is the date the consolidated financial statements were available to be issued.

On January 14, 2016, the Board of Directors approved the retirement of 235,000 shares of treasury stock.

On March 9, 2016, the Company granted stock options to purchase 857,500 shares of common stock at a weighted average exercise price of \$3.00 per share. The grant date fair value of these awards was approximately \$1.0 million, which is expected to be recognized to expense, net of forfeitures, over the vesting period of 4 years.

On March, 22, 2016, the Company amended its credit facility to add an additional \$5.0 million term loan (the “2016 Incremental Term Loan”) and provide for a \$5.0 million revolving line of credit. The additional \$5.0 million borrowing under the 2016 Incremental Term Loan and the revolving line of credit each mature in September 2018. The 2016 Incremental Term Loan bears interest at (i) the greater of LIBOR or 1.5% plus (ii) 8% and can be paid in varying amounts in cash or in kind. The revolving line of credit bears interest at (i) the greater of LIBOR or 0.5% plus (ii) 6%. The Company is also required to pay a commitment fee equal to 0.5% per annum of the unused portion of the revolving line of credit.

**SCHEDULE I—CONDENSED PARENT COMPANY FINANCIAL INFORMATION
OF BLACKLINE, INC.**

**PARENT COMPANY BALANCE SHEETS
(in thousands, except shares and par values)**

| | December 31, | |
|--|------------------|------------------|
| | <u>2014</u> | <u>2015</u> |
| Assets | | |
| Investment in subsidiaries | \$183,947 | \$166,168 |
| Total assets | <u>\$183,947</u> | <u>\$166,168</u> |
| Equity | | |
| BlackLine, Inc. stockholders' equity: | | |
| Common stock, \$0.01 par value, 250,000,000 shares authorized, 202,185,714 issued and 201,960,714 outstanding as of December 31, 2014 and 203,601,640 issued and 203,366,640 outstanding as of December 31, 2015 | \$ 2,022 | \$ 2,036 |
| Treasury Stock, 225,000 shares at cost at December 31, 2014 and 235,000 shares at cost at December 31, 2015 | (225) | (254) |
| Additional paid-in capital | 205,572 | 212,542 |
| Accumulated deficit | <u>(23,422)</u> | <u>(48,156)</u> |
| Total BlackLine, Inc. stockholders' equity | <u>\$183,947</u> | <u>\$166,168</u> |

The accompanying notes are an integral part of these financial statements

**SCHEDULE I—CONDENSED PARENT COMPANY FINANCIAL INFORMATION OF
BLACKLINE, INC. (CONTINUED)
PARENT COMPANY STATEMENTS OF OPERATIONS
(in thousands)**

| | Year Ended December 31, | |
|--|----------------------------|--------------------|
| | 2014 | 2015 |
| Equity in undistributed earnings of subsidiary | <u>\$ (16,752)</u> | <u>\$ (24,734)</u> |
| Net loss | <u>\$ (16,752)</u> | <u>\$ (24,734)</u> |

The accompanying notes are an integral part of these financial statements

**SCHEDULE I—CONDENSED PARENT COMPANY FINANCIAL INFORMATION OF
BLACKLINE, INC. (CONTINUED)**
PARENT COMPANY STATEMENTS OF CASH FLOWS
(in thousands)

| | Year Ended | |
|---|--------------|------------|
| | December 31, | |
| | 2014 | 2015 |
| Cash flows from operating activities: | | |
| Net loss | \$(16,752) | \$(24,734) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Equity in undistributed earnings of subsidiary | 16,752 | 24,734 |
| Net cash provided by operating activities | — | — |
| Cash flows from investing activities: | | |
| Investment in subsidiary | (4,775) | (1,391) |
| Net cash used in investing activities | (4,775) | (1,391) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, net of offering costs | 5,000 | — |
| Repurchase of common stock | (225) | (29) |
| Proceeds from exercise of stock options | — | 1,420 |
| Net cash provided by financing activities | 4,775 | 1,391 |
| Net increase in cash and cash equivalents | — | — |
| Cash and cash equivalents at the beginning of period | — | — |
| Cash and cash equivalents at end of period | \$ — | \$ — |

The accompanying notes are an integral part of these financial statements

**SCHEDULE I—CONDENSED PARENT COMPANY FINANCIAL INFORMATION OF
BLACKLINE, INC. (CONTINUED)**

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

Note 1—Basis of presentation

On September 3, 2013, SLS Breeze Holdings, Inc., SLS Breeze Intermediate Holdings, Inc. (“Intermediate Corp”), and SLS Breeze Merger Sub, Inc., formed by Silver Lake Sumeru Fund, LP (“Silver Lake”), acquired BlackLine Systems, Inc. (the “Acquisition”). Prior to the Acquisition, SLS Breeze Holdings, Inc., Intermediate Corp, and SLS Breeze Merger Sub, Inc. had no significant operations. Upon completion of the Acquisition BlackLine Systems, Inc. became indirectly controlled by Silver Lake through SLS Breeze Holdings, Inc. On August 21, 2014, SLS Breeze Holdings, Inc. changed its name to BlackLine, Inc.

The financial statements for BlackLine, Inc. (the “Parent Company”) summarize the results of operations and cash flows of the Parent Company for the years ended December 31, 2014 and 2015, and its financial position at December 31, 2014 and 2015. In these statements, the Parent Company’s investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries since the date of the Acquisition. The Parent Company’s share of net loss of its subsidiaries is included in net loss using the equity method of accounting.

The Parent Company financial statements should be read in conjunction with the consolidated financial statements of BlackLine, Inc. for the corresponding periods. Under the terms of agreements governing the \$25 million term loan entered into by BlackLine Systems, Inc., a subsidiary of Blackline, Inc., such subsidiary is significantly restricted from making dividend payments, loans or advances to BlackLine Inc. and its subsidiaries. These restrictions have resulted in the restricted net assets (as defined in Rule 4-08(e)(3) of Regulation S-X) of BlackLine Systems, Inc. and its subsidiaries exceeding 25% of the consolidated net assets of BlackLine Inc. and its subsidiaries.

Note 2—Dividends received from subsidiaries

During the years ended December 31, 2014 and 2015, no dividends were paid to the Parent Company by its subsidiaries.

BLACKLINE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except shares and par values)

| | December 31, 2015 | June 30, 2016 |
|--|----------------------|------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 15,205 | \$ 13,647 |
| Accounts receivable, net | 24,235 | 25,643 |
| Deferred sales commissions | 6,246 | 6,307 |
| Prepaid expenses and other current assets | 2,801 | 3,864 |
| Total current assets | 48,487 | 49,461 |
| Capitalized software development costs, net | 2,967 | 3,656 |
| Property and equipment, net | 12,419 | 11,721 |
| Intangible assets, net | 56,828 | 50,782 |
| Goodwill | 163,154 | 163,154 |
| Other assets | 2,895 | 4,024 |
| Total assets | <u>\$ 286,750</u> | <u>\$282,798</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,648 | \$ 6,280 |
| Accrued expenses and other current liabilities | 15,012 | 12,548 |
| Deferred revenue | 52,750 | 60,501 |
| Short-term portion of contingent consideration | 2,008 | 2,008 |
| Total current liabilities | 74,418 | 81,337 |
| Term loan, net | 28,267 | 34,399 |
| Common stock warrant liability | 5,500 | 5,200 |
| Contingent consideration | 2,859 | 3,002 |
| Deferred tax liabilities | 5,907 | 3,007 |
| Other long-term liabilities | 3,631 | 3,041 |
| Total liabilities | 120,582 | 129,986 |
| Commitments and contingencies (Note 5) | | |
| Stockholders' equity: | | |
| Common stock, \$0.01 par value, 250,000,000 shares authorized, 203,601,640 issued and 203,366,640 outstanding as of December 31, 2015 and 203,655,411 issued and outstanding as of June 30, 2016 | 2,036 | 2,039 |
| Treasury stock, 235,000 and 0 shares at cost at December 31, 2015 and June 30, 2016, respectively | (254) | — |
| Additional paid-in capital | 212,542 | 215,824 |
| Accumulated deficit | (48,156) | (65,051) |
| Total stockholders' equity | 166,168 | 152,812 |
| Total liabilities and stockholders' equity | <u>\$ 286,750</u> | <u>\$282,798</u> |

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

BLACKLINE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except share and per share data)

| | Six Months Ended June 30, | |
|---|------------------------------|--------------------|
| | 2015 | 2016 |
| Revenues | | |
| Subscription and support | \$ 35,880 | \$ 52,977 |
| Professional services | 1,592 | 2,610 |
| Total revenues | <u>37,472</u> | <u>55,587</u> |
| Cost of revenues | | |
| Subscription and support | 9,101 | 12,075 |
| Professional services | 1,338 | 1,928 |
| Total cost of revenues | <u>10,439</u> | <u>14,003</u> |
| Gross profit | <u>27,033</u> | <u>41,584</u> |
| Operating expenses | | |
| Sales and marketing | 24,954 | 37,242 |
| Research and development | 8,034 | 10,465 |
| General and administrative | 9,052 | 11,935 |
| Total operating expenses | <u>42,040</u> | <u>59,642</u> |
| Loss from operations | <u>(15,007)</u> | <u>(18,058)</u> |
| Other expense: | | |
| Interest expense, net | (1,644) | (1,840) |
| Change in fair value of the common stock warrant liability | (250) | 300 |
| Other expense, net | (1,894) | (1,540) |
| Loss before income taxes | (16,901) | (19,598) |
| Benefit from income taxes | (6,109) | (2,722) |
| Net loss | <u>\$ (10,792)</u> | <u>\$ (16,876)</u> |
| Net loss per share, basic and diluted | <u>\$ (0.05)</u> | <u>\$ (0.08)</u> |
| Weighted average common shares outstanding, basic and diluted | <u>202,486,866</u> | <u>203,535,687</u> |

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

BLACKLINE, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands, except shares)

| | <u>Common Stock</u> | | <u>Treasury Stock, at cost</u> | <u>Additional Paid-in Capital</u> | <u>Accumulated Deficit</u> | <u>Total</u> |
|------------------------------|---------------------------|-----------------|------------------------------------|---|--------------------------------|------------------|
| | <u>Shares Outstanding</u> | <u>Amount</u> | | | | |
| Balance at December 31, 2015 | 203,366,640 | \$ 2,036 | \$ (254) | \$ 212,542 | \$ (48,156) | \$166,168 |
| Stock option exercises | 288,771 | 3 | — | 299 | — | 302 |
| Stock-based compensation | — | — | — | 3,218 | — | 3,218 |
| Retirement of treasury stock | — | — | 254 | (235) | (19) | — |
| Net loss | — | — | — | — | (16,876) | (16,876) |
| Balance at June 30, 2016 | <u>203,655,411</u> | <u>\$ 2,039</u> | <u>\$ —</u> | <u>\$ 215,824</u> | <u>\$ (65,051)</u> | <u>\$152,812</u> |

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

BLACKLINE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

| | Six Months Ended June 30, | |
|---|------------------------------|------------------|
| | 2015 | 2016 |
| Cash flows used in operating activities | | |
| Net loss | \$(10,792) | \$(16,876) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 6,929 | 8,334 |
| Accretion of debt discount and paid in kind interest | 1,322 | 1,212 |
| Change in fair value of common stock warrant liability | 250 | (300) |
| Change in fair value of contingent consideration | 26 | 143 |
| Stock-based compensation | 2,310 | 3,174 |
| Deferred income taxes | (6,170) | (2,900) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (3,820) | (1,408) |
| Deferred sales commissions | (1,821) | (61) |
| Prepaid expenses and other current assets | 311 | (1,063) |
| Other assets | (224) | 30 |
| Accounts payable | (602) | 2,075 |
| Accrued expenses and other current liabilities | 2,647 | (2,735) |
| Deferred revenue | 6,193 | 7,751 |
| Other long-term liabilities | 2,059 | (466) |
| Net cash used in operating activities | <u>(1,382)</u> | <u>(3,090)</u> |
| Cash flow used in investing activities | | |
| Capitalized software development costs | (859) | (1,472) |
| Purchase of property and equipment | (5,204) | (902) |
| Net cash used in investing activities | <u>(6,063)</u> | <u>(2,374)</u> |
| Cash flows from financing activities | | |
| Proceeds from long-term debt, net of issuance costs | — | 4,840 |
| Principal payments on capital lease obligations | — | (124) |
| Payments on deferred offering costs | — | (1,112) |
| Proceeds from exercise of stock options | 1,243 | 302 |
| Net cash provided by financing activities | <u>1,243</u> | <u>3,906</u> |
| Net decrease in cash and cash equivalents | (6,202) | (1,558) |
| Cash and cash equivalents, beginning of period | 25,707 | 15,205 |
| Cash and cash equivalents, end of period | <u>\$ 19,505</u> | <u>\$ 13,647</u> |

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

BLACKLINE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
SUPPLEMENTAL CASH FLOW DISCLOSURE
(in thousands)

| | Six Months Ended June 30, | |
|--|------------------------------|----------|
| | 2015 | 2016 |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest | \$263 | \$ 477 |
| Cash paid for income taxes | \$ 6 | \$ 141 |
| Non-cash financing and investing activities | | |
| Capitalized software development costs included in accounts payable and accrued expenses and other current liabilities | \$177 | \$ 82 |
| Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities | \$ 69 | \$ 76 |
| Stock-based compensation capitalized for software development | \$ 30 | \$ 44 |
| Deferred offering costs in accounts payable and accrued expenses and other current liabilities | \$ — | \$ 1,600 |
| Term loan issuance costs included in accounts payable and accrued expenses and other current liabilities | \$ — | \$ 80 |

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

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1—Company overview

BlackLine, Inc. and its subsidiaries (the “Company” or “BlackLine”) provide financial accounting close solutions delivered as a Software as a Service (“SaaS”). The Company’s solutions enable its customers to address various aspects of their financial closing process including account reconciliations, variance analysis of account balances, journal entry capabilities and certain types of data matching capabilities.

The Company is headquartered in Los Angeles, California and has offices in Chicago, Atlanta, New York, Vancouver, London, Paris, Frankfurt, Johannesburg, Sydney, Melbourne, Kuala Lumpur, and Singapore.

Note 2—Basis of presentation and summary of significant accounting policies

The accompanying condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended December 31, 2015. The accompanying condensed consolidated balance sheet as of June 30, 2016, the condensed consolidated statements of operations and of cash flows for the six months ended June 30, 2015 and 2016, and the condensed consolidated statement of stockholders’ equity for the six months ended June 30, 2016 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on a basis consistent with that used to prepare the audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal recurring items, necessary for the fair statement of the condensed consolidated financial statements. The operating results for the six months ended June 30, 2016 are not necessarily indicative of the results expected for the full year ending December 31, 2016.

There have been no significant changes in the accounting policies from those disclosed in the audited consolidated financial statements and the related notes presented elsewhere in this prospectus.

Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period.

Segments

Management has determined that the Company has one operating segment. The Company’s chief executive officer, who is the Company’s chief operating decision maker, reviews financial information on a consolidated and aggregate basis, together with certain operating metrics principally to make decisions about how to allocate resources and to measure the Company’s performance.

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Fair value of financial instruments

ASC 820, *Fair Value Measurements* ("ASC 820") require entities to disclose the fair value of financial instruments, both assets and liabilities recognized and not recognized on the balance sheet, for which it is practicable to estimate fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1:** Quoted prices in active markets for identical or similar assets and liabilities.
- Level 2:** Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of December 31, 2015 and June 30, 2016, the carrying value of cash equivalents, accounts receivable, accounts payable and accrued expenses, approximates fair value due to the short-term nature of such instruments. The carry value of long-term debt, excluding related debt discounts, approximates its fair value based on rates available to the Company for debt with similar terms and maturities.

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 and June 30, 2016 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

| | December 31, 2015 | | | Total |
|--------------------------------|-------------------|-------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | | | | |
| Money market funds | \$15,990 | \$ — | \$ — | \$15,990 |
| Total Assets | <u>15,990</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$15,990</u> |
| Liabilities | | | | |
| Common stock warrant liability | \$ — | \$ — | \$ 5,500 | \$ 5,500 |
| Contingent consideration | — | — | 4,867 | 4,867 |
| Total Liabilities | <u>\$ —</u> | <u>\$ —</u> | <u>\$10,367</u> | <u>\$10,367</u> |

| | June 30, 2016 | | | Total |
|--------------------------------|-----------------|-------------|-----------------|-----------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | | | | |
| Money market funds | \$12,000 | \$ — | \$ — | \$12,000 |
| Total Assets | <u>\$12,000</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$12,000</u> |
| Liabilities | | | | |
| Common stock warrant liability | \$ — | \$ — | \$ 5,200 | \$ 5,200 |
| Contingent consideration | — | — | 5,010 | 5,010 |
| Total Liabilities | <u>\$ —</u> | <u>\$ —</u> | <u>\$10,210</u> | <u>\$10,210</u> |

There were no changes to the valuation techniques used to measure asset and liability fair values on a recurring basis during the six months ended June 30, 2016 from those included in the audited consolidated financial statements presented elsewhere in this prospectus.

The following table summarizes the changes in the common stock warrant liability and contingent consideration liability (in thousands):

| | Contingent Consideration | Common Stock Warrant Liability |
|------------------------------------|-----------------------------|--------------------------------------|
| Fair value as of December 31, 2014 | \$ 4,826 | \$ 5,080 |
| Change in fair value | 26 | 250 |
| Fair value as of June 30, 2015 | <u>\$ 4,852</u> | <u>\$ 5,330</u> |

| | Contingent Consideration | Common Stock Warrant Liability |
|------------------------------------|-----------------------------|--------------------------------------|
| Fair value as of December 31, 2015 | \$ 4,867 | \$ 5,500 |
| Change in fair value | 143 | (300) |
| Fair value as of June 30, 2016 | <u>\$ 5,010</u> | <u>\$ 5,200</u> |

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Net loss per share

Basic and diluted loss per share is calculated by dividing net loss by the weighted average number of shares of common stock outstanding. As the Company has net losses for the periods presented all potentially dilutive common stock, which are comprised of stock options and warrants, are antidilutive.

As of June 30, 2015 and 2016, the following potentially dilutive shares have been excluded from the calculation of diluted net loss per share attributable to common stockholders because they are anti-dilutive:

| | June 30, | |
|---|-------------------|-------------------|
| | 2015 | 2016 |
| Options to purchase common stock | 27,417,884 | 29,570,809 |
| Common stock warrants | 2,500,000 | 2,500,000 |
| Total shares excluded from net loss per share | <u>29,917,884</u> | <u>32,070,809</u> |

Comprehensive income or loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive income or loss and its components in the financial statements. For the six months ended June 30, 2015 and 2016, the Company had no other comprehensive income (loss) items and therefore, comprehensive loss equaled net loss. Accordingly, a separate statement of comprehensive loss has not been presented.

Recently issued accounting standards

Under the Jumpstart Our Business Startups Act, or the JOBS Act, the Company meets the definition of an emerging growth company. The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace all existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. In July 2015, the FASB voted to defer the effective date to January 1, 2018, with early adoption beginning January 1, 2017. In March, April and May 2016, the FASB issued additional amendments to the new revenue guidance relating to reporting revenue on a gross versus net basis, identifying performance obligations and licensing arrangements, and other narrow scope improvements. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements.

In April 2015, the FASB issued new guidance related to the customer's accounting for fees paid in a cloud computing arrangement, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance was effective for annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued new guidance which significantly changes the accounting for leases. The new guidance requires a lessee recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. For income statement purposes, the new guidance retained a dual model, requiring leases to be classified as either operating or financing. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern similar to existing capital lease guidance. For statement of cash flow purposes, the new guidance also retained the existing dual method, where cash payments for operating leases are reflected in cash flows from operating activities and principal and interest payments for finance leases are reflected in cash flows from financing activities and cash flows from operating activities, respectively. The new guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The new guidance requires the recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective approach. The use of the modified retrospective approach allows an entity to use a number of practical expedients in the application of this new guidance. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issued new guidance to simplify various aspects relating to accounting for stock-based compensation and related tax impacts, the classification of excess tax benefits on the statement of cash flows, statutory tax withholding requirements and other stock based compensation classification matters. The guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted in any interim or annual period. All of the amendments in the new guidance must be adopted in the same period. The Company is evaluating the impact of this guidance on its consolidated financial statements. The Company plans to adopt this guidance during the first quarter ended March 31, 2017.

In August 2016, the FASB issued cash flow guidance which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice, including presentation of cash flows relating to contingent consideration payments, debt prepayment and debt extinguishment costs, among other matters. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If adopted in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of this guidance should be applied using a retrospective transition method to each period presented, unless impracticable to do so. We are evaluating the impact of this guidance on our consolidated statement of cash flows.

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 3—Accrued expenses and other current liabilities

As of December 31, 2015 and June 30, 2016, accrued expenses and other current liabilities comprise the following (in thousands):

| | December 31, 2015 | June 30, 2016 |
|---|----------------------|------------------|
| Accrued salary and employee benefits | \$ 9,716 | \$ 7,724 |
| Accrued income and other taxes payable | 1,047 | 1,003 |
| Short-term portion of capital lease | 558 | 558 |
| Accrued commissions to third-party partners | 2,305 | 1,634 |
| Deferred offering costs | 419 | 105 |
| Other accrued expenses | 967 | 1,524 |
| | <u>\$ 15,012</u> | <u>\$12,548</u> |

Note 4—Term loan, net

In March 2016, the Company amended its credit facility to add an additional \$5.0 million term loan (the “2016 Incremental Term Loan”) and provide for a \$5.0 million revolving line of credit. The additional \$5.0 million borrowing under the 2016 Incremental Term Loan and the revolving line of credit each mature in September 2018. The 2016 Incremental Term Loan bears interest at (i) the greater of LIBOR or 1.5% plus (ii) 8% and can be paid in varying amounts in cash or in kind. The revolving line of credit bears interest at (i) the greater of LIBOR or 0.5% plus (ii) 6%. The Company is also required to pay a commitment fee equal to 0.5% per annum of the unused portion of the revolving line of credit. No amounts were outstanding under the revolving line of credit at June 30, 2016.

The net carrying value of the Company’s borrowings under its term loans as of December 31, 2015 and June 30, 2016 consists of the following (in thousands):

| | December 31, 2015 | June 30, 2016 |
|---|----------------------|------------------|
| Principal amount (including interest paid in kind) | \$ 29,648 | \$35,736 |
| Unamortized debt issuance costs and debt discount | (627) | (721) |
| Unamortized common stock warrant liability discount | (754) | (616) |
| Net carrying value | <u>\$ 28,267</u> | <u>\$34,399</u> |

The credit facility is collateralized against all of the Company’s assets. In connection with certain events, including a change in control, or if the Company elects to repay the amounts outstanding under the term loans, the Company is required to pay a prepayment penalty.

Note 5—Commitments and contingencies

Operating Leases—The Company has various non-cancelable operating leases for its corporate and international offices. These leases expire at various times through 2023. Certain lease agreements contain renewal options, rent abatement, and escalation clauses and entitle the Company to receive a tenant allowance from the landlord. The Company records tenant allowances as a deferred rent credit, which the Company amortizes on a straight-line basis, as a reduction of rent expense, over the term of the underlying lease.

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Contingent Consideration—On September 3, 2013, BlackLine Systems, Inc. was acquired by BlackLine, Inc. (the “Acquisition”). In conjunction with the Acquisition, option holders of BlackLine Systems, Inc. were allowed to cancel their stock option rights and receive a cash payment equal to the amount of calculated gain (less applicable expense and other items) had they exercised their stock options and then sold their common shares as part of the Acquisition. As a condition of the Acquisition, the Company is required to pay additional cash consideration to certain equity holders if the Company realizes a tax benefit from the use of net operating losses generated from the stock option exercises concurrent with the Acquisition. The maximum contingent cash consideration to be distributed is \$8.0 million. The fair value of the contingent consideration was \$4.9 million and \$5.0 million as of December 31, 2015 and June 30, 2016, respectively.

Litigation—From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Company is not currently a party to any legal proceedings, nor is it aware of any pending or threatened litigation, that would have a material adverse effect on the Company’s business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Indemnification—In the ordinary course of business, the Company may provide indemnification of varying scope and terms to customers, vendors, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is indeterminable. The Company has never paid a material claim, nor have it been sued in connection with these indemnification arrangements. As of December 31, 2015 and June 30, 2016, the Company has not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

Note 6—Stock Options

A summary of the Company’s stock option activity and related information for the six months ended June 30, 2016 is as follows:

| | Shares | Weighted Average Exercise Price |
|--|-------------------|--|
| Outstanding, December 31, 2015 | 29,521,884 | \$ 1.72 |
| Granted | 1,181,750 | 3.00 |
| Exercised | (288,771) | 1.06 |
| Forfeited | (844,054) | 1.96 |
| Outstanding, June 30, 2016 | <u>29,570,809</u> | <u>\$ 1.77</u> |
| Exercisable at June 30, 2016 | 9,814,271 | \$ 1.45 |
| Vested and expected to vest at June 30, 2016 | 26,798,971 | \$ 1.77 |

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The table below sets forth information regarding stock options granted subsequent to December 31, 2015:

| Grant Date | Number of Shares | Exercise Price at Grant Date | Estimated per Share Fair Value of Common Stock at Grant Date |
|-------------------|------------------|------------------------------|--|
| March 9, 2016 | 857,500 | \$ 3.00 | \$ 2.80 |
| May 18, 2016 | 324,250 | \$ 3.00 | \$ 2.90 |
| September 2, 2016 | 480,250 | \$ 3.20 | \$ 3.20 |

Stock-based compensation expense for stock option awards for the six months ended June 30, 2015 and 2016 were as follows (in thousands):

| | Six Months Ended June 30, | |
|----------------------------|---------------------------|----------------|
| | 2015 | 2016 |
| Cost of revenue | \$ 225 | \$ 275 |
| Sales and marketing | 1,145 | 1,333 |
| Research and development | 260 | 334 |
| General and administrative | 680 | 1,232 |
| | <u>\$2,310</u> | <u>\$3,174</u> |

Note 7—Income Taxes

The Company uses an effective tax rate approach for calculating its tax benefit for the six months ended June 30, 2015 and 2016. The effective tax rate for the six months ended June 30, 2016 differs from the U.S. Federal statutory rate of 34% primarily because of state taxes, net of federal benefit, and valuation allowance for U.S. federal and state income taxes. The effective tax rate for six months ended June 30, 2015 differs from the U.S. federal statutory rate of 34% primarily as a result of state taxes, net of federal benefit, foreign taxes and a valuation allowance on State of California net deferred tax assets.

The Company records a valuation allowance against its deferred tax assets to the extent that realization of the deferred tax assets, including consideration of its deferred tax liabilities, is not more likely than not. For the year ending December 31, 2016, for both federal and state income taxes, the Company's deferred assets are estimated to exceed its deferred tax liabilities and because of the Company's recent history of operating losses the Company believes that the realization of the deferred tax assets is currently not more likely than not. Accordingly, the Company has recorded a valuation allowance against its federal and state deferred tax assets. Taxes for international operations are not material for the six months ended June 30, 2015 and 2016.

Note 8—Subsequent Events

The Company has evaluated subsequent events through September 8, 2016, which is the date the condensed consolidated financial statements were available to be issued.

On August 31, 2016, the Company completed the acquisition of 100% of the outstanding equity of Runbook Company BV, a Netherlands-based privately-held company that provides financial close

BLACKLINE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

automation software solutions to SAP customers. The total purchase price for the acquisition was \$34 million, subject to final working capital adjustments, which was paid in cash. The estimated purchased working capital includes approximately \$3 million in cash. A portion of the purchase price of \$3.1 million was paid into escrow for indemnification obligations relating to potential breach of representations and warranties of the sellers and any amounts remaining in escrow after satisfaction of any resolved claims, will be released from escrow on the one-year anniversary of the acquisition. Given the timing of the completion of the acquisition, the Company is currently in the process of valuing the assets acquired and liabilities assumed in the acquisition. As a result, the Company is unable to provide the amounts recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed and certain pro forma and other disclosures.

The Company financed the purchase price through proceeds from an amendment to the Company's existing credit facility and cash on hand. The Company borrowed \$30.0 million which is repayable on September 25, 2018. The Company is also subject to a prepayment penalty of 2.0% if these proceeds are repaid on or prior to September 25, 2017 and 1.0% if repaid after September 25, 2017 and prior to March 25, 2018. The interest rate, collateral, maturity date, and covenants of the amended credit facility are subject to the same terms and conditions as the Term Loan (See Note 4—Term Loan).

In September 2016, the Company granted stock options to purchase 480,250 shares of common stock at an exercise price of \$3.20. The grant date fair value of these awards was approximately \$1.5 million, which is expected to be recognized to expense, net of forfeitures, over the vesting period of 4 years.

Shares

BlackLine, Inc.

Common Stock



Goldman, Sachs & Co.

J.P. Morgan

Pacific Crest Securities

Raymond James

William Blair

Baird

a division of KeyBanc Capital Markets

Through and including _____, 2016 (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.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Estimated costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of the common stock being registered under this registration statement are as follows:

| | Amount to be Paid |
|-----------------------------------|----------------------|
| SEC registration fee | \$ * |
| FINRA filing fee | * |
| Exchange listing fee | * |
| Blue sky fees and expenses | * |
| Printing and engraving | * |
| Legal fees and expenses | * |
| Accounting fees and expenses | * |
| Transfer agent and registrar fees | * |
| Miscellaneous fees and expenses | * |
| Total | <u>\$ *</u> |

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

On completion of this offering, our amended and restated certificate of incorporation will contain provisions that eliminate, to the maximum extent permitted by the General Corporation Law of the State of Delaware, the personal liability of our directors and executive officers for monetary damages for breach of their fiduciary duties as directors or officers. Our amended and restated certificate of incorporation and amended and restated bylaws will provide that we must indemnify our directors and executive officers and may indemnify our employees and other agents to the fullest extent permitted by the General Corporation Law of the State of Delaware.

Section 145 of the General Corporation Law of the State of Delaware provides that a corporation may indemnify any person made a party to an action by reason of the fact that he or she was a director, executive officer, employee or agent of the corporation or is or was serving at the request of a corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of an action by or in right of the corporation, no indemnification may generally be made in respect of any claim as to which such person is adjudged to be liable to the corporation.

We have entered into indemnification agreements with our directors and executive officers, in addition to the indemnification provided for in our amended and restated certificate of incorporation and amended and restated bylaws, and intend to enter into indemnification agreements with any new directors and executive officers in the future.

We have purchased and intend to maintain insurance on behalf of each and any person who is or was one of our directors or officers against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

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The Underwriting Agreement (Exhibit 1.1 hereto) provides for indemnification by the underwriters of us and our executive officers and directors for certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or the Securities Act.

See also the undertakings set out in response to Item 17 herein.

Item 15. Recent Sales of Unregistered Securities.

Since our formation on August 5, 2013 through June 30, 2016, we have made the following sales of unregistered securities:

1. Common Stock Issuances

In September 2013, we issued and sold an aggregate of 143,550,000 shares of our common stock to four investors at \$1.00 per share, for aggregate gross cash proceeds of \$143,550,000. We issued an aggregate of 56,450,000 shares of our common stock to 16 stockholders in exchange for all the issued and outstanding shares of BlackLine Systems, Inc., in connection with the Acquisition.

On October 21, 2014, we issued 1,785,714 shares of our common stock to one investor at \$2.80 per share, for aggregate gross cash proceeds of \$5,000,000.

2. Warrant Issuance

On September 25, 2013, in conjunction with our \$25,000,000 term loan, we issued warrants to purchase up to an aggregate of 2,500,000 shares of our common stock at an exercise price of \$1.00 per share. The warrants have an exercise period of ten years, and may be exercised in cash or through a cashless exercise, in which case the holder will receive a number of shares having a value net of the exercise price.

3. Option Plan Grants and Exercises

Since our formation on August 5, 2013 through June 30, 2016, we granted to our officers, directors, employees, consultants, and other service providers options to purchase an aggregate of 34,531,134 shares of common stock under our 2014 Equity Incentive Plan at exercise prices ranging from \$1.00 to \$3.00 per share. Of the options granted, options to purchase 1,000,000 shares of common stock were granted to two non-employee directors at exercise prices of \$1.00 and \$2.90 per share, options to purchase 6,300,884 shares of common stock were granted to three executives at exercise prices ranging from \$1.00 to \$2.90 per share and options to purchase 27,230,250 shares of common stock were granted to 564 other employees and consultants at exercise prices ranging from \$1.00 to \$3.00 per share.

Since our formation on August 5, 2013 through June 30, 2016, we issued and sold to 66 employees and consultants and other service providers an aggregate of 1,704,697 shares of common stock upon exercise of options under our 2014 Equity Incentive Plan at a weighted average exercise price of \$1.03 per share.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering.

The offers, sales and issuances of the securities described in this Item 15 were deemed to be exempt from registration under the Securities Act under either (1) Rule 701 promulgated under the Securities Act as offers and sales of securities pursuant to certain compensatory benefit plans and contracts relating to compensation in compliance with Rule 701 or (2) Section 4(a)(2) of the Securities

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Act as transactions by an issuer not involving any public offering. The recipients of securities in each of these transactions represented their intention 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 affixed to the stock certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits.

See the Exhibit Index immediately following the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules.

"Schedule I—Condensed Parent Company Financial Information" is filed as part of this registration statement and is incorporated herein by reference.

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 pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Woodland Hills, State of California, on _____, 2016.

BlackLine, Inc.

By: _____
Name: Therese Tucker
Title: Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints _____, jointly and severally, as such person's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, and full power to act without the other, for such person and in such person's name, place and stead and to execute in the name and on behalf of such person, individually and in each capacity stated below, and to file this Registration Statement on Form S-1 of BlackLine, Inc. and any or all amendments (including post-effective amendments) thereto, and any registration statement relating to the same offering as this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act 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 or necessary to be done in and about the premises hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

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 below:

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|----------------------------|---|-------------|
| _____ Therese Tucker | Director and Chief Executive Officer (Principal Executive Officer) | _____, 2016 |
| _____ Mark Partin | Chief Financial Officer | _____, 2016 |
| _____ Patrick Villanova | Controller (Principal Accounting Officer) | _____, 2016 |
| _____ Jason Babcoke | Director | _____, 2016 |
| _____ John Brennan | Director | _____, 2016 |

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| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|-------------------|--------------|-------------|
| William Griffith | Director | , 2016 |
| Hollie Haynes | Director | , 2016 |
| Graham Smith | Director | , 2016 |
| Mario Spanicciati | Director | , 2016 |
| Thomas Unterman | Director | , 2016 |

EXHIBIT INDEX

| Exhibit Number | Description of Document |
|---------------------------|--|
| 1.1* | Form of Underwriting Agreement. |
| 2.1# | Agreement and Plan of Merger, by and among SLS Breeze Holdings, Inc., SLS Breeze Intermediate Holdings, Inc., SLS Breeze Merger Sub, Inc. and BlackLine Systems, Inc., dated as of August 9, 2013. |
| 3.1# | Amended and Restated Certificate of Incorporation, as amended and currently in effect. |
| 3.2* | Form of Amended and Restated Certificate of Incorporation to be effective upon completion of this offering. |
| 3.3# | Amended and Restated Bylaws, as amended and currently in effect. |
| 3.4* | Form of Amended and Restated Bylaws to be effective upon completion of this offering. |
| 4.1* | Specimen Common Stock Certificate of the Company. |
| 4.2# | Warrant to Purchase Stock held by Special Value Continuation Partners, LP, dated as of September 25, 2013. |
| 4.3# | Warrant to Purchase Stock held by Tennenbaum Opportunities Fund VI, LLC, dated as of September 25, 2013. |
| 4.4# | Warrant to Purchase Stock held by Tennenbaum Senior Loan Fund II, LP, dated as of September 25, 2013. |
| 4.5# | Warrant to Purchase Stock held by Tennenbaum Senior Loan SPV III, LLC, dated as of September 25, 2013. |
| 4.6# | Warrant to Purchase Stock held by Tennenbaum Senior Loan Fund IV-B, LP, dated as of September 25, 2013. |
| 4.7# | Subscription Agreement, by and between the Company and Iconiq, dated as of October 21, 2014. |
| 4.8* | Form of Stockholders' Agreement, by and among the Company, Silver Lake, Iconiq, Therese Tucker and Mario Spanicciati, to be effective upon completion of this offering. |
| 4.9* | Form of Registration Rights Agreement, by and among the Company, Silver Lake, Iconiq and Therese Tucker, to be effective upon completion of this offering. |
| 5.1* | Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation. |
| 10.1#† | Software Development Cooperation Agreement, by and between the Company and SAP AG, effective as of October 1, 2013. |
| 10.2#† | Credit Agreement, by and among the Company, the lenders party thereto and Obsidian Agency Services, Inc., dated as of September 25, 2013. |
| 10.3# | First Amendment and Waiver to Credit Agreement, by and among the Company, the lenders party thereto and Obsidian Agency Services, Inc., dated as of September 1, 2015. |
| 10.4#† | Second Amendment and Waiver to Credit Agreement, by and among the Company, the lenders party thereto and Obsidian Agency Services, Inc., dated as of March 22, 2016. |
| 10.5 | Third Amendment to Credit Agreement, by and among the Company, the lenders party thereto and Obsidian Agency Services, Inc., dated as of August 30, 2016. |
| 10.6#+ | 2014 Equity Incentive Plan and form of equity agreements thereunder. |
| 10.7#+ | Amendment No. 1 to the 2014 Equity Incentive Plan. |
| 10.8#+ | Amendment No. 2 to the 2014 Equity Incentive Plan. |
| 10.9#+ | Amendment No. 3 to the 2014 Equity Incentive Plan. |

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| <u>Exhibit Number</u> | <u>Description of Document</u> |
|-----------------------|--|
| 10.10+* | 2016 Equity Incentive Plan and form of equity agreements thereunder, to be in effect one business day prior to the effective date of the registration statement of which this prospectus forms a part. |
| 10.11+* | Employee Incentive Compensation Plan of the Company, to be in effect upon completion of this offering. |
| 10.12##+ | Employment Offer Letter, by and between the Company and Karole Morgan-Prager, dated as of May 4, 2015. |
| 10.13##+ | Employment Offer Letter, by and between the Company and Mark Partin, dated as of December 25, 2014. |
| 10.14##+ | Form of 2015 Executive Officer Bonus Plan. |
| 10.15+* | Form of Change of Control and Severance Policy. |
| 10.16##+ | 2015 Chief Executive Officer (CEO) Bonus Plan, by and between the Company and Therese Tucker, dated as of February 5, 2016. |
| 10.17##+ | 2015 Chief Legal Officer (CLO) Bonus Plan, by and between the Company and Karole Morgan-Prager, dated as of December 29, 2015. |
| 10.18+* | Form of Indemnification Agreement by and between the Company and each of its directors and executive officers. |
| 10.19* | Restrictive Covenant Agreement, by and between the Company and Therese Tucker, dated as of August 8, 2013. |
| 10.20* | Restrictive Covenant Agreement, by and between the Company and Mario Spanicciati, dated as of August 9, 2013. |
| 10.21+ | Executive Employment Agreement, by and between the Company and Therese Tucker, effective as of January 1, 2016. |
| 10.22##† | Office Lease, by and between the Company and Douglas Emmet 2008, LLC, dated November 22, 2010. |
| 10.23##† | First Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated August 14, 2012. |
| 10.24##† | Second Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated December 26, 2013. |
| 10.25##† | Third Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated June 24, 2014. |
| 10.26##† | Fourth Amendment to Office Lease, by and between the Company and Douglas Emmett 2008, LLC, dated January 29, 2015. |
| 16.1# | Letter on Change in Certifying Accountant. |
| 21.1# | List of subsidiaries of the Company. |
| 23.1* | Consent of Independent Registered Public Accounting Firm. |
| 23.2* | Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1). |
| 23.3# | Consent of Frost & Sullivan. |
| 24.1* | Power of Attorney (included in signature pages hereto). |

Previously filed.

* To be filed by amendment.

+ Indicates management contract or compensatory plan.

† Portions of this exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been separately filed with the SEC.

THIRD AMENDMENT TO CREDIT AGREEMENT

This **THIRD AMENDMENT TO CREDIT AGREEMENT** (this "**Amendment**") is dated as of August 30, 2016 (the "**Third Amendment Effective Date**"), and is entered into by and among BLACKLINE SYSTEMS, INC., a California corporation (the "**Borrower**"), BLACKLINE INTERMEDIATE, INC. (formerly known as SLS BREEZE INTERMEDIATE HOLDINGS, INC.), a Delaware corporation ("**Holdings**"), the Lenders party hereto and OBSIDIAN AGENCY SERVICES, INC., as administrative agent (in such capacity, the "**Administrative Agent**") and as collateral agent (in such capacity, the "**Collateral Agent**").

WITNESSETH

WHEREAS, the Borrower, Holdings, the financial institutions and other entities from time to time party thereto as lenders (the "**Lenders**") the Administrative Agent and Collateral Agent are parties to that certain Credit Agreement dated as of September 25, 2013 (as amended by that certain Amendment and Waiver dated as of September 1, 2015 and as further amended by that certain Second Amendment and Waiver to Credit Agreement dated as of March 22, 2016, the "**Existing Credit Agreement**" and, as amended hereby in the form attached hereto as Exhibit A and as may be further amended, amended and restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"); capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement;

WHEREAS, the Borrower has advised the Administrative Agent that, on or about the Third Amendment Effective Date, the Borrower, through one or more directly or indirectly wholly-owned subsidiaries, will acquire all of the outstanding equity interests of RunBook Company B.V. ("**RunBook**") pursuant to a Share Purchase Agreement, dated August 15, 2016 (the "**RunBook Acquisition Agreement**"), among the Borrower, as purchaser, Silicon Polder Fund B.V., Participatiemaatschappij Oost Nederland N.V., Freeman Holding B.V., Smartbiz Investment B.V., Heller Holding B.V. and Parcomphy Holding B.V., as sellers (the "**RunBook Acquisition**");

WHEREAS, the Borrower has requested that the Lenders extend additional term loans to the Borrower under the Credit Agreement in an aggregate principal amount equal to \$30,000,000, the proceeds of which will be used to consummate the RunBook Acquisition and to pay fees and expenses in connection therewith (the "**RunBook Transactions**");

WHEREAS, the 2016 Acquisition Term Loan Lenders are willing to provide 2016 Acquisition Term Loan Commitments and extend 2016 Acquisition Term Loans to the Borrower pursuant to the terms and subject to the conditions set forth in the Credit Agreement; and

WHEREAS, in connection with the foregoing, the Administrative Agent, the Collateral Agent, the Borrower, Holdings and the Required Lenders party hereto have agreed to amend the Existing Credit Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

1. Amendments to Credit Agreement; Certain Related Matters. In reliance upon the representations and warranties of the Loan Parties set forth in Section 3 below and subject to the conditions precedent to effectiveness set forth in Section 4 below, the parties hereto hereby agree that:

(a) the Existing Credit Agreement is hereby amended to delete the struck text (indicated textually in the same manner as the following example: ~~struck text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the Credit Agreement attached as Exhibit A hereto;

- (b) Exhibit A to the Existing Credit Agreement is hereby replaced in its entirety with the exhibit attached hereto as Exhibit B;
- (c) Exhibit B to the Existing Credit Agreement is hereby replaced in its entirety with the exhibit attached hereto as Exhibit C;
- (d) Exhibit D to the Existing Credit Agreement is hereby replaced in its entirety with the exhibit attached hereto as Exhibit D;
- (e) Exhibit G to the Existing Credit Agreement is hereby replaced in its entirety with the exhibit attached hereto as Exhibit E;
- (f) Schedule 2.01 of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit F;
- (g) Schedule 3.07(a) of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit G;
- (h) Schedule 3.08 of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit H;
- (i) Schedule 3.19(a) of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit I;
- (j) Schedule 3.19(b) of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit J;
- (k) Schedule 3.26 of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit K;
- (l) Schedule 3.28(a) of the Existing Credit Agreement is hereby replaced in its entirety with the schedule attached hereto as Exhibit L;
- (m) Schedule II to the Guarantee and Collateral Agreement is hereby replaced in its entirety with the exhibit attached hereto as Exhibit M; and
- (n) Schedule III to the Guarantee and Collateral Agreement is hereby replaced in its entirety with the exhibit attached hereto as Exhibit N.

2. Credit Agreement and Other Loan Documents in Full Force and Effect as Amended. Except as specifically amended hereby, the Credit Agreement and the other Loan Documents shall remain in full force and effect and hereby are ratified and confirmed as so amended. This Amendment shall not preclude the future exercise of any right, remedy, power or privilege available to the Administrative Agent, the Collateral Agent and the Lenders whether under the Credit Agreement, the other Loan Documents or otherwise, and shall not be construed or deemed to be a satisfaction, novation or release of the Obligations, Credit Agreement or other Loan Documents, but shall constitute amendments thereto. Without limiting the foregoing, each of Holdings and the Borrower (i) reaffirms and

ratifies all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party and (ii) to the extent Holdings or the Borrower, as the case may be, prior to the date hereof, granted liens on and security interests in any of its property (other than Excluded Assets (as defined in the Guarantee and Collateral Agreement)) pursuant to any Loan Document as security for or otherwise guaranteed the Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of liens and security interests and confirms and agrees that such liens and security interests hereafter secure all of the Obligations.

3. Representations and Warranties. In order to induce the Lenders to enter into this Amendment, each of Holdings and the Borrower hereby represents and warrants to the Administrative Agent and the Lenders on the Third Amendment Effective Date that:

(a) the execution, delivery and performance of this Amendment by Holdings and the Borrower has been duly authorized by all requisite corporate or other entity and, if required, stockholder action of Holdings and the Borrower (as applicable);

(b) immediately after giving effect to this Amendment and the RunBook Transactions, no Event of Default has occurred and is continuing or would immediately result from the consummation of the transactions contemplated hereby;

(c) the representations and warranties set forth in Article III of the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of the Third Amendment Effective Date (and after giving effect to the RunBook Transactions) to the same extent as though made on and as of that date (or, to the extent such representations and warranties specifically relate to an earlier date, that such representations and warranties were true and correct in all material respects on and as of such earlier date); *provided* that, if a representation and warranty is qualified as to materiality, the applicable materiality qualifier set forth above shall be disregarded with respect to such representation and warranty for purposes of this Section 3(c);

(d) no injunction or other restraining order has been issued or will be issued in connection with entering into the Amendment and no hearing to cause an injunction or other restraining order to be issued shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of the transactions contemplated hereby; and

(e) this Amendment, the Existing Credit Agreement (except as specifically amended hereby) and all other Loan Documents to which the Loan Parties are a party thereto are and remain legal, valid, binding and enforceable obligations of such Loan Parties in accordance with the terms thereof, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

4. Conditions Precedent to Effectiveness. The effectiveness of this Amendment and the obligations of the Administrative Agent, the Collateral Agent, the 2016 Acquisition Term Loan Lenders and the Required Lenders to enter into this Amendment are subject to the satisfaction or waiver of the following conditions on or prior to the Third Amendment Effective Date:

(a) the Administrative Agent shall have received an executed original (or photocopy with the original to follow after the Third Amendment Effective Date) of:

(i) the Amendment,

(ii) a solvency certificate from a Financial Officer of Holdings or the Borrower, substantially in the form of Exhibit G hereto,

(iii) the Term Note(s) evidencing the 2016 Acquisition Term Loans, and

(iv) an officer's certificate, in form and substance reasonably satisfactory to the Administrative Agent, (a) certifying that the conditions set forth in Section 4(g), Section 4(h)(i), Section 4(i), Section 4(j) and Section 4(k) hereof shall have been satisfied and (b) attaching an executed copy of the Acquisition Agreement and any exhibits, schedules and documents related thereto;

(b) the Administrative Agent shall have received the following from or with respect to Holdings and the Borrower:

(i) a copy of the certificate or articles of incorporation or organization, including all amendments thereto, certified as of a recent date by either the Secretary of State of the state of its organization or such Governmental Authority, and, to the extent readily available with respect to franchise Taxes, a certificate certifying that such Loan Party has paid all franchise Taxes due and payable on or prior to the date of such certificate and such Loan Party is duly organized and in good standing under the laws of such jurisdiction;

(ii) a certificate of the Secretary, Assistant Secretary or other Responsible Officer of each Loan Party dated the Third Amendment Effective Date and certifying (A) that attached thereto are true and complete copies of the Organizational Documents of such Loan Party as in effect on the Third Amendment Effective Date, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Governing Body of such Loan Party authorizing the execution, delivery and performance of the Loan Documents and, in the case of the Borrower, the borrowing of the 2016 Acquisition Term Loans hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the charter or articles or certificate of incorporation or organization of such Loan Party have not been amended since the date thereof, and (D) as to the incumbency and specimen signature of each officer executing any Loan Documents or any other document delivered in connection herewith on behalf of such Loan Party; and

(iii) a certification of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above;

(c) prior to the making of the 2016 Acquisition Term Loans, the Administrative Agent shall have received a Notice of Borrowing, substantially in the form of Exhibit C hereto;

(d) the Administrative Agent shall have received, on behalf of itself, the Collateral Agent and the Lenders, a favorable written opinion of Kirkland & Ellis LLP, counsel for the Loan Parties (A) dated the Third Amendment Effective Date, (B) addressed to the Administrative Agent, the Collateral Agent and the Lenders, and (C) covering such other matters relating to the Amendment and the Loan Documents as the Administrative Agent shall reasonably request and that are customary to cover in transactions of this type, and the Borrower hereby requests such counsel to deliver such opinions;

(e) the Lenders shall have received evidence reasonably satisfactory to the Administrative Agent that all existing indebtedness for borrowed money of RunBook and any of its subsidiaries (other than debt permitted under the Credit Agreement) shall have been (or substantially simultaneously with the consummation of the RunBook Acquisition shall be) repaid in full and all commitments to lend or make other extensions of credit thereunder have been terminated and all liens securing such indebtedness or other obligations thereunder have been released and/or terminated (other than liens permitted under the Credit Agreement);

(f) the Borrower shall have paid to the Administrative Agent (i) for the ratable distribution to each 2016 Acquisition Term Loan Lender, the Yield Enhancement Fee pursuant to Section 2.05(b) of the Credit Agreement and (ii) such other amounts due and payable on or prior to the Third Amendment Effective Date that are required to be paid under the Loan Documents, including, to the extent invoiced, reimbursement or payment of all reasonable and documented out of pocket expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document. Once paid, none of the fees shall be refundable under any circumstance or subject to any right of setoff counterclaim or any similar right (each of which is hereby waived by Holdings and the Borrower);

(g) the Administrative Agent shall be reasonably satisfied that all of the terms and conditions precedent to the RunBook Acquisition, other than with respect to the payment of the purchase price and other conditions that by their nature are only satisfied at the closing (other than Section 5.1(h) of the RunBook Acquisition Agreement), have been satisfied in accordance with the RunBook Acquisition Agreement;

(h) (i) the representations and warranties of Holdings and its subsidiaries (other than with respect to RunBook and its subsidiaries) set forth in Article III of the Credit Agreement and in the other Loan Documents and the representations and warranties regarding RunBook in the RunBook Acquisition Agreement as are material to the interests of the Lenders, but only to the extent that the Borrower or its Affiliates have the right to terminate the Borrower's or such Affiliates' obligations under the RunBook Acquisition Agreement (or the right not to consummate the RunBook Acquisition) as a result of a breach of such representations and warranties in the RunBook Acquisition Agreement shall, in each case, be true and correct in all material respects on and as of the Third Amendment Effective Date to the same extent as though made on and as of that date (or, to the extent such representations and warranties specifically relate to an earlier date, that such representations and warranties were true and correct in all material respects on and as of such earlier date); provided, that, if a representation and warranty is qualified as to materiality, the applicable materiality qualifier set forth above shall be disregarded with respect to such representation and warranty for purposes of this Section (4)(j)(i) and (ii) the Borrower shall have performed in all material respects all agreements and satisfied all conditions which this Amendment provides shall be performed or satisfied by it on or before the Third Amendment Effective Date except as otherwise disclosed to and agreed to in writing by the Administrative Agent or that are otherwise waived;

(i) No "Material Adverse Effect" (as defined in the RunBook Acquisition Agreement) shall have occurred between August 16, 2016 and the Third Amendment Effective Date;

(j) no Event of Default shall have occurred and be continuing or would result immediately from the consummation of the RunBook Transactions other than an Event of Default arising under Section 7.01(c) with respect to a representation or warranty regarding RunBook or any of its subsidiaries set forth in Article III of the Credit Agreement and in the other Loan Documents; and

(k) Immediately after giving effect to the RunBook Transactions (assuming for purposes of this clause (m) that the RunBook Acquisition has been consummated), the aggregate amount of unrestricted cash and cash equivalents of the Borrower and its subsidiaries, on a consolidated basis, shall be no less than \$5,000,000.

5. Post-Closing Obligations. Each of the Administrative Agent, the Collateral Agent, the 2016 Acquisition Term Loan Lenders and the Required Lenders agrees that, in addition to all other terms, conditions and provisions set forth in this Amendment and the other Loan Documents, including those conditions set forth in Section 4, Holdings and the Borrower shall satisfy each of the conditions subsequent set forth below on or before the date applicable thereto (or such later date as agreed to by the Administrative Agent in its reasonable discretion), it being understood that (i) the failure by Holdings and/or the Borrower to perform or cause to be performed any such condition subsequent on or before the date applicable thereto shall constitute an immediate Event of Default and (ii) to the extent that the existence of any such condition subsequent would otherwise cause any representation, warranty or covenant in this Amendment or any other Loan Document to be breached, the Required Lenders hereby waive such breach for the period from the Third Amendment Effective Date until the date on which such condition subsequent is required to be fulfilled pursuant to this Section 5:

(a) Deliver to the Administrative Agent, on behalf of itself, the Collateral Agent and the Lenders, a favorable written opinion of NautaDutilh, local counsel to the Subsidiaries organized under the laws of the Netherlands (A) addressed to the Administrative Agent, the Collateral Agent and the Lenders, and (B) covering such other matters relating to the Amendment and the Loan Documents as the Administrative Agent shall reasonably request and that are customary to cover in transactions of this type no later than thirty (30) days after the Third Amendment Effective Date (or such later date as the Administrative Agent may agree to in its sole and reasonable discretion).

(b) Deliver to the Administrative Agent, a Pledge Agreement with respect to the Dutch law pledge of the Pledged Stock of BlackLine CV, in form and substance reasonably satisfactory to the Administrative Agent no later than thirty (30) days after the Third Amendment Effective Date (or such later date as the Administrative Agent may agree to in its sole and reasonable discretion).

6. Taxes. For purposes of determining withholding Taxes imposed under FATCA, from and after the effective date of the Amendment, the Borrower and the Administrative Agent shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Loans as not qualifying as a “grandfathered obligation” within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

7. Miscellaneous.

(a) Incorporation of Loan Agreement Provisions. Without limiting the applicability of any other provision of the Credit Agreement or any other Loan Document, the terms and provisions set forth in Sections 9.07 (*Applicable Law*), 9.10 (*Entire Agreement*), 9.11 (*Waiver of Jury Trial*), 9.12 (*Severability*), 9.13 (*Counterparts*), 9.14 (*Headings*), 9.15 (*Jurisdiction; Consent to Service of Process*) and 9.16 (*Confidentiality*) of the Credit Agreement are expressly incorporated herein by reference, *mutatis mutandis*.

(b) Loan Documents. This Amendment shall constitute a Loan Document for purposes of the Credit Agreement.

(c) Reference to Credit Agreement. Each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import, and each reference in the Credit Agreement or in any other Loan Document, or other agreements, documents or other instruments executed and delivered pursuant to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective duly authorized officers, as of the date first above written.

BLACKLINE SYSTEMS, INC.,
a California corporation,
as the Borrower

By: /s/ Therese Tucker

Name: Therese Tucker

Title: Chief Executive Officer

BLACKLINE INTERMEDIATE, INC.,
a Delaware corporation,
as Holdings

By: /s/ Therese Tucker

Name: Therese Tucker

Title: Chief Executive Officer

[Signature Page to Amendment]

OBSIDIAN AGENCY SERVICES, INC.,
as Administrative Agent and Collateral Agent

By: /s/ Philip Tseng
Name: Philip Tseng
Title: Vice President

[Signature Page to Amendment]

TENNENBAUM OPPORTUNITIES FUND VI, LLC, as an Initial Term Loan Lender on behalf of the above entity:

By: TENNENBAUM CAPITAL PARTNERS, LLC,

Its: Investment Manager

By: /s/ Philip Tseng

Name: Philip Tseng

Title: Managing Partner

**SPECIAL VALUE CONTINUATION PARTNERS, LP,
TENNENBAUM SENIOR LOAN FUND II, LP,
and**

TENNENBAUM SENIOR LOAN FUND IV-B, LP,

each as an Initial Term Loan Lender, 2016 Term Loan Lender and a 2016 Acquisition Term Loan Lender on behalf of each of the above entities:

By: TENNENBAUM CAPITAL PARTNERS, LLC,

Its: Investment Manager

By: /s/ Philip Tseng

Name: Philip Tseng

Title: Managing Partner

TENNENBAUM SENIOR LOAN OPERATING III, LLC,

as an Initial Term Loan Lender on behalf of the above entity:

By: TENNENBAUM CAPITAL PARTNERS, LLC,

Its: Investment Manager

By: /s/ Philip Tseng

Name: Philip Tseng

Title: Managing Partner

[Signature Page to Amendment]

TENNENBAUM SENIOR LOAN FUNDING III, LLC, as
a 2016 Term Loan Lender and a 2016 Acquisition Term Loan
Lender on behalf of the above entity:

By: TENNENBAUM CAPITAL PARTNERS, LLC,

Its: Investment Manager

By: /s/ Philip Tseng

Name: Philip Tseng

Title: Managing Partner

[Signature Page to Amendment]

EXHIBIT A

Form of Amended Credit Agreement

CREDIT AGREEMENT

dated as of

September 25, 2013,

among

BLACKLINE SYSTEMS, INC.,

BLACKLINE INTERMEDIATE, INC.

(FORMERLY KNOWN AS

SLS BREEZE INTERMEDIATE HOLDINGS, INC.

THE LENDERS PARTY HERETO

and

OBSIDIAN AGENCY SERVICES, INC.,

as Administrative Agent and Collateral Agent

~~*[REFLECTING AMENDMENTS TO BE MADE PURSUANT TO THAT CERTAIN SECOND
AMENDMENT TO CREDIT AGREEMENT TO WHICH THIS EXHIBIT A IS ATTACHED]*~~

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CREDIT AGREEMENT

This CREDIT AGREEMENT (this “*Agreement*”) is dated as of September 25, 2013 and entered into by and among BLACKLINE SYSTEMS, INC., a California corporation (the “*Borrower*”), ~~SLS BREEZE~~BLACKLINE INTERMEDIATE HOLDINGS, INC. (formerly known as SLS Breeze Intermediate Holdings, Inc.), a Delaware corporation (“*Holdings*”), the Lenders (as defined in Article I), and OBSIDIAN AGENCY SERVICES, INC., as administrative agent (in such capacity, the “*Administrative Agent*”) and as collateral agent (in such capacity, the “*Collateral Agent*”) for the Lenders.

PRELIMINARY STATEMENT

Holdings and the Borrower desire that the Lenders extend certain credit facilities to the Borrower to refinance certain existing indebtedness, to pay certain transaction expenses and for working capital and other general corporate purposes of the Borrower and its Subsidiaries, including, to the extent permitted hereby, to make capital expenditures, acquisitions, investments and distributions from time to time.

The Lenders have agreed to extend such credit facilities to the Borrower.

The Borrower desires to secure all of the Obligations hereunder and under the other Loan Documents by granting to the Collateral Agent, for the benefit of the Secured Parties, a first priority Lien (subject to Liens permitted by Section 6.02) on substantially all of its assets, as and to the extent provided herein and in the other Loan Documents.

Holdings and all of the Domestic Subsidiaries of the Borrower (subject to exceptions set forth herein and the other Loan Documents) have agreed to guarantee the Obligations hereunder and under the other Loan Documents and to secure their guaranties by granting to the Collateral Agent, for the benefit of the Secured Parties, a first priority Lien (subject to Liens permitted by Section 6.02) on substantially all of their respective assets, as and to the extent provided herein and in the other Loan Documents.

The Lenders are willing to extend such credit to the Borrower on the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01 *Defined Terms.*

As used in this Agreement, the following terms shall have the meanings specified below:

“**2016 Acquisition Term Loans**” shall mean the term loans made by the 2016 Acquisition Term Loan Lenders to the Borrower pursuant to Section 2.01(c), together with PIK Interest, if any.

“**2016 Acquisition Term Loan Commitment**” shall mean, for each 2016 Acquisition Term Loan Lender, the amount set forth opposite such 2016 Acquisition Term Loan Lender’s name in Schedule 2.01 directly below the column entitled “2016 Acquisition Term Loan Commitment”, as same may be adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 2.18 or Section 9.04(b). The aggregate amount of the 2016 Acquisition Term Loan Lenders’ 2016 Acquisition Term Loan Commitment on the Third Amendment Effective Date is \$30,000,000.

“2016 Acquisition Term Loan Lender” shall mean each Lender with a 2016 Acquisition Term Commitment or with outstanding 2016 Acquisition Term Loans.

“2016 Term Loans” shall mean the term loans made by the 2016 Term Loan Lenders to the Borrower pursuant to Section 2.01(b), together with PIK Interest, if any. The outstanding aggregate principal amount of the 2016 Term Loans as of the Third Amendment Effective Date equals \$5,092,500.08 as set forth on Schedule 2.01.

“2016 Term Loan Commitment” shall mean, for each 2016 Term Loan Lender, the amount set forth opposite such 2016 Term Loan Lender’s name in Schedule 2.01 directly below the column entitled “2016 Commitment”, as same may be adjusted from time to time as a result of assignments to or from such Lender pursuant to Section 2.18 or Section 9.04(b). The aggregate amount of the 2016 Term Loan Lenders’ remaining 2016 Term Loan Commitment on Commitments as of the ~~Second~~ Third Amendment Effective Date is ~~\$5,000,000~~ equals \$0 as set forth on Schedule 2.01.

“2016 Term Loan Lender” shall mean each Lender with a 2016 Commitment or with outstanding 2016 Term Loans.

“Acceptance Notice” shall have the meaning assigned to such term in Section 2.23.

“Acquired Entity” shall have the meaning assigned to such term in Section 6.04(vii).

“Acquisition” shall mean the acquisition of the Borrower by Holdings pursuant to the Acquisition Agreement.

“Acquisition Agreement” shall mean that certain Agreement and Plan of Merger, dated as of August 9, 2013, by and among SLS Breeze Holdings, Inc., SLS Breeze Intermediate Holdings, Inc., SLS Breeze Merger Sub, Inc. and Blackline Systems, Inc.

“Administrative Agent” shall have the meaning assigned to such term in the Preamble.

“Administrative Questionnaire” shall mean an Administrative Questionnaire in the form of Exhibit C, or such other form as may be supplied from time to time by the Administrative Agent.

“Affiliate” shall mean, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; provided, however, that, for purposes of Section 6.07, the term “Affiliate” shall also include any Person that directly or indirectly owns 10% or more of any class of Equity Interests of the Person specified or that is an officer or director of the Person specified.

“Agents” shall have the meaning assigned to such term in Article VIII.

“Agreement” shall mean this Credit Agreement.

“Alternate Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the highest of:

- (i) the Prime Rate in effect on such day; and**
- (ii) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1.0% per annum.**

Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively. Interest calculated pursuant to clause (i) above will be determined based on a year of 365 days or 366 days, as applicable and actual days elapsed. Interest calculated pursuant to clause (ii) above will be determined based on a year of 360 days and actual days elapsed.

“**Applicable Prepayment Premium**” shall mean:

(i) with respect to the Initial Term Loans, the prepayment premium (expressed as percentages of principal amount) set forth below, determined for the prepayment date with respect to such principal amount to the applicable prepayment date:

| <i><u>If Prepaid:</u></i> | <i><u>Percentage of the Principal</u></i> |
|---|---|
| From and after the Closing Date to but not including the second anniversary of the Closing Date | 3.0% |
| From and after the second anniversary of the Closing Date to but not including the third anniversary of the Closing Date | 1.0% |
| From and after the third anniversary of the Closing Date | 0% |

(ii) with respect to the 2016 Term Loans, the prepayment premium (expressed as percentages of principal amount) set forth below, determined for the prepayment date with respect to such principal amount to the applicable prepayment date:

| <i><u>If Prepaid:</u></i> | <i><u>Percentage of the Principal</u></i> |
|---|---|
| From and after the Second Amendment Effective Date to but not including the first anniversary of the Second Amendment Effective Date | 2.0% |
| From and after the first anniversary of the Second Amendment Effective Date to but not including the second anniversary of the Second Amendment Effective Date | 3.0% |
| From and after the second anniversary of the Second Amendment Effective Date to but not including the third anniversary of the Second Amendment Effective Date | 1.0% |

(iii) with respect to the 2016 Acquisition Term Loans, the prepayment premium (expressed as percentages of principal amount) set forth below, determined for the prepayment date with respect to such principal amount to the applicable prepayment date:

| <u><i>If Prepaid:</i></u> | <u><i>Percentage of the Principal</i></u> |
|---|---|
| <u>From and after the Third Amendment Effective Date to but not including September 25, 2017</u> | <u>2.0%</u> |
| <u>From and after September 25, 2017 to but not including March 25, 2018</u> | <u>1.0%</u> |

“**Asset Sale**” shall mean the sale, transfer, license or other Disposition by Holdings, the Borrower or any Subsidiary to any Person (other than the Borrower or any Subsidiary Guarantor) of (i) any of the Equity Interests of the Borrower or any of its Subsidiaries, (ii) substantially all of the assets of any division or line of business of the Borrower or any of its Subsidiaries, or (iii) any other assets (whether tangible or intangible) of the Borrower or any of its Subsidiaries (other than (a) inventory sold in the ordinary course of business, (b) sales, assignments, transfers or Dispositions of accounts in the ordinary course of business for purposes of collection, (c) non-exclusive licenses and sublicenses of Intellectual Property, in the ordinary course of business, (d) leasing and sub-leasing of property and (e) any such other assets to the extent that the aggregate value of such assets sold or otherwise Disposed of in any fiscal year of the Borrower does not exceed \$500,000); *provided that* (y) a Casualty Event, the issuance of Equity Interests of Holdings, the issuance of Equity Interests of Borrower or any Subsidiary to Holdings or any other Loan Party or the issuance by Holdings or any of its Subsidiaries of Indebtedness shall not constitute an Asset Sale and (z) the events set forth in clauses (iv), (vi), (vii), (x), (xii), (xvi), (xvii) and (xix) of Section 6.05 shall not constitute an Asset Sale for purposes of Section 2.11(b) or the definition of “Net Asset Sale Proceeds.”

“**Assignment and Acceptance**” shall mean an assignment and acceptance entered into by a Lender and an Eligible Assignee and with the consent of any Person whose consent is required by Section 9.04(b), in the form of Exhibit D or such other form as shall be approved by the Administrative Agent.

“**Availability Period**” shall have the meaning assigned to such term in Section 2.01(ed).

“**Bankruptcy Code**” shall mean Title 11 of the United States Code entitled “Bankruptcy”, as now and hereafter in effect, or any successor statute.

“**Board**” shall mean the Board of Governors of the Federal Reserve System of the United States of America.

“**Borrower**” shall have the meaning assigned to such term in the Preamble.

“**Business Day**” shall mean any day other than a Saturday, Sunday or day on which banks in New York, New York or Los Angeles, California are authorized or required by law to close.

“**Capital Lease Obligations**” of any Person shall mean the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP; *provided* that the adoption or issuance of any accounting standards after the Closing Date will not cause any lease that was not or would not have been Capital Lease Obligations prior to such adoption or issuance to be deemed Capital Lease Obligations.

“**Casualty Event**” shall mean any event or occurrence described in clauses (i) and/or (ii) of the definition of “Net Insurance/Condemnation Proceeds”.

“**CFC**” shall mean a “controlled foreign corporation” within the meaning of Section 957(a) of the Code.

“**Change in Law**” shall mean (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.12, by any lending office of such Lender or by such Lender’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; *provided* that notwithstanding anything herein to the contrary, (x) the Dodd–Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives issued thereunder or in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law,” regardless of the day enacted, adopted, issued or implemented.

“**Change of Control**” shall mean the occurrence of any of the following:

(i) the Permitted Holders collectively shall cease to beneficially own and Control at least 25% on a fully diluted basis of (x) the issued and outstanding Equity Interests of Holdings entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Governing Body of Holdings or (y) the total economic interests (for the avoidance of doubt, which shall exclude any Indebtedness (other than Disqualified Stock)) of the Equity Interests of Holdings, in each case with such 25% being free and clear of any Liens, rights, options, warrants or similar agreements or understandings;

(ii) the direct or indirect sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Borrower and the Subsidiaries, taken as a whole, to any Person;

(iii) the occurrence of a change in the composition of the Governing Body of Holdings or the Borrower such that a majority of the members of any such Governing Body are not Continuing Directors;

(iv)(a) the failure at any time of Holdings, directly, to legally and beneficially own and Control 100% on a fully-diluted basis of the issued and outstanding Equity Interests of the Borrower

free and clear of any Liens, rights, options, warrants or similar agreements or understandings other than Liens in favor of the Collateral Agent created pursuant to the Security Documents and other Liens permitted under Section 6.02 or (b) the failure at any time of Holdings to have the ability to elect all of the Governing Body of the Borrower;

(v) the occurrence of any “change of control” (or similar event, howsoever denominated) under the definitive documentation governing or evidencing any Material Indebtedness of any Loan Party;

(vi) a “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than any such “person” or “group” comprised solely of Permitted Holders, becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) of or Controls, directly or indirectly, a greater percentage of (a) the issued and outstanding Equity Interests of Holdings entitled (without regard to the occurrence of any contingency) to vote for the election of members of the Governing Body of Holdings or (b) the total economic interests of the Equity Interests of Holdings than that collectively beneficially owned or Controlled (whichever is applicable above) by the Permitted Holders.

As used herein, the term “beneficially own” or “beneficial ownership” shall have the meaning set forth in the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this definition, a Person shall not be deemed to have beneficial ownership of the voting Equity Interests subject to a stock purchase agreement, merger agreement or similar agreement, so long as such agreement contains a condition to the closing of the transactions contemplated thereunder that the Obligations under this Agreement and the other Loan Documents shall be paid in full and terminated prior to (or contemporaneous with) the consummation of such transactions.

“**Change of Control Prepayment Premium**” shall mean:

(i) with respect to Initial Term Loans, the prepayment premium (expressed as percentages of principal amount) set forth below, determined for the prepayment date with respect to such principal amount (including, for the avoidance of doubt, PIK Interest that has been capitalized and added to principal) of such Initial Term Loans outstanding on the applicable prepayment date:

| <u><i>If Prepaid:</i></u> | <u><i>Percentage of the Principal</i></u> |
|--|---|
| From and after the Closing Date up to but not including the first anniversary of the Closing Date | 2.0% |
| From and after the first anniversary of the Closing Date up to but not including the second anniversary of the Closing Date | 1.0% |
| From and after the second anniversary of the Closing Date up to but not including the third anniversary of the Closing Date | 0.25% |
| From and after the third anniversary of the Closing Date | 0% |

(ii) with respect to 2016 Term Loans and the 2016 Acquisition Term Loans, the prepayment premium (expressed as percentages of principal amount) set forth below, determined for the prepayment date with respect to such principal amount (including, for the avoidance of doubt, PIK Interest that has been capitalized and added to principal) of such 2016 Term Loans and 2016 Acquisition Term Loans, as applicable, outstanding on the applicable prepayment date:

| <u>If Prepaid:</u> | <u>Percentage</u> |
|--|-------------------|
| From and after the Second Amendment Effective Date up to but not including the first anniversary of the Second Amendment Effective Date | 2.0% |
| From and after the first anniversary of the Second Amendment Effective Date up to but not including the second anniversary of the Second Amendment Effective Date | 1.0% |
| From and after the second anniversary of the Second Amendment Effective Date up to but not including the third anniversary of the Second Amendment Effective Date | 0.25% |

“**Charges**” shall have the meaning assigned to such term in Section 9.09.

“**Closing Date**” shall mean the date on which the Initial Term Loans were made, which was September 25, 2013.

“**Code**” shall mean the Internal Revenue Code of 1986.

“**Collateral**” shall mean all the real, personal, and mixed (real and personal) property of the Loan Parties in which Liens are granted pursuant to the Security Documents, including all “Collateral” (as defined therein), and all Mortgaged Properties (for the avoidance of doubt, excluding any Excluded Assets (as defined in the Guarantee and Collateral Agreement)).

“**Collateral Agent**” shall have the meaning assigned to such term in the Preamble.

“**Commitment**” shall mean any of the commitments to make Loans hereunder or in any Assignment and Acceptance (as applicable) of any Lender (*i.e.*, a Revolving Loan Commitment or a Term Loan Commitment).

“**Commitment Fee**” shall have the meaning assigned to such term in Section 2.05(a).

“**Competitor**” shall mean any of those Persons or entities that are competitors of the Borrower and its Subsidiaries and affiliates of any such competitors, in each case, identified by the Borrower to the Administrative Agent in writing, and as updated from time to time with prior written consent of the Administrative Agent (such consent not to be unreasonably withheld, delayed or conditioned).

“**Connection Income Taxes**” shall mean Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“**Consolidated Leverage Ratio**” shall mean, on any date, the ratio of the principal amount of all outstanding Loans (including, for the avoidance of doubt, any PIK Interest that has been previously added to the principal amount of the Term Loans, but excluding, for the avoidance of doubt, any Commitments) outstanding on such date to Consolidated Revenue for the period of four consecutive fiscal quarters most recently ended on or prior to such date.

“**Consolidated Revenue**” shall mean, for any period, the subscription and maintenance revenue of Holdings and its Subsidiaries on a consolidated basis determined in a manner consistent with GAAP, for such period.

“**Consolidated Total Assets**” shall mean, as of any date, the total property and assets of Holdings and its Subsidiaries, determined in accordance with GAAP, as set forth on the consolidated balance sheet of Holdings delivered in connection with the most recent audited annual financial statements of Holdings (on a pro forma basis after giving effect to any Permitted Acquisitions or any Investments or Dispositions permitted under the Loan Documents).

“**Contingent Obligation**”, as applied to any Person, shall mean any direct or indirect liability, contingent or otherwise, of that Person (i) with respect to any Indebtedness, lease, dividend or other obligation (the “**primary obligation**”) of another if the purpose or intent thereof by the Person incurring the Contingent Obligation is to provide assurance to the obligee of such primary obligation of another that such primary obligation of another will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such primary obligation will be protected (in whole or in part) against loss in respect thereof, (ii) with respect to any banker’s acceptance, letter of credit or surety bond or similar instrument issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings, or (iii) under Hedging Agreements. Contingent Obligations shall include (a) the direct or indirect guarantee, endorsement (otherwise than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the primary obligation of another, (b) the obligation to make or pay similar payments if required regardless of non-performance by any other party or parties to an agreement, and (c) any liability of such Person for the primary obligation of another through any agreement (contingent or otherwise) (1) to purchase, repurchase or otherwise acquire such primary obligation or any security therefor, or to provide funds for the payment or discharge of such primary obligation (whether in the form of loans, advances, stock purchases, capital contributions or otherwise) or (2) to maintain the solvency or any balance sheet item, level of income or financial condition of another if, in the case of any agreement described under subclauses (1) or (2) of this sentence, the purpose or intent thereof is as described in the preceding sentence; provided, however, that “Contingent Obligation” shall not include (A) endorsements for collection or deposit in the ordinary course of business, (B) customary indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or disposition of assets or Equity Interests permitted under this Agreement or the other Loan Documents, (C) product warranties or other similar contingent obligations given or incurred in the ordinary course of business and (D) ordinary course performance guarantees by Holdings or any of its Subsidiaries of the obligations (other than for the

payment of Indebtedness) of any other of Holdings or any of its Subsidiaries. The amount of any liability in respect of a Hedging Agreement shall be the amount determined in respect thereof as of the determination date, based on the assumption that such Hedging Agreement had terminated as of such date. In making such determination, if any agreement relating to such Hedging Agreement provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined. The amount of any other Contingent Obligation shall be equal to the lesser of (y) the outstanding amount of the primary obligation so guaranteed or otherwise supported and (z) the stated maximum amount for which such Person may be liable under such Contingent Obligation, unless such primary obligation and the maximum amount for which such guaranteeing Person may be liable are not stated or determinable, in which case, the amount of such Contingent Obligations shall be determined by the Borrower reasonably and in good faith.

“Continuing Directors” shall mean the directors of Holdings on the Closing Date, and each other director, if, in each case, such other director’s nomination for election to the board of directors of Holdings is recommended by at least a majority of the then Continuing Directors or such other director receives the vote of the Permitted Holders in his or her election by the shareholders of Holdings or such director is appointed pursuant to any shareholder agreement or governing document by any Permitted Holder.

“Contractual Obligation” shall mean, with respect to any Person, any agreement, instrument or other undertaking (other than a Loan Document) to which such Person is a party or by which it or any of its property is bound.

“Control” shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms **“Controlling”** and **“Controlled”** shall have meanings correlative thereto.

“Control Agreement” shall mean an agreement, reasonably satisfactory in form and substance to the Collateral Agent and executed by the financial institution or securities intermediary at which a Deposit Account or a Securities Account, as the case may be, is maintained, pursuant to which such financial institution or securities intermediary confirms and acknowledges the Collateral Agent’s security interest in such account, and agrees that the financial institution or securities intermediary, as the case may be, will comply with instructions or entitlement orders, as applicable, originated by the Collateral Agent as to disposition of funds in such account, without further consent by the Borrower or any Subsidiary; provided that the Collateral Agent shall only deliver instructions or entitlement orders when an Event of Default has occurred and is continuing.

“Controlled Investment Affiliate” shall mean, with respect to any Person, any other Person that (a) directly or indirectly, is in Control of, is Controlled by, or is under common Control with, such Person and (b) is organized primarily for the purpose of making equity or debt investments in one or more companies.

“Copyright Act” shall mean Title 17 of the United States Code, including the Copyright Act of 1976, and all rules and regulations issued or promulgated thereunder, all as amended and in effect from time to time.

“Credit Facilities” shall mean the loan facilities provided for by this Agreement.

“Cure Amount” shall have the meaning assigned to such term in Section 7.02(a).

“**Cure Contribution**” shall have the meaning assigned to such term in Section 7.02(a).

“**Cure Date**” shall have the meaning assigned to such term in Section 7.02(a).

“**Cure Right**” shall have the meaning assigned to such term in Section 7.02(a).

“**Cure Securities**” shall have the meaning assigned to such term in Section 7.02(a).

“**Declined Proceeds**” shall have the meaning assigned to such term in Section 2.11(g).

“**Default**” shall mean any event or condition which upon notice, lapse of time or both would constitute an Event of Default.

“**Deposit Account**” shall have the meaning assigned to such term in the UCC.

“**Designated Event of Default**” shall mean any Event of Default of the type described in any of clauses (a), (b), (g) or (h) of Section 7.01.

“**Disposition**” shall mean with respect to any property (other than cash), any sale, lease, sublease, sale and leaseback, assignment, conveyance, transfer, license or other disposition thereof. The terms “Dispose” and “Disposed of” shall have correlative meanings. For the avoidance of doubt, the terms Disposition, Dispose and Disposed of do not refer to the issuance, sale or transfer of Equity Interests by Holdings.

“**Disqualified Stock**” shall mean any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable (other than solely for Qualified Capital Stock), pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, or requires the payment of any cash dividend or any other scheduled payment (other than payments solely in the form of issuances of Qualified Capital Stock) constituting a return of capital, in each case at any time on or prior to the date that is 91 days following the Maturity Date; or (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) Indebtedness securities or (ii) any Equity Interest referred to in clause (a) above, in each case at any time on or prior to the date that is 91 days following the Maturity Date, except, in the case of clause (a), if as a result of a change of control event or asset sale or other Disposition or casualty event, so long as any rights of the holders thereof to require the redemption thereof upon the occurrence of such a change of control event or asset sale or other Disposition or casualty event are subject to the prior payment in full of the Obligations (other than unasserted contingent indemnification or reimbursement obligations not yet due).

“**Dollars**” or “**\$**” shall mean lawful money of the United States of America.

“**Domestic Subsidiary**” shall mean any Subsidiary organized under the laws of the United States of America, any State thereof or the District of Columbia in each case, other than a Foreign Subsidiary Holdco.

“**Eligible Assignee**” shall mean (i) any Lender, any Affiliate of any Lender and any Related Fund of any Lender; and (ii) (a) a commercial bank organized under the laws of the United States or any state thereof; (b) a savings and loan association or savings bank organized under the laws of the United States or any state thereof; (c) a commercial bank organized under the laws of any other country or a political subdivision thereof; *provided* that (1) such bank or association is acting through a branch or agency

located in the United States or (2) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country; and (d) any other entity that is an “accredited investor” (as defined in Regulation D under the Securities Act) that makes or purchases loans or investments in the ordinary course of business; *provided* that, notwithstanding anything to the contrary in this Agreement, each of the Borrower, any Affiliate of the Borrower and any Excluded Lender shall not be an Eligible Assignee and any attempted assignment to such Persons shall be absolutely void *ab initio*.

“**Eligible Incremental Lender**” shall mean all Eligible Assignees reasonably acceptable to the Administrative Agent and the Borrower.

“**Employee Benefit Plan**” shall mean, at any time, an employee benefit plan, as defined in Section 3(3) of ERISA, which the Borrower or any ERISA Affiliate maintains, contributes to or has an obligation to contribute or with respect to which Borrower could reasonably be expected to incur liability (including under Section 4409 of ERISA or on account of an ERISA Affiliate).

“**Environmental Laws**” shall mean all former, current and future Federal, state, local and foreign laws (including common law), treaties, regulations, rules, ordinances, codes, decrees, judgments, directives, orders (including consent orders), and agreements in each case, relating to protection of the environment, natural resources or the presence, Release of, or exposure to, Hazardous Materials, or the generation, manufacture, processing, distribution, use, treatment, storage, transport, recycling or handling of, or the arrangement for such activities with respect to, Hazardous Materials.

“**Environmental Liability**” shall mean all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs (including administrative oversight costs, natural resource damages and remediation costs), whether contingent or otherwise, arising out of or relating to (a) compliance or non compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the Release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“**Equity Interests**” shall mean shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity interests in any Person, and any option, warrant or other right entitling the holder thereof to purchase or otherwise acquire any such equity interest.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended from time to time.

“**ERISA Affiliate**” shall mean any trade or business (whether or not incorporated) that, together with the Borrower, is, or was within the last six preceding plan years, treated as a single employer under Section 414(b) or (c) of the Code, or solely for purposes of Section 302 of ERISA and Section 412 of the Code, is, or was within the last six preceding plan years, treated as a single employer under Section 414 of the Code. Any trade or business that was an ERISA Affiliate under the preceding sentence during the six preceding plan years shall continue to be deemed an ERISA Affiliate hereunder solely with respect to liabilities asserted against Borrower under the Code or ERISA attributable to the period such trade or business was in fact an ERISA Affiliate under the preceding sentence.

“**ERISA Event**” shall mean (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice

period is waived), (b) the failure of any Plan to meet the minimum funding standard under Section 412 of the Code or Section 302 of ERISA, whether or not waived, (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, (d) the incurrence by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any ERISA Affiliate from any Plan or Multiemployer Plan, (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan or the occurrence of any event or condition which would reasonably be expected to constitute grounds under ERISA for the termination of or the appointment of a trustee to administer, any Plan, (f) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA, (g) the occurrence of a non-exempt "prohibited transaction" with respect to which the Borrower or any of the Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which the Borrower or any such Subsidiary could reasonably be expected to incur a material liability, (h) the incurrence by the Borrower or any ERISA Affiliate of any liability pursuant to Section 4063 or 4064 of ERISA, (i) the imposition of liability on the Borrower or any ERISA Affiliate pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA or (j) the imposition of a Lien on the Borrower pursuant to Section 430(k) of the Code or ERISA.

"Events of Default" shall have the meaning assigned to such term in Article VII.

"Excess Rate" shall have the meaning assigned to such term in Section 2.23.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Excluded Equity" shall mean (a) in the case of Equity Interests of all existing first-tier Foreign Subsidiaries that are CFCs of any Loan Party, 35% of the voting Equity Interests of such Foreign Subsidiary, (b) in the case of Equity Interests of any Foreign Subsidiary Holdco, 35% of the voting Equity Interests of such Foreign Subsidiary HoldCo or, in the case under the foregoing clause (b) only such lesser amount to the extent the pledge of or a granting of a Lien on a greater amount of such Foreign Subsidiary Holdco's Equity Interests could not reasonably be expected to (i) result in adverse tax consequences, (ii) result in costs to Holdings and its Subsidiaries that are disproportionately large in relation to the benefit to the Lenders, as mutually determined by the Collateral Agent and the Borrower in their reasonable discretion or (iii) be prevented or impaired by applicable law, order or regulation, (c) any Equity Interests in a joint venture or non-Wholly Owned Subsidiary (other than a non-Wholly Owned Subsidiary acquired pursuant to a Permitted Acquisition) to the extent (i) the granting, creating or perfecting a pledge, security interest or Lien on such Equity Interests is prohibited or restricted by a Contractual Obligation or (ii) the consent or approval of a Person other than an Affiliate of the Borrower is required, or (d) any Equity Interests of any Person that is not a first-tier Subsidiary of any Loan Party (except (but only) to the extent such Person is a first-tier Subsidiary of another Loan Party).

"Excluded Lender" shall mean (a) natural Persons, (b) Competitors and (c) those banks, financial institutions, institutional lenders and other Persons that have been specified to the Administrative Agent by the Borrower or the Sponsor in writing prior to the Closing Date (it being agreed and understood by the Agents and each Lender on the Closing Date that the list specifying the Persons in clause (c) of this definition shall not be delivered to (or any of its contents shared with) any Person other than the Persons that are Lenders on the Closing Date; *provided* that the Administrative Agent may verbally state whether a Person is an Eligible Assignee based on such list so long as the question is posed by a Lender for the

sole purpose of considering assigning the Loans or selling participations hereunder to a non-Affiliated third-Person that is not otherwise excluded from being an Eligible Assignee by the other provisions in the definition of “Eligible Assignee”).

“**Excluded Taxes**” shall mean any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to a law in effect on the date of which (i) such Lender acquires such interest in the Loan or Commitment (other than pursuant to an assignment request by the Borrower under Section 2.18(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 2.17(f) and (d) any U.S. federal withholding Taxes imposed under FATCA.

“**Existing Debt Refinancing**” shall mean the repayment in full of the Indebtedness set forth on Schedule 1.01(c) and the termination of commitments thereunder and the release of all guarantees and security in respect thereof.

“**Fair Labor Standards Act**” shall mean the Fair Labor Standards Act of 1938, as amended from time to time.

“**FATCA**” shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

“**Federal Funds Effective Rate**” shall mean, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System of the United States arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“**Federal Power Act**” shall mean the Federal Power Act of 1935, as amended from time to time.

“**Fees**” shall mean the Commitment Fee and the Yield Enhancement Fees.

“**Financial Officer**” of any Person shall mean the chief financial officer, chief executive officer, vice president of finance, principal accounting officer, treasurer, assistant treasurer or controller, or, in each case, anyone acting in such capacity or any similar capacity, of such Person.

“**Foreign Lender**” shall mean any Lender that is not a U.S. Person.

“**Foreign Plan**” shall mean any defined benefit pension plan maintained or contributed to by any Loan Party solely with respect to employees employed outside the United States.

“Foreign Subsidiary” shall mean any Subsidiary that is not a Domestic Subsidiary.

“Foreign Subsidiary Holdco” shall mean a direct or indirect Subsidiary organized under the laws of the United States of America, any State thereof or the District of Columbia of the Borrower formed or acquired before, on or after the Closing Date, that has no material assets other than capital stock or other Equity Interests of CFCs.

“GAAP” shall mean United States generally accepted accounting principles applied on a consistent basis.

“Governing Body” shall mean the board of directors or other body having the power to direct or cause the direction of the management and policies of a Person that is a corporation, partnership, trust or limited liability company.

“Governmental Authority” shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality, regulatory body, board or commission.

“Granting Lender” shall have the meaning assigned to such term in Section 9.04(j).

“Guarantee and Collateral Agreement” shall mean the Guarantee and Collateral Agreement, in the form of Exhibit E, among the Borrower, Holdings, the Subsidiary Guarantors party thereto, and the Collateral Agent for the benefit of the Secured Parties.

“Guarantors” shall mean Holdings and the Subsidiary Guarantors.

“Hazardous Materials” shall mean (a) any petroleum products or byproducts and all other hydrocarbons, coal ash, radon gas, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and all other ozone-depleting substances and (b) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law.

“Hedging Agreement” shall mean any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

“Heller Management Agreement” shall mean the Management Agreement dated August 12, 2016 between Runbook Company B.V., Heller Holding B.V., and Mr. J.H. Heller, as it may be amended or modified from time to time, so long as such amendment or modification is not materially adverse to the interests of the Lenders.

“Holdings” shall have the meaning assigned to such term in the Preamble.

“ICC Termination Act” shall mean the ICC Termination Act of 1995, as amended from time to time.

“Immaterial Subsidiary” means Subsidiaries of the Borrower that (i) are not Loan Parties, (ii) own assets in an amount no greater than 2.5% individually and 5% in the aggregate of the Consolidated Total Assets of Holdings and its Subsidiaries (on a consolidated basis), (iii) generate revenue in an amount no greater than 2.5% individually and 5% in the aggregate of the total revenues of Holdings and its Subsidiaries (on a consolidated basis) and (iv) have previously been designated in writing by the Borrower to the Administrative Agent as “Immaterial Subsidiaries.”

“Increase Conditions” means the following conditions: (i) Consolidated Revenue for the most recently ended four fiscal quarter period for which financial statements under Section 5.04(a) or (b) have been delivered equaling or exceeding \$50,000,000 and (ii) receipt by the Administrative Agent of a certificate of a Financial Officer of the Borrower setting forth in reasonable detail the calculations showing satisfaction of the foregoing condition.

“Increased Amount Date” shall have the meaning assigned to such term in Section 2.23.

“Incremental Commitments” shall have the meaning assigned to such term in Section 2.23.

“Incremental Lender” shall have the meaning assigned to such term in Section 2.23.

“Incremental Loan” shall have the meaning assigned to such term in Section 2.23.

“Incremental Loan Amendment” shall have the meaning assigned to such term in Section 2.23.

“Indebtedness” of any Person shall mean, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services, including any-earn out obligations (excluding (i) trade accounts payable and accrued obligations incurred in the ordinary course of business and not more than 180 days past due, (ii) purchase price adjustments and earn-out obligations (unless such amounts are not paid after becoming due and payable or appear (or would be required to appear pursuant to GAAP) as liabilities on the balance sheet of such Person), (iii) royalty payments made in the ordinary course of business in respect of licenses, any accruals for payroll and (iv) other non-interest bearing liabilities accrued in the ordinary course of business and deferred rent obligations), (e) all Indebtedness of others (excluding prepaid interest thereon) secured by any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, but limited to the lower of (x) fair market value of such property as determined by such Person reasonably and in good faith and (y) the amount of Indebtedness secured by such Lien, (f) all Contingent Obligations of such Person in respect of Indebtedness of others, (g) all Capital Lease Obligations and Synthetic Lease Obligations of such Person to the extent classified as indebtedness under GAAP (for the avoidance of doubt, lease payments under any operating leases (other than Capitalized Lease Obligations recorded as capitalized leases in accordance with GAAP as in effect on the Closing Date) shall not constitute Indebtedness), (h) all obligations of such Person as an account party in respect of letters of credit, (i) all obligations of such Person in respect of bankers’ acceptances, (j) Disqualified Stock and (k) all obligations of such Person in respect of any Hedging Agreement, in each case, whether entered into for hedging or speculative purposes or otherwise; *provided* that (1) Indebtedness shall not include (A) accrued expenses, deferred rent, deferred revenue, deferred taxes and deferred compensation and customary obligations under employment arrangements, (B) customary payables with respect to money orders or wire transfers, and (C) obligations under operating leases and (2) the items in clauses (a) through (k) above shall constitute Indebtedness of such person solely to the extent (x) such Person is liable for such item, (y) any such item is secured by a Lien on such Person’s property but only to the extent of the lesser of the fair market value of the property subject to such Lien and the principal amount of, and interest and other amount owing in respect of, such Indebtedness or (z) any other Person has a right, contingent or otherwise, to cause such Person to become liable for any part of any such item or to grant such a Lien. The amount of any Indebtedness of any Person in respect of a Hedging Agreement shall be the amount determined in respect thereof as of the determination date, based on the assumption that such Hedging Agreement had terminated as of such date. In making such determination, if any agreement relating to such Hedging Agreement provides for the netting of amounts payable by and to

such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined. The Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or joint venturer, but only to the extent such Person is obligated therefor by contract or operation of applicable law.

“Indemnified Taxes” shall mean (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitee” shall have the meaning assigned to such term in Section 9.05(b).

“Information” shall have the meaning assigned to such term in Section 9.16.

“Initial Term Loans” shall mean the term loans made by the Initial Term Loan Lenders to the Borrower pursuant to Section 2.01(a), together with PIK Interest, if any. The outstanding aggregate principal amount of the Initial Term Loans as of the ~~Second~~Third Amendment Effective Date equals ~~\$29,648,388.82~~\$30,653,528.83 as set forth on Schedule 2.01.

“Initial Term Loan Commitment” with respect to each Initial Term Loan Lender, the commitment of such Initial Term Loan Lender to make Initial Term Loans hereunder as set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Initial Term Loan Lender assumed its Initial Term Loan Commitment, as applicable. The Initial Term Loan Lenders’ remaining Initial Term Loan Commitments as of the Second Amendment Effective Date equals \$0 as set forth on Schedule 2.01.

“Initial Term Loan Lender” shall mean each Lender with an Initial Term Loan Commitment or with outstanding Initial Term Loans.

“Insolvency Proceeding” shall mean (i) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (ii) any general assignment for the benefit of creditors, formal or informal moratorium, composition, marshaling of assets for creditors or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors, in each case, undertaken under United States federal or state or non-United States legal requirements, including the Bankruptcy Code.

“Intellectual Property” shall mean all present and future: trade secrets, know-how and other proprietary information; trademarks, internet domain names, service marks, trade dress, trade names, business names, designs, logos, slogans (and all translations, adaptations, derivations and combinations of the foregoing) indicia and other source and/or business identifiers, and the goodwill of the business relating thereto and all registrations or applications for registrations therefor throughout the world; works of authorship, copyrightable works, copyright registrations and copyright applications; and all tangible and intangible property embodied therein, unpatented inventions (whether or not patentable); patents and patent applications; industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; all other intellectual property; and all common law and other rights throughout the world in and to all of the foregoing.

“Interest Payment Date” shall mean December 31, 2013 and the last day of each calendar quarter thereafter, *provided* if any such day is not a Business Day, such Interest Payment Date shall be extended to the next succeeding Business Day and interest shall accrue for each day of such extension.

“Interstate Commerce Act” shall mean the Interstate Commerce Act of 1887, as amended from time to time.

“Investment” shall mean (i) any direct or indirect purchase or other acquisition by Holdings, the Borrower or any of its Subsidiaries of, or of a beneficial interest in, any stocks, bonds, notes, debentures or other obligations or securities of any other Person; (ii) any direct or indirect redemption, retirement, purchase or other acquisition for value, by Holdings, the Borrower or any Subsidiary of the Borrower from any Person, of any Equity Interests of such Person; and (iii) any direct or indirect loan, advance (other than loans or advances to employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business) or capital contributions by Holdings, the Borrower or any of its Subsidiaries to any other Person. The amount of any Investment shall be the original cost of such Investment plus the cost of all additions thereto (other than replacement or repair costs in connection with Casualty Events), without any adjustments for increases or decreases in value, or write ups, write downs or write offs with respect to such Investment and after giving effect to any return of capital, repayment or dividends or distributions in respect thereof received in cash with respect to such Investment and less all liabilities expressly assumed by another person in connection with the sale or other disposition of such Investment.

“Investment Company Act of 1940” shall mean the Investment Company Act of 1940, as amended from time to time.

“IRS” shall mean the United States Internal Revenue Service.

“Leesberg Management Agreement” shall mean the Management Agreement dated August 12, 2016 between Runbook Company B.V., Parcomphy Holding B.V. and Mr. R.B.A. Leesberg, as it may be amended or modified from time to time, so long as such amendment or modification is not materially adverse to the interests of the Lenders.

“Lenders” shall mean (a) the Persons listed on Schedule 2.01 (other than any such Person that has ceased to be a party hereto pursuant to an Assignment and Acceptance) and (b) any Person that has become a party hereto pursuant to an Assignment and Acceptance, in each case, in accordance and in compliance with Section 9.04 (including, without limitation, any consents required thereby); *provided, however*, that no Excluded Lender shall be a Lender.

“Libor Rate” shall mean, for any date of determination, the greater of (x) (i) with respect to the Initial Term Loans, the 2016 Term Loans and the 2016 Acquisition Term Loans, 1.50% per annum and (ii) with respect to Revolving Loans, 0.50% per annum and (y) the three-month London Interbank Offered Rate (rounded upward to the nearest 1/16 of one percent) that appears on Bloomberg as of approximately 11:00 a.m. (Los Angeles time) on such date of determination; *provided*, that if such index ceases to exist or is no longer published or announced, then the term “Libor Rate” shall mean the three-month London Interbank Offered Rate (rounded upward to the nearest 1/16 of one percent) as published in The Wall Street Journal on such date of determination, and if this latter index ceases to exist or is no longer published or announced, then the term “Libor Rate” shall mean the Prime Rate (rounded upward to the nearest 1/16 of one percent) as published in The Wall Street Journal on such date of determination. The Libor Rate shall be reasonably determined on the Closing Date and the first Business Day of each calendar quarter thereafter by the Administrative Agent or, if no Administrative Agent then exists, by the Required Lenders.

“**LIBOR Unavailability Notice**” shall have the meaning assigned to such term in Section 2.12(e).

“**Lien**” shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, encumbrance, charge or security interest in or on such asset or (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset; *provided* that in no event shall an operating lease be deemed to be a Lien.

“**Liquidity**” shall mean (i) the amount of Unrestricted Cash and Permitted Investments of the Loan Parties in the aggregate plus (ii) the Total Unutilized Revolving Loan Commitment.

“**Loan(s)**” shall mean each Revolving Loan, each Initial Term Loan, each 2016 Term Loan, each 2016 Acquisition Term Loan and, to the extent set forth in Section 2.23(f), each Incremental Loan; provided that with respect to any Note issued prior to the Second Amendment Effective Date, all references to “Loans” therein shall be deemed to refer exclusively to Initial Term Loans.

“**Loan Commitment Percentage**” shall mean, as to any Lender at any time, the percentage of the aggregate outstanding principal amount of Loans then constituted by the aggregate outstanding principal amount of such Lender’s Loans.

“**Loan Documents**” shall mean this Agreement, the Security Documents, the Revolving Notes, the Term Notes and any other document or agreement executed in connection herewith or therewith.

“**Loan Parties**” shall mean the Borrower and the Guarantors.

“**Local Time**” shall mean Los Angeles time.

“**Management Agreement**” shall mean any written agreement by and between Sponsor or its Affiliates and Holdings or Borrower entered into after the Closing Date in form and substance reasonably satisfactory to the Administrative Agent (it being understood and agreed that any provisions providing for cost and expense reimbursement and indemnification not in excess of the amount permitted under Section 6.06(a)(iii) of this Agreement shall be satisfactory to the Administrative Agent).

“**Management Fee Recipient**” shall have the meaning assigned to such term in the definition of “Management Fees”.

“**Management Fees**” shall mean any fees or other amounts (whether structured as a fee, an underwriting discount or otherwise) payable, directly or indirectly, to or for the benefit of any direct or indirect holder of Equity Interests of Holdings or any Affiliate of any such holder of Equity Interests (each of the foregoing, but excluding any Agent or any Lender, a “**Management Fee Recipient**”) or in respect of management, consulting, financial advisory, financing, underwriting or placement services or other investment banking activities provided by or on behalf of any Management Fee Recipient to or for the benefit, directly or indirectly, of any of Holdings or Holdings’ Affiliates, whether payable, earned or otherwise provided for pursuant to a Management Agreement (howsoever denominated) or otherwise; *provided, however*, that Management Fees shall not include (i) any costs or expenses (including, without limitation, attorney’s fees) incurred by, or any indemnities provided to, Sponsor and/or any of its Related Parties and (ii) any amounts accrued (or rights to present or future payments or amounts) but not actually paid.

“**Margin Stock**” shall have the meaning assigned to such term in Regulation U.

“Material Adverse Effect” shall mean (a) a materially adverse effect on and/or material adverse developments with respect to (i) the value of the Collateral (taken as a whole) or (ii) the business, operations, financial condition or properties of Holdings, the Borrower and its Subsidiaries, taken as a whole, (b) a material impairment of the ability of the Borrower or the other Loan Parties, taken as a whole, to perform any of its or their obligations under any Loan Document to which it is or they are a party or (c) a material impairment of the rights and remedies, taken as a whole, of the Administrative Agent, the Collateral Agent and the Lenders under the Loan Documents (other than to the extent a result of the action or inaction of the Administrative Agent, the Collateral Agent, the Lenders, the other secured parties under the Loan Documents or their respective Related Parties).

“Material Domestic Real Property” shall mean any real property located in the United States with a fair market value in excess of \$1,000,000.

“Material Foreign Assets” shall mean, (i) any foreign personal property (including, without limitation, any foreign registered Intellectual Property) of a Loan Party constituting Collateral with a value as of any date of determination in excess of 10% of Consolidated Total Assets and (ii) Equity Interests of any direct Foreign Subsidiary of any Loan Party that is a Wholly-Owned Subsidiary constituting Collateral solely to the extent such Foreign Subsidiary generates revenue in an amount in excess of 10% of the total revenues of Holdings and its Subsidiaries on a consolidated basis; provided that Equity Interests of Acquisition Co B.V., or such other first-tier foreign subsidiary that owns, directly or indirectly, the Equity Interests of Runbook Company, B.V., Runbook International B.V. and Runbook IP B.V., owned by any Loan Party shall be deemed to be Material Foreign Assets.

“Material Indebtedness” shall mean Indebtedness (other than the Loans) of any one or more of Holdings, the Borrower or any Subsidiary in an aggregate principal amount exceeding \$1,000,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of Holdings, the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements to the extent that such agreements) that Holdings, the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time. For the avoidance of doubt, the Obligations shall not constitute Material Indebtedness.

“Maturity Date” shall mean September 25, 2018.

“Maximum Rate” shall have the meaning assigned to such term in Section 9.09.

“Modification” shall have the meaning assigned to such term in the definition of “Permitted Refinancing.”

“Moody’s” shall mean Moody’s Investors Service, Inc., or any successor thereto.

“Mortgaged Properties” shall mean each parcel of owned real property and improvements thereto with respect to which a Mortgage is granted pursuant to Section 5.12.

“Mortgages” shall mean the mortgages, deeds of trust, assignments of leases and rents, modifications and other security documents delivered with respect to Mortgaged Properties pursuant to Section 5.12, in each case, utilized as security for the Obligations, each reasonably acceptable in form and substance to the Administrative Agent and the Borrower.

“Multiemployer Plan” shall mean a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA; (a) to which Borrower or any ERISA Affiliate making or accruing an

obligation to make contributions; or (b) with respect to which Borrower could reasonably be expected to incur liability.

“Net Asset Sale Proceeds” shall mean the cash proceeds received by the Borrower or any of its Subsidiaries in respect of an Asset Sale (including cash proceeds subsequently received (as and when received) in respect of noncash consideration initially received but excluding (for the avoidance of doubt) any issuance of Equity Interests mentioned in the proviso of the definition of “Asset Sale”), net of (a) actual and customary expenses (including customary broker’s fees or commissions, legal fees, accounting fees, transfer and similar taxes and the Borrower’s good faith estimate of income taxes, in each case paid or payable in connection with such sale), (b) amounts provided as a reserve, in accordance with GAAP, against any liabilities under any indemnification obligations or purchase price adjustment associated with such Asset Sale (*provided that*, to the extent and at the time any such amounts are released from such reserve, such amounts shall constitute Net Asset Sale Proceeds) and (c) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness for borrowed money that is secured by the asset sold in such Asset Sale and that is required to be repaid with such proceeds (other than any such Indebtedness assumed by the purchaser of such asset and other than Indebtedness hereunder).

“Net Insurance/Condemnation Proceeds” shall mean any net cash payments or net cash proceeds (after taking into account any fees, costs, expenses (including, without limitation, legal fees) and deductibles related thereto or incurred in connection therewith) received by the Borrower or any of its Subsidiaries (i) under any casualty insurance policy in respect of a covered loss of property thereunder or (ii) as a result of the taking of any assets of the Borrower or any of its Subsidiaries by any Person pursuant to the power of eminent domain or condemnation pursuant to any law, or by reason of the temporary requisition of the use or occupancy of all or any part of any real property of any Person or any part thereof by any Governmental Authority, civil or military, in each case, net of (a) customary costs and expenses (including customary broker’s fees or commissions, legal fees, accounting fees, transfer and similar taxes and the Borrower’s good faith estimate of income taxes, in each case paid or payable in connection therewith) and (b) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness for borrowed money that is secured by the asset subject to such covered loss or taking and that is required to be repaid with such proceeds (other than Indebtedness hereunder).

“Net Securities Proceeds” shall mean the cash proceeds (net of customary underwriting discounts and commissions and other customary costs and expenses associated therewith, including customary legal fees and expenses and taxes) from the incurrence of Indebtedness by Holdings, the Borrower or any of its Subsidiaries.

“Note” shall have the meaning assigned to such term in [Section 2.04\(d\)](#).

“Notice of Borrowing” shall have the meaning assigned to such term in [Section 2.02\(c\)](#).

“Notice of Revolver Borrowing” shall have the meaning assigned to such term in [Section 2.02\(d\)](#).

“Notice of Intent to Cure” shall have the meaning assigned to such term in [Section 7.02\(c\)](#).

“Obligations” shall mean all obligations of every nature of each Loan Party from time to time owed to the Administrative Agent, the Lenders or any of them under the Loan Documents, whether for principal, interest (including, without limitation, any PIK Interest and interest accruing after the commencement of any bankruptcy case or Insolvency Proceeding involving a Loan Party, whether or not such interest is an allowed claim in such case or proceeding), fees, premium, expenses, indemnification or otherwise.

“**OFAC**” shall have the meaning assigned to such term in [Section 3.23](#).

“**OID**” shall have the meaning assigned to such term in [Section 2.21\(a\)](#).

“**Organizational Documents**” shall mean with respect to any Person, its charter, certificate or articles of incorporation, bylaws, articles of organization, operating agreement, partnership agreement or similar agreement or instrument governing the formation or operation of such Person.

“**Other Connection Taxes**” shall mean, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“**Other Taxes**” shall mean all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document.

“**Participant Register**” shall have the meaning assigned to such term in [Section 9.04\(g\)](#).

“**Payment Office**” shall mean the office of the Administrative Agent located at 2951 28th Street, Suite 1000, Santa Monica, California 90405 or such other office as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

“**PBGC**” shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

“**Perfection Certificate**” shall mean the Perfection Certificate substantially in the form of [Exhibit B](#) to the Guarantee and Collateral Agreement.

“**Permitted Acquisition**” shall have the meaning assigned to such term in [Section 6.04\(vii\)](#).

“**Permitted Capital Lease Amount**” shall mean \$2,500,000, provided, however that if the Increase Conditions are met, the Permitted Capital Lease Amount shall mean \$5,000,000.

“**Permitted Founder Distributions**” shall mean amounts payable to Therese Tucker, an individual, pursuant to Section 6.9(h) of the Acquisition Agreement.

“**Permitted Holders**” shall mean, collectively, Sponsor and its Controlled Investment Affiliates.

“**Permitted Investments**” shall mean:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed or insured by, the United States of America (or by any agency or instrumentality thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within one year from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody’s;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within one year from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, the Administrative Agent or any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria of clause (c) above;

(e) investments in "money market funds" within the meaning of Rule 2a-7 of the Investment Company Act of 1940, at least 95% of whose assets are invested in investments of the type described in clauses (a) through (d) above;

(f) demand deposit accounts maintained in the ordinary course of business; and

(g) other short-term investments utilized by Foreign Subsidiaries in accordance with normal investment practices for cash management in investments of a type analogous to the foregoing.

"**Permitted Non-Loan Party Investment Amount**" shall mean \$5,000,000 provided, however that if the Increase Conditions are met, the Permitted Non-Loan Party Investment Amount shall mean \$10,000,000.

"**Permitted Refinancing**" shall mean, with respect to any Person, any modification, refinancing, refunding, replacement, renewal or extension (each, a "**Modification**") of any Indebtedness of such Person (such Indebtedness prior to giving effect to such Modification, "**Subject Indebtedness**" and, after giving effect to such Modification, "**Refinancing Indebtedness**"); *provided* that (a) the principal amount thereof does not exceed the principal amount of such Subject Indebtedness except by an amount equal to unpaid accrued interest and premium thereon *plus* underwriting discounts, premiums paid, fees, costs and expenses (including, without limitation, attorney's fees) incurred, in connection with such Modification and by an amount equal to any existing commitments unutilized thereunder, (b) other than with respect to a Permitted Refinancing of Indebtedness permitted pursuant to Section 6.01(v) or Section 6.01(vi), such Refinancing Indebtedness has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Subject Indebtedness, (c) to the extent such Subject Indebtedness is (i) subordinated in right of payment to the Obligations, such Refinancing Indebtedness is subordinated in right of payment to the Obligations on terms, taken as a whole, at least as favorable to the Lenders in all material respects as those contained in the documentation governing the subordination of the Subject Indebtedness, (ii) secured by a junior permitted lien on the Collateral (or portion thereof), in the case of this clause (ii) such Refinancing Indebtedness shall be unsecured or secured by a junior permitted lien on the Collateral (or portion thereof) or (iii) unsecured, such Refinancing Indebtedness shall be unsecured, (d) such Modification does not provide for the granting or obtaining of collateral security from, or obtaining any lien on any assets of, any Person, other than collateral security obtained from Persons that provided (or were required to provide) collateral security with respect to such Subject Indebtedness (so long as the assets subject to such liens were or would have been required to secure such Subject Indebtedness) (provided that additional Persons that would have been required to provide collateral security with respect to such Subject Indebtedness may provide collateral security with respect to such Refinancing Indebtedness), (e) any such Refinancing Indebtedness shall be subject to intercreditor provisions (including lien subordination provisions if such Refinancing Indebtedness is secured by a lien on the Collateral the priority of which is contractually subordinated to the Liens on the Collateral securing the Obligations) which are no less favorable, taken as a whole, to the Secured Parties than those contained in

such Subject Indebtedness or are otherwise reasonably acceptable to the Administrative Agent and (f) neither Holdings nor any of its Subsidiaries shall be an obligor or guarantor of any such Refinancing Indebtedness except to the extent that such Person was such an obligor or guarantor in respect of the Subject Indebtedness.

“Permitted Restricted Payment Amount” shall mean \$500,000 provided, however that if the Increase Conditions are met, the Permitted Restricted Payment Amount shall mean \$1,000,000.

“Permitted Tax Distributions” shall mean for each tax year (or portion thereof) that the Borrower is a corporation for U.S. federal income tax purposes and is a member of an affiliated group filing consolidated or combined returns of which it is not the common parent, the direct or indirect payment by the Borrower to the common parent of such group of the consolidated or combined federal, state and local income Taxes payable by the common parent for such group; *provided* that the amount of such payments in any taxable year (or portion thereof) does not exceed the amount that Holdings and its Subsidiaries would be required to pay in respect of U.S. federal, state and local income Taxes for such taxable year (or portion thereof) were Holdings and its Subsidiaries to file as part of a consolidated or combined group for income tax purposes; *provided further* that any amounts paid solely with respect to Holdings shall be attributable to operations or actions of Holdings that are permitted by [Section 6.13](#).

“Person” shall mean any natural person, corporation, business trust, joint venture, association, company, limited liability company, partnership, Governmental Authority or other entity.

“PIK Interest” shall have the meaning assigned to such term in [Section 2.06\(b\)](#).

“Plan” shall mean any employee pension benefit plan, as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA which is maintained or contributed to by Borrower or any ERISA Affiliate or with respect to which Borrower could reasonably be expected to incur liability (including on account of an ERISA Affiliate).

“Prime Rate” means, for any day, the rate of interest in effect for such day that is identified and normally published by The Wall Street Journal as the “Prime Rate” (or, if more than one rate is published as the Prime Rate, then the highest of such rates), with any change in Prime Rate to become effective as of the date the rate of interest which is so identified as the “Prime Rate” is different from that published on the preceding Business Day. If The Wall Street Journal no longer reports the Prime Rate, or if the Prime Rate no longer exists, or the Administrative Agent determines in good faith that the rate so reported no longer accurately reflects an accurate determination of the prevailing Prime Rate, then the Administrative Agent may select a reasonably comparable index or source to use as the basis for the Prime Rate.

“Qualified Capital Stock” of any Person shall mean any Equity Interest of such Person that is not Disqualified Stock.

“Recipient” shall mean (a) the Administrative Agent and (b) any Lender, as applicable.

“Refinancing Indebtedness” shall have the meaning assigned to such term in the definition of “Permitted Refinancing.”

“Register” shall have the meaning assigned to such term in [Section 9.04\(d\)](#).

“Regulation T” shall mean Regulation T of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Regulation U” shall mean Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Regulation X” shall mean Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

“Related Documents” shall mean, collectively, the Warrants and the Warrant Agreement.

“Related Fund” shall mean, with respect to any Lender that is a fund or commingled investment vehicle that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

“Related Parties” shall mean, with respect to any specified Person, such Person’s Controlled Affiliates and the respective directors, trustees, officers, employees, agents, attorneys, representatives and advisors of such Person and such Person’s Controlled Affiliates; *provided* that an agent of a sub-agent shall not be a Related Party, unless (i) such agent is appointed as a sub-agent by an Agent in accordance with Article VIII, or (ii) such agent is appointed or retained by, or at the direction of, the Required Lenders.

“Release” shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or within or upon any building, structure, facility or fixture.

“Required Lenders” shall mean, at any time, Lenders having Loans and Commitments representing more than 50% of the sum of all Loans and Commitments at such time.

“Required RL Lenders” shall mean, at any time, Lenders the sum of whose outstanding Revolving Loan Commitments at such time (or, after the termination thereof, outstanding Revolving Loans) represent more than 50% of the Total Revolving Loan Commitment in effect at such time (or, after the termination thereof, the sum of then total outstanding Revolving Loans).

“Responsible Officer” of any Person shall mean any executive officer (including, without limitation, the president, any vice president, secretary and assistant secretary), or Financial Officer of such Person and any other officer or similar official thereof responsible for the administration of the obligations of such Person in respect of this Agreement.

“Restricted Payment” shall mean (i) any cash dividend or other cash distribution with respect to any Equity Interests in Holdings, the Borrower or any Subsidiary and (ii) any cash payment, including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Equity Interests in Holdings, the Borrower or any Subsidiary.

“Revolving Loan” shall have the meaning assigned to such term in Section 2.01(ed).

“Revolving Loan Commitment” shall mean, for each Lender, the amount set forth opposite such Lender’s name in Schedule 2.01 directly below the column entitled “Revolving Loan Commitment”, as same may be (x) reduced from time to time or terminated pursuant to Section 2.11, Section 2.19 or Article VII, or (y) adjusted from time to time as a result of assignments to or from such Lender pursuant to

Section 2.18 or Section 9.04(b). The initial aggregate amount of the Lenders' Revolving Loan Commitments is \$5,000,000.

"Revolving Note" shall have the meaning assigned to such term in Section 2.04(d).

"RL Lender" shall mean each Lender with a Revolving Loan Commitment or with outstanding Revolving Loans.

"RL Percentage" of any RL Lender at any time shall mean a fraction (expressed as a percentage) the numerator of which is the Revolving Loan Commitment of such RL Lender at such time and the denominator of which is the Total Revolving Loan Commitment at such time, *provided* that if the RL Percentage of any RL Lender is to be determined after the Total Revolving Loan Commitment has been terminated, then the RL Percentages of such RL Lender shall be determined immediately prior (and without giving effect) to such termination.

"Runbook Acquisition" shall mean the acquisition by the Borrower, directly or indirectly, of all the outstanding Equity Interests of RunBook Company B.V. from Silicon Polder Fund B.V., Participatiemaatschappij Oost Nederland N.V., Freeman Holding B.V., Smartbiz Investment B.V., Heller Holding B.V. and Parcomphy Holding B.V., as sellers.

"S&P" shall mean Standard & Poor's Ratings Service, or any successor thereto.

"SEC" shall mean the Securities and Exchange Commission or any other similar or successor agency of the Federal government administering the Securities Act.

"Second Amendment" shall mean that certain Second Amendment and Waiver to Credit Agreement dated as of the Second Amendment Effective Date by and among Borrower, Holdings, the Initial Term Loan Lenders party thereto, the 2016 Term Loan Lenders party thereto, the RL Lenders party thereto, the Administrative Agent and the Collateral Agent.

"Second Amendment Effective Date" shall mean March 22, 2016.

"Secured Parties" shall have the meaning assigned to such term in the Guarantee and Collateral Agreement.

"Securities Account" is defined in the UCC.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any successor Federal statute, and the rules and regulations of the SEC thereunder, all as the same shall be in effect from time to time.

"Security Documents" shall mean the Guarantee and Collateral Agreement, Control Agreements, the Mortgages (if any) and each of the security agreements, mortgages and other instruments and documents executed and delivered pursuant to any of the foregoing or pursuant to Section 5.12 and utilized to pledge or grant a security interest or Lien on any property as collateral for the Obligations.

"SPC" shall have the meaning assigned to such term in Section 9.04(j).

"Sponsor" shall mean Silver Lake Sumeru Fund, L.P.

“**Subject Indebtedness**” shall have the meaning assigned to such term in the definition of “Permitted Refinancing.”

“**Subordinated Indebtedness**” shall mean any Indebtedness of a Loan Party incurred from time to time and subordinated in right of payment to the Obligations and subject to a subordination agreement in form and substance reasonably satisfactory to the Administrative Agent.

“**Subsidiary**” shall mean, with respect to any Person (herein referred to as the “**parent**”), any corporation, partnership, limited liability company, association or other business entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or more than 50% of the general partnership interests are, at the time any determination is being made, owned, Controlled or held, or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of Holdings.

“**Subsidiary Guarantor**” shall mean, on the Closing Date, each Subsidiary of the Borrower listed on Schedule 1.01(a), and thereafter each wholly-owned Domestic Subsidiary that is or becomes a party to the Guarantee and Collateral Agreement or otherwise provides a guarantee in respect of the Obligations.

“**Synthetic Lease**” shall mean, as to any Person, any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) (a) that is accounted for as an operating lease under GAAP but which, upon the application of any insolvency or bankruptcy laws to such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment) and (b) in respect of which the lessee retains or obtains ownership of the property so leased for U.S. federal income tax purposes, other than any such lease under which such Person is the lessor.

“**Synthetic Lease Obligations**” shall mean, as to any Person, an amount equal to the capitalized amount of the remaining lease payments under any Synthetic Lease that would appear on a balance sheet of such Person in accordance with GAAP if such obligations were accounted for as Capital Lease Obligations.

“**Tax Returns**” shall mean (i) all returns, declarations, reports, schedules or information return or statement of, or with respect to, Taxes required to be filed with any Governmental Authority or depository and (ii) Form TD F 90-22.1.

“**Taxes**” shall mean any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Termination Date**” shall have the meaning assigned to such term in Section 3.13.

“**Terrorism Order**” shall have the meaning assigned to such term in Section 3.25.

“**Term Loans**” shall mean the Initial Term Loans, the 2016 Term Loans, the 2016 Acquisition Term Loans and any Incremental Loans, in each case, that have been funded.

“**Term Loan Commitment**” shall mean, with respect to each Term Loan Lender, (a) its Initial Term Loan Commitment, (b) its 2016 Term Loan Commitment, (c) its 2016 Acquisition Term Loan Commitment or (ed) to the extent actually committed, any necessary approvals thereof have been

received and such Term Loan Lender is bound to fund such Incremental Loans pursuant to the terms hereunder, its Incremental Commitment.

“Term Loan Lender” shall mean each Lender with a Term Loan Commitment or with outstanding Term Loans.

“Term Note” shall have the meaning assigned to such term in Section 2.04(d).

“Third Amendment” shall mean that certain Third Amendment to Credit Agreement dated as of the Third Amendment Effective Date by and among Borrower, Holdings, the 2016 Acquisition Term Loan Lenders party thereto, the Required Lenders party thereto, the Administrative Agent and the Collateral Agent.

“Third Amendment Effective Date” shall mean August 30, 2016.

“Total Revolving Loan Commitment” shall mean, at any time, the sum of the Revolving Loan Commitments of each of the RL Lenders at such time.

“Total Unutilized Revolving Loan Commitment” shall mean, at any time, an amount equal to the remainder of (x) the Total Revolving Loan Commitment in effect at such time less (y) the aggregate principal amount of all Revolving Loans outstanding at such time.

“Tranche” shall mean (a) the Revolving Loans, (b) the Initial Term Loans, (c) the 2016 Term Loans, (d) the 2016 Acquisition Term Loans and ~~(de)~~ the Incremental Loans.

“Transactions” shall mean, collectively, the transactions to occur pursuant to the Loan Documents, including (a) the execution and delivery of the Loan Documents and the making of the borrowings hereunder; (b) the Existing Debt Refinancing; and (c) the payment of related fees, costs and expenses (including, without limitation, attorney’s fees).

“UCC” shall mean the Uniform Commercial Code, as in effect from time to time, of the State of New York or of any other state the laws of which are required as a result thereof to be applied in connection with the issue of perfection of security interests.

“Unrestricted Cash and Permitted Investments” of any Person, shall mean cash or Permitted Investments of such Person, (a) that are not, and are not required to be, designated as “restricted” on the financial statements of such Person, (b) that are not contractually required, and have not been contractually committed by such Person, to be used for a specific purpose, (c) that are not subject to (i) any provision of law, statute, rule or regulation, (ii) any provision of the Organizational Documents of such Person, (iii) any order of any Governmental Authority or (iv) any contractual restriction (including the terms of any Equity Interests), in each case of (i) through (iv), preventing such cash or Permitted Investments, as applicable, from being applied to the payment of the Obligations, (d) in which no Person other than the Collateral Agent has a Lien, other than the depository institution or securities intermediary at where such cash or Permitted Investments are maintained (to the extent permitted under Section 6.02(xi)), and (e) that are held in a Deposit Account or Securities Account, as applicable, in which the Collateral Agent has a valid and enforceable security interest, perfected by “control” (within the meaning of the applicable Uniform Commercial Code); *provided* for the ninety (90) day period following the Closing Date (or such longer period as the Administrative Agent may agree in its reasonable discretion), such Unrestricted Cash and Permitted Investments shall not be required to be subject to “control” in favor of the Collateral Agent.

“Unutilized Revolving Loan Commitment” shall mean, with respect to any RL Lender at any time, such RL Lender’s Revolving Loan Commitment at such time less the aggregate outstanding principal amount of all Revolving Loans made by such RL Lender at such time.

“U.S. Person” shall mean any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“U.S. Tax Compliance Certificate” shall have the meaning assigned to such term in Section 2.17(f)(ii)(B)(iii).

“USA PATRIOT Act” shall mean The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“Warrant Agreement” shall mean the agreement to purchase up to a certain amount of Equity Interests of SLS Breeze Holdings, Inc., dated the date hereof, executed by SLS Breeze Holdings, Inc. in order to issue the Warrants in the form of Exhibit H.

“Warrants” shall mean the warrants, in the form of Exhibit I, issued by SLS Breeze Holdings, Inc. in favor of each Person that was a Lender on the Closing Date.

“Weighted Average Life to Maturity” shall mean, when applied to any Indebtedness at any date, the number of years obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by (b) the then outstanding principal amount of such Indebtedness.

“Wholly Owned Subsidiary” of any Person shall mean a Subsidiary of such Person of which securities (except for (i) directors’ qualifying shares or (ii) in the case of Foreign Subsidiaries, nominal shares required by law to be owned by a resident of the relevant jurisdiction) or other ownership interests representing 100% of the Equity Interests are, at the time any determination is being made, owned, Controlled or held by such Person or one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

“Withdrawal Liability” shall mean liability of any Loan Party or any ERISA Affiliate to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Withholding Agent” means any Loan Party and the Administrative Agent.

“Yield Enhancement Fee” shall have the meaning assigned to such term in Section 2.05(b).

SECTION 1.02 Terms Generally. The definitions in Section 1.01 shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”; and the words “asset” and “property” shall be construed as having the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and

Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Except as otherwise expressly provided herein, (a) any reference in this Agreement to any Loan Document or any other documents shall mean such document as amended, restated, supplemented or otherwise modified from time to time to the extent not prohibited or restricted hereunder and (b) all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; *provided, however*, that (x) any obligations of a Person under a lease (whether existing now or entered into in the future) that is not (or would not be) a Capital Lease Obligation under GAAP as in effect on the Closing Date shall not be treated as a Capital Lease Obligation solely as a result of the adoption of changes in GAAP and (y) if the Borrower notifies the Administrative Agent that the Borrower wishes to amend any covenant in Article VI or any related definition to eliminate the effect of any change in GAAP occurring after the date of this Agreement on the operation of such covenant and the Administrative Agent consents (such consent not to be unreasonably withheld, delayed or conditioned) in writing (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Article VI or any related definition for such purpose and the Borrower consents in writing (such consent not to be unreasonably withheld, delayed or conditioned)), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective and the Borrower shall provide to the Administrative Agent and the Lenders the reconciliation statements provided for in Section 5.04, until either such notice is withdrawn or such covenant is amended in a manner reasonably satisfactory to the Borrower and the Required Lenders. The term "enforceability" and its derivatives when used to describe the enforceability of an agreement shall mean that such agreement is enforceable except as enforceability may be limited by any insolvency, bankruptcy or debtor relief law and by general equitable principles (whether enforcement is sought by proceedings in equity or at law). Any terms used in this Agreement that are defined in the UCC shall be construed and defined as set forth in the UCC unless otherwise defined herein; provided, that to the extent that the UCC is used to define any term herein and such term is defined differently in different Articles of the UCC, the definition of such term contained in Article 9 of the UCC shall govern.

SECTION 1.03 *Independence of Covenants*. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted as an exception to, or would otherwise be within the limitations of, another covenants shall not avoid the occurrence of an Event of Default or Default of such action is taken or condition exists.

SECTION 1.04 *Deliveries*. Notwithstanding anything herein to the contrary, whenever any document, agreement or other item is required by any Loan Document to be delivered on a day that is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day.

SECTION 1.05 *Construction*. Each of the parties hereto acknowledges that (i) it has been represented by counsel in the negotiation and documentation of the terms of this Agreement, (ii) it has had full and fair opportunity to review and revise the terms of this Agreement, (iii) this Agreement has been drafted jointly by all of the parties hereto, and (iv) no Lender has any fiduciary relationship with or duty to Holdings, the Borrower or any of its Subsidiaries arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Lenders, on the one hand, and Holdings, the Borrower and its Subsidiaries, on the other hand, in connection herewith or therewith is solely that of debtor and creditor in respect of the Indebtedness represented hereby. Accordingly, each of the parties hereto acknowledges and agrees that the terms of this Agreement shall not be construed against or in favor of another party.

SECTION 1.06 *Certain Pro Forma Calculations.*

(a) For purposes of pro forma calculations of the Consolidated Leverage Ratio under ~~Section 2.01(b)~~, Section 2.23 and Section 6.04(vii), Consolidated Revenue shall be calculated to give effect to any Permitted Acquisition or other Investments and Asset Sales or other dispositions permitted hereunder (other than any dispositions in the ordinary course of business), in each case, consummated at any time on or after the first day of the applicable measurement period and prior to the last day of such measurement period as if any such Permitted Acquisition or other Investments permitted hereunder, Asset Sale or other Disposition had been effected on the first day of such period.

(b) For purposes of calculations of the Consolidated Leverage Ratio under Section 6.10, Consolidated Revenue shall be calculated to give effect to any Permitted Acquisition or other Investments permitted hereunder funded (in whole or in part) with the proceeds of Incremental Loans, 2016 Term Loans, 2016 Acquisition Term Loans, Revolving Loans or cash common or preferred equity contributions to Holdings or issuance of Equity Interests by Holdings (other than Disqualified Stock) and Asset Sales or other dispositions (other than any dispositions in the ordinary course of business), in each case, consummated at any time on or after the first day of the applicable measurement period and prior to the last day of such measurement period as if such Permitted Acquisition or such other Investments permitted hereunder, Asset Sale or other Disposition had been effected on the first day of such period.

SECTION 1.07 *Certain Increased Amounts.* Notwithstanding anything to the contrary herein, to the extent any increased amount of (i) Indebtedness is incurred in respect of the Permitted Capital Lease Amount, (ii) Investments are made in respect of the Permitted Non-Loan Party Investment Amount or (iii) Restricted Payments are made in respect of the Permitted Restricted Payment Amount, in each case, as of a date on which the Increase Conditions are satisfied (or, in each case, pursuant to a binding commitment entered into with a Person (other than an Affiliate of a Loan Party) as of a date on which the Increase Conditions were satisfied), and after such date the Increase Conditions cease to be satisfied, such increased amount so incurred or made (or that was committed to be incurred or made) shall not constitute an Event of Default hereunder; *provided*, that, so long as such Increase Conditions are not so satisfied, no additional amounts may be incurred or made (other than those amounts that were committed to be incurred or made when the Increase Conditions were satisfied).

ARTICLE II

The Credits

SECTION 2.01 *Commitments.*

(a) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Initial Term Loan Lender with an Initial Term Loan Commitment, severally and not jointly, made an Initial Term Loan to the Borrower on the Closing Date in a principal amount equal to its Initial Term Loan Commitment ~~at a purchase price of 100.0% of par. The Borrower may make only one borrowing of Initial Term Loans.~~ Amounts paid or prepaid in respect of Initial Term Loans may not be reborrowed.

(b) Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each 2016 Term Loan Lender with a 2016 Term Loan Commitment agrees, severally and not jointly, ~~to make~~ made 2016 Term Loans to the Borrower on the Second Amendment Effective Date. ~~Amounts paid or prepaid in respect of 2016 Term Loans may not be reborrowed.~~

~~(c)~~ Subject to the terms and conditions set forth herein and in the Third Amendment and relying upon the representations and warranties herein set forth, each 2016 Acquisition Term Loan Lender with an 2016 Acquisition Term Loan Commitment, severally and not jointly, agrees to make a 2016 Acquisition Term Loan to the Borrower on the Third Amendment Effective Date in a principal amount equal to its 2016 Term Loan Commitment at a purchase price of 100.0% of par; *provided*, (I) no Default or Event of Default shall have occurred and be continuing under any of the Loan Documents; (II) each of the representations and warranties set forth in Article III shall remain true and correct in all material respects (without duplication of any materiality qualifiers contained therein); (III) the Consolidated Leverage Ratio, calculated on a pro forma basis for the last twelve month period for which financial statements have been (or were required to be) delivered pursuant to Sections 5.04 (a) or (b) and after giving effect to any Permitted Acquisitions or Investments permitted under the Loan Documents or prepayments of the Loans, shall be no greater than 0.74:1.00 and (IV) the Administrative Agent shall have received a Notice of Borrowing meeting the requirements of Section 2.02(c). The Borrower may make only one borrowing of 2016 Term Loans. The 2016 Term Loans (i) shall be denominated in Dollars, (ii) subject to Section 2.10 and Section 2.11, once borrowed and subsequently repaid or prepaid may not be reborrowed and (iii) shall not exceed for any such 2016 Term Loan Lender at any time outstanding that aggregate principal amount (excluding PIK Interest that has been capitalized and added to the principal amount) that, when added to the principal amount of such 2016 Term Loan Lender's outstanding 2016 Term Loans, exceeds the 2016 Term Loan Commitment of such 2016 Term Loan Lender at such time. Acquisition Term Loan Commitment. The Borrower may make only one borrowing of 2016 Acquisition Term Loans. Amounts paid or prepaid in respect of 2016 Acquisition Term Loans may not be reborrowed.

~~(d)~~ (e) Subject to and upon the terms and conditions set forth herein, each RL Lender with a Revolving Loan Commitment severally agrees to make, at any time and from time to time after the Second Amendment Effective Date and prior to the Maturity Date (the "**Availability Period**"), a revolving loan or revolving loans (each, a "**Revolving Loan**" and, collectively, "**Revolving Loans**") to the Borrower, which Revolving Loans (i) shall be denominated in Dollars, (ii) may be repaid and reborrowed in accordance with the provisions hereof, and (iii) shall not exceed for any such RL Lender at any time outstanding that aggregate principal amount that, when added to the principal amount of such RL Lender's outstanding Revolving Loans, exceeds the Revolving Loan Commitment of such RL Lender at such time.

SECTION 2.02 *Loans; Notice of Borrowing.*

(a) The failure of any Lender to make any Loan shall not in itself relieve any other Lender of its obligation to lend hereunder (it being understood, however, that no Lender shall be responsible for the failure of any other Lender to make any Loan required to be made by such other Lender).

(b) Each Initial Term Loan Lender shall make the Initial Term Loan to be made by it hereunder on the Closing Date by wire transfer of immediately available funds to such account as the Borrower may designate not later than 2:00 p.m., Pacific time.

(c) The Borrower shall give the Administrative Agent at least ~~one~~ three (~~±~~3) Business ~~Day~~ Days prior notice (unless waived by the Administrative Agent in its reasonable discretion) of its request to incur 2016 Acquisition Term Loans hereunder, *provided* that any such notice shall be deemed to have been given on a certain day only if given before 1:00 p.m. (Pacific time) on such day. Such notice (the "**Notice of Borrowing**") shall be irrevocable and shall be in writing, or by telephone promptly confirmed in writing, in the form of Exhibit A, appropriately completed to specify: (i) the aggregate principal amount of the 2016 Acquisition Term Loan to be incurred and (ii) the date of such borrowing (which shall be (x) a Business Day and (y) the ~~Second~~ Third Amendment Effective Date). The

Administrative Agent shall promptly give each 2016 Acquisition Term Loan Lender, notice of such proposed borrowing, of such 2016 Acquisition Term Loan Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing.

(d) Whenever the Borrower desires to incur Revolving Loans, the Borrower shall give the Administrative Agent at least three Business Days' prior notice (unless waived by the Administrative Agent in its reasonable discretion) of its request to incur Revolving Loans hereunder, *provided* that any such notice shall be deemed to have been given on a certain day only if given before 1:00 p.m. (Pacific time) on such day. Such notice (the "**Notice of Revolver Borrowing**") shall be irrevocable (unless such notice provides that such request is contingent on the consummation of a transaction (which transaction shall be described in reasonable detail in such notice), in which case, such notice shall be revocable to the extent the transaction is not consummated on the date such Revolving Loan is requested to be made) and shall be in writing, or by telephone promptly confirmed in writing, in the form of Exhibit A-1, appropriately completed to specify: (i) the aggregate principal amount of the Revolving Loan to be incurred pursuant to such borrowing (which shall be in an amount that is an integral multiple of \$100,000 and not less than \$500,000 (in each case, unless the remaining Total Unutilized Revolving Loan Commitments is less than such amount)) and (ii) the date of such borrowing (which shall be a Business Day; *provided, however*, the Borrower shall be entitled to make no more than one request for a Revolving Loan per calendar week). The Administrative Agent shall promptly give each RL Lender, notice of such proposed borrowing, of such RL Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Revolver Borrowing.

(e) Without in any way limiting the obligation of the Borrower to confirm in writing any telephonic notice of any borrowing or prepayment of Loans, the Administrative Agent may act without liability upon the basis of telephonic notice of such borrowing, as the case may be, believed by the Administrative Agent in good faith to be from the Borrower, prior to receipt of written confirmation. In each such case, unless a written notice of such borrowing request has thereafter been provided by the Borrower, the Administrative Agent's record of the terms of such telephonic notice of such borrowing of Loans shall be prima facie evidence of their correctness, as the case may be, absent manifest error.

SECTION 2.03 *Disbursement of Funds.*

No later than 2:00 P.M. (Pacific time) on (i) the Closing Date, each Initial Term Loan Lender will make available its pro rata portion (determined based upon its Initial Term Loan Commitment) of the borrowing of Initial Term Loans requested to be made, (ii) the Second Amendment Effective Date, each 2016 Term Loan Lender will make available its pro rata portion (determined based upon its 2016 Term Loan Commitment) of the borrowing of 2016 Term Loans requested to be made ~~and~~ ~~(iii)~~ (iii) the Third Amendment Effective Date, each 2016 Acquisition Term Loan Lender will make available its pro rata portion (determined based upon its 2016 Acquisition Term Loan Commitment) of the borrowing of 2016 Acquisition Term Loans requested to be made and ~~(iv)~~ the date specified in each Notice of Revolver Borrowing, each RL Lender will make available its pro rata portion (determined based upon its RL Commitment) of each such borrowing of Revolving Loans requested to be made on such date. All such amounts will be made available in Dollars and in immediately available funds at the Payment Office, and the Administrative Agent will make available to the Borrower at the Payment Office the aggregate of the amounts so made available by the Lenders. Unless the Administrative Agent shall have been notified by any Lender prior to the date of borrowing that such Lender does not intend to make available to the Administrative Agent such Lender's portion of any borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of borrowing and the Administrative Agent may (but shall not be obligated to), in reliance upon such assumption, make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender,

the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower and the Borrower shall promptly pay such corresponding amount to the Administrative Agent. The Administrative Agent shall be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Lender, the overnight Federal Funds Effective Rate for the first three days and at the interest rate otherwise applicable to such Loans for each day thereafter and (ii) if recovered from the Borrower, the rate of interest applicable to the respective borrowing, as determined pursuant to Section 2.06. Nothing in this Section 2.03 shall be deemed to relieve any Lender from its obligation to make Loans hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any failure by such Lender to make Loans hereunder. This Section 2.03 is subject to Section 2.20.

SECTION 2.04 *Evidence of Debt; Repayment of Loans.*

(a) The Borrower hereby unconditionally promises to pay to each Lender the principal amount of each Loan of such Lender as provided in Section 2.09.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from the Loans made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The entries made in the accounts maintained pursuant to paragraph (b) above shall be *prima facie* evidence absent manifest error of the existence and amounts of the obligations therein recorded; *provided, however*, that the failure of any Lender to maintain such accounts or any error therein shall not in any manner affect the obligations of the Borrower to repay the Loans in accordance with their terms.

(d) The Borrower's obligation to pay the principal of, and interest on, the Loans made by each Lender shall be evidenced in the Register maintained by the Administrative Agent pursuant to Section 9.04(d) and shall, if requested by such Lender, also be evidenced (i) in the case of Term Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B, with blanks appropriately completed in conformity herewith (each a "**Term Note**" and, collectively, the "**Term Notes**") and (ii) in the case of Revolving Loans, by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit B-1, with blanks appropriately completed in conformity herewith (each a "**Revolving Note**", collectively, the "**Revolving Notes**" and together with the Term Notes, the "**Notes**"; provided that with respect to any Note issued prior to the Second Amendment Effective Date, all references to "Notes" therein shall be deemed to refer exclusively to Term Notes evidencing Initial Term Loans). To the extent of any conflict between the Register and the entries made in the accounts maintained pursuant to paragraph (b) above, the entries made in the Register shall control.

(e) Notwithstanding anything to the contrary contained above in this Section 2.04 or elsewhere in this Agreement, Notes shall only be delivered to Lenders that at any time specifically request the delivery of such Notes. No failure of any Lender to request or obtain a Note evidencing its Loans to the Borrower shall affect or in any manner impair the obligations of the Borrower to pay the Loans (and all related Obligations) incurred by the Borrower that would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect the security or guaranties therefor provided pursuant to the Loan Documents. Any Lender that does not have a Note

evidencing its outstanding Loans shall in no event be required to make the notations otherwise described in preceding clause (b). At any time when any Lender requests the delivery of a Note to evidence any of its Loans, the Borrower shall promptly execute and deliver to the respective Lender the requested Note in the appropriate amount or amounts to evidence such Loans; *provided* that, to the extent a Note was previously delivered to such Lender but such Lender has since lost or misplaced such Note or the Note cannot otherwise be found, such Lender shall execute and deliver to the Borrower a customary lost note affidavit in form and substance reasonably satisfactory to the Borrower and such Lender.

SECTION 2.05 *Fees.*

(a) The Borrower agrees to pay to the Administrative Agent for distribution to the applicable RL Lenders (based on their pro rata share of such average daily Unutilized Revolving Loan Commitments held for the applicable period) a commitment fee (the "**Commitment Fee**") for the period from and including the Second Amendment Effective Date to (but not including) the Maturity Date (or such earlier date on which the Total Revolving Loan Commitment has been terminated) computed at a rate per annum equal to 0.5% of the average daily Unutilized Revolving Loan Commitment of such RL Lender as in effect from time to time. Accrued Commitment Fees shall be due and payable quarterly in arrears on each Interest Payment Date and, to the extent such date is not also an Interest Payment Date, on the date upon which the Total Revolving Loan Commitment is terminated.

(b) The Borrower agrees to pay to the Administrative Agent for distribution to each 2016 Acquisition Term Loan Lender a yield enhancement fee (the "**Yield Enhancement Fee**") on the ~~Second~~Third Amendment Effective Date equal to ~~2.01.0%~~ of the aggregate 2016 Term Acquisition Loan Commitments (to the extent the 2016 Acquisition Term Loan related to such 2016 Acquisition Term Loan Commitments are outstanding on the ~~Second~~Third Amendment Effective Date).

(c) All Fees shall be paid on the dates due, in immediately available funds, to the Administrative Agent or the Lenders, as applicable. Once paid, to the extent the Loans related to such Fees are actually funded in accordance with the Loan Documents, none of the Fees shall be refundable under any circumstances or subject to any right of setoff, counterclaim or any similar right (each of which is hereby waived by Holdings and the Borrower).

SECTION 2.06 *Interest on Loans.*

(a) Subject to the provisions of Section 2.07, Revolving Loans shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the sum of the Libor Rate plus 6.0% per annum (or, to the extent the Administrative Agent shall have delivered a LIBOR Unavailability Notice to the Borrower and the Lenders pursuant to Section 2.12(e), the Alternate Base Rate plus 5.0% per annum).

(b) Subject to the provisions of Section 2.07, the Initial Term Loans, ~~the 2016 Term Loans~~ and the 2016 Acquisition Term Loans shall bear interest (computed on the basis of the actual number of days elapsed over a year of 360 days) at a rate per annum equal to the sum of the Libor Rate plus 8.0% per annum (or, to the extent the Administrative Agent shall have delivered a LIBOR Unavailability Notice to the Borrower and the Lenders pursuant to Section 2.12(e), the Alternate Base Rate plus 7.0% per annum); *provided, however*, the Borrower may elect to pay, in kind, a portion of such accrued and unpaid interest (any such interest paid in kind, the "**PIK Interest**") due on any Interest Payment Date up to the maximum percentage set forth in the table below opposite the relevant period in which such Interest Payment Date occurs of the total accrued and unpaid interest payable on such Interest Payment Date; it being deemed that the Borrower has elected the maximum PIK Interest for each period during the term of this Agreement unless the Borrower shall have delivered a certificate executed by a

Responsible Officer of the Borrower to the Administrative Agent certifying that the Borrower has elected to pay interest with respect to the applicable Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans for the applicable period then ending (i) in such lesser percentage of PIK Interest and specifying the amount of such PIK Interest or (ii) in cash only. To change the type of payment of interest for any period, such officer's certificate must be delivered to the Administrative Agent at least 5 Business Days prior to the applicable Interest Payment Date for such period. The Borrower may specify in such officer's certificate whether such change in the type of payment of interest is just for a specific period or shall be applicable to all future periods during the term of the Agreement until another officer's certificate is delivered specifying a different type of payment of interest for a period or periods.

| <u>Period</u> | <u>Maximum Percentage of Total Interest That May be Paid In Kind</u> |
|--|--|
| From and after the ClosingThird Amendment Effective Date to and including the secondfirst anniversary of the ClosingThird Amendment Effective Date | 80.050.0% |
| After the second anniversary of the Closing Date to and including the third anniversary of the Closing Date | 70.0% |
| After the thirdfirst anniversary of the ClosingThird Amendment Effective Date | 60.040.0% |

All interest due and payable hereunder that the Borrower elects to pay in the form of PIK Interest shall be capitalized, added to the then-outstanding principal amount of the applicable Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans as additional principal obligations hereunder on and as of such Interest Payment Date and shall automatically constitute a part of the outstanding principal amount of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans for all purposes hereof (including the accrual of interest thereon at the rates applicable to the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans generally). Any determination of the principal amount outstanding under the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans after giving effect to any payment of PIK Interest hereunder or otherwise that is reasonably made by the Administrative Agent or the Lenders in good faith shall be prima facie evidence of the correctness of such determination in the absence of manifest error.

(c) Interest on each Loan shall be payable on the Interest Payment Dates except as otherwise provided in this Agreement. Interest on each Loan shall be paid in cash except as otherwise provided in this Agreement.

SECTION 2.07 **Default Interest.** Upon the occurrence and during the continuation of any Event of Default, the outstanding principal amount of all Loans and, to the extent permitted by applicable law, any interest payments thereon not paid when due and any fees and other amounts then due and

payable hereunder, shall thereafter, automatically in the case of an Event of Default under Sections 7.01(a), (g) or (h) and at the written election of the Administrative Agent (acting at the written direction of the Required Lenders) otherwise (it being understood that such election may apply retroactively to the date such other Event of Default occurred), bear interest (including post-petition interest in any proceeding under the Bankruptcy Code or other applicable bankruptcy laws) payable upon written demand at the rate otherwise applicable to such Loan pursuant to Section 2.06 plus 2.0% per annum. Payment or acceptance of the increased rates of interest provided for in this Section 2.07 is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of the Administrative Agent, the Collateral Agent or any Lender.

SECTION 2.08 *Termination of Commitments.*

(a) The Initial Term Loan Commitments shall automatically terminate upon the making of the Initial Term Loans on the Closing Date.

(b) The 2016 Term Loan Commitment shall automatically terminate upon the making of the 2016 Term Loans on the Second Amendment Effective Date.

(c) The 2016 Acquisition Term Loan Commitment shall automatically terminate upon the making of the 2016 Acquisition Term Loans on the Third Amendment Effective Date.

(d)(e) The Total Revolving Loan Commitment shall terminate in its entirety upon the Maturity Date.

SECTION 2.09 *Repayment of Loans.*

To the extent not previously paid, all Loans shall be due and payable on the Maturity Date (or, if such day is not a Business Day, on the next succeeding Business Day), in immediately available funds, together with accrued and unpaid interest on the principal amount to be paid to but excluding the date of payment.

SECTION 2.10 *Optional Prepayment.*

(a)(i) Subject to Section 2.11(j), the Borrower shall have the right at any time and from time to time to prepay the Term Loans (which shall be applicable towards the outstanding Initial Term Loans, 2016 Term Loans and 2016 Acquisition Term Loans (and, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) on a pro rata basis), in whole or in part, at 100% of the principal amount so prepaid, plus, with respect to the Initial Term Loans ~~and~~, the 2016 Term Loans and 2016 Acquisition Term Loans only (but such Applicable Prepayment Premium shall not apply to any Incremental Loans), the Applicable Prepayment Premium in respect of the principal amount so prepaid (*provided, however*, that each partial prepayment shall be in a principal amount that is an integral multiple of \$500,000 and not less than \$1,000,000, in each case, unless the remaining outstanding amount of the Initial Term Loans ~~or~~, the 2016 Term Loans or 2016 Acquisition Term Loans, as applicable, is less than such amount).

(ii) The Borrower shall have the right at any time and from time to time to prepay all or any portion of Revolving Loans or other Obligations (other than the Term Loans, which are covered by Section 2.10(a)(i) above), without premium or penalty; provided, however, that (x) each partial prepayment of the Revolving Loans shall be in an amount that is an integral multiple of \$50,000 and not less than \$100,000 (in each case, unless the remaining outstanding amount of Revolving Loans is less

than such amount) and (y) the Borrower shall give the Administrative Agent one Business Day's prior written notice of such prepayment of the Revolving Loans; *provided* that such notice may be contingent on the satisfaction of certain conditions set forth therein, and such notice shall be deemed revoked if the conditions set forth therein are not satisfied within the time periods set forth in such notice for the satisfaction thereof (or are waived in writing by the Borrower).

(b) The Borrower will give at least 3 Business Days' prior written notice of each optional prepayment of the Term Loans under this Section 2.10 to the Administrative Agent. Each such notice shall specify the prepayment date, the aggregate principal amount of the Term Loans to be prepaid on such date, and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and, solely to the extent any such prepayment is made prior to the third anniversary of the Closing Date, shall be accompanied by a certificate of a Financial Officer of the Borrower as to the estimated Applicable Prepayment Premium due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Such notice shall be irrevocable and shall commit the Borrower to prepay the Term Loans by the amount stated therein on the date stated therein; *provided* that such notice may be contingent on the satisfaction of certain conditions set forth therein, and such notice shall be deemed revoked if the conditions set forth therein are not satisfied within the time periods set forth in such notice for the satisfaction thereof (or are waived in writing by the Borrower). All prepayments under this Section 2.10 shall be subject to Section 2.13. All prepayments under this Section 2.10 shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment, but, for the avoidance of doubt, no Applicable Prepayment Premium shall be paid or due (i) on any interest (other than, for the avoidance of doubt, PIK Interest on the Initial Term Loans ~~and~~, the 2016 Term Loans and 2016 Acquisition Term Loans that has been capitalized and added to principal of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable) or amounts other than the principal amount of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans so prepaid, (ii) on the proceeds of a Cure Contribution or Cure Securities that are used to prepay the Loans, (iii) on any principal of, or other amounts related to, the Revolving Loans in accordance with Section 2.10(a)(ii) or Incremental Loans or (iv) on any Revolving Loan Commitments, 2016 Term Loan Commitments, ~~or 2016 Acquisition Term Loan Commitments~~ or Incremental Commitments that are reduced or terminated. Subject to Section 2.11(j), each prepayment pursuant to this Section 2.10 in respect of the Initial Term Loans ~~and~~, the 2016 Term Loans and 2016 Acquisition Term Loans (and, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) shall be applied *pro rata* among such Term Loans.

(c) Notwithstanding anything herein to the contrary, the Borrower shall repay in full, without penalty or premium, all Revolving Loans, together with all accrued and unpaid interest thereon, and the Revolving Loan Commitments of all RL Lenders shall automatically terminate and be reduced to zero, in each case, on the date of any repayment or prepayment (optional, mandatory or otherwise) of all of the Term Loans in full.

SECTION 2.11 *Mandatory Prepayments.*

(a) **Revolving Loans in Excess of Commitments.** On any day on which the sum of the aggregate outstanding principal amount of all Revolving Loans (after giving effect to all other repayments thereof on such date) exceeds the Total Revolving Loan Commitment, the Borrower shall prepay on such day (or if such day is not a Business Day, on the next Business Day) the principal of Revolving Loans in an amount equal to such excess.

(b) **Net Asset Sale Proceeds.** Not later than the tenth Business Day following the receipt of Net Asset Sale Proceeds by the Borrower or any of its Subsidiaries, the Borrower shall either (1) apply an amount equal to 100% of the Net Asset Sale Proceeds received with respect thereto to prepay outstanding

Term Loans (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) in accordance with Section 2.11(f) and Section 2.11(g) (and, to the extent Section 2.11(j) is applicable, to permanently repay Revolving Loans (with a corresponding permanent reduction in the Revolving Loan Commitment) or permanently reduce the Unutilized Revolving Loan Commitment, in each case, in the amounts and pursuant to the terms set forth in Section 2.11(j)) or (2) so long as no Event of Default shall have occurred and be continuing, deliver to the Administrative Agent a certificate of a Responsible Officer stating that the Borrower or such Subsidiary intends to reinvest or enter into a binding commitment to reinvest such Net Asset Sale Proceeds in assets used or that are useful in the business of the Borrower and its Subsidiaries within 270 days (or, in the case of a binding commitment to reinvest entered into within 270 days, within 405 days) of such date of receipt of such Net Asset Sale Proceeds. In addition, the Borrower shall, no later than 270 days (or, in the case of a binding commitment to reinvest entered into within 270 days, 405 days) after receipt of such Net Asset Sale Proceeds that have not theretofore been applied to the Obligations or that have not been so reinvested as provided above, make an additional prepayment of the Term Loans (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) (and/or, to the extent required by Section 2.11(j)), make a permanent repayment of the Revolving Loans (with a corresponding permanent reduction of the Revolving Loan Commitment) or permanently reduce the Unutilized Revolving Loan Commitment, in each case, in the amounts and pursuant to the terms set forth in Section 2.11(j)) in an amount equal to the full amount of all such Net Asset Sale Proceeds in accordance with Section 2.11(f) and Section 2.11(g) (and, to the extent applicable, Section 2.11(j)) within ten Business Days after the last day of the 270 or 405 day period, as applicable.

(c) **Net Insurance/Condemnation Proceeds.** No later than the tenth Business Day following the date of receipt by the Borrower or any of its Subsidiaries of any Net Insurance/Condemnation Proceeds in excess of \$500,000 for all Casualty Events in any fiscal year of the Borrower, the Borrower shall prepay outstanding Term Loans (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) (and, to the extent Section 2.11(j) is applicable, to permanently repay Revolving Loans (with a corresponding permanent reduction in Revolving Loan Commitment) or permanently reduce the Unutilized Revolving Loan Commitment, in each case, in the amounts and pursuant to the terms set forth in Section 2.11(j)) in an aggregate amount equal to such excess; *provided*, so long as no Event of Default shall have occurred and be continuing, the Borrower shall have the option, directly or through one or more of its Subsidiaries to invest such excess amount within 270 days (or, in the case of a binding commitment to reinvest entered into within 270 days, 405 days) of receipt thereof (i) in assets used or that are useful in the business of the Borrower and its Subsidiaries or (ii) to repair, restore or replace the assets subject to the applicable Casualty Event; and *provided, further*, that an amount equal to any such Net Insurance/Condemnation Proceeds that have not been reinvested within 270 days (or, in the case of a binding commitment to reinvest entered into within 270 days, 405 days) of receipt thereof shall be applied by the Borrower to prepay the Term Loans (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) (and/or, to the extent required by Section 2.11(j)), the Revolving Loans (with a corresponding permanent reduction of the Revolving Loan Commitment) or permanently reduce the Unutilized Revolving Loan Commitment, in each case, in the amounts and pursuant to the terms set forth in Section 2.11(j)) in accordance with Section 2.11(f) and Section 2.11(g) (and, to the extent applicable, Section 2.11(j)).

(d) **Issuance of Indebtedness.** On the date of receipt of the Net Securities Proceeds from the issuance of any Indebtedness of Holdings, the Borrower or any of its Subsidiaries after the Closing Date (other than Indebtedness permitted under Section 6.01), the Borrower shall prepay the Term Loans (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) in accordance with Section 2.11(f) and Section 2.11(g) (and, to the extent Section 2.11(j) is applicable, to permanently repay Revolving Loans (with a corresponding permanent reduction in Revolving Loan Commitment) or permanently reduce the Unutilized Revolving Loan Commitment, in each case, in the

amounts and pursuant to the terms set forth in Section 2.11(j)) in an aggregate amount equal to such Net Securities Proceeds.

(e) **Change of Control.** Upon the occurrence of a Change of Control, the Borrower shall offer to prepay all Loans (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) then outstanding at 100% of the principal amount (together with a termination of the Revolving Loan Commitment), plus, with respect to with respect to the Initial Term Loans ~~and~~, the 2016 Term Loans and 2016 Acquisition Term Loans only, the Change of Control Prepayment Premium.

(f) The Borrower shall deliver to the Administrative Agent, at the time of each prepayment required under this Section 2.11 a certificate signed by a Financial Officer of the Borrower setting forth in reasonable detail the calculation of the amount of such prepayment and to the extent practicable, at least three days' prior written notice of such prepayment. Each notice of prepayment shall specify the prepayment date, the principal amount of each Loan (or portion thereof) to be prepaid, and, if applicable, the Applicable Prepayment Premium or Change of Control Prepayment Premium due in connection with such prepayment. All prepayments of Loans under this Section 2.11 shall be subject to Section 2.11(g), Section 2.11(h), Section 2.11(j) and Section 2.13 and shall be accompanied by accrued and unpaid interest on the principal amount to be prepaid to but excluding the date of payment. For the avoidance of doubt, no Applicable Prepayment Premium or Change of Control Prepayment Premium shall be due on (i) interest (other than, for the avoidance of doubt, PIK Interest on the Initial Term Loans, the 2016 Term Loans and the 2016 Acquisition Term Loans that has been capitalized and added to principal of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable) or amounts other than the principal amount of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans so prepaid, (ii) any principal on the Revolving Loans or Incremental Loans, (iii) any amount or Obligations other than the principal amount of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans so prepaid or (iv) any Revolving Loan Commitments, 2016 Term Loan Commitments, 2016 Acquisition Term Loan Commitments or Incremental Commitments that are reduced or terminated. Subject to Section 2.11(j), all prepayments of the Term Loans pursuant to paragraphs (b), (c), (d) or (e), as applicable, of this Section 2.11, shall be applied to the outstanding Initial Term Loans ~~and~~, the 2016 Term Loans and 2016 Acquisition Term Loans (and, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) on a pro rata basis.

(g) Notwithstanding anything to the contrary herein, any Lender may elect, by notice to the Borrower, prior to any prepayment of Loans or an offer to prepay the Term Loans required to be made by the Borrower pursuant to paragraph (b), (c) (d) or (e), as applicable, of this Section 2.11 (other than, in the case of clause (d), a prepayment of all Loans in connection with a refinancing in full thereof), to decline all (but not a portion) of its *pro rata* share of such prepayment (such declined amounts, the "**Declined Proceeds**"). Any Declined Proceeds shall be offered on a *pro rata* basis to the Term Loan Lenders (with respect to their remaining Term Loans only (but, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) not so declining such prepayment. To the extent such non-declining Term Loan Lenders elect to decline their *pro rata* shares of such Declined Proceeds, such Declined Proceeds may be retained by the Borrower.

(h) With respect to any prepayment of Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans (including capitalized PIK Interest thereof) required to be made by the Borrower pursuant to paragraph (e) of this Section 2.11, the Borrower shall pay the Change of Control Prepayment Premium (if any) determined for the prepayment date with respect to such principal amount of Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable, paid.

(i) With respect to any prepayment of Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans (including capitalized PIK Interest thereof) required to be made by the Borrower

pursuant to paragraph (d) of this Section 2.11 or Article VII (other than on account of an acceleration resulting solely from a breach of Section 6.10), the Borrower shall pay the Applicable Prepayment Premium determined for the prepayment date with respect to such principal amount of Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable, paid. For the avoidance of doubt, no Applicable Prepayment Premium, Change of Control Prepayment Premium or any other prepayment premium shall be required to be paid with respect to any prepayment pursuant to paragraphs (a), (b) or (c) of this Section 2.11 or Section 7.02 or with respect to any prepayment, repayment or payment of the Revolving Loans (or in connection with any reduction in, or termination of, the Revolving Loan Commitments), or the Incremental Loans (or in connection with any reduction in, or termination of, the Incremental Commitments).

(j) Notwithstanding anything to the contrary herein, subject to Section 2.10(c), in the event the aggregate outstanding principal amount of the Term Loans is \$15,000,000 or less or any repayment or prepayment (optional, mandatory or otherwise) of the Term Loans will cause the outstanding principal amount to be \$15,000,000 or less, each amount required to be applied pursuant to Section 2.10(a)(i) and paragraphs (b), (c), (d) or (e) of this Section 2.11 shall be applied (i) first, to permanently prepay the Term Loans in such an amount that would cause the outstanding principal amount of the Term Loans to equal \$15,000,000, (ii) second, to permanently repay any outstanding Revolving Loans (provided that each such repayment shall apply proportionately to permanently reduce the Revolving Loan Commitment of each RL Lender) until the outstanding principal amount of Revolving Loans is zero, (iii) third, to permanently reduce the Unutilized Revolving Loan Commitment until the Total Revolving Loan Commitment is zero (it being understood that cash equal to the amount of the Unutilized Revolving Loan Commitment so reduced may be retained by the Borrower and shall not be required to prepay the Term Loans pursuant to Section 2.11(j)(iv)), and (iv) thereafter, to permanently prepay the remaining outstanding principal amount of the Initial Term Loans, the 2016 Term Loans and the 2016 Acquisition Term Loans (and, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) on a pro rata basis.

(k) Notwithstanding anything to the contrary herein, if the Runbook Acquisition shall not have been consummated on or prior to the date occurring five (5) days after the Third Amendment Effective Date, the Borrower shall immediately repay all outstanding 2016 Acquisition Term Loans on such date, together with all accrued and unpaid interest thereon. No Applicable Prepayment Premium or other prepayment premium shall apply to any prepayment required to be made pursuant to this clause (k).

SECTION 2.12 *Reserve Requirements; Change in Circumstances.*

(a) Notwithstanding any other provision of this Agreement, if any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender any other condition affecting this Agreement or Loans made by such Lender; or

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of "Excluded Taxes" and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting to, continuing or maintaining any Loan or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender,

upon written demand, such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have reasonably determined that any Change in Law regarding capital adequacy or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as applicable, as specified in paragraph (a) or (b) of this Section 2.12 shall be delivered to the Borrower and shall be *prima facie* evidence absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate delivered by it within 10 Business Days after its receipt of the same.

(d) Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital pursuant to this Section 2.12 shall not constitute a waiver of such Lender's right to demand such compensation; *provided* that the Borrower shall not be under any obligation to compensate any Lender under paragraph (a) or (b) of this Section 2.12 with respect to increased costs incurred or reductions suffered more than six months prior to the date that such Lender notifies in writing the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof). The protection of this Section 2.12(d) shall be available to each Lender and regardless of any possible contention of the invalidity or inapplicability of the Change in Law that shall have occurred or been imposed.

(e) Notwithstanding anything to the contrary, in the event that the Administrative Agent shall have reasonably determined that dollar deposits in the principal amounts of the Loan are not generally available in the London interbank market, or that the rates at which such dollar deposits are being offered will not adequately and fairly reflect the cost to the majority of Lenders of making or maintaining loans at the three-month London Interbank Offered Rate, or that reasonable means do not exist for ascertaining the Libor Rate, the Administrative Agent shall, as soon as practicable thereafter, give written or fax notice of such determination to the Borrower and the Lenders (a "**LIBOR Unavailability Notice**"). In the event of any such reasonable determination, until the Administrative Agent shall have advised the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, interest on the Loan shall accrue by reference to the Alternate Base Rate. Each determination by the Administrative Agent under this Section 2.12(e) shall be *prima facie* evidence absent manifest error.

SECTION 2.13 Indemnity. Subject to the limitations set forth in Section 9.05(b) and the time period for payment set forth in Section 9.05(e), the Borrower shall indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of any default by the Borrower in the making of any payment or prepayment required to be made hereunder. A certificate of any Lender setting forth any amount or amounts which such Lender is entitled to receive pursuant to this Section 2.13 shall be delivered to the Borrower and shall be *prima facie* evidence absent manifest error.

SECTION 2.14 *Pro Rata Treatment.* Except as otherwise provided in this Agreement the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations hereunder, the Administrative Agent shall distribute such payment to the Lenders entitled thereto (other than any Lender that has consented in writing to waive its *pro rata* share of any such payment) *pro rata* based upon their respective shares, if any, of the Obligations with respect to which such payment was received. This Section 2.14 is subject to Section 2.20.

SECTION 2.15 *Ratable Sharing.* Each Lender agrees that if it shall, through the exercise of a right of banker's lien, setoff or counterclaim against the Borrower or any other Loan Party, or pursuant to a secured claim under Section 506 of the Bankruptcy Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means (but excluding any sale or participation of its Loans to a Person other than the Borrower or an Affiliate thereof, which shall be included), obtain payment (voluntary or involuntary) in respect of any principal of any Loan as a result of which the unpaid principal portion of its Loans shall be proportionately less than the unpaid principal portion of the Loans of any other Lender, it shall (a) notify the Administrative Agent of such fact and (b) be deemed simultaneously to have purchased from such other Lender at face value, and shall promptly pay to such other Lender the purchase price for, a participation in the Loans of such other Lender, so that the aggregate unpaid principal amount of the Loans and participations in Loans held by each Lender shall be in the same proportion to the aggregate unpaid principal amount of all Loans then outstanding as the principal amount of its Loans prior to such exercise of banker's lien, setoff or counterclaim or other event was to the principal amount of all Loans outstanding prior to such exercise of banker's lien, setoff or counterclaim or other event; *provided, however*, that if any such purchase or purchases or adjustments shall be made pursuant to this Section 2.15 and the payment giving rise thereto shall thereafter be recovered, such purchase or purchases or adjustments shall be rescinded to the extent of such recovery and the purchase price or prices or adjustment restored without interest. The Borrower and Holdings expressly consent to the foregoing arrangements and agree that any Lender holding a participation in a Loan deemed to have been so purchased may exercise any and all rights of banker's lien, setoff or counterclaim or other event with respect to any and all moneys owing by the Borrower and Holdings to such Lender by reason thereof as fully as if such Lender had made a Loan directly to the Borrower in the amount of such participation.

SECTION 2.16 *Payments.*

(a) Except with respect to any PIK Interest pursuant to Section 2.06, the Borrower shall make each payment (including principal of or interest on any Loan or any Fees or other amounts) hereunder and under any other Loan Document not later than 11:00 a.m., Local Time, on the date when due in immediately available Dollars, without setoff, defense (other than the defense of payment) or counterclaim. Subject to Section 2.20, each such payment shall be made to the Administrative Agent for distribution to the Lenders or other appropriate Person. Each such payment that is payable to a Lender shall be paid directly to such Lender at the office identified on Schedule 2.01 for such Lender or as otherwise directed by such Lender in writing from time to time, and each such payment that is payable to the Administrative Agent or the Collateral Agent shall be paid directly to the Administrative Agent or Collateral Agent, as applicable, at their respective offices identified on Schedule 2.01 or as otherwise directed by the Administrative Agent or Collateral Agent, as applicable, in writing from time to time.

(b) Except as otherwise expressly provided herein, whenever any payment (including principal of or interest on any Loan or any Fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or Fees, if applicable.

SECTION 2.17 *Taxes.*

(a) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Holdings and the Borrower shall, or shall cause each of the Loan Parties to, timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) The Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Administrative Agent has not already been indemnified by any of the Loan Parties for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.04(g) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (d).

(e) As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.17, the Borrower shall, or shall cause such Loan Party to, deliver to the Administrative Agent or the applicable Lender, as the case may be, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent or the applicable Lender, as the case may be.

(f) (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the applicable Withholding Agent such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17 (ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, any Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income Tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such Tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such Tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate to the effect that (A) such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (B) the interest payments in question are not effectively connected with a U.S. trade or business conducted by such Foreign Lender (a "**U.S. Tax Compliance Certificate**") and (y) executed originals of IRS Form W-8BEN or W-8BEN-E;

(iv) to the extent a Foreign Lender is not the beneficial owner (for example, where the Foreign Lender is a partnership), executed originals of IRS Form W-8IMY, accompanied by a Form W-8ECI, W-8BEN, W-8BEN-E, U.S. Tax Compliance Certificate, Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if one or more direct or indirect beneficial owners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender shall provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect beneficial owner; or

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made.

(D) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) If the Administrative Agent or any Lender determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including by the payment of additional amounts pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such Tax had never been paid.

(h) Nothing contained in this Section 2.17 shall require any Lender (or any transferee or assignee) or either Agent to make available any of its Tax Returns or any other information that it deems to be confidential or proprietary.

SECTION 2.18 *Assignment of Loans Under Certain Circumstances; Duty to Mitigate.*

(a) Notwithstanding anything to the contrary set forth in this Agreement, in the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.12, (ii) the Borrower is required to pay any Indemnified Taxes or any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.17 or (iii) any Lender refuses to consent to any amendment, waiver or other modification of any Loan Document requested by the Borrower that requires the consent of a greater percentage of the Lenders than the Required Lenders and such amendment, waiver or other modification is consented to by the Required Lenders, and, in the case of clause (i) or (ii), such Lender has declined or is unable to designate a different lending office in accordance with Section 2.18(b) that would not require such compensation or requirement to pay such amounts, the Borrower, at its sole expense and effort (including with respect to the processing and recordation fee referred to in Section 9.04(b)), upon notice to such Lender and the Administrative Agent, may require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all of its interests, rights (other than its existing rights to payments pursuant to Section 2.12 or Section 2.17) and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such assigned obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that, (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld or delayed, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Loans of such Lender, plus all Fees and other amounts that have accrued and have earned for the account of such Lender hereunder with respect thereto (including any amounts under Section 2.12 and Section 2.13); *provided further* that, if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.12 or the amounts paid pursuant to Section 2.17, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital or cease to result in amounts being payable under Section 2.17, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) of this Section 2.18), or if such Lender shall waive its right to claim further compensation under Section 2.12 in respect of such circumstances or event or shall waive its right to further payments under Section 2.17 in respect of such circumstances or event or shall consent to the proposed amendment, waiver, consent or other modification, as the case may be, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder; *provided, however*, that any prior transfer or assignment shall still be in full force and effective. Each Lender hereby grants to the Administrative Agent an irrevocable power of attorney (which power is coupled with an interest) to execute and deliver, on behalf of such Lender as assignor, any Assignment and Acceptance necessary to effectuate any assignment of such Lender's interests hereunder in the circumstances contemplated by this Section 2.18.

(b) If (i) any Lender shall request compensation under Section 2.12 or (ii) the Borrower is required to pay any Indemnified Taxes or any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.17, then such Lender shall (at the request of the Borrower) use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden reasonably deemed by it to be significant) to assign (at the request of the Borrower) its rights and delegate and transfer its obligations hereunder to

another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.12 or would reduce amounts payable pursuant to Section 2.17, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable and documented out-of-pocket costs and expenses incurred by any Lender in connection with any such filing or assignment, delegation and transfer.

SECTION 2.19 *Voluntary Termination of Unutilized Revolving Loan Commitments.* Upon at least 3 Business Days' prior written notice to the Administrative Agent, the Borrower shall have the right, at any time or from time to time, without premium or penalty, to terminate the Total Unutilized Revolving Loan Commitment in whole, or reduce it in part, pursuant to this Section 2.19, in an integral multiple of \$1,000,000 in the case of partial reductions to the Total Unutilized Revolving Loan Commitment, provided that each such reduction shall apply proportionately to permanently reduce the Revolving Loan Commitment of each RL Lender.

SECTION 2.20 *Obsidian Agency Services as Administrative Agent.* Notwithstanding anything to the contrary set forth in this Agreement or any other Loan Document, at any time that Obsidian Agency Services, Inc. serves as the Administrative Agent hereunder, (a) the Lenders shall directly fund the Loans to the Borrower, (b) each Lender shall provide wire instructions to the Borrower with respect to payments to be received from the Borrower hereunder and the Borrower shall directly make any payments required or permitted hereunder to the Lenders and (c) neither the Lenders nor the Borrower shall remit any funds to the Administrative Agent to forward to another party hereunder.

SECTION 2.21 *Tax Treatment.*

(a) Holdings, the Borrower and each of the Lenders agree, (i) that the Loans are debt for U.S. federal income tax purposes, (ii) that the Initial Term Loans ~~are and the 2016 Term Loans were~~ issued with original issue discount ("**OID**") ~~solely on account of the PIK Interest and value allocated to the Warrants under Section 2.21(b)~~, (iii) that the 2016 Acquisition Term Loans are issued with **OID** ~~solely on account of the PIK Interest~~, (iv) that the Initial Term Loans, 2016 Term Loans and 2016 Acquisition Term Loans, as applicable, are not governed by the rules set out in Treasury Regulations Section 1.1275-4 and (v) not to file any Tax Return, report or declaration inconsistent with the foregoing, except as otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Code (or any corresponding provision of state, local or foreign tax law).

(b) In connection with the Initial Term Loans, each of the Initial Term Loan Lenders ~~is receiving~~ received Warrants on the Closing Date. The Initial Term Loans and Warrants ~~are were~~ considered to be the issuance of an "investment unit" under Section 1273(c)(2) of the Code, and the parties agree that the aggregate fair market value of the Warrants ~~shall be~~ was \$1,060,000 for purposes of the investment unit allocation rules under Section 1273(c)(2) of the Code. The Borrower and each of the Lenders agree to report in a manner that is consistent with this allocation for all tax purposes.

(c) The inclusion of this Section 2.21 is not an admission by any Lender that it is subject to United States taxation.

SECTION 2.22 *AHYDO.* Notwithstanding anything herein to the contrary, if (1) the Initial Term Loans remain outstanding after the fifth anniversary of the initial issuance thereof and (2) the aggregate amount of the accrued but unpaid interest on the Initial Term Loans (including any amounts treated as interest for U.S. federal income tax purposes, such as "original issue discount") as of any Testing Date occurring after such fifth anniversary exceeds an amount equal to the Maximum Accrual, then all such accrued but unpaid interest on the Initial Term Loans (including any amounts treated as interest for U.S. federal income tax purposes, such as "original issue discount") as of such time in excess

of an amount equal to the Maximum Accrual shall be paid in cash by the Borrower to the Lenders on such Testing Date, it being the intent of the parties hereto that the deductibility of interest under the Initial Term Loans shall not be limited or deferred by reason of Section 163(e)(5) and Section 163(i) of the Code. For these purposes, the "Maximum Accrual" is an amount equal to the product of such Initial Term Loans' issue price (as defined in Code Sections 1273(b) and 1274(a)) and their yield to maturity, and a "Testing Date" is the date on which any "accrual period" (within the meaning of Section 1272(a)(5) of the Code) closes.

SECTION 2.23 *Incremental Facility.*

(a) From time to time after the ~~Closing~~Third Amendment Effective Date, but not more than two occasions ~~during the term of the Loans~~, Borrower may by written notice to the Administrative Agent, elect prior to the Maturity Date, the establishment of one or more new term loan commitments (the "**Incremental Commitments**"), by (1) an amount not in excess of ~~\$20,000,000~~\$11,000,000 in the aggregate and (2) and not less than \$1,000,000 individually (or such lesser amount which shall either (x) be approved by the Administrative Agent (which approval shall not be unreasonably delayed, withheld or conditioned) or (y) constitute the difference between \$20,000,000~~11,000,000~~ and all such Incremental Commitments obtained prior to such date), and integral multiples of \$1,000,000 in excess of that amount (or such lesser amount which shall either (x) be approved by the Administrative Agent (which approval shall not be unreasonably delayed, withheld or conditioned) or (y) constitute the difference between ~~\$20,000,000~~\$11,000,000 and all such Incremental Commitments obtained prior to such date). Each such notice shall specify (A) the date (each, an "**Increased Amount Date**") on which Borrower determines that the Incremental Commitments shall be effective, which shall be a date not less than ~~ten (10) Business Days~~60 days after the date on which such notice is delivered to the Administrative Agent (or such shorter period as shall be reasonably acceptable to the Administrative Agent) and (B) the identity of each Lender or other Person (each of which must be an Eligible Incremental Lender) (each, an "**Incremental Lender**") to whom Borrower proposes any portion of such Incremental Commitments be allocated and the amounts of such allocations; *provided*, that each existing Lender shall first be afforded, by written notice to the Administrative Agent (which notice shall be promptly forwarded by the Administrative Agent to the applicable existing Lenders and the Administrative Agent agrees to promptly forward such notice to the Lenders prior to the Increased Amount Date, but any failure to deliver such notice shall not prevent the above-mentioned ~~ten (10) Business Day~~60-day period from running after the Administrative Agent has received such notice), the opportunity to provide its Loan Commitment Percentage of any Incremental Commitments, as applicable; *provided, further*, that any Lender approached to provide all or a portion of the Incremental Commitments may elect or decline, in its sole discretion, to provide an Incremental Commitment. Each Lender may elect to provide all or a portion of its Loan Commitment Percentage of any Incremental Commitments, as applicable, by providing written notice (each, an "**Acceptance Notice**") to the Administrative Agent and the Borrower no later than 5:00 p.m. Local Time ~~ten (10) Business Days~~ten (10) Business Days after the date of the Administrative Agent's receipt of notice from the Borrower. Each Acceptance Notice from a given Lender shall specify the principal amount of the Incremental Commitment to be provided by such Lender. If a Lender fails to deliver an Acceptance Notice to the Administrative Agent within the time frame specified above or such Acceptance Notice fails to specify the principal amount of the Incremental Commitments to be provided, any such failure will be deemed a rejection of the opportunity to provide any portion of the Incremental Commitment, and the Borrower may have other Persons provide the remaining uncommitted portion of the Incremental Commitments. Such Incremental Commitments shall become effective as of such Increased Amount Date; *provided* that after giving effect to the making of any Incremental Loans and the use of proceeds thereof, (I) no Default or Event of Default shall have occurred and be continuing under any of the Loan Documents; (II) each of the representations and warranties set forth in Article III shall remain true and correct in all material respects (without duplication of any materiality qualifiers contained therein); and (III) the Consolidated

Leverage Ratio, calculated on a pro forma basis for the last twelve month period for which financial statements have been (or were required to be) delivered pursuant to Sections 5.04 (a) or (b) and after giving effect to any Permitted Acquisitions or Investments permitted under the Loan Documents or prepayments of the Loans, shall be no greater than 0.74:1.00. The Incremental Commitments, as applicable, shall be effected pursuant to one or more amendments (each, an “**Incremental Loan Amendment**”) executed and delivered by Borrower, the Incremental Lender and the Administrative Agent and each of which shall be recorded in the Register (*provided* that the Administrative Agent agrees to execute and deliver any Incremental Loan Amendment satisfying the requirements of this Section 2.23 and otherwise in compliance with the terms of this Agreement).

(b) Any Incremental Loans made on an Increased Amount Date shall be designated a separate Tranche of Incremental Loans for all purposes of this Agreement. On any Increased Amount Date on which any Incremental Commitments are effected, subject to the satisfaction or waiver of the foregoing terms and conditions, (i) each Incremental Lender shall make a term loan to Borrower (an “**Incremental Loan**”) in an amount equal to its Incremental Commitment, and (ii) each Incremental Lender shall become a Term Loan Lender and a Lender hereunder with respect to the Incremental Commitment and the Incremental Loans made pursuant thereto.

(c) The Administrative Agent shall notify the Lenders promptly upon receipt of Borrower’s notice of each Increased Amount Date and in respect thereof of the Incremental Commitments and the Incremental Lenders.

(d) The terms and provisions of the Incremental Loans and Incremental Commitments shall be as agreed between Borrower and the Incremental Lenders providing such Incremental Loans and Incremental Commitments and except as otherwise permitted pursuant to this clause (e), shall be either on terms (x) substantially consistent (taken as a whole) with the Initial Term Loans made on the Closing Date or (y) no more favorable (taken as a whole) to the Incremental Lenders than the terms applicable to the Initial Term Loans made on the Closing Date. In any event:

(i) the Incremental Loans shall rank *pari passu* in right of payment and be equal with respect to security with the Initial Term Loans, the 2016 Term Loans, the 2016 Acquisition Term Loans and the Revolving Loans;

(ii) the Weighted Average Life to Maturity of the Incremental Loans shall be no shorter than the Weighted Average Life to Maturity of the Initial Term Loans made on the Closing Date (except by virtue of prepayment of such Loans prior to the time of such incurrence);

(iii) the final maturity date of the Incremental Loans shall be no earlier than the Maturity Date of the Initial Term Loans, the 2016 Term Loans, the 2016 Acquisition Term Loans and the Revolving Loans;

(iv) at the option and agreement of the Borrower and the Incremental Lenders, the Incremental Loans may share ratably in right of prepayment with the Initial Term Loans, the 2016 Term Loans and the 2016 Acquisition Term Loans pursuant to Sections 2.10 and 2.11 or otherwise; and

(v) the all-in yield applicable to such Incremental Loans (including interest rate margins and interest rate floors with respect to such Incremental Loans (based on the lesser of a four-year average life to maturity and the remaining life to maturity) (but only to the extent an increase in the interest floor in the Initial Term Loans would cause an increase in the interest rate then in effect hereunder, and in such case, the interest rate floor (but not the interest rate margin) applicable to such Initial Term Loans shall be increased to the extent of such differential above the 0.50% threshold below

between interest rate floors), but excluding arrangement, structuring, underwriting, amendment or other fees paid or payable to the Administrative Agent, the Collateral Agent, the Lenders on the Closing Date or their Affiliates or that are not generally paid to all lenders of such type of indebtedness) shall not be greater than the corresponding all-in yield applicable to the Initial Term Loans plus 0.50% per annum (any such amount in excess of such 0.50% threshold, the “**Excess Rate**”) unless the interest rate margin with respect to the Initial Term Loans are increased by an amount equal to the Excess Rate.

(e) Each Incremental Loan Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Credit Documents as may be necessary or appropriate, in the reasonable and mutual opinion of the Agents and Borrower to effect the provision of this Section 2.23, and for the avoidance of doubt, this Section 2.23 shall supersede any provisions in Sections 2.14 or 9.08 to the contrary.

(f) The Incremental Loans and Incremental Commitments extended or established pursuant to this Section 2.23 shall constitute Loans and Commitments under, and shall be entitled to all the benefits afforded by, this Agreement and the other Credit Documents, and shall, without limiting the foregoing, benefit equally and ratably from the guarantees and security interests created by the Security Documents. The Loan Parties shall take any actions reasonably required by the Administrative Agent to ensure or demonstrate that the Lien and security interests granted in the Collateral by the Security Documents continue to be perfected under the Uniform Commercial Code or otherwise after giving effect to the extension or establishment of any such Incremental Loans or any such Incremental Commitments.

ARTICLE III

Representations and Warranties

In order to induce the Lenders to enter into this Agreement and to make the Loans, each of Holdings and the Borrower represents and warrants to the Administrative Agent, the Collateral Agent and each of the Lenders on the Closing Date and at the time of making the 2016 Term Loans, the 2016 Acquisition Term Loans, any Incremental Loan or Revolving Loan, as applicable, after the Closing Date that:

SECTION 3.01 *Organization; Powers.* Each of the Loan Parties and their respective Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted, (c) is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where the failure so to qualify could not reasonably be expected to result in a Material Adverse Effect, and (d) has the power and authority to execute, deliver and perform its obligations under each of the Loan Documents to which it is or will be a party and, in the case of the Borrower, to borrow Loans hereunder.

SECTION 3.02 *Authorization.* The entering into the Loan Documents to which the Loan Parties are parties thereto (a) have been duly authorized by all requisite corporate or other entity and, if required, stockholder action and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, except, in each case, as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) any provision of the certificate or articles of incorporation or other Organizational Documents or bylaws of Holdings, the Borrower or any Subsidiary, (C) any order of any Governmental Authority, except as would not reasonably be expected to have a Material Adverse Effect, or (D) any provision of any Contractual Obligation to which Holdings, the Borrower or any Subsidiary is a party or by which any of them or any of their property is or may be bound, except, in each case, as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse

Effect, (ii) be in conflict with, result in a breach of or constitute (alone or with notice or lapse of time or both) a default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under any Contractual Obligation relating to Material Indebtedness to which Holdings, the Borrower or any Subsidiary is a borrower or guarantor party thereunder or by which any of them or any of their property is or may be bound as a borrower or guarantor thereunder, or (iii) result in the creation or imposition of any Lien upon or with respect to any property or assets now owned or hereafter acquired by Holdings, the Borrower or any Subsidiary (other than any Lien created hereunder or under the Security Documents).

SECTION 3.03 *Enforceability.* This Agreement has been duly executed and delivered by Holdings and the Borrower and constitutes, and each other Loan Document when executed and delivered by each Loan Party party thereto will constitute, a legal, valid and binding obligation of such Loan Party enforceable against such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.04 *Governmental Approvals; Third Party Approvals.* No action, consent or approval of, registration or filing with or any other action by any Governmental Authority or any other Person is or will be required in connection with entering into the Loan Documents to which the Loan Parties are parties thereto, except for (a) the filing of UCC financing statements and filings with the United States Patent and Trademark Office and the United States Copyright Office, (b) recordation of the Mortgages, (c) such as have been made or obtained and are in full force and effect, and (d) those the failure of which to obtain or make could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.05 *Financial Statements.*

(a) The Borrower has heretofore furnished to the Administrative Agent (i) audited consolidated or combined, as applicable, balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for the fiscal year ended December 31, 2012, audited by and accompanied by the opinion of Moss Adams LLP, independent public accountants, (ii) unaudited consolidated or combined, as applicable, balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for each fiscal quarter after December 31, 2012 and ended 46 days before the Closing Date and (iii) unaudited consolidated or combined, as applicable, balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for each fiscal month after December 31, 2012 and ended 31 days before the Closing Date and, in each case, certified by a Financial Officer of the Borrower. Such financial statements present fairly, in all material respects, the financial condition and results of operations and cash flows of the Borrower and its Subsidiaries as of such dates and for such periods. Such balance sheets and the notes thereto disclose all material liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the dates thereof required to be disclosed pursuant to GAAP. Such financial statements were prepared in accordance with GAAP (except (A) in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end or quarter-end audit adjustments, as applicable, and (B) in respect of any monthly financial statements).

(b) The consolidated forecasted balance sheet and related statements of income and cash flows of the Borrower and its Subsidiaries have been delivered to the Administrative Agent on or prior to the Closing Date and (a) have been prepared on good faith estimates and assumptions believed by the Loan Parties to be reasonable as of the date of such projections and as of the Closing Date, and (b) present fairly, in all material respects, the consolidated financial position and results of operations of the Borrower and its Subsidiaries described therein as of such date and for such periods set forth therein, on a pro forma basis assuming that the Transactions contemplated hereby had occurred at such dates (it being

understood and agreed that (x) any financial or business projections or forecasts furnished are subject to significant uncertainties and contingencies, which may be beyond the control of any Loan Party, (y) no assurance is given by any Loan Party that the results or forecast in any such projections will be realized and (z) the actual results may differ from the forecast results set forth in such projections and such differences may be material).

SECTION 3.06 *Title to Properties; Possession Under Leases.*

(a) Each of the Loan Parties and their respective Subsidiaries has good and marketable title to, or valid leasehold interests in, substantially all its properties and assets, except for minor defects in title that do not interfere in any material respects with its ability to conduct its business as currently conducted or except as would not reasonably be expected to have a Material Adverse Effect. All such properties and assets are free and clear of Liens, other than Liens expressly permitted by Section 6.02.

(b) Each of the Loan Parties and their respective Subsidiaries has complied with its obligations under all leases (with respect to properties that are material to the business of the Loan Parties and their respective Subsidiaries taken as a whole) to which it is a party and all such leases are in full force and effect, in each case, except where the failure to comply or to be in full force or effect would not reasonably be expected to have a Material Adverse Effect. Each of the Loan Parties and their respective Subsidiaries enjoys peaceful and undisturbed possession under all such leases, except for Liens permitted by Section 6.02.

SECTION 3.07 *Subsidiaries; Ownership Interests.*

(a) Schedule 3.07(a) sets forth as of the ~~Second~~Third Amendment Effective Date a list of all Subsidiaries of Holdings and the percentage ownership interest of Holdings, the Borrower and its Subsidiaries in such Subsidiaries of Holdings. As of the ~~Second~~Third Amendment Effective Date, the shares of capital stock or other ownership interests so indicated on Schedule 3.07(a) are fully paid and non-assessable and are owned by Holdings, the Borrower or such Subsidiary, directly or indirectly, free and clear of all Liens (other than Liens created under the Security Documents and non-consensual Liens permitted by Section 6.02(iv)). All outstanding Equity Interests of each of Borrower and its Subsidiaries, as of the ~~Second~~Third Amendment Effective Date, are duly and validly issued. All of the issued and outstanding Equity Interests of the Borrower are legally and beneficially owned and Controlled directly by Holdings.

(b) Except as set forth in Schedule 3.07(c), the Borrower does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreement of any character calling for the purchase or issuance of any Equity Interests of the Borrower or any securities representing the right to purchase or otherwise receive any Equity Interests of the Borrower.

(c) The capitalization table attached as Exhibit F to this Agreement accurately reflects the ownership interests of SLS Breeze Holdings, Inc. (on a fully diluted basis) both immediately prior to and immediately following the Closing Date.

(d) In connection with the Acquisition, Holdings has received the cash equity contribution (inclusive of rollover equity) in an aggregate amount of not less than \$190,000,000, directly or indirectly, from the Permitted Holders and the other co-investors in SLS Breeze Holdings, Inc.

SECTION 3.08 *Litigation; Compliance with Laws.*

(a) Except as set forth on Schedule 3.08, there are no actions, suits or proceedings at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of Holdings or the Borrower, threatened in writing (including by email or other electronic means) against or affecting any of the Loan Parties or their respective Subsidiaries or any business, property or rights of any such Person that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(b) As of the ~~Second~~Third Amendment Effective Date, none of the Loan Parties or their respective Subsidiaries or any of their respective material properties or assets is in violation of, nor will the continued operation of their material properties and assets as currently conducted violate, any law, rule or regulation (including any zoning, building, Environmental Law, ordinance, code or approval or any building permits) or any restrictions of record or agreements affecting any Mortgaged Property, or is in default with respect to any judgment, writ, injunction, decree or order of any Governmental Authority, where such violation or default could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.09 *Agreements.* None of the Loan Parties or their respective Subsidiaries is in any material respect in default under or in violation of the performance of any of its obligations under any of its Organizational Documents.

SECTION 3.10 *Federal Reserve Regulations.*

(a) None of the Loan Parties or their respective Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose that entails a violation of, or that is inconsistent with, the provisions of the Regulations of the Board, including Regulation T, Regulation U or Regulation X.

SECTION 3.11 *Government Regulation.* None of the Loan Parties is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940. None of the Loan Parties is subject to regulation under the Federal Power Act, the Interstate Commerce Act, the ICC Termination Act, as amended, or under any other federal or state statute or regulation that may limit its ability to incur Indebtedness or which may otherwise render all or any portion of the Obligations unenforceable.

SECTION 3.12 *Use of Proceeds.* The Borrower will use the proceeds of the Loans only for the purposes specified in Section 5.08.

SECTION 3.13 *Tax Returns.* Each of the Loan Parties and their respective Subsidiaries has filed or caused to be filed all federal and material state, local and foreign Tax Returns required to have been filed by it and has paid or caused to be paid all Taxes due and payable by it, except Taxes that are being contested in good faith by appropriate proceedings and for which the applicable Loan Party or Subsidiary shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP. As of the ~~Second~~Third Amendment Effective Date, except as would not reasonably be expected to have a Material Adverse Effect, no written claim has been asserted, with respect to any Taxes (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and for which the applicable Loan Party or Subsidiary shall have set aside on its books

adequate reserves with respect thereto in accordance with GAAP). From the date of the Borrower's formation until the date of termination of the Borrower's "S Corporation" status resulting from the Acquisition (the "Termination Date"), Borrower has qualified as an "S Corporation" within the meaning of Section 1361 of the Code and, unless otherwise required by applicable law, under all state and local jurisdictions in which it is subject to income Tax (or franchise Tax in the nature of an income Tax). Each Subsidiary (if any) of the Borrower, from the date of its formation until the Termination Date, has either qualified as a "qualified subchapter S subsidiary" within the meaning of 1361(a)(3) of the Code or a "disregarded entity" within the meaning of Treasury Regulation Section 301.7701-2. Unless otherwise required by applicable law, the tax classification of the Borrower and each Subsidiary (if any) of the Borrower under all state and local jurisdictions have been at all times the same as their federal classification.

SECTION 3.14 No Material Misstatements. The information that the Loan Parties have provided, directly or indirectly, in writing, taken as a whole, to the Administrative Agent is not materially misleading and does not contain any material misstatement of fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were, not materially misleading as of the date such information is dated or certified.

SECTION 3.15 Employee Benefit Plans.

(a) Except as would not reasonably be expected to result in a Material Adverse Effect, each Employee Benefit Plan of the Borrower and its ERISA Affiliates is in compliance with its terms and the applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events, could reasonably be expected to result in a Material Adverse Effect. As of the Closing Date, none of the Borrower or any ERISA Affiliate contributes to, participates in or in any way, directly or indirectly, has any liability with respect to any plan subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA, including, without limitation, any "multiemployer plan" (within the meaning of Sections 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code) or any "single-employer plan" (within the meaning of Section 4001(a)(15) of ERISA) which is subject to Sections 4063, 4064 or 4069 of ERISA. There are no pending or threatened in writing (including by email or other electronic means) claims, sanctions, actions or lawsuits, asserted or instituted against any Employee Benefit Plan or any Person as fiduciary or sponsor of any such Employee Benefit Plan which could reasonably be expected to result in a Material Adverse Effect. Except as would not result in a Material Adverse Effect, none of the Borrower or any ERISA Affiliate has or could have any liability, whether for contributions, funding, benefits or otherwise, with respect to any Foreign Plan.

SECTION 3.16 Environmental Matters. None of the Loan Parties or their respective Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, except to the extent such failure could not reasonably be expected to result in a Material Adverse Effect, (ii) has become subject to any Environmental Liability that could reasonably be expected to result in a Material Adverse Effect, (iii) as of the ~~Second~~Third Amendment Effective Date, has received notice of any written claim with respect to any Environmental Liability or (iv) as of the ~~Second~~Third Amendment Effective Date, knows of any basis for any Environmental Liability, that could reasonably be expected to result in a Material Adverse Effect.

SECTION 3.17 Insurance. Schedule 3.17 sets forth a true, complete and correct description of all material insurance maintained by the Loan Parties and their respective Subsidiaries as of the Closing Date. As of such date, such insurance is in full force and effect and all premiums have been duly paid. The Loan Parties and their respective Subsidiaries have insurance in such amounts and covering such risks and liabilities as are customary for companies of a similar size engaged in similar businesses in similar locations.

SECTION 3.18 *Security Documents.*

(a) The Guarantee and Collateral Agreement, upon execution and delivery thereof by the parties thereto, will create in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral (as defined in the Guarantee and Collateral Agreement) and the proceeds thereof except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and except with respect to any additional actions and documents that need to be entered into that are required under foreign law (with respect to any Equity Interests of a Foreign Subsidiary or assets or property located in a foreign jurisdiction) to create a legal, valid and enforceable security interest and (i) when the original Pledged Collateral (as defined in the Guarantee and Collateral Agreement), along with any necessary transfer documents or instruments, is delivered to the Collateral Agent, the Lien created under the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Pledged Collateral, in each case prior and superior in right to any other Person (in each case, other than (y) Liens on cash collateral permitted pursuant to Section 6.02(xiv) and (z) non-consensual Liens permitted under Section 6.02(iv)), and (ii) (A) for Collateral with respect to which a security interest may be perfected only by possession or control, upon the taking of possession or control by the Collateral Agent of such Collateral, (B) when financing statements in appropriate form are filed in the offices specified on Schedule 3.18(a), (C) the actions described in clause (i) above with respect to Pledged Collateral and (D) upon taking (1) any other perfection action as may be required under the UCC or any other applicable law and (2) any other action (including creation action) as may be required under foreign law, the Lien on the Collateral created under the Guarantee and Collateral Agreement will constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral (other than federally registered copyrights) in which a security interest may be perfected pursuant to Article 9 of the UCC, in each case prior and superior in right to any other Person, other than with respect to Liens permitted by Section 6.02.

(b) Upon the recordation of the fully-executed Guarantee and Collateral Agreement (or a short-form security agreement in form and substance reasonably satisfactory to the Borrower and the Collateral Agent) with the United States Copyright Office, the Lien created under the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in the federally registered Copyrights (as defined in the Guarantee and Collateral Agreement) in which a security interest may be perfected by filing in the United States, in each case prior and superior in right to any other Person, other than with respect to Liens permitted by Section 6.02 (it being understood that subsequent recordings in the United States Copyright Office may be necessary to perfect a Lien on registered copyrights acquired by the Loan Parties after the date hereof).

SECTION 3.19 *Location of Real Property and Leased Premises.*

(a) Schedule 3.19(a) lists completely and correctly as of the ~~Second~~Third Amendment Effective Date all real property owned by each Loan Party and their respective Subsidiaries and the addresses thereof. As of the ~~Second~~Third Amendment Effective Date, the Loan Parties and their Subsidiaries own in fee all the real property set forth on Schedule 3.19(a).

(b) Schedule 3.19(b) lists completely and correctly as of the ~~Second~~Third Amendment Effective Date all real property leased by each Loan Party and their respective Subsidiaries and the

addresses thereof. As of the ~~Second~~Third Amendment Effective Date, the Borrower and the Subsidiaries have a valid leasehold interest in all the real property set forth on Schedule 3.19(b) that is material to the ordinary conduct of its business, except where failure to have such a valid leasehold interest could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.20 Labor Matters. As of the ~~Second~~Third Amendment Effective Date, except as would not reasonably be expected to have a Material Adverse Effect, there are no strikes, lockouts or slowdowns against any of the Loan Parties pending or, to the knowledge of Holdings or the Borrower, threatened (in writing (including by email or other electronic means)). The hours worked by and payments made to employees of the Loan Parties or their Subsidiaries have not been in material violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters. All payments due from any of the Loan Parties or their Subsidiaries, or for which any claim has been made against any of the Loan Parties or their Subsidiaries, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Loan Parties or their Subsidiaries. The consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any of the Loan Parties or their Subsidiaries is bound.

SECTION 3.21 Solvency. Immediately following the making of any Loans and immediately after giving effect to the application of any proceeds thereof, (a) the fair value of the assets (measured on a going concern basis) of the Loan Parties and their respective Subsidiaries on a consolidated basis, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise; (b) the present fair saleable value of the property (measured on a going concern basis) of the Loan Parties and their respective Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Loan Parties and their respective Subsidiaries on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Loan Parties and their respective Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the making of such Loan. Such foregoing determination has been made by the chief executive officer, chief financial officer or other Financial Officer, if any, of the Borrower and is based on such officer's actual knowledge and such officer has not conveyed any information to the contrary to any other Person at any time on the date that this representation and warranty is being made or deemed made.

SECTION 3.22 No Material Adverse Effect. Since December 31, 2012, there has been no development or event, either individually or in the aggregate, that has had or would reasonably be expected to have a Material Adverse Effect.

SECTION 3.23 Sanctioned Persons. None of the Loan Parties or their respective Subsidiaries nor, to the knowledge of Holdings or the Borrower, any director, officer, agent, employee or Affiliate of any of the Loan Parties or any of their respective Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**"); the Borrower will not directly or indirectly use the proceeds of the Loans or otherwise make available such proceeds to any Person, for the purpose of financing the activities of any Person currently subject to any U.S. sanctions administered by OFAC.

SECTION 3.24 Financial Advisors. Except as set forth in Schedule 3.24, no agent, broker, investment banker, finder, financial advisor or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee from any Loan Party or any of the Loan Parties' Subsidiaries with respect to this Agreement or any of the other Loan Documents or any of the

Transactions occurring on the Closing Date, and the Borrower hereby indemnifies (subject to the same carve-outs that are in Section 9.05) the Lenders and the Administrative Agent against, and agrees that it will hold the Lenders and the Administrative Agent harmless from, any claim, demand or liability for any such broker's or finder's fees alleged to have been incurred in connection herewith or therewith and any expenses (including reasonable and documented out-of-pocket fees, expenses and disbursements of counsel) arising in connection with any such claim, demand or liability, in each case, in accordance with Section 9.05.

SECTION 3.25 *Foreign Assets Control Regulations, Etc.*

(a) Neither the borrowing of the Loans by the Borrower hereunder nor its use of the proceeds thereof will violate (i) the United States Trading with the Enemy Act, as amended, (ii) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, (iii) Executive Order No. 13,224, 66 Fed Reg 49,079 (2001), issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism) (the "**Terrorism Order**") or (iv) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, Public Law 107-56 (October 26, 2001). No part of the proceeds from the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

(b) No Loan Party and no Subsidiary of a Loan Party (i) is or will become a "blocked person" as described in Section 1.01 of the Terrorism Order or (ii) to its actual knowledge engages or will engage in any dealings or transactions, or is otherwise associated, with any such blocked person.

(c) Each of the Loan Parties and its Affiliates are in compliance, in all material respects, with the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, Public Law 107-56 (October 26, 2001).

SECTION 3.26 *Deposit Accounts; Securities Accounts.* Set forth on Schedule 3.26 is a listing of all of the Loan Parties' Deposit Accounts and Securities Accounts, in each case, as of the ~~Second~~Third Amendment Effective Date including, with respect to each bank or securities intermediary, (a) the name and address of such Person, (b) the account numbers of the Deposit Accounts or Securities Accounts maintained with such Person, and (c) the relevant Loan Party or Loan Parties.

SECTION 3.27 *Indebtedness.* No Loan Party or Subsidiary of any Loan Party has any liability for any Indebtedness other than the Indebtedness permitted under Section 6.01.

SECTION 3.28 *Intellectual Property; Copyright Matters.*

(a) Except as set forth on Schedule 3.28(a) or as of the most recent date disclosures by the Borrower are required to be delivered pursuant to Section 5.04(d), no Loan Party and no Subsidiary of any Loan Party owns any registered patents, patent applications, registered trademarks, trademark applications, registered trade names, registered service marks, service mark applications, registered copyrights or copyright applications. As of the most recent date disclosures by the Borrower are required to be delivered pursuant to Section 5.04(d), each Loan Party and each of the Loan Parties' respective Subsidiaries owns directly, or is entitled to use by license (listed on Schedule 3.28(a)) or otherwise, all Intellectual Property material to the conduct of such Loan Party's businesses. All items listed on

~~Schedule 3.28(a)~~ and as of the most recent date disclosures by the Borrower are required to be delivered pursuant to Section 5.04(d) are and, at all times thereafter that this representation is made (except to the extent no longer deemed material to the conduct of the business of the Loan Parties and the Loan Parties' Subsidiaries in the good faith business judgment of the Loan Parties), will be: (a) subsisting and have not been adjudged invalid or unenforceable, in whole or part; (b) to the extent that can be reasonably anticipated, valid, in full force and effect and not in known conflict with the rights of any Person, in each case and (c) free and clear of all Liens, security interests, or other encumbrances other than Liens permitted by Section 6.02. Each Loan Party and each of the Loan Parties' Subsidiaries has made all filings and recordings such Loan Party or Subsidiary deems necessary in the exercise of reasonable and prudent business judgment to protect its interest in the Intellectual Property of such Loan Party or Subsidiary material to the conduct of such Loan Party's businesses in the United States Patent and Trademark Office, and the United States Copyright Office, as appropriate. Except for not making filings or recordings in its exercise of such judgment, each Loan Party and each of the Loan Parties' Subsidiaries has performed all material acts and has paid all material required fees and taxes to maintain each and every item of the Intellectual Property of such Loan Party or Subsidiary in full force and effect, except such items of Intellectual Property as are no longer deemed material to the conduct of the businesses of the Loan Parties and the Loan Parties' Subsidiaries in the reasonable business judgment of the Loan Parties. As of the ~~Second~~Third Amendment Effective Date, there are no pending or, to the knowledge of the Loan Parties, threatened in writing (including by email or other electronic means) applications, proceedings or litigation, which, if successful, could reasonably be expected to materially and adversely affect any Intellectual Property of any Loan Party or any of its Subsidiaries material to the conduct of such Loan Party's or such Subsidiaries' businesses, and, to the knowledge of the Loan Parties, no Person is infringing, misusing, violating or breaching such Intellectual Property in any material respect. As of the ~~Second~~Third Amendment Effective Date, neither any Loan Party nor any of its Subsidiaries has received written notice of any claim of infringement, misuse, violation or breach by such Loan Party or any of its Subsidiaries of any Intellectual Property owned or controlled by another Person which infringement, misuse, violation or breach could reasonably be expected to result in, individually or in the aggregate, a Material Adverse Effect. As of the ~~Second~~Third Amendment Effective Date, to the actual knowledge of Holdings and the Borrower, no Loan Party and no Subsidiary of any Loan Party is in breach of or default under the provisions of any of the foregoing, nor is there any event, fact, condition or circumstance which, with notice or passage of time or both, would constitute, or result in a conflict, breach, default or event of default under, any of the foregoing that reasonably could be expected to result in, either individually or in the aggregate, a Material Adverse Effect.

SECTION 3.29 *Activities of Holdings*. Holdings is not engaged in any activities other than those activities permitted by Section 6.13.

ARTICLE IV

Conditions of Lending

SECTION 4.01 *Conditions Precedent to Closing*.

The obligations of the Lenders to make the Initial Term Loans hereunder on the Closing Date are subject to the satisfaction or waiver of the following conditions on the Closing Date:

(a) **Loan Party Documents**. The Administrative Agent shall have received the following from or with respect to each Loan Party:

(i) A copy of the certificate or articles of incorporation or organization, including all amendments thereto, certified as of a recent date by either the Secretary of State of the state of its

organization or such Governmental Authority, and, to the extent readily available with respect to franchise Taxes, a certificate certifying that such Loan Party has paid all franchise Taxes due and payable on or prior to the date of such certificate and such Loan Party is duly organized and in good standing under the laws of such jurisdiction;

(ii) A certificate of the Secretary, Assistant Secretary or other Responsible Officer of each Loan Party dated the Closing Date and certifying (A) that attached thereto are true and complete copies of the Organizational Documents of such Loan Party as in effect on the Closing Date and at all times since a date on or prior to the date of the resolutions described in clause (B) below, (B) that attached thereto is a true and complete copy of resolutions duly adopted by the Governing Body of such Loan Party authorizing the execution, delivery and performance of the Loan Documents and, in the case of the Borrower, the borrowing of the Initial Term Loans hereunder, and that such resolutions have not been modified, rescinded or amended and are in full force and effect, (C) that the charter or articles or certificate of incorporation or organization of such Loan Party have not been amended since the date of the last amendment thereto shown on the certificate of good standing furnished pursuant to clause (i) above, and (D) as to the incumbency and specimen signature of each officer executing any Loan Documents or any other document delivered in connection herewith on behalf of such Loan Party;

(iii) a certificate of another officer as to the incumbency and specimen signature of the Secretary or Assistant Secretary executing the certificate pursuant to clause (ii) above;

(iv) executed originals (or photocopies with originals to follow after the Closing Date) of the Loan Documents to which such Person is a party;

(v) [reserved];

(vi) executed copies of the Acquisition Agreement and any exhibits, schedules and documents related thereto; and

(vii) executed copies of all Related Documents as in effect on the Closing Date, in each case in form and substance reasonably satisfactory to the Administrative Agent.

(b) **Fees.** The Administrative Agent and the Lenders shall have received all Fees and other amounts due and payable on or prior to the Closing Date that are required to be paid under the Loan Documents, including, to the extent invoiced, reimbursement or payment of all reasonable and documented out of pocket expenses required to be reimbursed or paid by the Borrower hereunder or under any other Loan Document.

(c) **Intentionally Omitted.**

(d) **Representations and Warranties; Performance of Agreements.** (i) The representations and warranties in Article III shall be true and correct in all material respects on and as of the Closing Date to the same extent as though made on and as of that date (or, to the extent such representations and warranties specifically relate to an earlier date, that such representations and warranties were true and correct in all material respects on and as of such earlier date), (ii) the Borrower shall have performed in all material respects all agreements and satisfied all conditions which this Agreement provides shall be performed or satisfied by it on or before the Closing Date except as otherwise disclosed to and agreed to in writing by the Administrative Agent, and (iii) the Borrower shall have delivered to the Administrative Agent an officer's certificate, in form and substance reasonably satisfactory to the Administrative Agent, certifying as to the accuracy of each of clause (i) and clause (ii); *provided* that, if a representation and warranty, covenant or condition is qualified as to materiality, the applicable materiality qualifier set forth above shall be disregarded with respect to such representation and warranty, covenant or condition for purposes of this condition.

(e) **Financial Statements.** The Administrative Agent shall have received the financial statements and audit opinion referred to in Section 3.05(a).

(f) **Intentionally Omitted.**

(g) **Solvency Certificate.** The Administrative Agent shall have received a solvency certificate from a Financial Officer of Holdings or the Borrower, substantially in the form of Exhibit G hereto.

(h) **Opinions of Counsel to the Loan Parties.** The Administrative Agent shall have received, on behalf of itself, the Collateral Agent and the Lenders, a favorable written opinion of Kirkland & Ellis LLP, counsel for the Loan Parties (A) dated the Closing Date, (B) addressed to the Administrative Agent, the Collateral Agent and the Lenders, and (C) covering such other matters relating to the Loan Documents as the Administrative Agent shall reasonably request and that are customary to cover in transactions of this type, and the Borrower hereby requests such counsel to deliver such opinions.

(i) **Evidence of Insurance.** The Administrative Agent shall have received a copy of, or a certificate as to coverage under, the insurance policies required by Section 5.02.

(j) **Necessary Governmental Authorizations and Consents; Expiration of Waiting Periods, etc.** All requisite Governmental Authorities and other material third parties shall have approved or consented to the Transactions to the extent required, all applicable appeal periods shall have expired and there shall not be any pending or threatened litigation, governmental, administrative or judicial action, actual or threatened, that could reasonably be expected to restrain, prevent or impose materially burdensome conditions on the Transactions.

(k) **Intentionally Omitted.**

(l) **Security Interests.**

(i) The Guarantee and Collateral Agreement shall have been duly executed by each Loan Party that is to be a party thereto and shall be in full force and effect on the Closing Date. The Collateral Agent on behalf of the Secured Parties shall have been granted a security interest in the Collateral of the type and priority described herein and in the Guarantee and Collateral Agreement to the extent required thereby.

(ii) The Collateral Agent shall have received a Perfection Certificate with respect to the Loan Parties dated the Closing Date and duly executed by a Responsible Officer of the Borrower, and shall have received the results of a search of the UCC filings (or equivalent filings) made with respect to the Loan Parties in the states (or other jurisdictions) of formation of such Persons as reasonably required by the Collateral Agent, together with copies of the financing statements (or similar documents) disclosed by such search, and accompanied by evidence reasonably satisfactory to the Collateral Agent that the Liens indicated in any such financing statement (or similar document) would be permitted under Section 6.02 or have been or will be contemporaneously released or terminated on the Closing Date. Such search results shall include copyright, patent and trademark searches, and copyright, patent and trademark filings or recordations, necessary in the Collateral Agent's reasonable determination to perfect the Collateral Agent's security interest in the Collateral as of the Closing Date to the extent such perfection can be obtained by (a) the filing of a financing statement (or similar document), (b) any copyright filing or recordation with the United States Copyright Office and (c) or any patent or trademark filing or recordation with the United States Patent and Trademark Office.

(iii) The Collateral Agent shall have received all certificates, agreements or instruments representing or evidencing the Pledged Collateral (as defined in the Guarantee and Collateral Agreement), accompanied by instruments of transfer and stock powers undated and endorsed in blank, in each case, that are required pursuant to the Guarantee and Collateral Agreement to have been delivered to the Collateral Agent on the Closing Date.

(m) **Existing Debt.** The Borrower shall have (i) consummated the Existing Debt Refinancing; (ii) delivered to the Administrative Agent a “pay-off” letter in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent with respect to all Indebtedness being refinanced in the Existing Debt Refinancing, (iii) delivered to the Administrative Agent all documents or instruments necessary to release all Liens securing the Indebtedness being repaid in connection with the Existing Debt Refinancing, and (iv) made arrangements reasonably satisfactory to the Administrative Agent and Collateral Agent with respect to the cancellation or cash collateralization or backstopping of any letters of credit outstanding in connection with the Existing Debt Refinancing or the issuance of letters of credit to support the obligations of Holdings and its Subsidiaries with respect thereto.

(n) The Administrative Agent shall have received a customary closing certificate, dated the Closing Date and signed by a Financial Officer of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent.

(o) **Other Legal Matters.**

(i) All corporate and other proceedings in connection with the Transactions contemplated by this Agreement and the other Loan Documents and all other agreements, documents and instruments incident to such Transactions shall be reasonably satisfactory to the Administrative Agent, and the Administrative Agent shall have received all such certified or other copies of such documents as the Administrative Agent may reasonably request.

(ii) The Administrative Agent and the Lenders shall have received all documentation and other information required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act to the extent such documentation and other information has been requested in writing at least five (5) Business Days before the Closing Date.

(iii) All legal matters incident to this Agreement, the Initial Term Loans hereunder and the other Loan Documents shall be reasonably satisfactory to the Administrative Agent.

(p) **Funds Flow Memorandum.** The Administrative Agent and the Borrower shall have agreed upon a funds flow memorandum duly executed by a Responsible Officer of the Borrower.

(q) **Material Adverse Effect.** Since December 31, 2012, there shall have occurred no Material Adverse Effect.

(r) **Due Diligence.** The Administrative Agent shall have completed a due diligence investigation of the Loan Parties in scope, and with results, reasonably satisfactory to the Administrative Agent, including without limitation, as to general affairs, environmental concerns, intellectual property, management, corporate structure, capital structure, other debt instruments, material contracts, governing documents, prospects, financial position, stockholders’ equity and results of operations, and the tax,

accounting, legal, regulatory, environmental and other issues relevant to the Loan Parties, and shall have been given access during normal business hours and with reasonable advance written notice to the external independent auditors, management, records, books of account, contracts and properties of the Loan Parties and shall have received such financial, business and other information regarding the Loan Parties as it shall have requested.

(s) **No Injunction.** No injunction or other restraining order shall have been issued and no hearing to cause an injunction or other restraining order to be issued shall be pending or noticed with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the consummation of, or to recover any damages or obtain relief as a result of, the Transactions or the making of the Initial Term Loans hereunder.

(t) **Notice of Borrowing.** Prior to the making of the Initial Term Loans, the Administrative Agent shall have received a notice of borrowing.

(u) **Ownership of Intellectual Property.** Except as otherwise mutually and reasonably agreed by the Administrative Agent and the Borrower, substantially all of the Intellectual Property that is material to the business of the Borrower shall be owned by the Loan Parties and their Subsidiaries.

In determining the satisfaction of the conditions specified in this Section 4.01, (y) to the extent any item is required to be satisfactory to any Lender, such item shall be deemed satisfactory to each Lender which has not notified the Administrative Agent in writing prior to the occurrence of the Closing Date that the respective item or matter does not meet its satisfaction and (z) in determining whether any Lender is aware of any fact, condition or event that has occurred and which would reasonably be expected to have a Material Adverse Effect, each Lender which has not notified the Administrative Agent in writing prior to the occurrence of the Closing Date of such fact, condition or event shall be deemed not to be aware of any such fact, condition or event on the Closing Date. Upon the Administrative Agent's good faith determination that the conditions specified in this Section 4.01 have been met (after giving effect to the preceding sentence), then the Closing Date shall have been deemed to have occurred, regardless of any subsequent determination that one or more of the conditions thereto had not been met. The conditions shall be deemed to have been satisfied on the date the Lenders provide the Initial Term Loans. For the avoidance of doubt, the conditions specified in this Section 4.01 were met on September 25, 2013.

SECTION 4.02 Conditions Precedent to Revolving Loans. The obligation of each applicable Lender to make Revolving Loans, is subject, at the time of each such borrowing, to the satisfaction or waiver of the following conditions:

(a) **No Default; Representations and Warranties.** At the time of each borrowing hereunder and also after giving effect thereto (i) no Event of Default shall exist and be continuing and (ii) all representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on the date of such borrowing (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date); *provided*, that, if a representation and warranty is qualified as to materiality, the materiality qualifier set forth above shall be disregarded with respect to such representation and warranty for purposes of this condition.

(b) **No Injunction.** No injunction or other restraining order shall have been issued and no hearing by any Person (other than any Secured Party or any Affiliate of a Secured Party) to cause an injunction or other restraining order to be issued shall be pending with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the making of Revolving Loans hereunder.

(c) **Notice of Borrowing.** Prior to the making of such Revolving Loans, the Administrative Agent shall have received a Notice of Revolver Borrowing meeting the requirements of Section 2.02(d).

ARTICLE V

Affirmative Covenants

Each of Holdings and the Borrower covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other Obligations payable under any Loan Document shall have been paid in full (other than contingent indemnity claims or expense reimbursement obligations not yet asserted), each of Holdings and the Borrower will, and will cause each of the Subsidiaries to:

SECTION 5.01 *Existence; Compliance with Laws; Businesses and Properties.*

(a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise permitted under Section 6.05.

(b) Do or cause to be done all things necessary to obtain, protect, preserve, renew, extend and keep in full force and effect its rights, licenses, permits, franchises, authorizations, patents, copyrights, trademarks and trade names, except to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect; comply with all applicable laws, rules, regulations and decrees and orders of any Governmental Authority, whether now in effect or hereafter enacted, except as could not reasonably be expected to result in a Material Adverse Effect; and at all times maintain and preserve all property material to the conduct of the business of Holdings and its Subsidiaries and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times, except as could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.02 *Insurance.*

(a) Keep its insurable properties adequately insured at all times by financially sound and reputable insurers; maintain such other insurance, to such extent and against such risks, including fire and other risks insured against by extended coverage, as is customary with companies that are of the same or similar size and in the same or similar businesses operating in the same or similar locations; and maintain such other insurance as may be required by law.

(b) Cause all such policies (if any) covering any Collateral (but, for the avoidance of doubt, excluding any public property damage policy) to be endorsed or otherwise amended to include a customary lender's loss payable endorsement, in form and substance reasonably satisfactory to the Collateral Agent, which endorsement shall provide that, from and after the Closing Date, if the insurance carrier shall have received written notice from the Collateral Agent of the occurrence of an Event of Default, the insurance carrier shall pay all proceeds otherwise payable to the Borrower or the Loan Parties under such policies directly to the Collateral Agent; cause all such policies to provide that the Borrower shall be a coinsurer thereunder; upon written request by the Collateral Agent, deliver original or certified copies of all such policies to the Collateral Agent; cause each such policy to provide that it shall not be canceled or not renewed (i) by reason of nonpayment of premium upon not less than 10 days' prior

written notice thereof by the insurer to the Collateral Agent (giving the Collateral Agent the right to cure defaults in the payment of premiums) or (ii) for any other reason upon not less than 30 days' prior written notice thereof by the insurer to the Collateral Agent; upon the written request of the Collateral Agent, deliver to the Collateral Agent, prior to the cancellation or nonrenewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Collateral Agent) together with evidence reasonably satisfactory to the Collateral Agent of payment of the premium therefor.

(c) If at any time the area in which the Premises (as defined in the Mortgages or such other similar term) are located is designated (i) a "flood hazard area" in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (or any successor agency), obtain flood insurance in such total amount as the Administrative Agent, the Collateral Agent or the Required Lenders may from time to time reasonably require, and otherwise comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973, as it may be amended from time to time, or (ii) a "Zone 1" area, obtain earthquake insurance in such total amount as the Administrative Agent, the Collateral Agent or the Required Lenders may from time to time reasonably require.

SECTION 5.03 *Obligations and Taxes.* Pay its Material Indebtedness in accordance with its terms and pay and discharge promptly when due all material Taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise that, if unpaid, might give rise to a Lien upon such properties or any part thereof; *provided, however,* that such payment and discharge shall not be required with respect to any such Tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and the Borrower shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP.

SECTION 5.04 *Financial Statements, Reports, etc.* In the case of Holdings and Borrower, furnish to the Administrative Agent and each Lender:

(a) within 120 days after the end of each fiscal year of the Borrower (or, for the first fiscal year ending December 31, 2014, no later than October 31, 2015) after the end of each fiscal year of the Borrower, its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of Holdings, the Borrower and its consolidated Subsidiaries as of the close of such fiscal year and the results of its operations and the operations of Holdings and such Subsidiaries during such year, together with comparative figures for the immediately preceding fiscal year of the Borrower (but for comparative figures for any immediately preceding fiscal year occurring in 2013 or earlier, such comparative figures do not need to include Holdings), all audited by Moss Adams LLP or other independent public accountants of recognized national standing reasonably acceptable to the Administrative Agent (it being understood and agreed that the "Big Four" accounting firms are acceptable to the Administrative Agent) and accompanied by an opinion of such accountants (which opinion shall be without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit, except as related solely to the maturity of any of the Loans (or any loans from a Permitted Refinancing of any of the Loans) during the immediately succeeding twelve-month period) to the effect that such consolidated financial statements fairly present in all material respects the financial condition and results of operations of Holdings, the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP or such other accounting principles as consented to by the Administrative Agent;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower (or for the fiscal quarters ending March 31, 2015 and June 30, 2015, no later than October 31, 2015) after the end of each of the first three fiscal quarters of each fiscal year of the Borrower (commencing with the fiscal quarter ending September 30, 2013), its consolidated balance sheet and related statements of income, stockholders' equity and cash flows showing the financial condition of Holdings, the Borrower and its consolidated Subsidiaries as of the close of such fiscal quarter and the results of its operations and the operations of Holdings and such Subsidiaries during such fiscal quarter and the then-elapsed portion of the fiscal year of the Borrower, together with the comparative figures for the same periods in the immediately preceding fiscal year of the Borrower (but for comparative figures for any immediately preceding fiscal quarter occurring in the fiscal quarter ending September 30, 2013 or earlier, such comparative figures do not need to include Holdings), all certified by one of the Financial Officers of Holdings or the Borrower, as the case may be, as fairly presenting the financial condition and results of operations of Holdings, the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP or such other accounting principles as consented to by the Administrative Agent, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under paragraph (a) or (b) above, a certificate of the Financial Officer of the Borrower (a "**Compliance Certificate**") (i) certifying that no Event of Default has occurred or, if such an Event of Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto and (ii) setting forth computations in reasonable detail, together with supporting calculations, demonstrating compliance (or noncompliance) with the covenant contained in Section 6.10;

(d) (i) concurrently with any delivery of financial statements under paragraph (a) or (b) above, (A) a list of any Intellectual Property registered with the United States Patent and Trademark Office or the United States Copyright Office acquired since the last such list delivered pursuant to this Section 5.04(d) (or since the Closing Date, in the case of the first such list delivered after the Closing Date); and (B) an updated Schedule 3.28(a) (if necessary); and (ii) concurrently with any delivery of financial statements under paragraph (a) above, a list of any Intellectual Property registered in countries other than the United States;

(e) within 30 days after the beginning of each fiscal year of the Borrower, a detailed consolidated budget for such fiscal year presented on a quarter by quarter basis;

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Holdings, the Borrower or any Subsidiary with any Governmental Authority or securities exchange, or distributed to its shareholders generally in their capacity as shareholders, as the case may be;

(g) promptly after the receipt thereof by Holdings, the Borrower or any of their Subsidiaries, a copy of any final "management letter" received by any such Person from its certified public accountants and the management's response thereto;

(h) promptly after the request by any Lender, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act; and

(i) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary (including for purposes of obtaining and maintaining credit ratings in respect of the Borrower), or compliance with the terms of any Loan Document, in each case, as the Administrative Agent may reasonably request in writing.

SECTION 5.05 *Litigation and Other Notices.*

Furnish to the Administrative Agent prompt written notice of the following upon any Loan Party's knowledge thereof:

- (a) the occurrence of any Default or Event of Default, specifying the nature and extent thereof, the date of occurrence thereof and the corrective action (if any) taken or proposed to be taken with respect thereto;
- (b) the filing or commencement of, or any written (including by email or other electronic means) threat or notice of intention of any Person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority, against the Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect;
- (c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of Holdings, the Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000;
- (d) any development or event that has resulted in, or could reasonably be expected to result in, a Material Adverse Effect;
- (e) any default or event of default (in each case, after taking into account applicable cure or grace periods) under any Contractual Obligation (other than the Loan Documents) of Holdings, the Borrower or any of their respective Subsidiaries that would reasonably be expected to have a Material Adverse Effect;
- (f) any notices of default received by any Loan Party from, or notices of default furnished to, any holder which is not an Affiliate of Holdings of Material Indebtedness and not otherwise required to be furnished to the Administrative Agent or the Lenders pursuant to any other clause of this Section 5.05 (together with copies thereof); and
- (g) any damage or destruction to Collateral that is reasonably and in good faith determined by Borrower to be in an amount in excess of \$1,000,000.

SECTION 5.06 *Information Regarding Collateral.* Furnish to the Administrative Agent prompt written notice of any change (i) in any Loan Party's legal name (as defined in Section 9-503(a) of the UCC), (ii) in the jurisdiction of organization or formation of any Loan Party, (iii) in any Loan Party's corporate structure or chief executive office location or (iv) in any Loan Party's Federal Taxpayer Identification Number (if any). Unless otherwise approved by the Administrative Agent in writing (which approval shall not be unreasonably withheld, delayed or conditioned), Holdings and the Borrower agree not to, and shall cause the other Loan Parties not to, effect or permit any change referred to in the preceding sentence unless any documents are delivered (or are substantially concurrently with the action effecting such change delivered) to the Collateral Agent that are required to be filed under the UCC so that the Collateral Agent, after the filing of such documents by the Collateral Agent, will continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral, with the priority required hereunder and under the Security Documents.

SECTION 5.07 *Maintaining Records; Access to Properties and Inspections.* Keep proper books of record that are true and correct in all material respects and maintain a system of accounting that enables Holdings and the Borrower to produce financial statements in accordance with GAAP or such other accounting principles as may be consented to by the Administrative Agent. Holdings and the

Borrower shall, and shall cause each of the Subsidiaries to, permit any representatives designated by the Administrative Agent to visit and inspect the financial records (other than any fee letter related to any loans or Indebtedness that are not the Loans hereunder) and the properties of such Person at reasonable times up to one time during any twelve consecutive month period (but without such frequency limit during the continuance of an Event of Default) following reasonable prior written notice and to make extracts from and copies of such financial records, and permit any representatives designated by the Administrative Agent to discuss the affairs, finances and financial condition of such Person with the officers thereof and independent accountants therefor; *provided* that (a) the Administrative Agent shall give the Borrower and the Sponsor an opportunity for its representatives to participate in any such discussions and (b) so long as no Event of Default has occurred and is then continuing, the Borrower and the other Loan Parties shall not bear the cost of more than one such visit or inspection (combined) per any twelve consecutive month period by the Administrative Agent and Lenders (and their respective representatives and other Related Parties).

SECTION 5.08 *Use of Proceeds.* Use the proceeds of the Loans (~~other than the 2016 Acquisition Term Loans~~) solely (i) to fund the Existing Debt Refinancing, (ii) to pay fees, costs and expenses (including, without limitation, attorney's fees) incurred in connection with ~~the such~~ Loans, the Existing Debt Refinancing and the other Transactions, and (iii) for working capital and other general corporate purposes of Holdings and its Subsidiaries, and to make capital expenditures, acquisitions, Investments, distributions and Restricted Payments permitted by this Agreement from time to time. Use the proceeds of the 2016 Acquisition Term Loans solely (i) to fund the Runbook Acquisition and (ii) to pay fees, costs and expenses (including, without limitation, attorney's fees) incurred in connection with the Runbook Acquisition and the 2016 Acquisition Term Loans.

SECTION 5.09 *Employee Benefits.*

(a) Cause each Employee Benefit Plan to comply in all respects with its terms and the applicable provisions of ERISA and the Code, except to the extent that such failure to comply could not reasonably be expected to result in a Material Adverse Effect, and furnish to the Administrative Agent as soon as possible after, and in any event within 10 days after any Responsible Officer of Holdings, the Borrower or any Subsidiary knows that any ERISA Event has occurred that, alone or together with any other ERISA Event could reasonably be expected to result in liability of Holdings, the Borrower or any Subsidiary in an aggregate amount exceeding \$1,000,000, a statement of a Financial Officer of Holdings or the Borrower setting forth details as to such ERISA Event and the action, if any, that Holdings or the Borrower proposes to take with respect thereto.

(b) Upon reasonable request by the Administrative Agent, furnish copies of (i) annual report (Form 5500 Series) filed by any Loan Party or any Subsidiary thereof or any of its ERISA Affiliates with respect to each Employee Benefit Plan; (ii) the most recent actuarial valuation report for each Plan, to the extent such exists; (iii) all notices received by any Loan Party or any of its ERISA Affiliates from a Multiemployer Plan sponsor or any governmental agency concerning an ERISA Event; and (iv) such other information, documents or governmental reports or filings relating to any Employee Benefit Plan as the Administrative Agent shall reasonably request in writing.

SECTION 5.10 *Compliance with Environmental Laws.* Comply with all Environmental Laws applicable to its operations and properties and obtain and renew all material environmental permits necessary for its operations and properties, except to the extent that such failure to comply could not reasonably be expected to result in a Material Adverse Effect; and conduct any remedial action required by Environmental Laws; *provided, however,* that none of Holdings, the Borrower or any Subsidiary shall be required to undertake any remedial action required by Environmental Laws to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances in accordance with GAAP.

SECTION 5.11 *Preparation of Environmental Reports.* If an Event of Default caused by reason of a breach of Section 3.16 or Section 5.10 shall have occurred and be continuing for more than 20 days without Holdings, the Borrower or any Subsidiary commencing activities reasonably likely to cure such Default, at the written request of the Required Lenders through the Administrative Agent, provide to the Lenders within 45 days after such request, at the reasonable expense of the Loan Parties, an environmental site assessment report regarding the matters that are the subject of such Event of Default prepared by an environmental consulting firm reasonably acceptable to the Administrative Agent and the Borrower and indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance or remedial action in connection with such Event of Default.

SECTION 5.12 *Further Assurances.*

(a) Execute any and all further documents, agreements and instruments, and take all further action (including delivering UCC and other financing statements with respect to the Collateral to the Collateral Agent for filing to the extent required under applicable law or any Security Documents that may be required hereunder), or that the Required Lenders, the Administrative Agent or the Collateral Agent may reasonably request in writing, in order to effectuate the transactions contemplated by the Loan Documents and in order to grant and perfect the validity and first priority (subject to Liens permitted by Section 6.02) of the security interests created by the Security Documents to the extent required hereby or by the Security Documents. In addition, from time to time, the Borrower will, at its reasonable cost and expense, promptly secure the Obligations by pledging or creating, or causing to be pledged or created, perfected security interests with respect to such of its assets and properties and the assets and property of its Subsidiaries that are Loan Parties as the Administrative Agent or the Required Lenders shall designate in writing to the extent required hereby or by the Security Documents to constitute "Collateral" (it being understood that it is the intent of the parties that the Obligations shall be secured by all the Collateral of the Loan Parties (including certain owned real property and other properties acquired subsequent to the Closing Date)). Such security interests and Liens in the Collateral will be created under the Security Documents and other security agreements, mortgages, deeds of trust and other instruments and documents in form and substance reasonably satisfactory to the Collateral Agent and the Borrower, and the Borrower shall deliver or cause to be delivered to the Collateral Agent all such instruments and documents (it being understood that mortgages, deeds of trust, legal opinions and title insurance policies shall only be required with respect to Material Domestic Real Property) as the Collateral Agent shall reasonably request to effectuate the foregoing requirements in this Section 5.12. In furtherance of the foregoing, the Borrower will give prompt notice to the Administrative Agent of the acquisition by it or any of the Subsidiaries that are Loan Parties of (i) any owned Material Domestic Real Property and (ii) any Material Foreign Assets.

(b) Within ten (10) Business days of the consummation of any Permitted Acquisition of any Person organized in the United States by any of the Loan Parties that is a Wholly Owned Subsidiary of such Loan Party (other than a Foreign Subsidiary Holdco), or within ten (10) Business Days of the formation by any of the Loan Parties of any Person organized in the United States that is a Wholly Owned Subsidiary of such Loan Party (other than a Foreign Subsidiary Holdco), the Borrower shall cause such Person so acquired or formed to be designated as a Subsidiary Guarantor of the Obligations. Such Person shall become a Loan Party by executing the Guarantee and Collateral Agreement (or a joinder thereto). In addition, (i) such Person shall execute and deliver such Security Documents as the Administrative Agent, the Collateral Agent or the Required Lenders may reasonably request to grant a Lien in respect of substantially all of its real and personal property in favor of the Collateral Agent and the Lenders as required hereby or by the Guarantee and Collateral Agreement to constitute "Collateral", and (ii) the Loan Parties directly owning Equity Interests in such Person shall pledge all such Equity Interests (other than

Excluded Equity) in such Person, in each case, subject to the limitation in clauses (c) and (d) below. Notwithstanding anything to the contrary in any Loan Document, with respect to any assets or property (other than Material Foreign Assets) of any Loan Party not located in the United States (which shall, for the avoidance of doubt, include Intellectual Property registered in a jurisdiction outside the United States), no action to create or perfect a security interest or Lien shall be taken or required to be taken with respect to such assets, other than, to the extent required under the Guarantee and Collateral Agreement, the applicable Loan Party granting a security interest and Lien on such assets under the Guarantee and Collateral Agreement and the filing of UCC financing statements (including amendments thereto); provided, however, that the foregoing shall not limit any Loan Party's obligations to pledge Equity Interests in Foreign Subsidiaries (other than Excluded Equity) to the extent required hereunder or under the Guarantee and Collateral Agreement.

(c) Notwithstanding anything to the contrary, no Foreign Subsidiary shall be required to (i) grant a security interest in its assets to secure the Obligations or (ii) guarantee the Obligations.

(d) In the event that any Loan Party forms or acquires a Foreign Subsidiary or Foreign Subsidiary Holdco after the date hereof, the Borrower will promptly notify the Collateral Agent of that fact and cause such Loan Party to execute and deliver to the Collateral Agent such documents and instruments and take such further actions as may be necessary, or in the reasonable opinion of the Collateral Agent, desirable to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a Lien on all of the Equity Interests in such Foreign Subsidiary or Foreign Subsidiary Holdco held by such Loan Party (other than, in each case, Excluded Equity). Notwithstanding anything herein to the contrary, (A) all Loan Documents covering any foreign assets that are Collateral (including, without limitation, any Equity Interests of Foreign Subsidiaries that are Collateral) shall be governed by New York law, (B) no foreign law creation actions, perfection actions or other actions shall be required with respect to any Collateral, and (C) no foreign law opinion letters or foreign law governed documents shall be required with respect to any Collateral, in each case, other than with respect to, at the option of the Collateral Agent, Material Foreign Assets.

ARTICLE VI

Negative Covenants

Each of Holdings and the Borrower covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the principal of and interest on each Loan, all Fees and all other Obligations payable under any Loan Document shall have been paid in full (other than contingent indemnity claims or expense reimbursement obligations not yet asserted), neither Holdings nor the Borrower will, nor will they cause or permit any of the Subsidiaries to:

SECTION 6.01 **Indebtedness.** Incur, create, assume or permit to exist any Indebtedness, except:

(i) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and any Permitted Refinancings thereof;

(ii) Indebtedness created hereunder and under the other Loan Documents (including, without limitation, any Indebtedness incurred pursuant to Section 2.23);

(iii) Indebtedness in respect of letters of credit or incurred under a letter of credit facility providing for the issuance of letters of credit thereunder, in each case, for an amount available to be drawn not to exceed \$500,000 in the aggregate;

(iv) intercompany Indebtedness of the Borrower and the Subsidiaries to the extent permitted by Section 6.04(iii);

(v) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets (for the avoidance of doubt, in each case, excluding Capital Lease Obligations and Synthetic Lease Obligations) and Permitted Refinancings thereof; *provided* that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this Section 6.01(v), when combined with the aggregate principal amount of all Capital Lease Obligations and Synthetic Lease Obligations incurred pursuant to Section 6.01(vi), shall not exceed the Permitted Capital Lease Amount at any time outstanding;

(vi) Capital Lease Obligations and Synthetic Lease Obligations in an aggregate principal amount, when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 6.01(v), not in excess of the Permitted Capital Lease Amount at any time outstanding;

(vii) Indebtedness in respect of (x) appeal bonds or similar instruments and (y) payment, bid, performance or surety bonds, or other similar bonds, completion guarantees, or similar instruments, workers' compensation claims, health, disability or other employee benefits, letters of credit and banker's acceptances issued for the account of Holdings or any of its Subsidiaries in each case listed under this clause (y), in the ordinary course of business, and including guarantees or obligations of Holdings or any of its Subsidiaries with respect to letters of credit supporting such appeal, payment, bid, performance or surety or other similar bonds, completion guarantees, or similar instruments, workers' compensation claims, health, disability or other employee benefits (in each case other than for Indebtedness for money borrowed);

(viii) Indebtedness under any Hedging Agreement permitted under Section 6.04(vi); *provided* that if such Hedging Agreement relates to interest rates, (i) the obligations under such Hedging Agreement relate to payment obligations on Indebtedness otherwise permitted to be incurred by the Loan Documents and (ii) the notional principal amount of such obligations under such Hedging Agreement at the time incurred does not exceed the principal amount of the Indebtedness to which such obligations under such Hedging Agreement relate;

(ix) (A) Contingent Obligations of any Loan Party of Indebtedness of any other Loan Party, (B) Contingent Obligations by any Subsidiary that is not a Loan Party of Indebtedness of any Loan Party, its Subsidiaries or its joint ventures or (C) Contingent Obligations of any Loan Party of Indebtedness of any Subsidiary or joint venture of any Loan Party that is not a Loan Party with respect, in each case, to Indebtedness otherwise permitted to be incurred pursuant to this Section 6.01 (and with respect to clause (C) above only, when combined with the aggregate amount of Investments, loans or advances made by Loan Parties to Subsidiaries or joint ventures that are not Loan Parties pursuant to Section 6.04(i) and Section 6.04(iii), in each case without duplication, do not exceed the Permitted Non-Loan Party Investment Amount) (including, without limitation, guarantees in respect of any Permitted Refinancings thereof); *provided*, that if the Indebtedness that is being guaranteed is unsecured and/or subordinated to the Obligations, the guaranty shall also be unsecured and/or subordinated to the Obligations, in each case on terms no less favorable (taken as a whole) to the Lenders than the subordination terms (taken as a whole) of the Indebtedness so guaranteed;

(x) (A) Indebtedness of any Person that becomes a Subsidiary after the date hereof, which Indebtedness is existing at the time such Person becomes a Subsidiary of the Borrower (other than Indebtedness incurred in contemplation of or in connection with such Person becoming a Subsidiary) in an aggregate amount not in excess of \$1,000,000 at any time outstanding and (B) Indebtedness secured by assets purchased by a Loan Party in a Permitted Acquisition that is assumed by such Loan Party (other than Indebtedness incurred in contemplation of or in connection with such purchase) in an aggregate amount not in excess of \$1,000,000 at any time outstanding;

(xi) Indebtedness incurred in the ordinary course of business in connection with cash pooling arrangements, netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs, cash management and other similar arrangements incurred in the ordinary course of business;

(xii) to the extent any such items constitute Indebtedness, Indebtedness arising from agreements of Holdings, the Borrower or any Subsidiary providing for indemnification, contribution, earn-out, adjustment of purchase price or similar obligations, in each case incurred or assumed in connection with any Permitted Acquisition or Disposition otherwise permitted under this Agreement; *provided* that the amount of all earn-outs shall not exceed \$3,000,000 in the aggregate from the Closing Date to the Maturity Date;

(xiii) unsecured Indebtedness consisting of Indebtedness owing to a seller incurred in connection with a Permitted Acquisition in an aggregate amount outstanding not to exceed \$2,000,000; *provided* that such Indebtedness is subordinated to the Obligations in a manner reasonably satisfactory to the Administrative Agent;

(xiv) Indebtedness representing any Taxes, assessments or governmental charges to the extent such Taxes are being contested in good faith and adequate reserves have been provided therefor in conformity with GAAP;

(xv) Indebtedness of Foreign Subsidiaries not in excess of \$625,000 at any time outstanding;

(xvi) Indebtedness representing deferred compensation or similar obligations to employees of the Borrower and its Subsidiaries incurred in the ordinary course of business;

(xvii) Indebtedness consisting of obligations of the Borrower and its Subsidiaries under deferred compensation or other similar arrangements with employees incurred by such Person in connection with Permitted Acquisitions or any other Investments permitted hereunder constituting acquisitions of Persons or businesses or divisions;

(xviii) Indebtedness incurred in the ordinary course of business with respect to customer deposits and other unsecured current liabilities not the result of borrowing and not evidenced by any note or other evidence of Indebtedness;

(xix) Indebtedness consisting of (A) the financing of insurance premiums or (B) take or pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(xx) Indebtedness arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(xxi) Indebtedness arising as a direct result of judgments, orders, awards or decrees against Holdings or any of its Subsidiaries, in each case not constituting an Event of Default;

(xxii) Indebtedness consisting of promissory notes issued by any Loan Party or its Subsidiaries to current or former officers, directors and employees (or their estates, spouses or former spouses) of any Loan Party or any Subsidiary issued to purchase or redeem capital stock of Holdings permitted by Section 6.06(a);

(xxiii) Subordinated Indebtedness in an aggregate principal amount not exceeding \$500,000 at any time outstanding;

(xxiv) unsecured Indebtedness of Holdings to its Subsidiaries at such times and in such amounts necessary to permit Holdings to receive any Restricted Payment permitted to be made to Holdings pursuant to Section 6.06, so long as, as of the applicable date of determination, a Restricted Payment for such purposes would otherwise be permitted to be made pursuant to Section 6.06; *provided* that that any such Indebtedness shall be deemed to utilize on a dollar-for-dollar basis the relevant basket under Section 6.06;

(xxv) to the extent constituting Indebtedness, all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in Section 6.01(i) through (xxiv) above; and

(xxvi) other Indebtedness of the Borrower or its Subsidiaries in an aggregate principal amount not exceeding \$1,000,000 at any time outstanding (of which \$1,000,000 at any time can be secured).

For purposes of determining compliance with any Dollar-denominated restriction on the incurrence of Indebtedness, the Dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to extend, replace, refund, refinance, renew or defease other Indebtedness denominated in a foreign currency, and such extension, replacement, refunding, refinancing, renewal or defeasance would cause the applicable Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such extension, replacement, refunding, refinancing, renewal or defeasance, such Dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such extension, replacement, refunding, refinancing, renewal or defeasance of Indebtedness does not exceed the principal amount of such Indebtedness being extended, replaced, refunded, refinanced, renewed or defeased, plus an amount equal to unpaid accrued interest and premium thereon, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including, without limitation, attorney's fees) incurred in connection with such extension, replacement, refunding, refinancing, renewal or defeasance.

To the extent otherwise constituting Indebtedness, the accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness shall be deemed not to be Indebtedness for purposes of this Section 6.01. The principal amount of any non-interest bearing Indebtedness or other discount security constituting Indebtedness at any date shall be the principal amount thereof that would be shown on a balance sheet of the Borrower dated such date prepared in accordance with GAAP.

SECTION 6.02 **Liens**. Create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests or other securities of any Person, including the Borrower or any Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(i) Liens on property or assets of the Borrower and the Subsidiaries existing on the date hereof and set forth in Schedule 6.02 and any Permitted Refinancing thereof; *provided* that such Liens shall secure only those obligations that they secure on the date hereof or Permitted Refinancing thereof as applicable;

(ii) any Lien created under the Security Documents or the other Loan Documents;

(iii) any Lien existing on any property or asset prior to the acquisition, construction or improvement thereof by the Borrower or any Subsidiary or existing on any property or assets of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, as the case may be; *provided* that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, (ii) such Lien does not apply to any other property or assets of Holdings, the Borrower or any Subsidiary and (iii) such Lien secures only those obligations (excluding the amount of any premiums or penalties and accrued and unpaid interest paid thereon and the amount of fees, costs and expenses incurred in connection therewith) that it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be;

(iv) Liens for Taxes not yet due or that are being contested in compliance with Section 5.03;

(v) Landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's, construction contractor's or other like Liens arising in the ordinary course of business and securing obligations that are not overdue for a period of more than 30 days and payable or that are being contested in compliance with Section 5.03;

(vi) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(vii) deposits to secure the performance of bids, trade contracts (other than for Indebtedness for borrowed money), governmental contracts and leases (other than Capital Lease Obligations or Synthetic Lease Obligations), statutory obligations, surety, stay, custom and appeal bonds, performance bonds and other obligations of a like nature (including those to secure health, safety and environmental obligations) incurred in the ordinary course of business;

(viii) zoning restrictions, easements, rights-of-way, title exceptions, survey exceptions, covenants, reservations, restrictions, encroachments, protrusions, conditions, licenses, building codes, minor defects or irregularities in title and other similar encumbrances affecting real property, restrictions on use of real property and other similar encumbrances incurred that, in the aggregate, do not materially adversely detract from the value and the use of the property subject thereto or interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries (taken as a whole);

(ix) Liens with respect to Capital Lease Obligations and purchase money security interests in real property, improvements thereto or equipment hereafter acquired (or, in the case of improvements, constructed) by the Borrower or any Subsidiary; *provided* that (i) such security interests secure Indebtedness permitted by Section 6.01(v) or 6.01(vi), (ii) such security interests are incurred, and the Indebtedness secured thereby is created, within 90 days after such acquisition (or construction),

(iii) the Indebtedness secured thereby does not exceed 100% of the cost of such real property, improvements or equipment at the time of such acquisition (or construction) *plus* unpaid accrued interest and premium thereon *plus* underwriting discounts, premiums paid, fees, costs and expenses (including, without limitation, attorney's fees) incurred in connection therewith and (iv) such security interests do not apply to any other property or assets of the Borrower or any Subsidiary other than any proceeds and/or replacements thereof;

(x) Liens on property or assets of a Person (other than any Equity Interests in any Person) existing at the time the assets of such Person are acquired or such Person is merged into or consolidated with the Holdings, the Borrower or any Subsidiary or becomes a Subsidiary of Holdings, the Borrower or any Subsidiary; *provided* that any such Lien (i) was not created in contemplation of or in connection with such asset purchase, merger, consolidation or investment and (ii) does not extend to any assets (other than improvements thereon) other than those acquired in such asset purchase and those assets of the Person merged into or consolidated with Holdings, the Borrower or such Subsidiary or acquired by Holdings, the Borrower or such Subsidiary;

(xi) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to (i) cash and Permitted Investments on deposit in one or more accounts maintained by any Loan Party, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank or banks with respect to cash management and operating account arrangements, and (ii) financial assets on deposit in one or more securities accounts maintained by any Loan Party, in each case granted in the ordinary course of business in favor of the securities intermediaries with which such accounts are maintained, securing amounts owing to such securities intermediaries with respect to services rendered in connection with such securities accounts;

(xii) precautionary filings of financing statements under the Uniform Commercial Code of any applicable jurisdictions in respect of operating leases or consignments entered into by Holdings, the Borrower or the Subsidiaries in the ordinary course of business;

(xiii) Liens arising out of judgments, orders, attachments, decrees or awards not resulting in an Event of Default;

(xiv) Liens on cash collateral securing Indebtedness permitted under Section 6.01(iii) and Liens on cash collateral for the letter of credit listed on Schedule 6.01 and any Permitted Refinancings thereof in lieu of the security interest granted or security provided in respect of such letter of credit described on Schedule 6.02; *provided* that the aggregate amount of cash collateral subject to the Liens permitted under this Section 6.02(xiv) shall not exceed 105% of the aggregate face amount of all outstanding letters of credit issued and outstanding under the applicable letter of credit or letter of credit facility;

(xv) (A) Liens on insurance policies and the proceeds thereof securing insurance premium financing permitted hereunder and (B) pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Holdings or any of its Subsidiaries;

(xvi) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Borrower or any Subsidiary in the ordinary course of business;

(xvii) Liens on the assets of Foreign Subsidiaries that secure Indebtedness permitted pursuant to Section 6.01(xv) (and related obligations);

(xviii) good faith earnest money deposits made in connection with a Permitted Acquisition or any other Investment or letter of intent or purchase agreement permitted hereunder;

(xix) Leases and subleases of the properties of any Loan Party or their Subsidiaries granted by such Person to third parties;

(xx) non-exclusive licenses and sublicenses in the ordinary course of business;

(xxi) Liens to the extent arising out of judgments, orders, attachments, decrees or awards not resulting in an Event of Default;

(xxii) Liens (A) incurred in the ordinary course of business in connection with the purchase or shipping of goods or assets (or the related assets and proceeds thereof), which Liens are in favor of the seller or shipper of such goods or assets and only attach to such goods or assets, and (B) in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods; and

(xxiii) other Liens securing Indebtedness not to exceed \$1,000,000 in the aggregate at any time outstanding.

Notwithstanding anything to contrary hereunder or under any other Loan Document, no Liens (other than Liens permitted under clauses (ii) and (iv)) shall be permitted on Equity Interests issued by the Borrower or any of its Subsidiaries which constitute Collateral.

SECTION 6.03 *Sale and Lease-Back Transactions.* Enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer all of its right, title and interest to any property, real or personal with a fair market value in excess of \$1,000,000, used or useful in its business, whether now owned or hereafter acquired, contemporaneously or substantially contemporaneously therewith rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred, except to the extent (a) the sale or transfer of such property is permitted by Section 6.05 and, (b) any Capital Lease Obligations, Synthetic Lease Obligations or Liens arising in connection therewith are permitted by Section 6.01 and Section 6.02, as the case may be.

SECTION 6.04 *Investments.* Purchase, hold, make or acquire any Investments, any other Person, except:

(i) (A) Investments by Holdings, the Borrower and the Subsidiaries existing on the date hereof in the Equity Interests of the Borrower and the Subsidiaries and (B) additional Investments by Holdings, the Borrower and the Subsidiaries in the Equity Interests of the Borrower and the Subsidiaries; *provided* that (x) any such Equity Interests (other than Excluded Equity) held by a Loan Party shall be pledged pursuant to the Guarantee and Collateral Agreement (subject to the limitations and exclusions referred to therein) and (y) the aggregate amount of Investments made by Loan Parties after the date hereof in Subsidiaries that are not Loan Parties (determined without regard to any write downs or write-offs of such Investments), when combined with the aggregate amount of loans and advances made by Loan Parties to Subsidiaries or joint ventures that are not Loan Parties pursuant to Section 6.04(iii) and the aggregate amount of Contingent Obligations of Loan Parties with respect to Indebtedness of Subsidiaries and joint ventures that are not Loan Parties pursuant to Section 6.01(ix)(C), in each case without duplication, shall not exceed the Permitted Non-Loan Party Investment Amount;

(ii) Permitted Investments;

(iii) loans or advances made by any Loan Parties or their Subsidiaries to any other Loan Party (except with respect to Section 6.01(xxiv), other than Holdings), Subsidiary or a Subsidiary of a Loan Party or joint ventures thereof; *provided* that the aggregate amount of such loans and advances made by Loan Parties to Subsidiaries or joint ventures that are not Loan Parties (determined without regard to any write-downs or write-offs of such loans and advances), when combined with the aggregate amount of Investments made by Loan Parties after the date hereof in Subsidiaries or joint ventures that are not Loan Parties pursuant to Section 6.04(i) and the aggregate amount of Contingent Obligations of Loan Parties with respect to Indebtedness of Subsidiaries and joint ventures that are not Loan Parties pursuant to Section 6.01(ix)(C), in each case without duplication, shall not exceed the Permitted Non-Loan Party Investment Amount at any time outstanding and shall be evidenced by a promissory note to the extent required by the Guarantee and Collateral Agreement;

(iv) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business;

(v) Holdings, the Borrower and its Subsidiaries may make loans and advances in the ordinary course of business (including for travel, entertainment and relocation expenses) to their respective officers, directors and employees so long as the aggregate principal amount thereof at any time outstanding (determined without regard to any write-downs or write-offs of such loans and advances) shall not exceed \$500,000;

(vi) the Borrower and its Subsidiaries may enter into Hedging Agreements that are not speculative in nature;

(vii) the Borrower and any Subsidiary may acquire all or substantially all the assets of a Person or line of business of such Person, or not less than 90% of the Equity Interests (other than directors' qualifying shares) of a Person (referred to herein as the "**Acquired Entity**") provided that (I) the Borrower shall comply, and shall cause the Acquired Entity to comply (in each case, to the extent applicable), with the applicable provisions of Section 5.12 and the Security Documents and (II) such transactions meet the following criteria (or such criteria is waived) in one of the three clauses of (A), (B) and (C) below (any acquisition of an Acquired Entity meeting all the criteria in one of clauses of (A), (B) and (C) (or having any such criteria waived) of this Section 6.04(vii) being referred to herein as a "**Permitted Acquisition**");

(A) Other than an acquisition satisfying the criteria set forth in clause (B) or clause (C), such acquisition satisfies the following:

(i) no Default or Event of Default exists at the time of such acquisition or would exist immediately after giving effect to such acquisition;

(ii) the Consolidated Leverage Ratio shall not be greater than 0.74 to 1 on a pro forma basis after giving effect to such acquisition;

and

(iii) the Borrower shall have delivered a certificate of a Financial Officer, certifying as to compliance with paragraphs (A)(i) and (A)(ii) of this Section 6.04(vii), and containing reasonably detailed calculations in support of paragraph (A)(ii) of this Section 6.04(vii);

(B) such acquisition is funded solely with the Equity Interests of Holdings or proceeds from any issuance of Equity Interests by Holdings (in each case, not constituting Disqualified Stock); or

(C) such acquisition is funded with cash or Permitted Investments of Holdings, the Borrower or any Subsidiary, and both (a) no Default or Event of Default exists at the time of such acquisition or would exist immediately after giving effect to such acquisition and (b) immediately after giving effect to such acquisition and the use of any cash or Permitted Investments of Holdings, the Borrower or any Subsidiary for such acquisition, Liquidity shall not be less than \$3,000,000;

(viii) Contingent Obligations permitted by Section 6.01;

(ix) prepaid expenses or lease, utility and other similar deposits, in each case made in the ordinary course of business;

(x) Investments consisting of any deferred portion (including promissory notes and non cash consideration) of the sales price received by Holdings, the Borrower or any Subsidiary in connection with any Disposition permitted hereunder;

(xi) advances of payroll payments to employees, officers, directors and managers of Holdings, the Borrower and any Subsidiaries in the ordinary course of business;

(xii) extensions of trade credit or the holding of receivables in the ordinary course of business and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors and other credits to suppliers in the ordinary course of business or pursuant to any plan of reorganization or liquidation or similar arrangement upon the bankruptcy or insolvency of such account debtors or suppliers;

(xiii) the Borrower and its Subsidiaries may endorse negotiable instruments and other payment items for collection or deposit in the ordinary course of business or make lease, utility and other similar deposits in the ordinary course of business;

(xiv) Investments of any Person that becomes (or is merged or consolidated or amalgamated with) a Subsidiary of the Borrower on or after the date hereof on the date such Person becomes (or is merged or consolidated or amalgamated with) a Subsidiary of the Borrower; provided that (i) such Investments exist at the time such Person becomes (or is merged or consolidated or amalgamated with) a Subsidiary, and (ii) such Investments are not made in anticipation or contemplation of such Person becoming (or merging or consolidating or amalgamated with) a Subsidiary;

(xv) advances in connection with purchases of goods or services in the ordinary course of business;

(xvi) Investments to the extent that payment for such Investments is made solely with Qualified Capital Stock of Holdings or Equity Interests of any direct or indirect parent company of Holdings; and

(xvii) Investments consisting of good faith deposits made in accordance with Section 6.02(xviii);

(xviii)(i) Investments outstanding on the Closing Date and identified on Schedule 6.04 and (ii) Investments consisting of any modification, replacement, renewal, reinvestment or extension of any Investment described in clause (i) above; *provided* that the amount of any Investment permitted pursuant to this clause (ii) is not increased from the amount of such Investment on the Closing Date except pursuant to the terms of such Investment as of the Closing Date or pursuant to another Investment otherwise permitted by this Section 6.04;

(xix) promissory notes or other obligations of directors (or comparable position), officers or other employees of a Loan Party or any of its Subsidiaries acquired in the ordinary course of business in connection with such directors' (or comparable position), officers' or employees' acquisition of Equity Interests in such Loan Party or such Subsidiary (to the extent such acquisition is permitted under this Agreement), (A) so long as no cash is advanced by the Borrower or any of its Subsidiaries that are Loan Parties in connection with such Investment or (B) if paid in cash, in an aggregate amount not to exceed \$1,000,000 at any time outstanding;

(xx) any Loan Party or any of its Subsidiaries may make a loan that could otherwise be made as a distribution permitted under Section 6.06 (with a commensurate dollar-for-dollar reduction of their ability to make additional distributions under such Section); *provided* that any such loan made by a Loan Party and shall be evidenced by a promissory note and pledged to the Collateral Agent to the extent required by the Guarantee and Collateral Agreement;

(xxi) Investments to the extent constituting the reinvestment of the Net Asset Sale Proceeds arising from any Asset Sale or Net Insurance/Condemnation Proceeds arising from any Casualty Event to repair, replace or restore any property in respect of which such proceeds were paid or to reinvest in other properties or assets that are used or are otherwise useful in the business of the Loan Parties and their Subsidiaries;

(xxii) the Runbook Acquisition; and

(xxiii) ~~(xxii)~~ in addition to Investments permitted by paragraphs (i) through (xxi) above, additional Investments by the Borrower and the Subsidiaries so long as the aggregate amount invested pursuant to this paragraph (xxii) (determined without regard to any write-downs or write-offs of such Investments, but net of cash returns thereon) does not exceed \$1,500,000.

SECTION 6.05 Consolidations, Dispositions of Assets and Acquisitions. Enter into any transaction of merger or consolidation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease or sub-lease (as lessor or sublessor), transfer or otherwise Dispose of, in one transaction or a series of transactions, all or any part of its business, property or assets (including its notes or receivables and Equity Interests of a Subsidiary, whether newly issued or outstanding), whether now owned or hereafter acquired, except:

(i) any Subsidiary of the Borrower may be merged with or into the Borrower or any Wholly Owned Subsidiary of the Borrower that is a Guarantor, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise Disposed of, in one transaction or a series of transactions, to the Borrower or any Wholly Owned Subsidiary of the Borrower that is a Guarantor; *provided* that, in the case of such a merger, the Borrower or such Wholly Owned Subsidiary shall be the continuing or surviving Person;

(ii) any Subsidiary of the Borrower that is not a Guarantor may be merged with or into any Subsidiary of the Borrower that is not a Guarantor, or be liquidated, wound up or dissolved, or all or any part of its business, property or assets may be conveyed, sold, leased, transferred or otherwise Disposed of, in one transaction or a series of transactions, to any Subsidiary of the Borrower that is not a Guarantor;

(iii) the Borrower and its Subsidiaries may sell or otherwise Dispose of assets in transactions that do not constitute Asset Sales;

(iv) the Borrower and its Subsidiaries may Dispose of obsolete, worn out or surplus property in the ordinary course of business;

(v) the Borrower and its Subsidiaries may make Asset Sales; *provided* that (a) the consideration received for such assets shall be in an amount at least equal to the fair market value thereof; (b) at least 75% of such consideration received shall be cash; (c) no Event of Default shall have occurred or be continuing immediately after giving effect thereto; and (d) the proceeds of such Asset Sales shall be applied to the extent required by Section 2.11(b);

(vi) in order to resolve disputes that occur in the ordinary course of business, the Borrower and its Subsidiaries may sell, transfer, discount, forgive, cancel or otherwise compromise for less than the face value thereof, notes or accounts receivable;

(vii) the Borrower or a Subsidiary may Dispose of Equity Interests of any of its Subsidiaries solely to qualify directors of the Governing Body of the Subsidiary if, and to the extent, required by applicable law;

(viii) any Person may be merged with or into the Borrower or any Subsidiary if the acquisition of the Equity Interests of such Person by the Borrower or such Subsidiary would have been permitted pursuant to Section 6.04(vii); *provided* that (a) in the case of the Borrower, the Borrower shall be the continuing or surviving entity, (b) if a Subsidiary is not the surviving or continuing Person, the surviving Person becomes a Subsidiary and complies with the provisions of Section 5.12 (to the extent required thereby and subject to the limitations and exceptions set forth therein) and (c) no Event of Default shall have occurred or be continuing immediately after giving effect thereto;

(ix) the Loan Parties may engage in transactions that are excluded from the definition of "Asset Sale" by the parenthetical following clause (iii) thereof;

(x) the lapse or abandonment in the ordinary course of business of any Intellectual Property that is, in the reasonable business judgment of the Borrower, immaterial or no longer economically practicable to maintain;

(xi) Dispositions of property to the Borrower or a Subsidiary; *provided*, that if the transferor of such property is a Loan Party (a) the transferee thereof must be a Loan Party (other than Holdings) or (b) such Investment must be a permitted Investment in a Subsidiary that is not a Loan Party in accordance with Section 6.04;

(xii) Dispositions of property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are promptly applied to the purchase price of such replacement property; provided that to the extent the property being transferred constitutes Collateral, such replacement property shall constitute Collateral;

(xiii) (A) Investments permitted pursuant to Section 6.04, (B) transactions permitted pursuant to Section 6.03, (C) Liens in compliance with Section 6.02 and (D) Restricted Payments in compliance with Section 6.06;

(xiv) (x) leases and subleases of real or personal property in the ordinary course of business and (y) non-exclusive licenses and sublicenses of Intellectual Property or other property;

(xv) sales of non-core assets acquired in connection with any Permitted Acquisitions;

(xvi) use of cash and Disposition of Permitted Investments in the ordinary course of business;

(xvii) Dispositions resulting from Casualty Events; and

(xviii) the unwinding or terminating of Hedging Agreement.

To the extent the Required Lenders or all the Lenders, as applicable, waive the provisions of this Section 6.05 with respect to the sale of any Collateral, or any Collateral is sold as permitted by this Section 6.05, such Collateral (unless sold to a Loan Party) shall be sold automatically free and clear of the Liens created by the Security Documents and the Agents shall, at the reasonable cost and expense of the Borrower, take all actions they reasonably deem appropriate in order to effect the foregoing.

SECTION 6.06 *Restricted Payments; Restrictive Agreements.*

(a) Declare or make, or agree to declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so; *provided, however*, that (i) any Subsidiary of the Borrower may declare and pay dividends or make other distributions ratably to its equity holders, (ii) the Borrower may make Restricted Payments to Holdings in an amount not to exceed the Permitted Restricted Payment Amount in any fiscal year of the Borrower to the extent necessary to pay independent director fees incurred by Holdings in the ordinary course of business, (iii) the Borrower may make Restricted Payments to Holdings in an amount not to exceed \$250,000 in any fiscal year of the Borrower, (and Holdings may make a corresponding Restricted Payment to the Sponsor or its Affiliates) to the extent necessary to pay reasonable general corporate or other entity and overhead expenses (including franchise or similar Taxes, other than Taxes in the nature of an income Tax, which is covered by Permitted Tax Distributions, but excluding fees to independent directors) incurred by Holdings or the Sponsor or its Affiliates (limited, in the case of the Sponsor and any of its Affiliates, to amounts directly related to its indirect ownership interests in the Borrower) or pay any indemnification amounts or other amounts described in Section 6.07(v) below owed to Holdings or the Sponsor or its Affiliates, pursuant to the Management Agreement or any other customary management or advisory arrangement (whether in writing, verbal or otherwise), (iv) the Borrower may pay to Holdings, and Holdings may pay to its direct or indirect parent companies, Permitted Tax Distributions; (v) Holdings, the Borrower and the Subsidiaries may make Restricted Payments in the form of distributions payable solely in the common stock, other common Equity Interests or other Qualified Capital Stock of such Person; (vi) the Borrower and Holdings may make (directly or indirectly) Permitted Founder Distributions; (vii) so long as no Event of Default has occurred and is continuing or would immediately result therefrom, payments may be made to Holdings (or any direct or indirect parent company of Holdings) to permit Holdings (or any such direct or indirect parent company of Holdings) to repurchase or redeem Qualified Capital Stock of Holdings (or any direct or indirect parent company) held by current or former officers, directors or employees (or their transferees, spouses, ex-spouses, estates or beneficiaries under their estates) of any Loan Party or their Subsidiaries, upon their death, disability, retirement, severance or termination of employment or service or to make payments on Indebtedness issued to buy such Qualified Capital Stock upon their death,

disability, retirement, severance or termination of employment or service; *provided* that the aggregate cash consideration (for the avoidance of doubt excluding cancellation of Indebtedness owed by such person) paid for all such redemptions and payments shall not exceed, in any fiscal year, the sum of (I) \$1,000,000, *plus* (II) the net cash proceeds of any “key-man” life insurance policies of any Loan Party or its Subsidiaries that have not been used to make any repurchases, redemptions or payments under this clause (vii), *provided further*, that any Restricted Payments or payments permitted to be made (but not made) pursuant to subclause (I) of this clause (vii) in a given fiscal year of Holdings may be carried forward and made in succeeding fiscal years of Holdings; *provided further* that during an Event of Default any payments described in this clause may accrue and shall be permitted to be paid when no Event of Default is continuing at such time; (viii) Restricted Payments may be made solely in Equity Interests of Holdings (other than Disqualified Stock), (ix) repurchases of Equity Interests may be made by Holdings upon the occurrence of the exercise of Equity Interest options if the Equity Interests represent a portion of the exercise price thereof and (x) distributions of proceeds of the Initial Term Loans to Holdings to effectuate the Existing Debt Refinancing on the Closing Date; *provided, however*, that (A) (x) the amount of cash dividends paid pursuant to clauses (iii) and (iv) to enable Holdings to pay Taxes at any time shall not exceed the amount of such Taxes actually owing by Holdings (or such applicable parent company) at such time and (y) any refunds (including in respect of Taxes) received by Holdings shall promptly be returned by Holdings to the Borrower as cash common equity contributions and (B) any Permitted Founder Distributions made pursuant to clause (vi) are subject to (1) the Loan Parties having no net operating losses (without taking into account any interest tax deduction) that have not been utilized to offset net income for any prior relevant period at the time such Permitted Founder Distribution is made, (2) the sum of (x) net income (determined in accordance with GAAP) of the Loan Parties and their Subsidiaries, on a consolidated basis, plus (y) interest expense (determined in accordance with GAAP) of the Loan Parties and their Subsidiaries, on a consolidated basis, for the most recently ended fiscal year, exceeding \$0, (3) immediately after giving effect to any such distribution, Liquidity being greater than or equal to \$3,000,000 and (4) the aggregate amount of all such Permitted Founder Distributions made during the term of this Agreement not exceeding \$8,000,000.

(b) Enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (i) the ability of Holdings, the Borrower or any Wholly Owned Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (ii) the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Subsidiary or to guarantee Indebtedness of the Borrower or any other Subsidiary; *provided* that (A) the foregoing shall not apply to restrictions and conditions imposed by law or regulation or by any Loan Document or any agreement or document related to the Indebtedness permitted by Section 6.01(iii) or the Liens on cash collateral permitted by Section 6.02(xiv), (B) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary (or its assets) pending such sale, provided such restrictions and conditions apply only to the Subsidiary or such assets that is (or are) to be sold and such sale is permitted hereunder, (C) clause (i) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (D) clause (i) of the foregoing shall not apply to customary provisions in leases, subleases, licenses, sublicenses and other contracts restricting the assignment thereof, (E) the foregoing shall not apply with respect to (i) any agreement (including with respect to Indebtedness) in effect at the time any Person becomes a Subsidiary of the Borrower; *provided*, that such agreement was not entered into in contemplation of such Person becoming a Subsidiary of the Borrower, (ii) restrictions under agreements evidencing or governing or otherwise relating to Indebtedness of any Subsidiaries that are not Loan Parties permitted under Section 6.01; *provided* that such Indebtedness is only with respect to the assets of any Subsidiaries that are not Loan Parties, (iii) customary provisions in joint venture agreements, limited liability company operating agreements, partnership agreements, stockholders agreements, other Organizational Documents and other

similar agreements, (iv) customary anti-assignment provisions in licenses and other contracts restricting the sublicensing or assignment thereof, (v) pursuant to Contractual Obligations that (y) exist on the Closing Date and (z) to the extent Contractual Obligations permitted by this clause (v) are set forth in an agreement evidencing Indebtedness or any agreement evidencing any Permitted Refinancing thereof so long as such Permitted Refinancing does not expand the scope of such Contractual Obligation, and (vi) restrictions in connection with cash or other deposits permitted under Section 6.02.

SECTION 6.07 *Transactions with Affiliates.* Except for (i) transactions between or among Loan Parties, (ii) Investments permitted by Section 6.04, and Indebtedness permitted by Section 6.01, and Liens permitted by Section 6.02, (iii) Dispositions, mergers, consolidations and dissolutions permitted by Section 6.05(i), (iv) Restricted Payments permitted by Section 6.06, (v) reimbursements of costs and expenses of the Sponsor or its Affiliates or any indemnities provided to the Sponsor or its Affiliates, in each case, pursuant to the Management Agreement or any other customary management or advisory arrangement (whether in writing, verbal or otherwise), (vi) director, officer and employee compensation (including bonuses) and other benefits (including retirement, health, stock option and other benefit plans) and indemnification arrangements and severance agreements, in each case approved by the Governing Body of Holdings, any direct or indirect parent entity of Holdings or the applicable Subsidiary of Holdings, (vii) transactions under the Loan Documents and the Related Documents, (viii) Dispositions of Qualified Capital Stock of Holdings to Affiliates of Borrower or Holdings not otherwise prohibited by the Loan Documents and the granting of registration and other customary rights in connection therewith, (ix) the Transactions, (x) the transactions with Velocity Technology Solutions, Inc. or its Affiliates that are approved by all disinterested directors (or the equivalent thereof) (excluding any independent director that may have an interest in the particular transaction) of the appropriate Governing Body of Holdings ~~and (xi, (xi) transactions under the Heller Management Agreement and the Leesberg Management Agreement and (xii)~~ the transactions set forth on Schedule 6.07, and any amendment or modification with respect to such transactions, and the performance of obligations thereunder, so long as such amendment or modification is not materially adverse to the interests of the Lenders, sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that the Borrower or any Subsidiary may engage in any of the foregoing transactions at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties; *provided* that if such Affiliate transaction both (1) does not meet one of the exceptions in clauses (i) through (xii) above and (2) involves aggregate payments or value in excess of \$1,000,000, the Borrower shall either obtain written approval for such Affiliate transaction from (y) all of the disinterested directors (or the equivalent thereof) (excluding any independent director that may have an interest in the particular transaction) of the appropriate Governing Body of the Borrower or such Subsidiary, as applicable or (z) the Administrative Agent.

SECTION 6.08 *Business of Holdings, Borrower and Subsidiaries.*

(a) With respect to Holdings, engage in any business activities prohibited by Section 6.13; and

(b) With respect to the Borrower and each of its Subsidiaries, engage at any time in any business or business activity other than the business conducted by it on the date hereof and any business reasonably related, similar, ancillary, complementary or incidental thereto or reasonable extensions thereof.

SECTION 6.09 *Other Indebtedness and Agreements, etc.*

(a) Make any distribution, whether in cash, property, securities or a combination thereof, other than regularly scheduled payments of principal and interest and premiums and fees as and when due (to the extent not prohibited by applicable subordination provisions), in respect of, or pay, or directly or indirectly redeem, repurchase, retire or otherwise acquire for consideration, any Subordinated Indebtedness unless permitted by the applicable subordination agreement, except (i) with respect to any Permitted Refinancing thereof, (ii) to the extent made with the proceeds of Qualified Capital Stock of Holdings, (iii) with respect to the Existing Debt Refinancing on the Closing Date, (iv) with respect to converting (or exchanging) any Indebtedness to (or for) Qualified Capital Stock of Holdings, (v) any AHYDO payments with respect thereto so long as no Event of Default is continuing or would immediately result therefrom and (vi) so long as no Event of Default is continuing, making prepayments, redemptions, repurchases, retirement, defeasance or other satisfaction of Indebtedness in an amount not to exceed \$500,000 per year; or

(b) Pay in cash any amount in respect of any Indebtedness (other than interest payable under this Agreement), Disqualified Stock or preferred Equity Interests that may at the obligor's option be paid in kind or in other securities, in each case, at a time (but only at such time) when PIK Interest is being paid (as opposed to all cash interest) on the Initial Term Loans ~~and~~, 2016 Term Loans or the 2016 Acquisition Term Loans pursuant to Section 2.06;

(c) Pay any Management Fees.

(d) Pay any fees payable pursuant to the Leesberg Management Agreement and the Heller Management Agreement; each as in effect on the Third Amendment Effective Date.

SECTION 6.10 *Maximum Consolidated Leverage Ratio*. Permit the Consolidated Leverage Ratio as of the last day of each period set forth below to be greater than the ratio set forth opposite such period below:

| <u>Four Fiscal Quarters Ending</u> | <u>Ratio</u> |
|--|--------------|
| Four fiscal quarters ending September 30, 2014 | 1.0 to 1.0 |
| Four fiscal quarters ending December 31, 2014 | 1.0 to 1.0 |
| Four fiscal quarters ending March 31, 2015 | 0.99 to 1.0 |
| Four fiscal quarters ending June 30, 2015 | 0.99 to 1.0 |
| Four fiscal quarters ending September 30, 2015 | 0.99 to 1.0 |
| Four fiscal quarters ending December 31, 2015 | 0.99 to 1.0 |
| Four fiscal quarters ending March 31, 2016 | 0.97 to 1.0 |
| Four fiscal quarters ending June 30, 2016 | 0.97 to 1.0 |
| Four fiscal quarters ending September 30, 2016 | 0.97 to 1.0 |
| Four fiscal quarters ending December 31, 2016 | 0.97 to 1.0 |
| Four fiscal quarters ending March 31, 2017 | 0.94 to 1.0 |
| Each four fiscal quarter period ending on March 31, June 30, September 30 and December 31 thereafter | 0.94 to 1.0 |

SECTION 6.11 **Fiscal Year.** Permit any of Holdings, the Borrower or any Subsidiary to change its fiscal year end to a date other than December 31.

SECTION 6.12 **Amendments or Waivers of Documents Relating to Subordinated Indebtedness, Certain Documents and Equity Interests.**

(a) **Amendments of Documents Relating to Certain Indebtedness.** Amend, waive, supplement, modify or otherwise change the terms of any Subordinated Indebtedness in a way that is expressly prohibited by the terms of the applicable subordination agreement (as in effect the date the Borrower acknowledges or agrees in writing to the terms of such subordination agreement or as amended in an amendment approved in writing by the Borrower).

(b) **Amendments of Certain Documents.** Make any amendment, waiver, restatement, supplement or other modification to such Person's Organizational Documents in any manner materially adverse to the Lenders without in each case obtaining the prior written consent of the Administrative Agent to such amendment, waiver, restatement, supplement or other modification; *provided* that, for the avoidance of doubt, Holdings may issue Equity Interests so long as such issuance is not otherwise prohibited by this Agreement, and may amend or modify its Organizational Documents to authorize the issuance of any such Equity Interests.

SECTION 6.13 **Conduct of Business by Holdings.** With respect to Holdings, engage in any business or activity, hold any assets or incur any Indebtedness or other liabilities, other than (i) the ownership of all outstanding Equity Interests in the Borrower, (ii) maintaining its corporate existence, (iii) participating in tax, accounting and other administrative activities as a member of the consolidated group of companies including the Loan Parties, (iv) executing, delivering and the performance of rights and obligations under the Loan Documents, the Related Documents, the Acquisition Agreement and related documents to which it is a party, (v) performance of rights and obligations under the Management Agreement or any other customary management or advisory arrangement (whether in writing, verbal or otherwise), (vi) making any Restricted Payment permitted by Section 6.06, (vii) purchasing Qualified Capital Stock of Borrower, (viii) making capital contributions to Borrower, (ix) executing, delivering and the performance of rights and obligations under any employment agreements and any documents related thereto, (x) the making of loans to officers, the Governing Body, and employees in exchange for Equity Interests of Holdings purchased by such officers, Governing Body, or employees pursuant to Section 6.04 and the acceptance of notes related thereto and (xi) activities incidental to the businesses or activities described in clauses (i)-(x) above.

ARTICLE VII
Events of Default

SECTION 7.01 **Events of Default.** In case of the happening of any of the following events ("**Events of Default**"):

(a) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(b) default shall be made in the payment of any interest or premium on any Loan or any Fee or any other amount (other than an amount referred to in (a) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three days;

(c) any representation or warranty made or deemed made to any Agent or Lender in or in connection with or pursuant to any Loan Document or the Loans made hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall be false or misleading in any material respect when so made, deemed made or furnished (except to the extent already qualified by materiality, in which case it shall not be false or misleading in any respect);

(d) default shall be made in the due observance or performance by Holdings, the Borrower or any Subsidiary of any covenant or agreement contained in Section 4.02, Section 5.01(a), Section 5.01(b) (solely to the extent the failure to comply has resulted in a Material Adverse Effect), Section 5.04(b) (and such default shall continue unremedied for a period of ten days), Section 5.05(a), Section 5.08, or in Article VI (provided that any failure to comply with Section 6.10 shall be subject to cure pursuant to Section 7.02);

(e) default shall be made in the due observance or performance by Holdings, the Borrower or any Subsidiary of any covenant or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) or any Related Document and such default shall continue unremedied for a period of 30 days after the earlier of (i) written notice thereof from the Administrative Agent or any Lender to the Borrower and (ii) knowledge thereof by a Responsible Officer of Holdings or the Borrower;

(f) (i) Holdings, the Borrower or any Subsidiary shall fail to pay any principal or interest, regardless of amount, due in respect of any Material Indebtedness, when and as the same shall become due and payable (after giving effect to any cure periods); or (ii) any other event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment (other than customary mandatory prepayments), repurchase, redemption or defeasance thereof, prior to its scheduled maturity; *provided* that this clause (ii) shall not apply to secured Indebtedness that becomes due solely as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary), or of all or substantially all of the property or assets of Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary), under the Bankruptcy Code, as

now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary) or for all or substantially all of the property or assets of Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary) or (iii) the winding-up or liquidation of Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary); and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary) shall (i) voluntarily commence any proceeding or file any petition seeking relief under the Bankruptcy Code, as now constituted or hereafter amended, or any other Federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary) or for all or substantially all of the property or assets of Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary), (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) become unable, admit in writing its liability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments shall be rendered against Holdings, the Borrower, any Subsidiary (other than any Immaterial Subsidiary) or any combination thereof and the same shall remain undischarged, unstayed, unvacated and unbonded for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Holdings, the Borrower or any Subsidiary (other than any Immaterial Subsidiary) to enforce any such judgment and such judgment either (i) is for the payment of money in an aggregate amount in excess of \$1,125,000 generally and \$3,000,000 with respect to unpaid state taxes (after giving effect to insurance (and taking into account any deductibles) as to which Holdings, the Borrower or any Subsidiary has promptly submitted or will promptly submit a written claim in respect thereof to the applicable insurance carrier and the insurance carrier has not denied liability by an appropriate proceeding and is solvent and not an Affiliate of Holdings, the Borrower or any of its Subsidiaries) or (ii) is for injunctive relief and could reasonably be expected to result in a Material Adverse Effect;

(j) an ERISA Event shall have occurred that, in the reasonable opinion of the Required Lenders, when taken together with all other such ERISA Events, could reasonably be expected to result in liability of the Borrower, Holdings or any Subsidiary in an aggregate amount exceeding \$1,000,000;

(k) any guarantee under the Guarantee and Collateral Agreement for any reason shall cease to be in full force and effect (other than in accordance with its terms), or any Guarantor shall deny in writing that it has any further liability under the Guarantee and Collateral Agreement (other than as a result of the discharge of such Guarantor in accordance with the terms of the Loan Documents);

(l) any security interest purported to be created by any Security Document shall cease to be, or shall be asserted by the Borrower or any other Loan Party not to be, a valid, perfected, first priority (subject to Lien permitted by [Section 6.02](#)) security interest in the securities, assets or properties purported to be covered thereby (other than any Collateral that both (x) has a fair market value of not more than \$375,000 in the aggregate, and (y) is not material to the operations, business or prospects of any Loan Party) other than by reason of action or inaction by the Collateral Agent, the Administrative Agent, the Lenders, the other Secured Parties or their Related Parties;

(m) any Subordinated Indebtedness of Holdings, the Borrower or any Subsidiary constituting Material Indebtedness shall cease (or any Loan Party or an Affiliate of any Loan Party shall so assert), for any reason, to be validly subordinated to the Obligations as provided in the agreements evidencing such Subordinated Indebtedness; or

(n) the Acquisition shall be unwound by a final, non-appealable judgment of a court of competent jurisdiction; then, and in every such event (other than an event with respect to any of the Loan Parties described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such an Event of Default, the Administrative Agent may, and at the written request of the Required Lenders shall, by written notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable (and accrued interest thereon), together with the Applicable Prepayment Premium (other than in the case of acceleration of the Loans due to the Loan Parties' breach of the covenant set forth in Section 6.10) for the prepayment date with respect to such principal amount paid and accrued interest thereon, and any unpaid accrued Fees and all other liabilities of the Loan Parties accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by each of Holdings and the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to any of the Loan Parties described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding (and accrued interest thereon), together with the Applicable Prepayment Premium for the prepayment date with respect to such principal amount paid and accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Loan Parties accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by each of Holdings and the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding, and the Collateral Agent shall have the right to enforce all of the Liens created pursuant to the Security Documents and exercise on behalf of itself and the other Secured Parties all rights and remedies available to it and the other Secured Parties under the Loan Documents or applicable law, including the right to appoint a receiver.

If the Obligations are accelerated for any reason, including because of default, Disposition or encumbrance (including that by operation of law or otherwise), the Applicable Prepayment Premium will also be due and payable on the outstanding principal amount (including, for the avoidance of doubt, PIK Interest on the Initial Term Loans, the 2016 Term Loans and/or the 2016 Acquisition Term Loans that has been capitalized and added to principal of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable) of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable (but not any Revolving Loans, Incremental Loans, interest accruing thereon, other Obligations or other amounts), as though said indebtedness was voluntarily prepaid and shall constitute part of the Obligations, in view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of each Lender's lost profits as a result thereof. Any Applicable Prepayment Premium payable pursuant to the immediately preceding sentence shall be presumed to be the liquidated damages sustained by each such Initial Term Loan Lender ~~or~~, 2016 Term Loan Lender or 2016 Acquisition Term Lender, as applicable, as the result of the early termination and the Borrower agrees that it is reasonable under the circumstances currently existing. The Applicable Prepayment Premium shall also be payable on the outstanding principal amount (including, for the avoidance of doubt, PIK Interest on the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans that has been capitalized and added to principal of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable) of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable (but not any Revolving Loans, Incremental Loans, interest accruing thereon, other Obligations or other amounts), in the event the Obligations (and/or this

Agreement or the Notes evidencing the Obligations) are satisfied or released by foreclosure (whether by power of judicial proceeding), deed in lieu of foreclosure or by any other means. THE BORROWER EXPRESSLY WAIVES THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE OR LAW THAT PROHIBITS OR MAY PROHIBIT THE COLLECTION OF THE FOREGOING APPLICABLE PREPAYMENT PREMIUM ON THE OUTSTANDING PRINCIPAL AMOUNT (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PIK INTEREST ON THE INITIAL TERM LOANS, 2016 TERM LOANS OR 2016 ACQUISITION TERM LOANS THAT HAS BEEN CAPITALIZED AND ADDED TO PRINCIPAL OF SUCH INITIAL TERM LOANS, 2016 TERM LOANS OR 2016 ACQUISITION TERM LOANS, AS APPLICABLE) OF SUCH INITIAL TERM LOANS, 2016 TERM LOANS OR 2016 ACQUISITION TERM LOANS, AS APPLICABLE IN CONNECTION WITH ANY SUCH ACCELERATION. The Borrower expressly agrees that: (A) the Applicable Prepayment Premium on the outstanding principal amount (including, for the avoidance of doubt, PIK Interest on the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans that has been capitalized and added to principal of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable) of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable, is reasonable and is the product of an arm's length transaction between sophisticated business people, ably represented by counsel; (B) the Applicable Prepayment Premium on the outstanding principal amount (including, for the avoidance of doubt, PIK Interest on the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans that has been capitalized and added to principal of the Initial Term Loans or 2016 Term Loans, as applicable) of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable, shall be payable notwithstanding the then prevailing market rates at the time payment is made; (C) there has been a course of conduct between Lenders and the Borrower giving specific consideration in this transaction for such agreement to pay the Applicable Prepayment Premium; and (D) the Borrower shall be estopped hereafter from claiming differently than as agreed to in this paragraph. The Borrower expressly acknowledges that its agreement to pay the Applicable Prepayment Premium on the outstanding principal amount (including, for the avoidance of doubt, PIK Interest on the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans that has been capitalized and added to principal of such Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable) of the Initial Term Loans, 2016 Term Loans or 2016 Acquisition Term Loans, as applicable (but not any Revolving Loans, Incremental Loans, interest accruing thereon, other Obligations or other amounts), to such Lenders as herein described is a material inducement to the Initial Term Loan Lenders ~~and~~ the 2016 Term Loan Lenders and 2016 Acquisition Term Loan Lenders, as applicable, to make the Initial Term Loans ~~and~~ the 2016 Term Loans and 2016 Acquisition Term Loans, as applicable.

SECTION 7.02 *Right to Cure.*

(a) Notwithstanding anything to the contrary contained in Section 7.01, in the event that the Borrower fails to comply with the requirements of the covenant set forth in Section 6.10, during the period beginning on the first day following the applicable fiscal quarter (i.e., the last fiscal quarter in the period of non-compliance with the covenant set forth in Section 6.10) until the expiration of the 15th day subsequent to the date the Compliance Certificate to be delivered pursuant to Section 5.04(c) for such fiscal quarter is required to be delivered (the "**Cure Date**"), Holdings shall have the right to use cash proceeds of any equity contribution (in the form of Qualified Capital Stock) to Holdings during such period (any such equity contribution to Holdings to exercise the Cure Right pursuant to this Section, a "**Cure Contribution**") or any issuance of Equity Interests by Holdings (other than any issuance of Disqualified Stock) during such period (any such Equity Interests issued by Holdings to exercise the Cure Right pursuant to this Section, "**Cure Securities**") to make an equity contribution to, or purchase equity of, the Borrower in each case, in the form of Qualified Capital Stock (collectively, the "**Cure Right**"), and upon the receipt by the Borrower of such cash (the "**Cure Amount**") pursuant to the exercise by Holdings of such Cure Right and written request to the Administrative Agent to effect such recalculation, the covenant set forth in Section 6.10 shall be recalculated giving effect to the following pro forma adjustments:

(i) Consolidated Revenue shall be increased for such fiscal quarter (and any four fiscal quarter-period that includes such fiscal quarter), solely for the purpose of measuring the covenant set forth in Section 6.10 and not for any other purpose under this Agreement, by an amount equal to the Cure Amount; and

(ii) if, after giving effect to the foregoing recalculations, the Borrower shall then be in compliance with the requirements of the covenant set forth in Section 6.10, the Borrower shall be deemed to have satisfied the requirements of the covenant set forth in Section 6.10 as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach or default of the covenant set forth in Section 6.10 that had occurred shall be deemed cured for the purposes of this Agreement.

(b) Notwithstanding anything herein to the contrary (i) in each four consecutive fiscal-quarter period there shall be at least two fiscal quarters in which the Cure Right is not exercised, (ii) during the term of this Agreement, the Cure Right may be exercised no more than four times, (iii) the Cure Amount shall be no greater than the amount required for purposes of causing the Borrower to comply with the covenant set forth in Section 6.10, (iv) subject to Section 2.11(j), the proceeds of a Cure Contribution or Cure Securities shall be used to prepay the outstanding Initial Term Loans, 2016 Term Loans and 2016 Acquisition Term Loans (and, with respect to any Incremental Loans, only to the extent agreed pursuant to Section 2.23(d)(iv)) on a pro rata basis (and, in each case and notwithstanding anything to the contrary in this Agreement, such prepayment shall not be subject to the Applicable Prepayment Premium) and the Loans shall be deemed repaid for the purposes of recalculating the covenant set forth in Section 6.10.

(c) Upon the Administrative Agent's receipt of a notice from the Borrower that it intends to exercise the Cure Right (a "**Notice of Intent to Cure**"), until the 15th day subsequent to the date of required delivery of the related Compliance Certificate delivered pursuant to Section 5.04(c) to which such Notice of Intent to Cure relates, neither the Administrative Agent nor any Lender shall exercise the right to accelerate payment of the Loans or terminate or suspend the Commitments nor take any other remedy pursuant to Section 7.01 or otherwise and neither the Collateral Agent nor any other Lender shall exercise any right to foreclose on or take possession of the Collateral solely on the basis of an allegation of an Event of Default having occurred and being continuing under Section 7.01 due to failure by the Borrower to comply with the requirements of the covenant set forth in Section 6.10 for the applicable period.

ARTICLE VIII

The Administrative Agent and the Collateral Agent

Each of the Lenders hereby irrevocably appoints the Administrative Agent and the Collateral Agent (for purposes of this Article VIII, the Administrative Agent and the Collateral Agent are referred to collectively as the "**Agents**") its agent and authorizes the Agents to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, the Agents are hereby expressly authorized to execute any and all documents (including releases) with respect to the Collateral and the rights of the Secured Parties with respect thereto, as contemplated by and in accordance with the provisions of this Agreement and the Security Documents.

The Person serving as the Administrative Agent and/or the Collateral Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such Person and its affiliates may provide debt financing, equity capital or other services (including financial advisory services) to any of the Loan Parties (or any Person engaged in similar business as that engaged in by any of the Loan Parties) as if such Person was not performing the duties specified herein, and may accept fees and other consideration from any of the Loan Parties for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

Neither Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) neither Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) neither Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that such Agent is instructed in writing to exercise by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.08), and (c) except as expressly set forth in the Loan Documents, neither Agent shall have any duty to disclose, nor shall it be liable for the failure to disclose, any information relating to Holdings, the Borrower or any of the Subsidiaries that is communicated to or obtained by the Person serving as the Administrative Agent and/or Collateral Agent or any of its Affiliates in any capacity. Neither Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.08) or in the absence of its own gross negligence or willful misconduct as finally judicially determined by a court of competent jurisdiction. Neither Agent nor any Lender shall be deemed to have knowledge of any Default unless and until written notice thereof is given to such Agent or such Lender by Holdings, the Borrower or a Lender, and neither Agent nor any Lender shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent or such Lender.

Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent may also rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Each Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by it. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the Credit Facilities as well as activities as Agent.

Subject to the appointment and acceptance of a successor Agent as provided below, either Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, with the written consent of the Borrower (such consent not to be unreasonably withheld, delayed or conditioned and such consent not to be required during the continuance of a Designated Event of Default), to appoint a successor other than any Excluded Lender. If no successor shall have been so appointed by the Required Lenders (with the Borrower's written consent, subject to the limitations on consent in the immediately preceding sentence) and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent (other than any Excluded Lender) with the written consent of the Borrower (such consent not to be unreasonably withheld, delayed or conditioned and such consent not to be required during the continuance of a Designated Event of Default) which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Agent hereunder by a successor (who shall not be an Excluded Lender and any attempted appointment of an Excluded Lender shall be absolutely void *ab initio*), such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. If within 30 days after written notice is given of the resigning Agent's resignation under this Article VIII no successor Agent shall have been appointed and shall have accepted such appointment, then on such 30th day (a) the retiring Agent's resignation shall become effective, (b) the retiring Agent shall thereupon be discharged from its duties and obligations under the Loan Documents and (c) the Required Lenders shall thereafter perform all duties of the retiring Agent under the Loan Documents until such time, if any, as the Required Lenders appoint a successor Agent that is not an Excluded Lender as provided above. The Borrower shall pay the reasonable and documented out-of-pocket fees of a successor Agent that is not an Excluded Lender and that is not appointed in violation of this paragraph. After an Agent's resignation hereunder, the provisions of this Article VIII and Section 9.05 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while acting as Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement or any other Loan Document, any related agreement or any document furnished hereunder or thereunder.

Each Lender hereby further authorizes the Collateral Agent, on behalf of and for the benefit of Lenders, to enter into each Security Document as secured party and to be the agent for and representative of the Lenders thereunder, and each Lender agrees to be bound by the terms of each Security Document; *provided* that the Collateral Agent shall not (i) enter into or consent to any material amendment, modification, termination or waiver of any provision contained in any Security Document or (ii) release any Collateral (except as otherwise expressly permitted or required pursuant to the terms of this Agreement or the applicable Security Document), in the case of each of clauses (i) and (ii) without the prior consent of Required Lenders (or, if required pursuant to Section 9.08, all Lenders); *provided further, however*, that, without further written consent or authorization from the Lenders, the Collateral Agent may execute any documents or instruments necessary to (a) release any Lien encumbering any item of Collateral (1) that is the subject of a sale or other Disposition of assets permitted by this Agreement, the other Loan Documents or to which Required Lenders have otherwise consented or (2) upon the payment in full of the Obligations (other than contingent indemnity claims or expense reimbursement obligations not yet asserted), (b) release any Subsidiary Guarantor from the Guarantee and Collateral Agreement if all of the Equity Interests of such Subsidiary Guarantor are sold or otherwise Disposed of to any Person

(other than an Affiliate of a Loan Party) pursuant to a sale or other Disposition permitted hereunder or under any of the other Loan Documents or to which Required Lenders have otherwise consented or (c) subordinate the Liens of the Collateral Agent, on behalf of the Secured Parties, to any Liens permitted by Section 6.02. Anything contained in any of the Loan Documents to the contrary notwithstanding, Holdings, the Borrower, the Collateral Agent and each Lender hereby agree that (1) no Lender shall have any right individually to realize upon any of the Collateral under or otherwise enforce any Security Document, it being understood and agreed that all powers, rights and remedies under the Security Documents may be exercised solely by the Collateral Agent for the benefit of the Secured Parties in accordance with the terms thereof, and (2) in the event of a foreclosure by either on any of the Collateral pursuant to a public or private sale, either Agent or any Lender may be the purchaser of any or all of such Collateral at any such sale and the Collateral Agent, as agent for and representative of Lenders (but not any Lender or Lenders in its or their respective individual capacities unless Required Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any Collateral payable by the Collateral Agent at such sale. Notwithstanding anything to the contrary herein, the Collateral Agent shall be permitted to take any action it is authorized to take under any Loan Document.

In case of the pendency of any case or proceeding under the Bankruptcy Code or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Agents (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Agents and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 2.05, Section 2.13, Section 2.17, and Section 9.05) allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 2.05 and Section 9.05.

ARTICLE IX

Miscellaneous

SECTION 9.01 Notices. Notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax, as follows:

(i) if to Holdings or the Borrower, to them at Blackline Systems, Inc., 21300 Victory Blvd., 12th Floor, Woodland Hills, CA 91367, Attention: Controller (Fax No.: (818 223-9081) and Email:

accounting @blackline.com), with a copy (which shall not constitute notice) to: (a) Silver Lake Sumeru Fund, L.P., 2775 Sand Hill Road, Suite 100, Menlo Park, CA 94025, Attention: Jason Babcoke (Fax No.: (650) 234-2526 and Email: Jason.Babcoke@SilverLake.com and (2) Kirkland & Ellis LLP, 555 California Street, San Francisco, CA 94104, Attention: Christopher Kirkham (Fax No.: (415) 439-1500 and Email: christopher.kirkham@kirkland.com);

(ii) if to the Administrative Agent, to Obsidian Agency Services, Inc., c/o Tennenbaum Capital Partners, LLC, 2951 28th Street, Suite 1000, Santa Monica, California 90405, Attention: Asher Finci (Fax No. (310) 889-4950 and Email: asher.finci@tennenbaumcapital.com), with a copy (which shall not constitute notice) to Proskauer Rose LLP, 2049 Century Park East, Suite 3200, Los Angeles, California 90067, Attention: Steven O. Weise and Glen K. Lim (Fax No. (310) 557-2193 and Email: sweise@proskauer.com and glim@proskauer.com); and

(iii) if to a Lender, to it at its address (or fax number) set forth on Schedule 2.01 or in the Assignment and Acceptance pursuant to which such Lender shall have become a party hereto.

All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt if delivered by hand or overnight courier service or sent by fax or on the date 5 Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 9.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 9.01. As agreed to among Holdings, the Borrower, the Administrative Agent and the applicable Lenders from time to time, notices and other communications may also be delivered by e-mail to the e-mail address of a representative of the applicable Person provided from time to time by such Person.

SECTION 9.02 *Survival of Agreement.* All covenants, agreements, representations and warranties made by Holdings or the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Lenders and shall survive the making by the Lenders of the Loans, regardless of any investigation made by the Lenders or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any Fee or any other Obligation (other than contingent indemnity claims or expense reimbursement obligations not yet asserted) payable under this Agreement or any other Loan Document is outstanding and unpaid and so long as the Commitments have not been terminated. The provisions of Section 2.12, Section 2.13, Section 2.17 and Section 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent or any Lender.

SECTION 9.03 *Binding Effect.* This Agreement shall become effective when it shall have been executed by Holdings, the Borrower, the Collateral Agent and the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto.

SECTION 9.04 *Successors and Assigns.*

(a) Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of Holdings, the Borrower, the Administrative Agent, the Collateral Agent or the Lenders that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

(b) Each Lender may assign to one or more Eligible Assignees (which, for the avoidance of doubt, shall not be any Excluded Lender) all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it), with the prior written consent of the Borrower and the Administrative Agent (not to be unreasonably withheld or delayed); *provided, however*, that (i) the consent of the Borrower shall not be required to any such assignment made (A) to another Lender or an Affiliate of a Lender, or (B) after the occurrence and during the continuance of any Designated Event of Default; *provided* that, notwithstanding anything to the contrary in this Agreement, the Borrower shall retain its right to consent in writing to an assignment to any Excluded Lender at all times, (ii) unless otherwise consented to in writing by the Borrower and the Administrative Agent, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to when such assignment is delivered to the Administrative Agent) shall be in an integral multiple of, and not less than, \$1,000,000 (or, if less, the entire remaining amount of such Lender's Commitment or Loans), (iii) the parties to each such assignment shall manually execute and deliver to the Administrative Agent an Assignment and Acceptance, together with, unless waived by the Administrative Agent, a processing and recordation fee of \$3,500 (*provided* that only one such fee shall be payable in the case of concurrent assignments to Persons that, after giving effect to such assignments, will be Related Funds), and (iv) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and all applicable tax forms. Upon acceptance and recording pursuant to paragraph (e) of this Section 9.04, from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and (B) the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of, and subject to the requirements of, Section 2.12, Section 2.13, Section 2.17 and Section 9.05).

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the assignee thereunder shall be deemed to confirm to and agree with each other and the other parties hereto (including the Borrower) as follows: (i) such assigning Lender warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim; (ii) except as set forth in (i) above, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto, or the financial condition of Holdings, the Borrower or any Subsidiary or the performance or observance by Holdings, the Borrower or any Subsidiary of any of its obligations under this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Acceptance; (iv) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in Section 3.05(a) or delivered pursuant to Section 5.04 and such other documents and information as it has deemed reasonably appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (v) such assignee will independently and without reliance upon the Administrative Agent, the Collateral Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents; (vi) such assignee appoints and

authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Administrative Agent and the Collateral Agent, respectively, by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at its principal executive offices a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). Absent manifest error, the Borrower, the Administrative Agent, the Collateral Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Collateral Agent and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of, and consent to, a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, an Administrative Questionnaire completed in respect of the assignee (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) above, if applicable, and, if required, the written consent of the Administrative Agent and, if required, the Borrower to such assignment and any applicable tax forms, the Administrative Agent shall (i) accept such Assignment and Acceptance and (ii) notify the Borrower of such acceptance. The Administrative Agent shall promptly record the information contained therein in the Register. No assignment shall be effective unless it has been recorded in the Register as provided in this paragraph (e). This Section 9.04(e) shall be construed so that any Commitment, Loan or other Obligation under the Loan Documents is in registered form under Section 5f103-1(c) of the United States Treasury Regulations.

(f) Each Lender may without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other Persons (in each case, other than to an Excluded Lender) in all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); *provided, however*, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other Persons shall be entitled to the benefit of the cost protection provisions contained in Section 2.12 and Section 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17 and it being understood that the documentation required under Section 2.17 shall be delivered to the participating Lender) to the same extent as if they were Lenders (but, with respect to any particular participant), to no greater extent than the Lender that sold the participation to such participant, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the participant acquired the applicable participation, (iv) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right to enforce the obligations of the Borrower relating to the Loans and to approve any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications or waivers decreasing any fees payable to such participating bank or Person hereunder or the amount of principal of or the rate at which interest is payable on the Loans in which such participating bank or Person has an interest, extending any scheduled principal payment date or date fixed for the payment of interest on the Loans in which such participating bank or Person has an interest, increasing or extending the Commitments in which such participating bank or Person has an interest or releasing any Guarantor (other than in connection with the sale of such Guarantor in a transaction permitted by Section 6.05) or all or substantially all of the

Collateral) and (v) such bank or other Person shall not be an Excluded Lender. Notwithstanding anything to the contrary, no Lender shall enter into any agreement with any participant that will permit such participant to influence or control the voting rights of such Lender with respect to the Loans or Obligations (and no participant shall have or receive any voting rights with respect to the Loans or Obligations) except with regard to (i) decreases in the principal amount of, or extending the maturity of or any scheduled principal payment date or date for the payment of any interest or premium on any Loan, or waiving or excusing any such payment or any part thereof, or decreasing the rate of interest or premium on any Loan, without the prior written consent of each Lender directly adversely affected thereby (other than any waiver of any increase in the interest rate applicable to the Loans as a result of the occurrence of an Event of Default and other than any waiver or extension of any mandatory prepayment), (ii) increasing or extending the Commitment or decreasing or extending the date for payment of any Fees or premiums of any Lender (other than any waiver or extension of any mandatory prepayment) without the prior written consent of such participant, or (iii) amending or modifying the pro rata requirements of Section 2.14, the provisions of Section 9.04(k) or the provisions of Section 9.08(b)(i) - (iii).

(g) Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Loans or other obligations under the Loan Documents (the "**Participant Register**"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in any Commitments, Loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be *prima facie* evidence absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(h) Any Lender or participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 9.04, disclose to the assignee or participant or proposed assignee or participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; *provided* that, prior to any such disclosure of information designated by the Borrower as confidential, each such assignee or participant or proposed assignee or participant shall execute an agreement whereby such assignee or participant shall agree (subject to customary and commercially reasonable exceptions) to bound by or preserve the confidentiality of such confidential information on terms no less restrictive than those applicable to the Lenders pursuant to Section 9.16.

(i) Any Lender may at any time assign all or any portion of its rights under this Agreement to secure extensions of credit to such Lender or in support of obligations owed by such Lender; *provided* that no such assignment shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(j) Notwithstanding anything to the contrary contained herein, any Lender (a "**Granting Lender**") may grant to a special purpose funding vehicle that is not an Excluded Lender (an "**SPC**"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrower pursuant to this Agreement; *provided* that (i) nothing herein shall constitute a commitment by any SPC to make any Loan and (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPC

hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other Person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.04, any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in the Loans to the Granting Lender or to any financial institutions that are not Excluded Lenders (consented to by the Borrower and the Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis (upon receiving a signed agreement to be bound to confidentiality provisions similar to those in Section 9.16) any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. A Granting Lender that transfers all or any portion of its Loan to an SPC shall maintain a register that complies with the requirements set forth in Section 9.04(g).

(k) Neither Holdings nor the Borrower shall assign or delegate any of its rights or duties hereunder without the prior written consent of the Administrative Agent and each Lender. Notwithstanding anything to the contrary, any attempted assignment that is not permitted by the terms hereunder shall be absolutely void *ab initio*.

SECTION 9.05 Expenses; Indemnity.

(a) Holdings and the Borrower agree, jointly and severally, to pay all reasonable and documented out-of-pocket costs and expenses, including reasonable and documented attorneys' fees (limited to one transactional counsel and one local counsel in each relevant jurisdiction) and reasonable and documented out-of-pocket fees, costs and expenses of accountants, advisors and consultants, incurred by the Administrative Agent, the Collateral Agent and their one counsel in the negotiation, preparation and administration of this Agreement and the other Loan Documents including reasonable and documented out-of-pocket travel costs and costs and expenses (not to exceed \$7,500 in any fiscal year of Holdings related to the obtaining and maintenance of credit ratings) or in connection with any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions hereby or thereby contemplated shall be consummated) or relating to efforts to evaluate or assess any Loan Party, its business or financial condition or protect, evaluate, assess or Dispose of any of the Collateral; and all reasonable and documented out-of-pocket costs and expenses, including reasonable and documented attorneys' fees (limited to one transactional counsel and one local counsel in each relevant jurisdiction), fees, costs and expenses of accountants, advisors and consultants and costs of settlement, incurred by the Administrative Agent, the Collateral Agent and Lenders in enforcing any Obligations of or in collecting any payments due from any Loan Party hereunder or under the other Loan Documents (including in connection with the sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Loan Documents) or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or pursuant to any insolvency or bankruptcy proceedings. Notwithstanding the foregoing, the parties hereto agree that Holdings, the Borrower and the other Loan Parties shall not be required to pay costs and expenses incurred on or prior to the Closing Date in connection with the primary syndication of the Credit Facility and the negotiation, preparation and administration of this Agreement and the other Loan Documents in excess of \$300,000.

(b) Holdings and the Borrower agree, jointly and severally, to indemnify the Administrative Agent, the Collateral Agent, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an “**Indemnitee**”) against, and to hold each Indemnitee harmless from, any and all losses (other than lost profits), claims, damages, liabilities and related expenses, including reasonable and documented out-of-pocket counsel fees of one counsel and one local counsel in each relevant jurisdiction, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby, (ii) the use of the proceeds of the Loans, (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto or the plaintiff or defendant thereunder (and regardless of whether such matter is initiated by a third party, a Lender, or by Holdings, the Borrower, any other Loan Party or any of their respective Affiliates), or (iv) any actual or alleged presence or Release of Hazardous Materials on any property currently or formerly owned or operated by the Borrower or any of the Subsidiaries, or any Environmental Liability related in any way to the Borrower or the Subsidiaries; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence, bad faith or willful misconduct of such Indemnitee or its Affiliates, (B) result from a successful claim brought by the Borrower or any other Loan Party against an Indemnitee for a material breach of such Indemnitee’s material obligations hereunder or under any other Loan Document or (C) arise from disputes arising solely among Indemnitees that do not involve any act or omission by any Loan Party or its Affiliates (other than claims, damages, liabilities and related expenses against an Agent acting solely in its capacity as such, but not with respect to any other Person that is party to such dispute with an Agent).

(c) To the extent that Holdings and the Borrower fail to pay any amount required to be paid by them to the Administrative Agent or the Collateral Agent under paragraph (a) or (b) of this Section 9.05(c), each Lender severally agrees to pay to the Administrative Agent or the Collateral Agent, as the case may be, such Lender’s *pro rata* share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Collateral Agent in its capacity as such. For purposes hereof, a Lender’s “*pro rata* share” shall be determined based upon its share of the sum of the outstanding Loans and unused Commitments at the time.

(d) To the extent permitted by applicable law, neither Holdings nor the Borrower shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) The provisions of this Section 9.05 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent or any Lender. All amounts due under this Section 9.05 shall be payable within 10 Business Days of demand therefor.

SECTION 9.06 *Right of Setoff*. If an Event of Default shall have occurred and be continuing, each Secured Party is hereby authorized at any time and from time to time, except to the extent prohibited

by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Secured Party to or for the credit or the account of Holdings or the Borrower against any of and all the obligations of Holdings or the Borrower now or hereafter existing under this Agreement and other Loan Documents held by such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under this Agreement or such other Loan Document and although such obligations may be unmatured. The rights of each Secured Party under this Section 9.06 are in addition to other rights and remedies (including other rights of setoff) which such Secured Party may have.

SECTION 9.07 *Applicable Law.* THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN OTHER LOAN DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 9.08 *Waivers; Amendment.*

(a) No failure or delay of the Administrative Agent, the Collateral Agent or any Lender in exercising any power or right hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or among the parties with respect to the subject matter hereof is superseded by this Agreement and the other the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Collateral Agent and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower or any other Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on Holdings or the Borrower in any case shall entitle Holdings or the Borrower to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower, Holdings and the Required Lenders; *provided, however*, that no such agreement shall (i) decrease the principal amount of, or extend the maturity of or any scheduled principal payment date or date for the payment of any interest or premium on any Loan, or waive or excuse any such payment or any part thereof, or decrease the rate of interest or premium on any Loan, without the prior written consent of each Lender directly adversely affected thereby (other than ~~(x)~~ any waiver of any increase in the interest rate applicable to the Loans as a result of the occurrence of an Event of Default ~~and other than~~, (y) any waiver or extension of any mandatory prepayment ~~and (z) any waiver of the requirements of Section 2.23(d)(v)~~), (ii) increase or extend the Commitment or decrease or extend the date for payment of any Fees or premiums of any Lender (other than any waiver or extension of any mandatory prepayment) without the prior written consent of such Lender, (iii) amend or modify the *pro rata* requirements of Section 2.14, the provisions of Section 9.04(k) or the provisions of this Section 9.08(b) or release any Guarantor (other than in connection with the sale or other disposition of such Guarantor in a transaction permitted by Section 6.05) or all or substantially all of the Collateral, without the prior written consent of each Lender, (iv) modify the protections afforded to an SPC pursuant to the provisions of Section 9.04(j) without the written consent of such SPC, (v) without the written consent of the Required RL Lenders, amend, modify or waive any condition precedent set forth in Section 4.02 or amend the definition of "Required RL Lenders" or (vi) reduce the percentage contained in the definition of the term "Required Lenders" without the prior written consent of each Lender (it being understood that with the consent of the Required Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination

of the Required Lenders on substantially the same basis as the Commitments on the date hereof); *provided further* that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or the Collateral Agent hereunder or under any other Loan Document without the prior written consent of the Administrative Agent or the Collateral Agent.

SECTION 9.09 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under applicable law (collectively the “**Charges**”), shall exceed the maximum lawful rate (the “**Maximum Rate**”) that may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.09 shall be cumulated and the interest and Charges payable to such Lender in respect of other periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.10 Entire Agreement. This Agreement and the other Loan Documents constitute the entire contract between the parties relative to the subject matter hereof. Any other previous agreement among the parties with respect to the subject matter hereof is superseded by this Agreement and the other Loan Documents. Nothing in this Agreement or in the other Loan Documents, expressed or implied, is intended to confer upon any Person (other than the parties hereto and thereto, their respective successors and assigns permitted hereunder and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Collateral Agent and the Lenders) any rights, remedies, obligations or liabilities under or by reason of this Agreement or the other Loan Documents.

SECTION 9.11 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.11.

SECTION 9.12 Severability. In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 9.13 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract, and shall become effective as provided in

Section 9.03. Delivery of an executed signature page to this Agreement by facsimile transmission or other electronic means shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9.14 **Headings**. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 9.15 **Jurisdiction; Consent to Service of Process**.

(a) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, the Collateral Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against Holdings, the Borrower, or their respective properties in the courts of any jurisdiction.

(b) Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any court located in the City of New York, Borough of Manhattan, or of the United States of America sitting in the Southern District of New York. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.16 **Confidentiality**. Each of the Administrative Agent, the Collateral Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' officers, directors, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority or quasi-regulatory authority (such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) in connection with the exercise of any remedies hereunder or under the other Loan Documents or any suit, action or proceeding relating to the enforcement of its rights hereunder or thereunder, but only to the extent required or desirable in connection with such exercise or enforcement, (e) subject to an agreement containing provisions substantially the same as those of this Section 9.16, to (i) to the extent not an Excluded Lender, any actual or prospective assignee of or participant in any of its rights or obligations under this Agreement and the other Loan Documents or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Holdings, the Borrower or any Subsidiary or any of their respective obligations, (f) with the written consent of the Borrower or (g) to the extent such Information becomes publicly available other than as a result of a breach of this Section 9.16 by any

Agent, any Lender or any of their Related Parties. For the purposes of this Section 9.16, "Information" shall mean all information received from Holdings, the Borrower or any Subsidiary and related to Holdings, the Borrower or any Subsidiary or their business, other than any such information that was available to the Administrative Agent, the Collateral Agent or any Lender on a nonconfidential basis prior to its disclosure by Holdings, the Borrower or any Subsidiary; *provided* that with respect to clause (c) above, if the Administrative Agent, the Collateral Agent or any Lender receives a subpoena, interrogatory or other request (verbal or otherwise) for any Information, or believes that it is legally required to disclose any of the Information to a third party, it shall, in advance of such disclosure, to the extent practicable and legally permissible, promptly provide to the Borrower written notice of any such request or requirement so that Borrower or the applicable Loan Party (or Subsidiary thereof) may seek a protective order or other remedy; *provided, further*, that it shall (1) exercise reasonable efforts to preserve the confidentiality of such Information, (2) to the extent legally permissible and practicable, use commercially reasonable efforts to provide Borrower, in advance of such disclosure, with copies of any Information it intends to disclose (and, if applicable, the text of the disclosure language itself), and (3) reasonably cooperate at the reasonable cost and expense of the Borrower with the Borrower or applicable Loan Party (or Subsidiary thereof) to the extent Borrower or such Loan Party (or Subsidiary thereof) seeks to limit such disclosures. Notwithstanding anything to the contrary herein or in any other Loan Document or otherwise, each of the Administrative Agent, the Collateral Agent and the Lenders agrees not to disclose any Information to any Excluded Lender under any circumstance. Except with respect to disclosing any Information to an Excluded Lender, any Person required to maintain the confidentiality of Information as provided in this Section 9.16 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord its own confidential information.

SECTION 9.17 USA PATRIOT Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies Holdings, the Borrower and the Subsidiary Guarantors that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies Holdings, the Borrower and the Subsidiary Guarantors, which information includes the name and address of Holdings, the Borrower and the Subsidiary Guarantors and other information that will allow such Lender or the Administrative Agent, as applicable, to identify Holdings, the Borrower and the Subsidiary Guarantors in accordance with the USA PATRIOT Act.

[Signature pages follow]

FORM OF NOTICE OF BORROWING

Obsidian Agency Services, Inc.,
as Administrative Agent under the
Credit Agreement referred to below
c/o Tennenbaum Capital Partners, LLC
2951 28th Street, Suite 1000
Santa Monica, CA 90405
Attention: Asher Finci
Fax: (310) 889-4950

Re: BLACKLINE SYSTEMS, INC.

Reference is made to that certain Credit Agreement, dated as of September 25, 2013 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), by and among BLACKLINE SYSTEMS, INC., a California corporation (the "**Borrower**"), SLS BREEZE INTERMEDIATE HOLDINGS, INC., a Delaware corporation, the lenders from time to time party thereto (the "**Lenders**"), and OBSIDIAN AGENCY SERVICES, INC., as the administrative agent (in such capacity, including any successor thereto, the "**Administrative Agent**") and as collateral agent for the Lenders. Capitalized terms used herein and not otherwise defined herein are used herein as defined in the Credit Agreement.

The Borrower hereby gives you notice, irrevocably, pursuant to Section 2.02(c) of the Credit Agreement that the undersigned hereby requests a borrowing of 2016 Acquisition Term Loans (the "**Proposed Borrowing**") under the Credit Agreement and, in connection therewith, sets forth below the information relating to the Proposed Borrowing as required by Section 2.02(c) of the Credit Agreement:

(a) The date of the Proposed Borrowing is the Third Amendment Effective Date.

(b) The aggregate principal amount of the Proposed Borrowing is \$30,000,000.

At the time of the Proposed Borrowing and also after giving effect thereto, (i) there is no Default or Event of Default and (ii) all representations and warranties contained in Article III of the Credit Agreement are true and correct in all material respects (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date); *provided*, that, if a representation and warranty is qualified as to materiality, the materiality qualifier set forth above shall be disregarded with respect to such representation and warranty for purposes of this condition.

At the time of the Proposed Borrowing, no injunction or other restraining order has been issued and no hearing by any Person (other than any Secured Party or any Affiliate of a Secured Party) to cause an injunction or other restraining order to be issued is pending with respect to any action, suit or proceeding seeking to enjoin or otherwise prevent the making of the Proposed Borrowing on the Third Amendment Effective Date. Delivery of an executed counterpart of this Notice of Borrowing by facsimile or other electronic means (*e.g.*, "pdf" or "tif") shall be effective as delivery of an original executed counterpart of this Notice of Borrowing.

[Remainder of page intentionally left blank]

By: _____
Name:
Title:

[SIGNATURE PAGE TO NOTICE OF BORROWING]

[FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS TERM NOTE WAS ISSUED WITH "ORIGINAL ISSUE DISCOUNT." BLACKLINE SYSTEMS, INC. WILL PROMPTLY MAKE AVAILABLE TO THE HOLDER HEREOF INFORMATION REGARDING THE ISSUE PRICE, ISSUE DATE, YIELD TO MATURITY, AMOUNT OF ORIGINAL ISSUE DISCOUNT (AND ANY OTHER INFORMATION REQUIRED TO BE MADE AVAILABLE TO THE HOLDER PURSUANT TO U.S. TREASURY REGULATIONS), UPON THE WRITTEN REQUEST OF SUCH HOLDER DIRECTED TO BLACKLINE SYSTEMS, INC., 21300 VICTORY BLVD., 12TH FLOOR, WOODLAND HILLS, CA 91367.]¹

FORM OF TERM NOTE

\$(●) [] , []

FOR VALUE RECEIVED, the undersigned, BLACKLINE SYSTEMS, INC., a California corporation (the "**Borrower**", together with all successors and assigns), promises to pay (hereinafter, together with its successors in title and permitted assigns, the "**Lender**"), the principal sum of [●] (\$[●]), or such lesser amount as is outstanding from time to time, on the dates and in the amounts set forth in the Credit Agreement (as hereafter defined), with interest, fees, expenses and costs at the rate and payable in the manner stated in the Credit Agreement. As used herein, the "**Credit Agreement**" means and refers to that certain Credit Agreement, dated as of September 25, 2013 (as such may be amended, restated, supplemented or otherwise modified from time to time) by and among the Borrower, SLS BREEZE INTERMEDIATE HOLDINGS, INC., a Delaware corporation, the Lenders from time to time party thereto, and OBSIDIAN AGENCY SERVICES, INC., as the administrative agent (in such capacity, including any successor thereto, the "**Administrative Agent**") and as collateral agent for the Lenders. Capitalized terms used herein and not otherwise defined herein are used herein as defined in the Credit Agreement.

This Term Note is a "Term Note" to which reference is made in the Credit Agreement and is subject to all terms and provisions thereof. The Term Loans evidenced by this Term Note are [Initial Term Loans][2016 Term Loans][2016 Acquisition Term Loans][Incremental Loans]. This Term Note is also entitled to the benefits of the Guarantee and Collateral Agreement and is secured by the Collateral. The principal of, and interest on, this Term Note shall be payable at the times, in the manner, and in the amounts as provided in the Credit Agreement and shall be subject to prepayment and acceleration as provided therein. The Administrative Agent's books and records concerning the Term Loans covered by this Term Note, the accrual of interest and fees thereon and the repayment of such Term Loans shall be prima facie evidence of the indebtedness to the Lender hereunder, absent manifest error.

No delay or omission by the Administrative Agent, the Collateral Agent or the Lender in exercising or enforcing any of the Administrative Agent's, the Collateral Agent's or the Lender's powers, rights, privileges, remedies or discretions hereunder shall operate as a waiver thereof on that occasion nor on any other occasion. No waiver of any Event of Default shall operate as a waiver of any other Event of Default, nor as a continuing waiver.

¹ To be included only for Term Notes evidencing Initial Term Loans, 2016 Term Loans and 2016 Acquisition Term Loans.

The Borrower waives presentment, demand, notice and protest, and also waives any delay on the part of the holder hereof. The Borrower assents to any extension or other indulgence (including, without limitation, the release or substitution of Collateral) permitted by the Administrative Agent, the Collateral Agent and/or the Lender with respect to this Term Note and/or any Security Document or any extension or other indulgence with respect to any other liability or any collateral given under the Loan Documents to secure any other liability of the Borrower or any other Person obligated on account of this Term Note.

This Term Note shall be binding upon the Borrower and upon its permitted successors, assigns, and representatives, and shall inure to the benefit of the Lender and its permitted successors, endorsees and assigns. There are certain restrictions on the assignment and transfer of this Term Note and the obligations evidenced by this Term Note in the Credit Agreement (including, without limitation, in Section 9.04 of the Credit Agreement).

Each of the Borrower and, by its acceptance hereof, the Lender, hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Term Note or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the Borrower and, by its acceptance hereof, the Lender, hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the Borrower and, by its acceptance hereof, the Lender, agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Term Note shall affect any right that the Administrative Agent, the Collateral Agent or any Lender may otherwise have to bring any action or proceeding relating to this Term Note or the other Loan Documents against Holdings, the Borrower, or their respective properties in the courts of any jurisdiction. Each of the Borrower and, by its acceptance hereof, the Lender, irrevocably and unconditionally waives, to the fullest extent that it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Term Note in any court located in the City of New York, Borough of Manhattan, or the United States of America sitting in the Southern District of New York. Each of the Borrower and, by its acceptance hereof, the Lender, hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

THIS TERM NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK.

Each of the Borrower and, by its acceptance hereof, the Lender, makes the following waiver knowingly, voluntarily, and intentionally, and understands that the Administrative Agent and the Lender or the Borrower, as applicable, are each relying thereon. EACH OF THE BORROWER AND THE LENDER BY ITS ACCEPTANCE HEREOF, HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS TERM NOTE.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has caused this Term Note to be duly executed and delivered by its duly authorized officer as of the date first above written.

BLACKLINE SYSTEMS, INC.

By: _____
Name:
Title:

[SIGNATURE PAGE TO FORM OF TERM NOTE]

[INITIAL TERM][2016 TERM][2016 ACQUISITION TERM][INCREMENTAL] LOANS AND PAYMENTS

| <u>Date</u> | Amount of [Initial Term] [2016 Term] [2016 Acquisition Term] [Incremental] <u>Loan</u> | <u>Maturity Date</u> | <u>Payments of Principal/Interest</u> | <u>Principal Balance of Term Note</u> | <u>Name of Person Making this Notation</u> |
|-------------|---|--------------------------|---------------------------------------|---|--|
| | | | | | |
| | | | | | |

FORM OF ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (this "Assignment and Acceptance") is dated as of the Effective Date set forth below and is entered into by and between [the][each]1 Assignor identified in item 1 below ((the)[each, an] "Assignor") and [the][each]2 Assignee identified in item 2 below ((the)[each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees]3 hereunder are several and not joint.]4 Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and[the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender][their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)][the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the] [any] Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty (express or implied) by [the][any] Assignor.

- 1. Assignor[s]: _____
2. Assignee[s]: _____

[for each Assignee identify Lender]

1 For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.
2 For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.
3 Select as appropriate.
4 Include bracketed language if there are either multiple Assignors or multiple Assignees.

3. Borrower: BLACKLINE SYSTEMS, INC.
4. Administrative Agent: Obsidian Agency Services, Inc., including any successor thereto, as the administrative agent under the Credit Agreement
5. Credit Agreement: The Credit Agreement, dated as of September 25, 2013, among BLACKLINE SYSTEMS, INC., a California corporation, as the Borrower, SLS BREEZE INTERMEDIATE HOLDINGS, INC., a Delaware corporation, as Holdings, the Lenders from time to time party thereto, and OBSIDIAN AGENCY SERVICES, INC., as the Administrative Agent and as Collateral Agent for the Lenders.
6. Assigned Interest:

a. Initial Term Loans

| <u>Assignor[s]</u> ⁵ | <u>Assignee[s]</u> ⁶ | <u>Aggregate Amount of Initial Term Loans for all Lenders</u> ⁷ | <u>Amount of Initial Term Loans Assigned</u> | <u>Percentage Assigned of Initial Term Loans</u> ⁸ | <u>CUSIP Number</u> |
|---------------------------------|---------------------------------|--|--|---|---------------------|
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |

b. 2016 Term Loans

| <u>Assignor[s]</u> ⁹ | <u>Assignee[s]</u> ¹⁰ | <u>Aggregate Amount of 2016 Term Loans for all Lenders</u> ¹¹ | <u>Amount of 2016 Term Loans Assigned</u> | <u>Percentage Assigned of 2016 Term Loans</u> ¹² | <u>CUSIP Number</u> |
|---------------------------------|----------------------------------|--|---|---|---------------------|
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |

⁵ List each Assignor, as appropriate.

⁶ List each Assignee, as appropriate.

⁷ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

⁸ Set forth, to at least 9 decimals, as a percentage of the Loans of all Lenders thereunder.

⁹ List each Assignor, as appropriate.

¹⁰ List each Assignee, as appropriate.

¹¹ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

¹² Set forth, to at least 9 decimals, as a percentage of the Loans of all Lenders thereunder.

c. 2016 Acquisition Term Loans

| <u>Assignor[s]</u> ¹³ | <u>Assignee[s]</u> ¹⁴ | <u>Aggregate Amount of 2016 Acquisition Term Loans for all Lenders</u> ¹⁵ | <u>Amount of 2016 Acquisition Term Loans Assigned</u> | <u>Percentage Assigned of 2016 Acquisition Term Loans</u> ¹⁶ | <u>CUSIP Number</u> |
|----------------------------------|----------------------------------|--|---|---|---------------------|
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |

[d. Incremental Term Loans

| <u>Assignor[s]</u> ¹⁷ | <u>Assignee[s]</u> ¹⁸ | <u>Aggregate Amount of Incremental Term Loans for all Lenders</u> ¹⁹ | <u>Amount of Incremental Term Loans Assigned</u> | <u>Percentage Assigned of Incremental Term Loans</u> ²⁰ | <u>CUSIP Number</u> |
|----------------------------------|----------------------------------|---|--|--|---------------------|
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |

[d.][e.] Revolving Commitments

| <u>Assignor[s]</u> ²¹ | <u>Assignee[s]</u> ²² | <u>Aggregate Amount of Revolving Loan Commitments for all Lenders</u> ²³ | <u>Amount of Revolving Loan Commitments Assigned</u> | <u>Percentage Assigned of Revolving Loan Commitments</u> ²⁴ | <u>CUSIP Number</u> |
|----------------------------------|----------------------------------|---|--|--|---------------------|
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |
| | | \$ | \$ | % | |

¹³ List each Assignor, as appropriate.

¹⁴ List each Assignee, as appropriate.

¹⁵ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

¹⁶ Set forth, to at least 9 decimals, as a percentage of the Loans of all Lenders thereunder.

¹⁷ List each Assignor, as appropriate.

¹⁸ List each Assignee, as appropriate.

¹⁹ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

²⁰ Set forth, to at least 9 decimals, as a percentage of the Loans of all Lenders thereunder.

²¹ List each Assignor, as appropriate.

²² List each Assignee, as appropriate.

²³ Amounts in this column and in the column immediately to the right to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

²⁴ Set forth, to at least 9 decimals, as a percentage of the Loans of all Lenders thereunder.

[7. Trade Date: 25

Effective Date: _____, 20 [TO BE INSERTED BY THE ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

[Remainder of page intentionally left blank]

25 To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Name:
Title:

[Consented to and]²⁶ Accepted:

OBSIDIAN AGENCY SERVICES, INC., as Administrative Agent

By: _____
Name:
Title:

[Consented to: BLACKLINE SYSTEMS, INC.

By: _____
Name:
Title:]²⁷

[SIGNATURE PAGE TO ASSIGNMENT AND ACCEPTANCE]

²⁶ Administrative Agent's signature to be provided only to the extent required by Section 9.04 of the Credit Agreement.

²⁷ Borrower's signature to be provided only to the extent required by Section 9.04 of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR

ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1. Assignor. [The][Each] Assignor (a) represents and warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim; and (b) except as set forth in (a) above, makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant to the Credit Agreement, or the financial condition of Holdings, the Borrower or any Subsidiary or the performance or observance by Holdings, the Borrower or any Subsidiary of any of its obligations under the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant to the Credit Agreement.

1.2. Assignee. [The][Each] Assignee (a) represents and warrants that (i) it is legally authorized to enter into such Assignment and Acceptance; (ii) it meets all the requirements to be an assignee under Section 9.04(b) and (c) of the Credit Agreement (subject to such consents, if any, as may be required under Section 9.04(b) of the Credit Agreement); (iii) from and after the Effective Date referred to in this Assignment and Acceptance, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Lender thereunder; (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by [the][such] Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire [the][such] Assigned Interest, is experienced in acquiring assets of such type; (v) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase [the][such] Assigned Interest and (vi) attached hereto is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, including but not limited to any documentation required pursuant to Section 2.17 of the Credit Agreement, duly completed and executed by [the][such] Assignee; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements referred to in Section 3.05(a) and Section 3.05(b) of the Credit Agreement or delivered pursuant to Section 5.04 of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) will independently and without reliance upon the Administrative Agent, the Collateral Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents; (d) appoints and authorizes the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent and the Collateral Agent, respectively, by the terms of the Credit Agreement, together with such powers as are reasonably incidental thereto; and (e) agrees that it will perform in accordance with their terms all the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the][the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts (and by different parties hereto indifferent counterparts), each of which shall constitute an original, but all of which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by facsimile or other electronic imaging means (e.g., “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the internal laws of the State of New York.

4. Eligible Assignee. Each Person who becomes a Lender under the Credit Agreement is required to meet the requirements of Section 9.04 of the Credit Agreement and to be an “Eligible Assignee”. [The][Each] Assignor and [the][each] Assignee represent and warrant that they have each taken the necessary actions to confirm that [the][each] Assignee meets the requirements to be an “Eligible Assignee” under the Credit Agreement and the assignment evidence by the Assignment and Acceptance is in accordance with all provisions of the Credit Agreement, including, without limitation, Section 9.04 of the Credit Agreement.

**FORM OF SOLVENCY CERTIFICATE
of
BLACKLINE INTERMEDIATE, INC.
AND ITS SUBSIDIARIES**

This Solvency Certificate is being executed and delivered on the date hereof pursuant to Section 4(a)(ii) of the Third Amendment to Credit Agreement (the "**Amendment**"), dated as of the date hereof among BLACKLINE SYSTEMS, INC., a California corporation, BLACKLINE INTERMEDIATE, INC. (formerly known as SLS BREEZE INTERMEDIATE HOLDINGS, INC.), a Delaware corporation ("**Holdings**"), the lenders from time to time party thereto (the "**Lenders**") and OBSIDIAN AGENCY SERVICES, INC., as the administrative agent (in such capacity, including any successor thereto, the "**Administrative Agent**") and as collateral agent (in such capacity, including any successor thereto, the "**Collateral Agent**"), amending that certain Credit Agreement dated as of September 25, 2013 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the "**Credit Agreement**"), among Borrower, Holdings, the lenders party thereto, the Administrative Agent and the Collateral Agent.

The undersigned hereby certifies, solely in his capacity as Chief Financial Officer of Holdings, as follows:

As of the date hereof, after giving effect to the transactions contemplated by the Amendment and the Credit Agreement, including the making of the 2016 Acquisition Term Loans, and after giving effect to the application of the proceeds of the 2016 Acquisition Term Loans:

- a. The fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis, at a fair valuation, exceeds, their debts and liabilities, subordinated, contingent or otherwise;
- b. The present fair saleable value of the property of Holdings and its Subsidiaries, on a consolidated basis, is greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured;
- c. Holdings and its Subsidiaries, on a consolidated basis, are able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and
- d. Holdings and its Subsidiaries, on a consolidated basis, will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the Third Amendment Effective Date.

For purposes of this Solvency Certificate, the amount of any contingent liability at any time shall be computed as the amount that would reasonably be expected to become an actual and matured liability. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Solvency Certificate in such undersigned's capacity as chief financial officer of Holdings and its subsidiaries, on behalf of Holdings and its subsidiaries, and not individually, as of the date first stated above.

BLACKLINE INTERMEDIATE, INC.

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO SOLVENCY CERTIFICATE]

EXHIBIT F**Schedule 2.01 – Lenders and Commitments**Revolving Loan Commitments

| <u>RL Lender</u> | <u>Address</u> | <u>Revolving Loan Commitment</u> |
|---|--|----------------------------------|
| Special Value Continuation Partners, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 3,740,692.60 |
| Tennenbaum Senior Loan Fund II, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 758,618.90 |
| Tennenbaum Senior Loan Operating III, LLC | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 348,964.70 |
| Tennenbaum Senior Loan Fund IV-B, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 151,723.80 |
| Total | | \$ 5,000,000.00 |

Initial Term Loan Commitments

| <u>Initial Term Loan Lender</u> | <u>Address</u> | <u>Initial Term Loan Commitment on the Closing Date</u> | <u>Initial Term Loan Principal Outstanding as of Third Amendment Effective Date</u> |
|---|--|---|---|
| Special Value Continuation Partners, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 12,327,311.00 | \$ 15,115,023.33 |
| Tennenbaum Opportunities Fund VI, LLC | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 8,522,689.00 | \$ 3,065,352.87 |
| Tennenbaum Senior Loan Fund II, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 2,500,000.00 | \$ 1,410,062.33 |
| Tennenbaum Senior Loan Operating III, LLC | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 1,150,000.00 | \$ 613,070.58 |
| Tennenbaum Senior Loan Fund IV-B, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 500,000.00 | \$ 10,450,019.72 |
| Total | | \$ 25,000,000.00 | \$ 30,653,528.83 |

2016 Term Loan Commitments

| <u>2016 Term Loan Lender</u> | <u>Address</u> | <u>2016 Term Loan Commitment on the Second Amendment Effective Date</u> | <u>2016 Term Loan Principal Outstanding as of the Third Amendment Effective Date</u> |
|---|---|---|--|
| Special Value Continuation Partners, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 3,740,692.60 | \$ 3,809,896.02 |
| Tennenbaum Senior Loan Fund II, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 758,618.90 | \$ 772,653.49 |
| Tennenbaum Senior Loan Funding III, LLC | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 348,964.70 | \$ 355,420.61 |
| Tennenbaum Senior Loan Fund IV-B, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 151,723.80 | \$ 154,530.70 |
| Total | | <u>\$ 5,000,000.00</u> | <u>\$ 5,092,500.82</u> |

2016 Acquisition Term Loan Commitments

| <u>2016 Term Loan Lender</u> | <u>Address</u> | <u>2016 Term Loan Commitment</u> |
|--|---|----------------------------------|
| Special Value Continuation Partners, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 19,554,148.00 |
| Tennenbaum Senior Loan Fund II, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 6,778,937.00 |
| Tennenbaum Senior Loan Funding III, LLC | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 2,234,517.00 |
| Tennenbaum Senior Loan Fund IV-B, LP | c/o Tennenbaum Capital Partners, LLC 2951 28 th Street, Suite 1000 Santa Monica, CA 90405 | \$ 1,432,398.00 |
| Total | | \$ 30,000,000.00 |

EXHIBIT G**Schedule 3.07(a) – Subsidiaries**

| Current Legal Entities Owned (Directly) | Record Owner | Cert. Number | Shares | Percentage Owned/Pledged |
|--|------------------------------|---------------------|---------------|---------------------------------|
| BlackLine Systems, Inc. | BlackLine Intermediate, Inc. | 001 | 1,000 | 100%/100% |
| BlackLine Systems Pty Ltd (Australia) | BlackLine Systems, Inc. | 002 | 100 | 100%/100% |
| Blackline Systems Limited (UK) | BlackLine Systems, Inc. | 002 | 100 | 100%/100% |
| BlackLine Systems, Ltd. (British Columbia, Canada) | BlackLine Systems, Inc. | CA2 | 65 | 100%/65% |
| BlackLine Systems SARL (France) | BlackLine Systems, Inc. | — | 100 | 100%/100% |
| BlackLine Systems Pte. Ltd. (Singapore) | BlackLine Systems, Inc. | — | 100 | 100%/100% |
| BlackLine Systems GmbH | BlackLine Systems, Inc. | — | 25,000 | 100%/100% |
| BlackLine CV, LLC | BlackLine Systems, Inc. | — | — | 100%/65% |
| BlackLine, C.V. | BlackLine Systems, Inc. | — | — | 99.9%/65% |
| BlackLine, C.V. | BlackLine CV, LLC | — | — | 0.1%/0% |
| BlackLine Coop, LLC | BlackLine, C.V. | — | — | 100%/0% |
| BlackLine Coöperatief U.A. | BlackLine, C.V. | — | — | 99.9%/0% |
| BlackLine Coöperatief U.A. | BlackLine Coop, LLC | — | — | 0.1%/0% |

The following are not included as of the Third Amended Effective Date but will be accurate immediately after the consummation of the Runbook Acquisition.

| Current Legal Entities Owned (Directly) | Record Owner | Cert. Number | Shares | Percentage Owned/Pledged |
|--|----------------------------|---------------------|---------------|---------------------------------|
| Runbook Company B.V. | BlackLine Coöperatief U.A. | — | — | 100%/0% |
| Runbook Company Inc. | Runbook Company B.V | — | — | 100%/0% |
| Runbook IP BV | Runbook Company B.V | — | — | 100%/0% |
| Runbook International BV | Runbook Company B.V | — | — | 100%/0% |
| PE | Runbook International BV | — | — | 100%/0% |

EXHIBIT H

Schedule 3.08 – Litigation

None.

EXHIBIT I

Schedule 3.19(a) – Owned Real Property

None.

EXHIBIT J

Schedule 3.19(b) – Leased Real Property

21300 Victory Boulevard, Suites 1000, 1100 and 1200, Woodland Hills, California 91367

Level 26, Market Street 44, Sydney, NSW 2000, Australia

Level 40, 140 William Street, Melbourne VIC 3000

The Connection, 198 High Holborn 3rd Floor London, WC1V 7BD

Guinness Towers, Suite 1850, Vancouver, BC Canada

- The Company has entered into office service agreements for the following locations:

WeWork, 205 E 42nd Street, New York, NY 10017

Regus Properties, 12600 Deerfield Pkwy, Suite 1000, Atlanta, GA;

WeWork, 220 NW 8th Ave Portland, OR 97209 Portland, OR;

Regus Properties, 875 N. Michigan Ave., #3184AC, Chicago, IL;

Regus Properties, 900-1021 West Hastings Street, Vancouver, BC V6E DC3 Canada;

ServCorp, Level 39, Marina Bay Financial Center TowerTwo, 10 Marina Blvd., Singapore 018983;

Regus Properties, The Square 12 Am Flughafen Frankfurt Hessen 60549 Germany;

Multiburo, 60 Avenue de Charles de Gaullie 92000 Neuilly-sur-Seine France;

ServCorp, Level 23, NU Tower 2 Jalan Tun Sambanthan 50470 Kuala Lumpur, Malaysia

2 Sandton Drive Sandton, South Africa, 2196

EXHIBIT K**Schedule 3.26 – Deposit Accounts and Securities Accounts**

| <u>Account Holder</u> | <u>Names and Address</u> | <u>Account Type</u> | <u>Number</u> |
|--------------------------------|--|----------------------------|---------------|
| BlackLine Systems, Inc. | Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 | Checking | ### |
| BlackLine Systems, Inc. | Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 | ZBA | ### |
| BlackLine Systems, Inc. | Wells Fargo Bank P.O. Bank 6995 Portland, OR 97228 | Checking | ### |
| BlackLine Systems, Inc. | Westpac Banking Corporation Level 31, 275 Kent Street Sydney, NSW 2000 | Checking | ### |
| BlackLine Systems, Inc. | National Westminster Bank City of London Office P.O. Box 12258 1 Princes Street London EC2R 8PA | Checking | ### |
| BlackLine Systems, Inc. | Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 | Operating | ### |
| BlackLine Systems, Inc. | Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 | Money Market Collateral | ### |
| BlackLine Systems, Inc. | Silicon Valley Bank 3003 Tasman Drive Santa Clara, CA 95054 | Cash Sweep | ### |
| BlackLine Systems, Inc. | Bank of Montreal 100 King Street W Main Floor Toronto, ON M5X1A3 | Checking | ### |
| BlackLine Systems, Inc. | KBC Bank NV Paris France Branch Synergie Park – 6 rue Nicolas Appert CS 40041 Lezennes F-59030 LILLE | Checking | ### |
| BlackLine Systems, Inc. | Unicredit Bank Niederlassung Berlin Nordost 8296 EUBT / Tech Team 10625 Berlin | Checking | ### |

EXHIBIT L

Schedule 3.28(a) – Intellectual Property

Registered Trademarks:

| <u>Jurisdiction</u> | <u>Registered Owner</u> | <u>Mark</u> | <u>Registration No. (Application No.)</u> |
|---------------------|-------------------------|------------------------------------|---|
| U.S. –Federal | Blackline Systems, Inc. | It’s Accounted For | 4588721 |
| U.S. –Federal | Blackline Systems, Inc. | No More Bullsheets | 4084274 |
| U.S. –Federal | Blackline Systems, Inc. | Design Mark | 4022105 |
| U.S. –Federal | Blackline Systems, Inc. | Blackline Systems & Design Mark | 4360338 |
| U.S. –Federal | Blackline Systems, Inc. | Trust is in the Balance | 86924004 |
| U.S. –Federal | Blackline Systems, Inc. | BlackLine Insights | 86807263 |
| U.S. –Federal | Blackline Systems, Inc. | Intercompany Hub | 86559885 |
| U.S. – Federal | Blackline Systems, Inc. | Blackline Intercompany Hub | 4831824 |
| U.S. – Federal | Blackline Systems, Inc. | Blackline & Design Mark | 4772480 |
| U.S. – Federal | Blackline Systems, Inc. | Blackline Systems | 4528372 |
| U.S. – Federal | Blackline Systems, Inc. | Blackline | 4528373 |
| E.U. | Blackline Systems, Inc. | Blackline | 10322709 |
| E.U. | Blackline Systems, Inc. | No More Bullsheets | 12093852 |
| E.U. | Blackline Systems, Inc. | Intercompany Hub | 13848833 |
| E.U. | Blackline Systems, Inc. | BlackLine Insights | 15185713 |
| E.U. | Blackline Systems, Inc. | Trust is in the Balance | 15185747 |
| E.U. | Blackline Systems, Inc. | Blackline Systems | 10322758 |
| Australia | Blackline Systems, Inc. | Blackline | 1453761 |
| Australia | Blackline Systems, Inc. | Blackline Insights | 1756864 |
| Australia | Blackline Systems, Inc. | Trust is in the Balance | 1756865 |
| Australia | Blackline Systems, Inc. | Intercompany Hub | 1681938 |
| Australia | Blackline Systems, Inc. | BlackLine Intercompany Hub | 1757066 |
| Australia | Blackline Systems, Inc. | Blackline Systems | 1453766 |

Patent Application.

Patent Application: Computing system including dynamic performance profile adaptation functionality.

Application Number: 62/214/180

Application Date: September 3, 2015

Inventors: Joshua Rhodes, Addam Driver, Ryan Regalado

Chain of Title: Assignment included

BlackLine intends on submitting a full patent application in September 2016.

ABSTRACT

The present design is directed to a computer networking system including a client device and a server device having a server profiler module and an observer module, wherein the server profiler module maintains a server profile and profiles for at least one client device and the observer module is configured to receive client device performance information from the client device and server device performance information and determine and implement performance parameter alterations based on client device performance information and server device performance information received.

Registered Domain Names

ACCOUNTINGJOURNALENTRY.com
ACCOUNTINGBALANCESHEET.com
BALANCESHEETRECONCILIATIONS.COM
BLACKLINE.INFO
BLACKLINESOFTWARE.COM
CREDITCARDRECONCILIATIONS.com
FASTERMONTHENDCLOSE.com
FINANCIALCLOSESOFTWARE.com
FINANCIALCLOSESOFTWARE.com
FINANCIALCLOSESUITE.com
FLUXANALYSIS.com
GENERALLEDGERRECONCILIATION.com
LEDGERRECONCILIATION.com
THEFINANCIALCLOSESUITE.com
RECWIZARDONDEMAND.COM
INTEGRATEDFINANCIALAUTOMATION.DE
INTEGRATEDFINANCIALAUTOMATION.NL
INTEGRATEDFINANCIALAUTOMATION.CO.UK
INTEGRATEDFINANCIALAUTOMATION.COM
INTEGRATEDFINANCIALAUTOMATION.COM.AU
INTEGRATEDFINANCIALAUTOMATION.ES
INTEGRATEDFINANCIALAUTOMATION.INFO
INTEGRATEDFINANCIALAUTOMATION.NET
INTEGRATEDFINANCIALAUTOMATION.ORG
INTEGRATEDFINANCIALAUTOMATION.SOLUTIONS
INTEGRATEDFINANCIALAUTOMATION.TECHNOLOGY
INTEGRATEDFINANCIALAUTOMATION.UK
INTEGRATEDFINANCIALAUTOMATION.FR
MODERNFINANCETODAY.COM
BLACKLINE.FR
MODERNFINANCETOUR.COM
BLACKLINEPLATFORM.COM
BLACKLINEPLATFORM.INFO
BLACKLINEPLATFORM.NET
BLACKLINEPLATFORM.ORG
BLOSABA.COM
ACCOUNT-RECONCILIATION.COM
ACCOUNT-RECONCILIATIONS.COM
ACCOUNTRECONCILIATIONS.COM
ACCT-REC.COM
ACCT-RECS.COM
BLACKLINE.COM
BLACKLINEONDEMAND.COM
BLACKLINESOLUTIONS.COM
BLACKLINESYSTEMS.COM
BLACKLINETECH.COM
BLACKLINETECHNOLOGIES.COM
MYBLACKLINE.COM
NOMOREBULLSHEET.COM

NOMOREBULLSHEETS.COM

continuousaccounting.com

continuousaccounting.co.uk

continuousaccounting.de

continuousaccounting.fr

blackline.uk

blacklinesystems.co.uk

blacklinesystems.de

blacklinesystems.uk

blacklinemag.com

blacklinemagazine.com

EXHIBIT M

Schedule II – Equity Interests and Pledged Debt Securities

Equity Interests:

| <u>Current Legal Entities Owned (Directly)</u> | <u>Record Owner</u> | <u>Cert. Number</u> | <u>Shares</u> | <u>Percentage Owned/Pledged</u> |
|---|------------------------------|-------------------------|---------------|-------------------------------------|
| BlackLine Systems, Inc. | BlackLine Intermediate, Inc. | 001 | 1,000 | 100%/100% |
| BlackLine Systems Pty Ltd (Australia) | BlackLine Systems, Inc. | 002 | 100 | 100%/100% |
| Blackline Systems Limited (UK) | BlackLine Systems, Inc. | 002 | 100 | 100%/100% |
| BlackLine Systems, Ltd. (British Columbia, Canada) | BlackLine Systems, Inc. | CA2 | 65 | 100%/65% |
| BlackLine Systems SARL (France) | BlackLine Systems, Inc. | — | 100 | 100%/100% |
| BlackLine Systems Pte. Ltd. (Singapore) | BlackLine Systems, Inc. | — | 100 | 100%/100% |
| BlackLine Systems GmbH | BlackLine Systems, Inc. | — | 25,000 | 100%/100% |
| BlackLine CV, LLC | BlackLine Systems, Inc. | — | — | 100%/65% |
| BlackLine, C.V. | BlackLine Systems, Inc. | — | — | 99.9%/65% |
| BlackLine, C.V. | BlackLine CV, LLC | — | — | 0.1%/0% |

Pledged Debt Securities:

None

EXHIBIT N

Schedule III – Intellectual Property

See Exhibit L

EXECUTIVE EMPLOYMENT AGREEMENT

This Employment Agreement (the “**Agreement**”) is entered into effective as of January 1, 2016 “**Effective Date**” by and among BlackLine, Inc. (the “**Company**” or “**BlackLine**”) and Therese Tucker (“**Executive**”).

Summary of Material Terms

| <u>Term</u> | <u>Summary</u> | <u>Cross-Reference</u> |
|----------------------------------|---|------------------------|
| Position: | Chief Executive Officer | Section 1(a) |
| Reports to: | Board of Directors | Section 1(a) |
| Employment Term | Through 3 rd Anniversary unless extended | Section 2 |
| Annual Salary: | \$350,000 | Section 3(a) |
| Annual Target Bonus: | 100% of annual salary | Section 3(b) |
| Equity Compensation: | <ul style="list-style-type: none"> • Performance option to acquire 1% of the Company’s fully diluted Common Stock • Time based vesting option to acquire .5% of the Company’s fully diluted Common Stock, with the ability on the part of Executive to reassign to selected BlackLine employees, subject to Compensation Committee approval | Section 3(c) |
| Non-Change of Control Severance: | <ul style="list-style-type: none"> • Any earned but unpaid salary or bonus • 18 months of base salary • Prorated earned Annual Bonus for the year of termination • Payment equal to the cost of health insurance coverage for 18 months | Section 5(b)(iii) |
| Change of Control Severance: | <ul style="list-style-type: none"> • Any earned but unpaid salary or bonus • 12 months of base salary • Payment equal to the cost of health insurance coverage for 12 months • Accelerated vesting of 100% of then-unvested equity per the terms of the option agreements | Section 5(b)(iv) |

1. Duties and Scope of Employment.

(a) During the Employment Term, Executive will serve as the Company’s Chief Executive Officer reporting to the Company’s Board of Directors (the “**Board**”), and will perform the duties, consistent with this position, as the Board may assign.

(b) During the Employment Term, Executive will perform Executive’s duties faithfully and to the best of her ability and will devote her full business efforts and time to the Company. For the duration of the Employment Term, Executive agrees not to actively engage in any other employment, occupation or consulting activity for any direct or indirect remuneration without the prior approval of the Board. Executive may engage in charitable, civic educational or community activities may continue to serve on existing boards of directors and advisory boards previously disclosed to the Company, and may manage her personal investments; provided that such activities do not materially interfere with her duties and obligations to the Company.

2. Employment Term. Subject to the provisions of Section 5, beginning on the Effective Date and, continuing until the day prior to the third anniversary of the Effective Date, Executive will be employed with the Company on the terms and subject to the conditions set forth in this Agreement (the “**Initial Term**”); provided, however, that beginning on the end date of the Initial Term and on each one year anniversary thereafter (each an “**Extension Date**”), the Employment Term (as defined below) will be automatically extended for an additional one-year period, unless the Company or Executive provides the other party written notice at least 30 calendar days before the Extension Date that the Employment Term will not be extended. The Initial Term as it may be extended from time to time shall be defined as the “Employment Term”. If a Change in Control occurs during the Term then this Agreement will be automatically extended so that it extends until the 2nd anniversary of the Change in Control. If an event that would be Good Reason occurs within 120 days of the end of the Term, the Term will be extended to the 121st date after the occurrence of the event.

3. Compensation.

(a) **Base Salary.** The Company will pay Executive an annual salary of \$350,000, as compensation for services (the “**Base Salary**”). The Base Salary will be paid according to the Company’s normal payroll practices and subject to the usual and required withholdings. Executive’s Base Salary will be reviewed and adjusted annually by the Board or an authorized committee of the Board (either, a “**Committee**”).

(b) **Annual Bonus.** Executive is eligible to earn a target annual bonus of 100% of Executive’s Base Salary based upon achievement of performance objectives to be determined by the Committee in its sole discretion after conferring with Executive and payable upon achievement of those applicable objectives, subject to minimum and maximum limits as established by the Committee (the “**Annual Bonus**”). If the Committee, in its sole discretion, determines the applicable performance objectives are achieved in a manner that would result in a payment of the Annual Bonus (or portion thereof), such amount will be paid when practicable after the Committee determines the relevant performance objectives have been achieved, subject to Executive being employed on the date of payment; provided, however, that if the Employment Term is not extended as a result of a notice from the Company or Executive to the other, Executive only shall be required to be employed on the last day of a performance period in order to be eligible for the annual bonus for such performance period and the annual bonus for such performance period shall be paid no later than 2 ½ months following the end of such performance period. The Committee may modify the structure and performance objectives used for Annual Bonus determinations.

(c) **Equity Compensation.** During the Employment Term, Executive will be eligible to be granted additional equity awards to purchase shares of the Company’s common stock (the “**Equity Awards**”) under (and therefore subject to all terms and conditions of) plans or programs as the Company may from time to time adopt (the “**Equity Documents**”). The size and type of Equity Award, and the terms and conditions applicable thereto, will be determined by the Committee, in its discretion and under the Equity Documents pursuant to which the applicable Equity Award is granted.

4. Employee Benefits.

(a) Executive will be entitled to participate in the employee benefit plans maintained by the Company and generally applicable to senior executives of the Company, subject to the terms and conditions of those plans. The Company may cancel or change the benefit plans and programs it offers and those changes will not breach this Agreement. The Company agrees to reimburse Executive for up to \$10,000 in legal fees related to the negotiation and drafting of this Agreement.

(b) Upon the submission of proper substantiation by Executive, and subject to such rules and guidelines as the Company may from time to time adopt with respect to the reimbursement of expenses of employee personnel, the Company shall reimburse Executive for all reasonable expenses actually paid or incurred by Executive during the Employment Term in the course of and pursuant to the business of the Company. Executive will account to the Company in writing for all expenses for which reimbursement is sought and will supply to the Company copies of all relevant invoices, receipts or other evidence reasonably requested by the Company.

(c) During the Employment Term, Executive will be provided coverage under the Company's liability insurance policy for directors and officers and form of indemnification agreement as in effect for other directors and senior executives of the Company, subject to the terms and conditions of those arrangements.

5. Termination of Employment; Severance.

(a) At-Will Employment. Executive and the Company agree that Executive's employment with the Company will be "at-will" employment and may be terminated at any time with or without Cause or notice. Executive understands and agrees this at-will employment relationship will not be modified or amended unless it is done in a writing that complies with Section 10(f) and Section 10(i) and explicitly references this Section 5(a). Executive's employment will terminate upon the earlier to occur of (i) a termination by the Company with or without Cause, (ii) Executive's Disability or death, (iii) a resignation by Executive with or without Good Reason, or (iv) upon the termination of the Employment Term.

(b) Terminations of Employment. Executive's employment may be terminated under a scenario addressed in this Section 5(b). Upon any termination of employment, Executive will receive benefits described in Section 5(b)(i). Depending on the circumstances of the termination of employment, subject to the conditions in Section 6, Executive may be entitled to a lump sum payment of the amounts listed under one of Section 5(b)(ii), Section 5(b)(iii), or Section 5(b)(iv). Executive agrees that if Executive owns or beneficially owns less than 5% of the Company's fully diluted equity, upon termination of Executive's employment for any reason, Executive will resign as of the date of such termination and to the extent applicable, from the Board (and any committees thereof), the board of directors (and any committees thereof) of any of the Company's subsidiaries or affiliates. Executive agrees that upon termination of Executive's employment for any reason, Executive will resign as of the date of such termination from any other employment positions Executive holds with the Company or any of its subsidiaries or affiliates.

(i) Termination for Cause or Resignation Other Than for Good Reason. Executive's employment may be terminated for Cause, effective upon the Company's delivery to Executive of a Notice of Termination or the Executive may resign. If Executive's employment is terminated for Cause or Executive resigns other than for Good Reason, Executive will receive:

(1) the Base Salary accrued through the termination date, payable under the Company's usual payment practices;

(2) reimbursement within 60 days following submission by Executive to the Company of appropriate supporting documentation for any unreimbursed business expenses properly incurred by Executive prior to the termination date; provided that claims for reimbursement are submitted, under Company policy, to the Company within 90 days following the termination date; and

(3) any fully vested and non-forfeitable employee benefits to which Executive may be entitled under the Company's employee benefit plans (other than benefits in the nature of severance pay) (the amounts described in clauses (1) through (3) above are referred to later as the "**Accrued Obligations**").

(ii) Termination by Reason of Disability or Death. Executive's employment may be terminated effective upon the Company's delivery to Executive of a Notice of Termination if Executive becomes Disabled and will automatically terminate upon Executive's death. Upon termination of Executive's employment for either Disability or death, Executive or Executive's estate (as the case may be) will receive:

(1) Accrued Obligations;

(2) any earned but unpaid Annual Bonus for a prior year. For the avoidance of doubt, if Executive is terminated after the end of a fiscal year but before annual bonuses are approved and paid to other senior executives in the normal course of business, then Executive will receive an Annual Bonus for the prior fiscal year, the actual amount of which will still be subject to the achievement of any performance targets as established by the Committee, the achievement of which will be determined by the Committee. Any payment under this Section 5(b)(iii)(2) will be paid no later than one day prior to the date that is 2 ½ months following the last day of the fiscal year in which such termination occurred. The amount payable under this paragraph hereinafter referred to as the “**Prior Year Bonus;**” and

(3) an amount equal to a prorated earned portion of the target Annual Bonus for the year of termination that would have been paid to Executive had Executive been employed by the Company for the entire fiscal year that contained the date of Executive’s death or disability.

(iii) Termination Without Cause, Non-Renewal by the Company, or Resignation for Good Reason. Executive’s employment may be terminated without Cause effective upon the Company’s delivery to Executive of a Notice of Termination, at the End of the Employment Term as a result of the Company providing Executive with a notice of its intention not to extend the Employment Term (“Non-Renewal”), or by Executive’s resignation for Good Reason effective 30 days following delivery to the Company of Notice of Termination provided such delivery is within 90 days following the occurrence of events that result in Good Reason. No resignation for Good Reason will be effective unless during the 30-day period following the delivery of the Notice of Termination, the Company has not cured the events that result in Good Reason. If Executive’s employment is terminated without Cause (other than by reason of death or Disability), as a result of Non-Renewal, or if Executive resigns for Good Reason, Executive will receive:

(1) the Accrued Obligations;

(2) any Prior Year Bonus;

(3) a payment equal to 18 months of Executive’s Base Salary as then in effect;

(4) a payment equal to the premium costs for Executive and her eligible dependents to continue health insurance coverage under COBRA for 18 months; and

(5) an amount equal to a prorated portion of the earned Annual Bonus for the year of termination that would have been paid to Executive had Executive been employed by the Company for the entire fiscal year that contained the date of Executive’s termination, based on actual performance for such fiscal year (and assuming that any performance objectives that are based on individual performance are achieved at target levels).

(iv) Termination of Employment in Connection with Change of Control. If Executive’s employment is terminated under circumstances that would entitle Executive to payment of benefits under Section 5(b)(iii) and such termination of employment occurs in connection with or within 3 months before or within 24 months after a Change of Control, then Executive will receive the benefits described in Sections 5(b)(iii)(1) through (4), but the payment in Section 5(b)(iii)(3) will be equal to 12 months of Executive’s Base Salary as then in effect or, if greater, as in effect immediately prior to the Change of Control, the health insurance coverage payment in Section 5(b)(iii)(4) will be for 12 months, and Executive will be entitled to accelerated vesting of 100% of the then-unvested Equity Awards at Executive’s termination date.

(c) Exclusive Remedy. If a termination of Executive’s employment with the Company (or any successor) occurs, the provisions of this Section 5 are intended to be and are exclusive and in lieu of any other rights or remedies to which Executive or the Company (or any successor) may otherwise be entitled, whether at law, tort or contract, in equity, or under this Agreement. Executive will be entitled to no severance or other benefits upon termination of employment other than those benefits expressly set forth in this Section 5.

6. Conditions to Receipt of Severance; No Duty to Mitigate.

(a) Separation Agreement and Release of Claims. Executive will not receive severance pay or benefits other than the Accrued Obligations unless (i) Executive signs and does not revoke a separation agreement and release of claims in the form consistent with the form attached as Exhibit B hereto (the “**Release**”) and (ii) such Release becomes effective and irrevocable no later than sixty (60) days following the termination date (such deadline, the “**Release Deadline**”). If the Release does not become effective and irrevocable by the Release Deadline, Executive will forfeit any rights to severance or benefits under this Agreement. All payments will be made upon the effectiveness of the Release but will be delayed until a subsequent calendar year if necessary so their timing does not result in penalty taxation under Section 409A. Severance payments or benefits will not be paid or provided until the Release becomes effective and irrevocable. For avoidance of doubt, although Executive’s severance payments and benefits are contractual rights, not “damages,” Executive is not required to seek other employment or otherwise “mitigate damages” as a condition of receiving such payments and benefits.

(b) If any amount or benefit that would constitute non-exempt “deferred compensation” under Internal Revenue Code (“**Code**”) Section 409A would be payable under this Agreement by reason of Executive’s “separation from service” during a period in which Executive is a “specified employee” (within the meaning of Code Section 409A as determined by the Company), then any payment or benefits will be delayed until the earliest date on which they could be paid or distributed without being subject to penalty taxation under Code Section 409A.

(c) Each payment and benefit payable under this Agreement is intended to constitute a separate payment under Treasury Regulations Section 1.409A-2(b)(2).

(d) Executive’s receipt of any payment or benefits other than Accrued Obligations will be subject to Executive continuing to comply with her confidentiality obligations to the Company under the Confidentiality Agreement and Section 9.

7. Definitions.

(a) Cause means the occurrence of one or more of the following events or circumstances as determined in good faith by the Board (excluding, for this purpose and any other references in this Section 7(a), Executive): (i) Executive’s gross negligence or willful misconduct in the performance of duties to the Company as determined in good faith by the Board, (ii) commission of any act of fraud, embezzlement, or dishonesty, in each case, that results in material harm to the Company (iii) any material unauthorized use or disclosure of any confidential and proprietary information or trade secrets of the Company (or a successor, if appropriate) or any other party to whom Executive owes an obligation of nondisclosure as a result of Executive’s service relationship with the Company (or a successor, if appropriate) as determined in good faith by the Board, (iv) conviction of an act that constitutes a felony (other than a driving offense related solely to driving in excess of the speed limit) or a crime involving moral turpitude, or (v) Executive’s material breach of any of Executive’s material obligations under this Agreement or any other written agreement or covenant with the Company (or a successor, if appropriate).

(b) Change of Control means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group (“**Person**”), acquires ownership of the stock of the Company that, with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided, that for this subsection, the acquisition of additional stock by any one Person, who prior to such acquisition is considered to own more than 40% of the total voting power of the stock of the Company will not be considered a Change of Control. Further, if the

stockholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of 50% or more of the total voting power of the stock of the Company, such event shall not be considered a Change of Control under this clause (i). For this purpose, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered under Section 12 of the Securities and Exchange Act of 1934, as amended, a change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change of Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection, the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (1) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (2) a transfer of assets by the Company to: (a) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (b) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (c) a Person, that owns, directly or indirectly, 40% or more of the total value or voting power of all the outstanding stock of the Company, or (d) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person.

For this definition, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. For this definition, persons will be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be a Change of Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A and the official guidance thereunder.

(c) Disabled means physically or mentally incapacitated and unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive's duties (such incapacity is a "**Disability**"). Any question as to the existence of a Disability will be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each will appoint a physician and those two physicians will select a third physician who will make such determination in writing. The determination will be final and conclusive for this Agreement.

(d) Good Reason means the occurrence of one or more of the following events without Executive's express consent: (i) a material reduction of Executive's Base Salary (except where there is a pro-rata reduction applicable to the management team generally), or (ii) a material change in the geographic location at which Executive must perform her services; provided, that in no instance will the relocation of Executive to a

facility or a location of fifty (50) miles or less from Executive's then current office location be deemed material for purposes of this Agreement, or (iii) a material reduction of Executive's authorities, duties or responsibilities, including after a Change of Control (1) the assignment of responsibilities, duties, reporting relationship or position that are not at least the substantial functional equivalent of the Executive's position occupied immediately preceding the Change of Control, including the assignment of responsibilities, duties, reporting relationship or position that are not in a substantive area that is consistent with the Executive's experience and the position occupied prior to the Change of Control or (2) a material diminution in the budget and number of subordinates over which the Executive's retains authority;

8. Limitation on Payments; Section 280G. If any severance or other benefits payable to Executive under this Agreement or otherwise (the "**Payments**") (i) are "parachute payments" within the meaning of Code Section 280G and (ii) but for this Section 8, would be subject to the "golden parachute" excise tax imposed by Section 4999 of the Code, then the Payments will be reduced to a level that will result in no tax under Code Section 4999 unless it would be better economically for Executive to receive all of the Payments and pay the excise tax. If a reduction in the Payments is necessary for this purpose, then the reduction will occur in the following order (1) reduction of the cash severance payments; (2) reduction of continued employee benefits; and (3) cancellation of accelerated vesting of equity awards. If the acceleration of vesting of equity award compensation is to be reduced, that acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive's equity awards. Any determination required under this Section 8 will be made in writing by a nationally recognized accounting firm chosen by the Company immediately prior to a Change of Control and paid for by the Company and that determination will be conclusive and binding upon Executive and the Company for all purposes.

9. Covenants.

(a) Executive is entering into in connection herewith the Company's confidential information and inventions assignment agreement attached as Exhibit A ("**Confidentiality Agreement**") and agrees that it will remain in effect during the Employment Term and thereafter pursuant to its terms.

(b) To the fullest extent permitted under applicable law, during the Employment Term and continuing for a period of 1 year after the date Executive's service relationship with the Company terminates for any reason, whether voluntary or involuntary, with or without Cause, Executive agrees not to:

(i) directly or indirectly solicit any of the employees of the Company or any subsidiary or affiliate of the Company to leave their employment, with the exception of Isaac Tucker, son of Therese Tucker. Executive agrees that nothing in this Section 9(b) shall affect Executive's continuing obligations under this Agreement or any other written agreement between Executive and the Company during and after such 1-year period, including, without limitation, any obligations under the Confidentiality Agreement.

(ii) make any public statement that is intended, or may reasonably be expected to harm the reputation, business, prospects or operations of the Company or any of its subsidiaries, any of the investment funds invested in the Company or any affiliated funds (all of the foregoing collectively, the "**Company Group**"); provided, that the non-disparagement provisions of this Section 9(b) will not apply to any statements that Executive makes in addressing any disparaging statements made by the Company Group or their respective officers and/or its directors regarding Executive or Executive's performance as an employee of the Company so long as Executive's statements are truthful. The Company and its subsidiaries and affiliates shall instruct their respective officers and directors to refrain from making any disparaging statements about Executive for the same period for which Executive is subject to the non-disparagement provisions of this Section 9(b); provided, however, that the non-disparagement provisions will not apply to any statements that the Company or any of its subsidiaries or affiliates, or their respective officers and directors make in addressing any disparaging statements made by Executive regarding the Company Group or its officers and directors so long as such statements are truthful. Executive and the Company expressly consider the restrictions contained in this Section 9(b) to be reasonable.

10. Miscellaneous.

(a) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles thereof.

(b) Entire Agreement. This Agreement, along with the Confidentiality Agreement and the Equity Documents (to the extent and as applicable), contains the entire understanding of the parties with respect to Executive's employment and supersedes any prior agreements or understandings (including verbal agreements) between the parties relating to the subject matter of this agreement. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. Notwithstanding the foregoing, Executive shall be covered by the Company's applicable liability insurance policy and its indemnification provisions for actions taken on behalf of the Company during the course of Executive's employment. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties that references this Section 10(b).

(c) Severability. In the event that any one or more of the provisions of this Agreement will be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement will not be affected.

(d) Assignment. This Agreement, and all of Executive's rights and duties under it, are not assignable or delegable by Executive. Any purported assignment or delegation by Executive will be null and void. This Agreement may be assigned by the Company to a person or entity which is an affiliate or a successor in interest to substantially all of its business operations. Upon such assignment, the rights and obligations of the Company hereunder will become the rights and obligations of such affiliate or successor person or entity.

(e) Successors; Binding Agreement. This Agreement will inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors and heirs.

(f) Notice. The notices and all other communications provided for in this Agreement will be deemed to have been duly given when delivered by hand or overnight courier addressed to the addresses set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.

BlackLine, Inc.
21300 Victory Boulevard, 12th Floor
Woodland Hills, CA 91367
Attention: Chief Legal Officer

To most recent address as set forth in Executive's
personnel records

(g) Executive Representations. Executive represents to the Company that the execution of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder will not breach, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound. Executive acknowledges that she has had the opportunity to discuss this matter with and obtain advice from his private attorney, has had sufficient time to, and has carefully read and fully understands all the provisions of this Agreement, and is knowingly and voluntarily entering into this Agreement.

(h) Cooperation. Subject to the Company's compliance with Section 9(b) and this Section 10(h), Executive will provide Executive's reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment with the Company or its affiliates. Executive's cooperation pursuant to this Section 10(h) will be at no cost to Executive, and if such cooperation occurs after the termination of this Agreement, Company will promptly

advance or reimburse all reasonable costs incurred by Executive in connection with such cooperation. This provision will survive any termination of this Agreement. The Company will provide reasonable compensation to Executive for any services rendered at the Company's request.

(i) Amendment; Waiver of Breach. No amendment of this Agreement will be effective unless it is in writing and signed by both parties. No waiver of satisfaction of a condition or failure to comply with an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the waiver, and no such waiver will be a waiver of satisfaction of any other condition or failure to comply with any other obligation. To be valid, any document signed by the Company must be signed by the Chairperson of the Compensation Committee of the Board.

(j) Counterparts. This Agreement may be executed in counterparts. Each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement.

Each party is signing this Agreement on the date set out below its signature.

BlackLine, Inc.

/s/ John D. Brennan

By: John Brennan

Dated: 8/15/2016

Executive

/s/ Therese Tucker

Dated: 8/24/2016

EXHIBIT A

CONFIDENTIAL INFORMATION AND INVENTIONS ASSIGNMENT AGREEMENT

This Confidential Information and Inventions Assignment Agreement (“Agreement”) is entered into by and between BlackLine Systems, Inc. (“Company”), and the undersigned individual (“Recipient”) (each, a “Party” and, collectively, the “Parties”). The Effective Date of this Agreement is the earlier of the date on which it is executed by the Parties or the first date on which Company disclosed, or discloses, to Recipient any “Confidential Information” (as defined below).

RECITALS

- A. In connection with Recipient’s employment by Company, Company has provided or will provide Recipient with access to, or Recipient will otherwise become acquainted with, Confidential Information of Company. Such access to Confidential Information is granted only because it has been deemed essential to Recipient performing the duties of his or her employment.
- B. The business in which Company is engaged is highly competitive, and Company’s success is, and will continue to be, based substantially on Company’s Confidential Information.

NOW THEREFORE, in consideration for Company allowing Recipient access to Confidential Information, and as an express condition of such access and Recipient’s employment or continuing employment by Company, Recipient and Company hereby enter into this Agreement in accordance with the terms below.

AGREEMENT

1. **Confidential Information Defined.** “Confidential Information” means (a) Company’s “trade secrets” as defined in California Civil Code section 3426 et seq. and/or as defined in any applicable jurisdiction; (b) Company’s proprietary information; (c) information held in trust or confidence by Company for any customer, supplier or other third party; (d) any information relating to the business, finances or operations of Company that is not generally known outside of Company; and/or (e) without limitation, information disclosed to Recipient, or known by Recipient, as a direct or indirect result of Recipient’s employment with Company, concerning any of the following: Company’s technology, current and prospective programs, processes, improvements, research, developments, discoveries, inventions, computer hardware and computer software including, without limitation, source code and object code; Company’s current and prospective vendors, suppliers, partners, resellers, licensors, licensees and consultants, and the terms of the business relationships between Company and any of them; Company’s accounting, sales, marketing and administrative processes and procedures; Company’s contemplated trademarks, servicemarks, tradenames and patents; Company’s employees; the identities, goals, needs, business operations and strategic plans of individuals and entities currently or prospectively served by Company (“Clients”), and the terms on which such Clients do business or seek to do business with Company. Information is Confidential Information whether it is intangible (such as a fact known to Recipient but not recorded), recorded in written form (as in a letter, memo or other document) or otherwise recorded (as in a photograph, film, computer disk or other storage medium). By signing this Agreement, Recipient acknowledges understanding: (i) that the Confidential Information has independent economic value to Company and is not readily ascertainable from public sources; (ii) that Company has expended considerable time and effort to develop, compile and protect the secrecy of its Confidential Information; and (iii) that the Confidential Information has been expressly identified to Recipient as a valuable trade secret or other intellectual property of Company. Strictly with respect to this Agreement, “employment” as used herein shall include contractors and consultants.
2. **Exceptions to Confidential Information.** Information shall not be Confidential Information if Recipient can document that such information: (a) is in the public domain through no act or failure to act on the part of Recipient; (b) was lawfully known to Recipient, without any obligation of confidentiality, at the time such information was received from or otherwise disclosed by Company; or (c) was lawfully disclosed to Recipient by a third party without a breach of any obligation and without restriction. Moreover, nothing in this Agreement is intended to or does prevent Recipient from disclosing Confidential Information to the extent such disclosure is required in response to a valid subpoena or other legal process, provided that before making such disclosure, Recipient shall furnish Company with advance notice of such subpoena or other legal process and allow Company sufficient time to obtain, in Company’s discretion, an appropriate protective order or otherwise oppose or limit such disclosure.
3. **Safeguarding Confidential Information.** Recipient will hold in confidence and not possess or use any Confidential Information except to the extent actually required to perform the duties of his or her employment with Company, and will not disclose any Confidential Information except as expressly permitted by this Agreement. Recipient shall not disseminate, share, post, sell and/or license the Confidential Information except as expressly permitted by this Agreement. Recipient shall not publish, authorize or cause to be published, or otherwise assist or cooperate in the preparation or presentation of, any publication of any kind that includes or makes use of any Confidential Information. Recipient understands and agrees that all communications in public concerning Confidential Information, even with fellow employees and independent contractors of Company, constitute a breach of this Agreement if such communications might reasonably be overheard by a third party. Recipient will use Recipient’s best efforts at all times to safeguard all Confidential Information from loss, theft, damage and destruction. Recipient will not reverse engineer or attempt to derive the composition or underlying information, structure or

ideas of any Confidential Information, no matter how such Confidential Information was obtained by Recipient. Recipient hereby acknowledges that Recipient has no right, title or interest in any Confidential Information, and no right to make any use of such Confidential Information except as expressly set forth in this Agreement. Any gain or profit of any kind or nature obtained or derived by Recipient from the use or exploitation of Confidential Information shall be held in trust by Recipient for the express benefit of Company and shall be remitted to Company by Recipient, unless Recipient establishes that such use or exploitation did not violate the terms of this Agreement.

4. **Return of Confidential Information.** Upon the ending of Recipient's employment with Company for any reason, or if requested by Company at any time, Recipient will promptly return to Company all Confidential Information and all copies, extracts and other objects or items in which any Confidential Information is contained or embodied.
5. **Notification of Unauthorized Use.** Recipient will immediately notify Company of any unauthorized use, release or disclosure of Confidential Information.
6. **Business Opportunities.** Recipient understands and acknowledges that Company is engaged in providing software designed to automate and control the entire financial close process ("Company Business"). Recipient agrees that except for "Excluded Inventions" (as defined below), all business opportunities that are conceived by Recipient while employed by Company, whether conceived solely or jointly with others, which are related to Company Business or capable of beneficial use by Company, as determined in the sole discretion of Company (all the foregoing, "Business Opportunities"), shall be immediately disclosed to Company by Recipient in writing. Unless the Company's Chief Executive Officer, in each instance, rejects a Business Opportunity in writing, Recipient shall have no right or authority to pursue such Business Opportunity on his or her own behalf or on behalf of any person or entity other than Company.
7. **Inventions Retained.** Recipient has attached hereto, as Exhibit A, a list describing with particularity all inventions, original works of authorship, developments, improvements, and trade secrets which were made by Recipient prior to the commencement of employment with Company (collectively, the "Prior Inventions"), which belong solely to Recipient or belong to Recipient jointly with another, which relate in any way to any of the Company's proposed businesses, products or research and development, and which are not assigned to the Company hereunder; or, if no such list is attached, Recipient represents that there are no such Prior Inventions. If, in the course of Recipient's employment with the Company, Recipient incorporate into a Company product, process or machine a Prior Invention owned by Recipient or in which Recipient has an interest, the Company is hereby granted and shall have an exclusive, royalty-free, irrevocable, perpetual, worldwide license (with the right to sublicense) to make, have made, copy, modify, make derivative works of, use, sell and otherwise distribute such Prior Invention as part of or in connection with such product, process or machine. Recipient agrees to keep and maintain adequate and current written records of all Inventions made by Recipient (solely or jointly with others) during the term of Recipient's employment with the Company. The records may be in the form of notes, sketches, drawings, flow charts, electronic data or recordings, notebooks, and any other format. The records will be available to and remain the sole property of the Company at all times. Recipient agrees not to remove such records from the Company's place of business except as expressly permitted by Company policy which may, from time to time, be revised at the sole election of the Company.
8. **Work Product.**
 - a. Company shall be the sole owner, in perpetuity, throughout the universe in any and all languages, of all right, title and interest in and to the results and proceeds of Recipient's services performed for or on behalf of Company ("Work Product"), whether under a current written or oral employment agreement, a prior employment agreement or any other agreement. Such Work Product includes, without limitation, all material of any kind and nature whatsoever – whether tangible or intangible – produced, conceived, developed, acquired, obtained, created and/or furnished by or submitted to Recipient prior to or during Recipient's employment by Company, including without limitation, all materials, ideas, concepts, formats, suggestions, developments, arrangements, packages, computer programs, source code, object code, documentation, plans, drawings, designs, specifications, calculations, renderings, models, prototypes, copyrights and other intellectual property or intangible rights. Any work in connection with such services shall be considered a "work made for hire" under the Copyright Law of the United States, and Recipient recognizes and agrees that Company is the sole author and copyright (and any other intellectual property) holder of such work. Any Work Product created and/or submitted to Company during Recipient's employment shall automatically become the sole property of Company.
 - b. To the extent any Work Product is not created as a work-for-hire, Recipient hereby transfers and agrees to transfer and assign to Company all rights and materials related to or comprising the Work Product including, but not limited to, all intellectual property rights, including but not limited to, copyrights, patents, trade secrets, and similar protections and renewals and extensions thereto and any and all causes of action that have accrued or may accrue in Recipient's favor for infringement. Recipient shall, at Company's request, execute and deliver to Company such documents or other instruments as Company may from time to time reasonably deem necessary or desirable to evidence, maintain, perfect, protect, enforce or defend Company's right, title and interest in and to the Work Product and to carry out the intent and purposes of this section. In the event that Recipient fails to execute, acknowledge or deliver promptly to Company any agreements, assignments, quitclaims or other instruments required by Company

hereunder, Company is hereby irrevocably appointed Recipient's attorney-in-fact (which agency shall be deemed coupled with an interest) with full right, power and authority to execute, acknowledge, verify and deliver the same in the name of and on behalf of Recipient. Recipient represents, warrants and agrees that the Work Product is and shall be free and clear of any claims by Recipient (or anyone claiming under Recipient) of any kind or character whatsoever. Neither the suspension nor termination of Recipient's employment nor the expiration of this Agreement will in any way adversely affect Company's ownership of the Work Product.

- c. Company shall have the right, but not the duty, to use, adapt and change the Work Product, or any part thereof, and to combine the same with other works, and to vend, copy, publish, reproduce, record, transmit, and communicate the same by any means now known or hereafter devised, either publicly or otherwise, and for profit or otherwise, throughout the world in perpetuity. Recipient waives any so-called "moral rights" which may now or hereafter be recognized, including, without limitation, any right (i) to approve such revisions, deletions, abridgments or other changes in the Work Product; or (ii) to withdraw the Work Product from distribution. The rights granted herein include, but are not limited to, the right to make foreign versions and translations of the Work Product.
- d. This Agreement shall inure not only to Company's benefit, but also to the benefit of all parties who may hereafter acquire the right to distribute, exhibit, advertise and/or exploit any Work Product. Company may release the Work Product in which Recipient's services appear under any company name or trademark, trade name, etc., designated by Company.

- e. Notwithstanding the foregoing, Recipient hereby acknowledges that if Recipient is a California employee, Company has notified Recipient that any assignment otherwise provided for in this section shall not apply to any invention that qualifies fully for exemption from assignment under the provisions of Section 2870 of the California Labor Code ("Excluded Inventions"), which provides as follows:

"(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) result from any work performed by the employee for the employer. (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

- 9. **No Obligation to Disclose.** Recipient acknowledges and agrees that this Agreement does not obligate Company to disclose any information to Recipient.
- 10. **Not an Employment Agreement.** Recipient agrees and understands that nothing in this Agreement is intended to, or does, confer upon recipient any right to continuing employment. If recipient is otherwise an at-will employee of Company, this Agreement shall in no way modify or interfere with that status.
- 11. **Provisions relating to Third Parties.**
 - a. Recipient represents that Recipient's performance of his or her obligations under this Agreement does not and will not breach any agreement with, or obligation to, any third party to keep in confidence information acquired by Recipient in confidence or in trust. Recipient has not entered into, and Recipient agrees that Recipient will not enter into, any agreement, either written or oral, in conflict with this Agreement.
 - b. Recipient acknowledges that Company has received, and in the future will receive, from third parties confidential or proprietary information ("Third Party Information") subject to a duty on Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Recipient will hold in confidence and not possess or use any Third Party Information except to the extent actually required to perform the duties of his or her employment with Company, and will not disclose any Third Party Information except as expressly permitted by this Agreement.
 - c. Recipient will not improperly use or disclose any confidential information or trade secrets, if any, of any former employer or any other person or entity to whom Recipient has an applicable obligation of confidentiality.
 - d. Recipient hereby consents to Company notifying any person or entity, now or in the future, of Recipient's obligations under this Agreement.
- 12. **Equitable Relief.** Recipient acknowledges and agrees that due to the unique nature of the Confidential Information, any breach of this Agreement by Recipient would cause irreparable harm to Company for which damages would not be an adequate remedy, and that Company will therefore be entitled to seek injunctive and other equitable relief, in addition to all other remedies available at law, to the extent such remedy is consistent with any arbitration agreement entered into between the Parties.

13. **Continuing Obligation of Confidentiality.** Recipient's obligations under this Agreement shall remain in force with respect to any particular Confidential Information unless and until Recipient can document that such information falls into one of the exceptions expressly set forth in Paragraph 2 above.
14. **No Interference.** While Recipient is employed by Company and for a period of two years after such employment ends, Recipient will not recruit or solicit for employment by Recipient or any third party, any individual who: (a) is, at that time, employed by Company; or (b) who, at that time, was employed by Company within the prior six (6) months. At no time shall Recipient engage in any of the following conduct: (i) make use of any trade secret or other Confidential Information to solicit or attempt to solicit, on Recipient's own behalf or on behalf of any person or entity other than Company, business from any Company Client; or (ii) induce or attempt to induce, on Recipient's own behalf or on behalf of any person or entity other than Company, any consultant, independent contractor, licensee or other third party to sever any existing contractual relationship with Company.
15. **Governing Law.** This Agreement is governed by the internal laws of the State of California without regard to conflicts-of-law principles.
16. **Successors and Assigns.** Company may assign this Agreement, in whole or in part, to any third party, and this Agreement and all of the rights granted hereunder shall inure to the benefit of any such successors, licensees and assigns. If such assignee assumes in writing the obligations of Company hereunder, Company shall be relieved and discharged from its obligations hereunder; if such assignee does not assume such obligations in writing, Company shall remain secondarily liable. Recipient may not assign this Agreement or delegate any of Recipient's rights, responsibilities or obligations hereunder, in whole or in part, without Company's prior written consent.
17. **Severability.** If any provision of this Agreement is adjudged unenforceable, such adjudication shall in no way affect any other provision of this Agreement or the validity or enforcement of the remainder of this Agreement, and the provision affected shall be altered only to the minimum extent necessary to make it conform to the applicable law.
18. **No Waiver.** The waiver by either Party of any breach of any provision of this Agreement by the other Party shall not be construed to be a waiver of any other or subsequent breach, nor shall it be construed as a continuing waiver. Only written waivers signed by the party against whom enforcement is sought shall be valid.
19. **Dispute Resolution.** Any disputes arising out of or in any way relating to this Agreement or the termination thereof shall be settled by final and binding arbitration at ADR Services, Inc. ("ADR"), and heard by one arbitrator in Los Angeles, California. The arbitration shall be conducted in accordance with ADR's Standard Arbitration Rules (the "Rules") in effect at the time the claim is made. The Rules can be found at www.adrservices.org/rules.php. A judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction. California Code of Civil Procedure Section 1283.05, which provides for certain discovery rights, shall apply to any arbitration. The arbitrator shall apply, as applicable, federal or California substantive law and law of remedies. The arbitrator's remedial authority shall be no greater than that which is available under the statutory or common law theory asserted. The arbitrator shall issue a written opinion that includes the factual and legal basis for any decision and award. Recipient, the Company and the arbitrator shall treat all arbitration proceedings—including any decision, award and opinion in support thereof—as confidential, and the arbitrator shall issue such orders as are reasonably necessary to maintain such confidentiality. The Company shall bear the cost of the arbitrator's fees and other costs unique to arbitration in compliance with applicable law. Company and Recipient agree that this arbitration provision is subject to Section 12 of this Agreement and, in addition, either Party may bring an action in any court of competent jurisdiction, if necessary, to compel arbitration under this arbitration provision, to obtain preliminary and/or injunctive relief in support of claims to be prosecuted in arbitration, or to enforce an arbitration award. **COMPANY AND RECIPIENT UNDERSTAND AND ACKNOWLEDGE THAT BY SIGNING THIS AGREEMENT, THEY ARE GIVING UP THE RIGHT TO A JURY TRIAL AND, SUBJECT TO SECTION 12 HEREOF, TO A TRIAL IN A COURT OF LAW.**
20. **Entire Agreement.** The obligations created by this Agreement are in addition to, and not in lieu of, any obligations created by Company's Employee Handbook. This Agreement and the Employee Handbook constitute the entire understanding with respect to the matters addressed herein and supersedes any prior or contemporaneous agreements with respect to the subject matter herein. To the extent this Agreement conflicts with any provision of the Employee Handbook, this Agreement shall supersede such provision and shall govern with respect to such conflict. This Agreement may only be modified or canceled by a writing signed by Recipient and Company's Chief Executive Officer.
21. **Counterparts.** This Agreement may be executed in counterparts, each of which is deemed to be an original, but such counterparts together shall constitute one and the same instrument. This Agreement may be signed by facsimile signature, which shall be deemed effective for all purposes.
22. **Survival.** The provisions of this Agreement shall survive the ending of Recipient's employment by Company and the assignment of this Agreement by Company to any successor in interest or other assignee.

23. **Advice of Counsel.** Recipient acknowledges that, in executing this Agreement, they have had the opportunity to seek the advice of independent legal counsel, and have read and understood all of the terms and provisions of this Agreement. This Agreement shall not be construed against any Party by reason of the drafting or preparation hereof.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

BLACKLINE SYSTEMS, INC.

By: /s/ John D. Brennan
Title: Chairman
Date: 8/15/2016

RECIPIENT

Signature: /s/ Therese Tucker
Printed Name: Therese Tucker
Date: 8/24/2016

EXHIBIT B

FORM OF RELEASE

CONFIDENTIAL

DATE

NAME

ADDRESS

CITY/STATE/ZIP

Dear NAME:

BlackLine Systems, Inc. would like to thank you for your employment at BlackLine and wishes you the best in your future endeavors. As discussed, you and BlackLine have agreed to end your employment effective today, DATE. This Separation Agreement and General Release (which we refer to as the "Agreement") describes the terms of your departure from BlackLine.

Please note that you are not required to sign this Agreement.

1. What you get if you sign this Agreement

If you do sign this Agreement, return it to BlackLine by 21 DAY DATE and do not revoke it as described below, BlackLine will pay you a severance of \$GROSS less tax withholding of \$WITHHOLDING to net proceed of \$NET.

We refer to everything in the preceding paragraph as "Termination Benefits." You will receive the Termination Benefits only if you sign this Agreement, do not revoke it and comply with its terms. Please note that if you do sign the Agreement and do not revoke it, that you will not receive the severance until at least 8 days after date of signed agreement.

2. What you get if you DO NOT sign this Agreement

Even if you do not sign this Agreement, BlackLine will pay you the compensation you've earned through the last date of your employment and any accrued vacation benefits. Similarly, even if you do not sign this Agreement, you will be offered the rights you're entitled under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), and will retain whatever benefits you currently have under BlackLine's 401(k) Plan.

3. What you are giving up by signing this Agreement

If you sign this Agreement, you give up certain rights and agree to certain matters. Specifically:

- You agree BlackLine owes you no wages, commissions, bonuses, sick pay, personal leave pay, severance pay, vacation pay, or other compensation or benefits, or payments of any kind, other than those stated in this Agreement.
- You agree this Agreement won't in any way be construed as an admission by BlackLine of any: (a) liability; (b) violation of any federal, state, or local law, regulation, order, or other requirement of law, (c) breach of contract, actual or implied; (d) commission of any tort; or (e) civil wrong.
- You and anyone making a claim through you (e.g., your heirs, assigns, beneficiaries, creditors) irrevocably and unconditionally release, acquit and forever discharge BlackLine and its subsidiaries, divisions, predecessors, successors and assigns, as well as past and present officers, directors, employees, shareholders, trustees, joint venturers, partners and anyone claiming through them (together called the "Releases"), in each individual and/or corporate capacity, from all claims, liabilities, promises, actions, damages and the like, which you ever had against any Releases arising out of or relating to your employment at BlackLine and your termination.
- You agree that you understand that there are laws and regulations prohibiting employment discrimination, retaliation for opposing unlawful acts and other laws and regulations related to employment under which you may have rights or claims and that you are waiving these rights and claims. These include, but are not limited to, Title VII of the Civil Rights Act of 1964 (42 U.S.C.S. 2000e); the Americans with Disabilities Act of 1990; the National Labor Relation Act; the Employee Retirement Income Security Act of 1974; the Civil Rights Act of 1991; the Family and Medical Leave Act of 1993; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; and any other applicable federal, state and local laws. You also agree that you understand that there are other statutes, laws,

and regulations of contract and tort otherwise relating to your employment which you waive and release any right to sue. You also waive, release and promise never to assert any claim described in this paragraph, even if you do not believe that you have such claim. Specifically, you expressly waive rights under Section 1542 of the California Civil Code, which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which if known by him must have materially affected his settlement with the debtor.

You agree that claims or facts in addition to or different from those which are now known or believed by you to exist may be discovered later, but it is your specific intent to release all claims you have or may have against Releases, whether known or unknown, suspected or unsuspected.

- However, you do not intend or waive any rights or claims which any court or administrative agency has or will decide may not be waived.
- You agree not to bring any legal action against any Releases for any claim waived and released under this Agreement and represent and warrant that no such claim has been filed to date. You also agree that if you do bring any administrative or legal action related to claims waived under this Agreement that you will bear all legal fees and costs, including those of the Releases.
- You agree to continue to comply with the covenants in your employment agreement with the Company.
- You will not disclose the fact of or terms of this Agreement, including the severance, to anyone other than your attorney, except as required for accounting or tax purposes or as required by law.
- You agree that this Agreement will be binding on you and BlackLine and each of our heirs, administrators, representatives, executors, successors and assigns and shall inure to their benefit.
- You will cooperate fully with the BlackLine in its defense of or other participation in any administrative, judicial or other proceeding arising from any charge, complaint or other action which has been or may be filed.
- You agree that if you breach any obligations in this Agreement, BlackLine's responsibilities related to the Termination Benefits shall immediately cease, and you shall immediately return any Termination Benefits made to you to BlackLine.

4. What will happen whether or not you sign this Agreement

Before end of business on 72 HR DATE you promise to return all BlackLine property in your possession including laptop, monitor and all other tangible and intangible property to BlackLine. You represent and warrant that you have not retained any copies, electronic or otherwise, of such property.

You understand that future employers who contact BlackLine about your employment will be referred to H.R., which will only provide the dates of your employment and your last position held. In addition, certain obligations in the BlackLine employee handbook will continue to apply to you.

5. Execution of the Agreement and how to revoke the Agreement

You acknowledge that you have been informed pursuant to the Federal Older Workers Benefit Protection Act of 1990 that:

- a. You should consult with an attorney before signing this Agreement;
- b. You have twenty-one (21) days from the date of this letter to consider signing this Agreement; and
- c. You have seven (7) days after signing this Agreement to revoke the Agreement, and the Agreement will not be effective until that revocation period has expired. If you want to revoke the Agreement, you must provide H.R. a written statement of revocation.
- d. You are waiving and releasing any rights you may have under the Age Discrimination in Employment Act of 1967 (“ADEA”), and that this waiver and release is knowing and voluntary. You agree that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Effective Date of this Agreement.
- e. Nothing in this Agreement prevents or precludes you from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law.

6. Terms that will apply if you sign the Agreement

- If any part of this Agreement is found invalid or unenforceable, it won’t affect the validity or enforceability of any other provision.
- This Agreement is the entire agreement between you and BlackLine and supersedes any prior oral or written agreements or understandings between you and BlackLine concerning the subject matter of the Agreement. This Agreement may not be altered, amended or modified, except by an additional written document signed by you and BlackLine.

- You represent that you fully understand your rights to review this Agreement with an attorney of your choice, that you've had an opportunity to consult with an attorney of your choice, that you've carefully read and fully understand this Agreement and that you freely, knowingly and voluntarily enter into this Agreement. You also confirm that no other promises or inducements not discussed in this Agreement have been made conferring any benefit on you.
- This Agreement is entered into and governed by the laws of the State of California.
- You understand that nothing in this Agreement shall in any way limit or prohibit you from engaging for a lawful purpose in any Protected Activity. For purposes of this Agreement, "Protected Activity" shall mean filing a charge or complaint, or otherwise communicating, cooperating, or participating with, any state, federal, or other governmental agency, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, and the National Labor Relations Board. Notwithstanding any restrictions set forth in this Agreement, you understand that you are not required to obtain authorization from Blackline prior to disclosing information to, or communicating with, such agencies, nor are you obligated to advise Blackline as to any such disclosures or communications. Notwithstanding, in making any such disclosures or communications, you agree to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Blackline confidential information to any parties other than the relevant government agencies. You further understand that "Protected Activity" does not include the disclosure of any Blackline attorney-client privileged communications, and that any such disclosure without the Blackline's written consent shall constitute a material breach of this Agreement. In addition, pursuant to the Defend Trade Secrets Act of 2016, you are notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. In addition, an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

If you decide to enter into this Agreement, please sign and return the Agreement to BlackLine by 21 DAY DATE.

Very truly yours,

Title: _____ Date

EMPLOYEE NAME, Employee Date