

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019  
OR

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

For transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 001-36089

**RingCentral, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

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

**20 Davis Drive  
Belmont, California 94002**  
(Address of principal executive offices)  
**(650) 472-4100**  
(Registrant's telephone number, including area code)

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

| Title of each class                                | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| <b>Class A Common Stock<br/>par value \$0.0001</b> | <b>RNG</b>        | <b>New York Stock Exchange</b>            |

Securities registered pursuant to section 12(g) of the Act:  
**None**

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of voting stock held by non-affiliates of the Registrant on June 28, 2019, based on the closing price of \$114.92 for shares of the Registrant's common stock as reported by the New York Stock Exchange, was approximately \$8.4 billion. Shares of common stock held by each executive officer, director, and their affiliated holders have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 19, 2020, there were 76,065,062 shares of Class A common stock and 11,039,473 shares of Class B common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Information required in response to Part III of Form 10-K (Items 10, 11, 12, 13 and 14) is hereby incorporated by reference to portions of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held in 2020. Such Proxy Statement will be filed by the Registrant with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's fiscal year ended December 31, 2019.

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**PART I.**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

- our progress against short-term and long-term goals;
- our future financial performance;
- our anticipated growth, growth strategies and our ability to effectively manage that growth and effect these strategies;
- our success in the enterprise market;
- anticipated trends, developments and challenges in our business and in the markets in which we operate, as well as general macroeconomic conditions;
- our ability to scale to our desired goals, particularly the implementation of new processes and systems and the addition to our workforce;
- the impact of competition in our industry and innovation by our competitors;
- our ability to anticipate and adapt to future changes in our industry;
- our ability to predict subscriptions revenues, formulate accurate financial projections, and make strategic business decisions based on our analysis of market trends;
- our ability to anticipate market needs and develop new and enhanced solutions and subscriptions to meet those needs, and our ability to successfully monetize them;
- maintaining and expanding our customer base;
- maintaining, expanding and responding to changes in our relationships with other companies;
- maintaining and expanding our distribution channels, including our network of sales agents and resellers;
- our success with our carrier partners;
- our ability to sell, market, and support our solutions and services;
- our ability to expand our business to larger customers as well as expanding domestically and internationally;
- our ability to realize increased purchasing leverage and economies of scale as we expand;
- the impact of seasonality on our business;
- the impact of any failure of our solutions or solution innovations;
- our reliance on our third-party product and service providers;
- the potential effect on our business of litigation to which we may become a party;
- our liquidity and working capital requirements;
- the impact of changes in the regulatory environment;
- our ability to protect our intellectual property and rely on open source licenses;
- our expectations regarding the growth and reliability of the internet infrastructure;
- the timing of acquisitions of, or making and exiting investments in, other entities, businesses, or technologies;
- our ability to successfully and timely execute on, integrate, and realize the benefits of any acquisition, investment, strategic partnership, or other strategic transaction we may make or undertake;
- our capital expenditure projections;

- the estimates and estimate methodologies used in preparing our consolidated financial statements;
- the political environment and stability in the regions in which we or our subcontractors operate;
- the impact of economic downturns on us and our customers;
- our ability to defend our systems and our customer information from fraud and cyber-attack;
- our ability to prevent the use of fraudulent payment methods for our solutions;
- our ability to retain key employees and to attract qualified personnel; and
- the impact of foreign currencies on our non-U.S. business as we expand our business internationally.

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

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

## **ITEM 1. BUSINESS**

### **Overview**

We are a leading provider of software-as-a-service ("SaaS") solutions that enable businesses to communicate, collaborate, and connect. We believe that our innovative, cloud-based approach disrupts the large market for business communications and collaboration by providing flexible and cost-effective solutions that support distributed workforces, mobile employees, and the proliferation of smartphones and tablets. We enable convenient and effective communications for organizations across all their locations and employees, enabling them to be more productive and more responsive to their customers.

Our cloud-based business communications and collaboration solutions are designed to be easy to use, providing a single user identity across multiple locations and devices, including smartphones, tablets, PCs and desk phones. Our solutions can be deployed rapidly and configured and managed easily. Through our platform, we enable third-party developers and customers to integrate our solution with leading business applications to customize their own business workflows.

Traditionally, business communications have been comprised of a series of inflexible, expensive, and disparate systems: on-premise hardware based private branch exchanges ("PBX systems") which primarily support only voice on desktop phones. The rapid growth of mobile communications has changed the way businesses interact. Employees connect from anywhere with any device, using multiple modes of communications including voice, video, text, messaging, and social media. These forms of flexible communications enable employees to be productive in ways traditional on-premise systems do not support. In addition, our cloud-based SaaS solutions are location and device independent and better suited to address the needs of modern mobile and global enterprise workforces that are hard, if not impossible, for legacy on-premise systems to match.

We believe RingCentral benefits from both the shift to mobile and distributed workforces and the migration of hardware on-premise based communication systems to cloud-based software solutions. RingCentral's software cloud communications and collaboration platform is designed from the ground-up, specifically for today's mobile and distributed workforce. RingCentral is a leading provider of global enterprise cloud communications, collaboration, and customer engagement solutions. We provide unified voice, video, on-line meetings, team messaging, digital customer engagement, and contact center solutions. In addition, our differentiated open platform Application Programming Interfaces ("APIs") enable seamless integration with third-party and custom software applications. These integrations improve business workflows resulting in higher employee productivity and better customer service. Our global delivery capabilities support the needs of multi-national enterprises in multiple countries.

We generate revenues primarily from the sale of subscriptions for our cloud-based services. We focus on acquiring and retaining our customers, adding value to their experience, and increasing their use of our solutions. As their needs change, customers add users to services, upgrade to premium subscription editions which provide additional features and functionality and expand use of other solutions.

We continue to invest in our direct sales force while also developing indirect sales channels to market our brand and sell our solutions. Our indirect sales channels consist of regional and global networks of resellers, carriers including AT&T, Inc. ("AT&T"), TELUS Communications Company ("TELUS") and BT Group plc ("BT"). We have also entered into strategic partnerships, including with Avaya Holdings Corp. ("Avaya") and Atos SE ("Atos").

In October 2019 we entered into certain agreements for a strategic partnership with Avaya, to introduce a new solution, Avaya Cloud Office by RingCentral ("ACO"), which will be marketed and sold by Avaya and its subsidiaries. In December 2019 we entered into an agreement with Atos, which includes entering into a system integrator relationship and the introduction of a co-branded Unified Communications as a Service ("UCaaS") solution.

We were incorporated in California in 1990 and reincorporated in Delaware on September 26, 2013. Our principal executive offices are located in Belmont, California. Our principal address is 20 Davis Drive, Belmont, California 94002, and our primary website address is [www.ringcentral.com](http://www.ringcentral.com). Information contained on, or that can be accessed through, our website, does not constitute part of this Annual Report on Form 10-K and inclusion of our website address in this Annual Report on Form 10-K is an inactive textual reference only.

"RingCentral" and other of our trademarks appearing in this report are our property. This report also contains trade names and trademarks of other companies. We do not intend our use or display of other companies' trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

#### Our Solutions

Our cloud-based business communications, collaboration, and customer engagement solutions function across multiple locations and devices, including smartphones, tablets, PCs and desk phones, allow for communication across multiple modes, including high-definition ("HD") voice, video, SMS, messaging and collaboration, conferencing, online meetings, and fax. Our proprietary solutions enable a more productive and dynamic workforce and are architected using industry standards to meet modern business communications and collaboration requirements, including workforce mobility, "bring-your-own" communications device environments and multiple communications methods.

Our solutions are delivered using a highly available, and rapidly and easily scalable infrastructure, allowing our customers to add new users regardless of where they are located. Our solutions are generally affordable, requiring little to no upfront infrastructure hardware costs or ongoing maintenance and upgrade costs commonly associated with on-premise systems and can be integrated with other existing communication systems.

We believe that our solutions go beyond the core functionality of existing on-premise communications solutions by providing additional key benefits that address the changing requirements of business to allow business communications using voice, HD video web conferencing, SMS, team messaging, collaboration, fax, and social media. The key benefits of our solutions include:

- **Location Independence.** Our cloud-based solutions are designed to be location independent. We seamlessly connect distributed and mobile users, enabling employees to communicate with a single identity whether working from a central location, a branch office, on the road, or at home.
- **Global.** Our RingCentral Global Office capabilities support multinational enterprise workforces. RingCentral Global Office connects multinational workforces globally, while reducing the complexity and high costs of maintaining multiple legacy PBX systems with a single global cloud solution.
- **Device Independence.** Our solutions are designed to work with a broad range of devices, including smartphones, tablets, PCs, and desk phones, enabling businesses to successfully implement a "bring-your-own" communications device strategy.
- **Instant Activation and Easy Account Management.** Our solutions are designed for rapid deployment and ease of management. Our intuitive graphical user interfaces allow administrators and users to set up and manage their business communications system with little or no IT expertise, training, or dedicated staffing.
- **Scalability.** Our cloud-based solutions scale easily and efficiently with the growth of our customers. Customers can add users, regardless of their location, without having to purchase additional infrastructure hardware or software upgrades.
- **Lower Cost of Ownership.** We believe that our customers experience significantly lower cost of ownership compared to legacy on-premise systems. Using our cloud-based solutions, our customers can avoid the significant

upfront costs of infrastructure hardware, software, ongoing maintenance and upgrade costs, and the need for dedicated and trained IT personnel to support these systems.

- **Seamless and Intuitive Integration with Other Applications.** Applications are proliferating within businesses of all sizes. Integration of these business applications with legacy on-premise systems is typically complex and expensive, which limits the ability of businesses to leverage cloud-based applications. Our platform provides seamless and intuitive integration with multiple popular cloud-based business applications such as Microsoft productivity tools, Google G-Suite, Salesforce CRM, Oracle, Okta, Zendesk, Box, and Workday, as well as customer lines-of business applications.

We have a portfolio of cloud-based offerings that are subscription-based and made available at different monthly rates, varying by the specific functionalities, services, and number of users. We primarily generate revenues from the sale of subscriptions of our offerings, which include the following:

**RingCentral Office.** RingCentral Office, our flagship solution, provides a unified experience for communication and collaboration across multiple modes, including HD voice, video, SMS, messaging and collaboration, conferencing, online meetings, and fax. Offered globally, customers can extend RingCentral Office to support their multinational workforce in many countries around the world. This subscription is designed primarily for businesses that require a communications solution, regardless of location, type of device, expertise, size, or budget. Businesses are able to seamlessly connect users working in multiple office locations on smartphones, tablets, PCs and desk phones. We sell RingCentral Office in four editions: Essentials, Standard, Premium, and Ultimate. The features, capabilities and price per user increase from Essentials to Ultimate. The solution capabilities include high definition voice, call management, mobile applications, business SMS and MMS, fax, team messaging and collaboration, audio/video/web conferencing capabilities, out-of-the-box integrations with other cloud-based business applications, and business analytics and reporting. Our platform also enables customers to create, develop, and deploy custom integrations using our APIs. RingCentral Office customers also have available to them RingCentral Global Office.

Key features of RingCentral Office include:

- **Cloud-Based Business Communications Solutions.** We offer multi-user, multi-extension, cloud-based business communications solutions that do not require installation, configuration, management, or maintenance of on-premise hardware and software. Our solutions are instantly activated and deliver a rich set of functionalities across multiple locations and devices.
- **Collaboration.** We offer team messaging and collaboration solutions which allow diverse teams to stay connected through multiple modes of communication. In addition to team messaging and communications, teams can share tasks, notes, group calendars, and files.
- **Mobile-Centric Approach.** Our solution includes smartphone and tablet mobile applications that customers can use to set up and manage company, department, and user settings from anywhere. Our applications turn iOS and Android smartphones and tablets into business communication devices. Users can change their personal settings instantly and communicate via voice, text, team messaging and collaboration, HD video and web conferencing, and fax. Personal mobile devices are fully integrated into the customer's cloud-based communication solution, using the company's numbers, and displaying one of the company's caller ID for calls made through our mobile applications.
- **Easy Set-Up and Control.** Our user interfaces provide a consistent user experience across smartphones, tablets, PCs, and desk phones, making it intuitive and easy for our customers to quickly discover and use our solution across devices. Among other capabilities, administrators can specify and modify company, department, user settings, auto-receptionist settings, call-handling, and routing rules, and add, change, and customize users and departments.
- **Flexible Call Routing.** Our solution includes an auto-attendant to easily customize call routing for the entire company, departments, groups, or individual employees. It includes a robust suite of communication management options, including time of day, caller ID, call queuing, and sophisticated routing rules for complex call handling for the company, departments, groups, and individual employees.
- **Integrated Voice, HD Video and Web Conferencing, Text and Fax Communications with One Business Number.** By eliminating the need for multiple business numbers, users are able to easily control how, when, and where they conduct their business communications through routing logic with one number. Employees can stay connected, thus increasing efficiency, productivity, and responsiveness to their customers. Having one business number also enables users to keep personal mobile numbers private. RingCentral Rooms and Rooms Connector bring a cloud web conferencing solution to meeting rooms and support for large meetings and Webinars for a monthly per license add-on fee.

- **Cloud-based Business Application Integrations.** Our solution seamlessly integrates with other cloud-based business applications such as Salesforce CRM, Google Cloud, Box, Dropbox, Office365, Outlook, Oracle, Okta, Zendesk, Jira, Asana, and others. For example, our integration with Salesforce CRM brings up customer records immediately based on inbound caller IDs, resulting in increased productivity and efficiency. Our open platform is supported by APIs and software developers' kits ("SDKs") that allows developers to integrate our solution with leading business applications or with other custom applications to customize their own business workflows.
- **RingCentral Global Office.** Our solution includes RingCentral Global Office, a single global Unified Communications as a Service ("UCaaS") solution designed for multinational enterprises that allows these companies to support distributed offices and employees globally with a single cloud solution. With RingCentral Global Office, multinational enterprises can operate in other countries while also acting as one integrated business, with capabilities including local phone numbers, local caller ID, worldwide extension-to-extension dialing, and included minute bundles for international calling.
- **RingCentral CloudConnect.** RingCentral CloudConnect is a service that allows enterprises to leverage their dedicated and secure connections to exchange data directly with the RingCentral cloud. Customers use their preferred network service provider to connect to the RingCentral cloud through a secure data exchange enabling lower latency, greater network reliability and availability, and added security.

**RingCentral Contact Center.** Our RingCentral Contact Center is a collaborative contact center solution that delivers omni-channel and integrates with RingCentral Office and RingCentral Glip. RingCentral Contact Center enables businesses to transform the way they engage their customers across all channels while effectively maximizing agent availability. The solution leverages technology from NICE inContact, Inc., has a comprehensive feature set, and can integrate with RingCentral Office. This enables businesses to build customer loyalty and increase productivity by resolving customer issues faster and more effectively.

**RingCentral Engage Digital.** RingCentral Engage is a digital customer engagement platform allowing enterprises to interact with their customers through a single platform across all digital channels. The platform uses AI-based smart routing engine that enables agents to efficiently manage customer interactions across digital channels including mobile and in-app messaging, social media, live chats, and email.

**RingCentral Engage Voice.** Engage Voice is a cloud-based outbound/blended customer engagement platform for midsize and enterprise companies. The platform provides automated dialing capabilities to help accelerate the sales process and improve the time it takes sales teams to reach prospects.

**RingCentral Glip.** Our RingCentral Glip team messaging and collaboration solution allows diverse teams to stay connected through multiple modes of communication through an integration with RingCentral Office. In addition to using RingCentral Glip for team messaging and communications, teams can share tasks, notes, group calendars, and files. RingCentral Glip is designed for distributed and mobile teams and offers out-of-the-box integrations with a number of leading cloud business applications such as Asana, Dropbox, Evernote, Jira, Github, Google, and others. Available stand-alone, this solution can be upgraded to the full cloud communications capabilities of RingCentral Office.

**RingCentral Meetings.** RingCentral Meetings is a collaborative meetings solution that offers web meetings, video conferencing, and screen sharing integrated with team messaging. Available stand-alone, this solution can be upgraded to the full cloud communications capabilities of RingCentral Office.

**RingCentral Live Reports.** RingCentral Live Reports is an add-on for RingCentral Office customers to gather real-time information needed to maximize the performance with dashboards that contain information on agent utilization and overall customer experience.

**RingCentral Professional.** RingCentral Professional is a cloud based virtual telephone service offering designed for professionals who are on the go. It provides inbound call answering and management services, and includes inbound local, long-distance, and toll-free minutes.

**RingCentral Fax.** RingCentral Fax provides online fax capabilities that allow businesses to send and receive fax documents without the need for a fax machine. RingCentral Fax capability is made available to all RingCentral Office customers or as a stand-alone offering at monthly subscription rates that vary based on the desired number of pages and phone numbers allotted to the plan.

#### **Our Customers**

We have a diverse and growing customer base across a wide range of industries, including financial services, education, healthcare, legal services, real estate, retail, technology, insurance, construction, hospitality, and state and local government, among others. For the year ended December 31, 2019 and 2018, none of our customers accounted for more than 10% of total revenue. For the year ended December 31, 2017, revenue generated from one of our carrier resellers accounted for 11% of our total revenues.

We sell our solutions to enterprise customers, and small and medium-sized businesses. We define a "customer" as one individual billing relationship for the subscription to our services, which generally correlates to one company account per customer. We continuously expand our solution offering globally and believe that there are additional growth opportunities in international markets.

#### **Marketing, Sales and Support**

We use a variety of marketing, sales, and support activities to generate and cultivate ongoing customer demand for our subscriptions, acquire new customers, and engage with our existing customers. We sell through both direct and indirect channels. We provide onboarding implementation support to help our customers set up and configure their newly purchased communications system, as well as ongoing self-service, phone support, online chat support, and training. We also closely track and monitor customer acquisition costs to assess how we are deploying our marketing, sales, and customer support spending.

- **Marketing.** Our marketing efforts include search engine marketing, search engine optimization, affiliates, list buys, shared leads, content leads, appointment setting, radio advertising, online display advertising, sports sponsorships, billboard advertising, tradeshows and events, and other forms of demand generation. We track and measure our marketing costs closely across all channels so that we can acquire customers in a cost-efficient manner.
- **Direct Sales.** We primarily sell our solutions and subscriptions through direct inbound and outbound sales efforts. We have direct sales representatives located in the U.S. and internationally.
- **Indirect Sales.** Our indirect sales channel consists of global and regional networks of resellers, carriers including AT&T, TELUS and BT. Our indirect sales channels help broaden the adoption of our solutions without the need for a large direct sales force.
- **Customer Support and Services.** While our intuitive and easy-to-use user interface serves to reduce our customers' need for support and services, we provide online chat and phone customer support, as well as post-sale implementation support, as an option to help customers configure and use our solution. We track and measure our customer satisfaction and our support costs closely across all channels to provide a high level of customer service in a cost-efficient manner.
- **Strategic Partnerships.** We have strategic partnerships with several third parties including Avaya and Atos.

#### **Research and Development**

We believe that continued investment in research and development is critical to expanding our leadership position within the cloud-based business communications solutions market. We devote the majority of our research and development resources to software development. Our engineering team has significant experience in various disciplines related to our platform, such as voice, text, team messaging and collaboration, video and fax processing, mobile application development, IP networking and infrastructure, contact center, digital customer engagement, user experience, security, and robust multi-tenant cloud-based system architecture.

Our development methodology, in combination with our SaaS delivery model, allows us to provide new and enhanced capabilities on a regular basis. Based on feedback from our customers and prospects and our review of the broader business communications and SaaS markets, we continuously develop new functionality while maintaining and enhancing our existing solution. We typically have multiple releases per year, where we constantly improve our solutions and introduce new capabilities and features to make our customers' workforce more productive and to build out the feature set required by larger and global enterprises.

As part of our strategy to expand our technological capabilities, we engage in strategic transactions from time to time. For example, we acquired Dimelo, a cloud-based digital customer engagement platform, in October 2018, and Connect First, Inc. ("Connect First"), a cloud-based outbound/blended customer engagement platform for midsize and enterprise companies, in January 2019. These strategic acquisitions enable us to complement our technology and skill sets and expand our solution reach.



#### **Technology and Operations**

Our platforms are hosted both in private and public clouds. Our private clouds are built on a highly scalable and flexible infrastructure comprised of commercially available hardware and software components. We believe that both hardware and software components of our platform can be replaced, upgraded or added with minimal or no interruption in service. The system is designed to have no single point-of-failure.

Our private cloud is served from over 25 data centers located in several cities in the United States and throughout the world. Our data centers are designed to host mission-critical computer and communications systems with redundant, fault-tolerant subsystems, and compartmentalized security zones. We maintain a security program designed to ensure the security and integrity of customer data, protect against security threats or data breaches, and prevent unauthorized access to our customers' data. We limit access to on-demand servers and networks at our production and remote backup facilities.

#### **Intellectual Property**

We rely on a combination of patent, copyright, and trade secret laws in the U.S. and other jurisdictions, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered and unregistered trademarks to protect our brand. In addition, we seek to protect our intellectual property rights by implementing a policy that requires our employees and independent contractors involved in the development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

Our intellectual property portfolio includes over 200 issued patents, which expire between 2022 and 2038. We also have 45 patent applications pending examination in the U.S. and 16 patent applications pending examination in foreign jurisdictions, all of which are related to U.S. applications. In general, our patents and patent applications apply to certain aspects of our SaaS and mobile applications and underlying communications infrastructure. We are also a party to various license agreements with third parties that typically grant us the right to use certain third-party technology in conjunction with our solutions and subscriptions.

#### **Competition**

The market for business communications solutions is very large, rapidly evolving, complex, fragmented and defined by changing technology, and customer needs. We expect competition to continue to increase in the future. We believe that the principal competitive factors in our market include:

- subscription features and capabilities;
- system reliability, availability, and performance;
- speed and ease of activation, setup, and configuration;
- ownership and control of the underlying technology;
- open platform;
- integration with mobile devices;
- brand awareness and recognition;
- simplicity of the pricing model; and
- total cost of ownership.

We believe that we generally compete favorably on the basis of the factors listed above.

We face competition from a broad range of providers of business communications solutions. Some of these competitors include:

- traditional on-premise, hardware business communications providers such as Alcatel-Lucent Enterprise, Avaya Inc., Cisco Systems, Inc., Mitel Networks Corporation, NEC Corporation, and Siemens Enterprise Networks, LLC, any of which may now or in the future also host their solutions through the cloud;
- software providers such as Microsoft Corporation and Cisco Systems, Inc. that generally license and/or host their software solutions, and their resellers including major carriers and cable companies;

- established communications providers that resell on-premise hardware, software, and hosted solutions, such as AT&T, Verizon Communications Inc., Sprint Corporation, and Comcast Corporation in the United States, TELUS and others in Canada, and BT, Vodafone Group Plc, and others in the U.K., all of whom have significantly greater resources than us and do now or may in the future also develop and/or host their own or other solutions through the cloud;
- other cloud companies such as 8x8, Inc., Amazon.com, Inc., DialPad, Inc., Fuze Inc., StarBlue, Inc., Intermedia.net, Inc., J2 Global, Inc., LogMeIn, Inc., Microsoft Corporation, Nextiva, Inc., Twilio Inc., Vonage Holdings Corp., West Corporation, and Zoom Video Communications, Inc.;
- other large internet companies such as Alphabet Inc. (Google Voice), Facebook, Inc., Oracle Corporation, and salesforce.com, Inc., any of which might launch its own cloud-based business communication services or acquire other cloud-based business communications companies in the future;
- providers of communications platform as a service solutions and messaging software platforms with APIs such as Twilio Inc., Vonage Holding Corp., and Slack Technologies, Inc., on which customers can build diverse solutions by integrating cloud communications into business applications;
- contact center and customer relationship management providers such as Amazon.com, Inc., Aspect Software, Inc., Avaya Inc., Five9, Inc., NICE InContact, Genesys Telecommunications Laboratories, Inc., Serenova, LLC, Talkdesk, Inc., Vonage Holdings Corp., Salesforce.com, Inc., and Twilio Inc.; and
- Digital engagement vendors such as Brand Embassy Ltd, eGain Corporation, Lithium Technologies, LLC, LivePerson, Inc., SparkCentral Inc., among others named above that may offer similar features.

#### **Employees**

As of December 31, 2019, we had 2,363 full-time employees. Our employees in France are covered by the Syntec Collective Bargaining Agreement. We are not subject to any other collective bargaining agreements. We believe that our employee relations are good, and we have never experienced any work stoppages.

#### **Regulatory**

As a provider of communication services over the Internet, we are subject to regulation in the U.S. by the FCC. Some of these regulatory obligations include contributing to the Federal Universal Service Fund, Telecommunications Relay Service Fund, and federal programs related to phone number administration; providing access to E-911 services; protecting customer information; and porting phone numbers upon a valid customer request. We are also required to pay state and local 911 fees and contribute to state universal service funds in those states that assess interconnected Voice over Internet Protocol ("VoIP") services. In addition, we have certified a wholly owned subsidiary as a competitive local exchange carrier in thirty-four states. This subsidiary, RCLEC, is subject to the same FCC regulations applicable to telecommunications companies, as well as regulation by the public utility commissions in states where the subsidiary provides services. Specific regulations vary on a state-by-state basis, but generally include the requirement for our subsidiary to register or seek certification to provide its services, to file and update tariffs setting forth the terms, conditions and prices for our intrastate services and to comply with various reporting, record-keeping, surcharge collection, and consumer protection requirements.

As we expand internationally, we will be subject to laws and regulations in the countries in which we offer our subscriptions. Regulatory treatment of communications services over the Internet outside the U.S. varies from country to country, and may be more onerous than imposed on our subscriptions in the U.S. In the United Kingdom, for example, our subscriptions are regulated by Ofcom, which, among other things, requires electronic communications services providers such as our company to provide all users access to both 112 (EU-mandated) and 999 (U.K.-mandated) emergency service numbers at no charge. Similarly, in Canada, our subscriptions are regulated by the CRTC, which, among other things, imposes requirements like those in the U.S. related to the provision of E-911 services, in all areas of Canada where the wireline incumbent carrier offers such 911 services. Our regulatory obligations in foreign jurisdictions could have a material adverse effect on the use of our subscriptions in international locations.

In the course of providing our services, we collect, store, and process many types of data, including personal data. Moreover, our customers can use our subscriptions to store contact and other personal or identifying information, and to process, transmit, receive, store, and retrieve a variety of communications and messages, including information about their own customers and other contacts. Customers are able, and may be authorized under certain circumstances, to use our subscriptions to transmit, receive, and/or store personal information.

There are a number of federal, state, local, and foreign laws and regulations, such as the European Union's General Data Protection Regulation ("GDPR") and the recently enacted California Consumer Privacy Act, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure, and protection of personal information and other customer data. We expect that with the implementation of our Global Office solution, we may become subject to additional data privacy regulations in other countries throughout the world. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain.

As Internet commerce and communication technologies continue to evolve, thereby increasing online service providers' and network users' capacity to collect, store, retain, protect, use, process, and transmit large volumes of personal information, increasingly restrictive regulation by federal, state, or foreign agencies becomes more likely.

Regulations that do not directly apply to our business, but which do apply to our customers and partners, can also impact our business. As we expand our business, addressing customer and partner requirements in new jurisdictions and new verticals often requires investment on our part to address regulations that apply to our customers. Globally, these regulations continue to be introduced and to change over time. Such regulations can impact our ability to offer services to various customer segments, and our cost to deliver our services.

See the section entitled "Risk Factors" for more information.

**Available Information**

We make available our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, free of charge on our website, [ir.ringcentral.com](http://ir.ringcentral.com) as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission, or the "SEC". In addition, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

The Company announces material information to the public about the Company, its solutions and services and other matters through a variety of means, including the Company's website ([www.ringcentral.com](http://www.ringcentral.com)), the investor relations section of its website ([ir.ringcentral.com](http://ir.ringcentral.com)), press releases, filings with the SEC, and public conference calls, in order to achieve broad, non-exclusionary distribution of information to the public. The Company encourages investors and others to review the information it makes public in these locations, as such information could be deemed to be material information. Please note that this list may be updated from time to time.

**ITEM 1A. RISK FACTORS**

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

**Risks Related to Our Business and Our Industry**

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

We have incurred substantial net losses since our inception. Over the past few years, we have spent considerable amounts of time and money to develop new business communications solutions and enhanced versions of our existing business communications solutions to position us for future growth. Additionally, we have incurred substantial losses and expended significant resources upfront to market, promote and sell our solutions and expect to continue to do so in the future. We also expect to continue to invest for future growth, including for advertising, customer acquisition, technology infrastructure, storage capacity, services development and international expansion. In addition, as a public company, we incur significant accounting, legal, and other expenses.

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

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

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

- our ability to retain existing customers, resellers, and carriers, and expand our existing customers' user base, and attract new customers;
- our ability to introduce new solutions;
- the actions of our competitors, including pricing changes or the introduction of new solutions;
- our ability to effectively manage our growth;
- our ability to successfully penetrate the market for larger businesses;
- the mix of annual and multi-year subscriptions at any given time;
- the timing, cost, and effectiveness of our advertising and marketing efforts;
- the timing, operating cost, and capital expenditures related to the operation, maintenance and expansion of our business;
- our ability to successfully and timely execute on, integrate, and realize the benefits of any acquisition, investment, strategic partnership, or other strategic transaction or partnership we may make or undertake;
- service outages or actual or perceived information security breaches and any related impact on our reputation;
- our ability to accurately forecast revenues and appropriately plan our expenses;
- our ability to realize our deferred tax assets;
- costs associated with defending and resolving intellectual property infringement and other claims;

- changes in tax laws, regulations, or accounting rules;
- the timing and cost of developing or acquiring technologies, services or businesses, and our ability to successfully manage any such acquisitions;
- the impact of foreign currencies on our business as we continue to expand our business internationally; and
- the impact of worldwide economic, political, industry, and market conditions.

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

***Our rapid growth and the quickly changing markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.***

We have grown rapidly since 2009, when we introduced RingCentral Office, our current flagship product. We have encountered and expect to continue to encounter risks and uncertainties frequently experienced by growing companies in rapidly changing markets. If our assumptions regarding these uncertainties are incorrect or change in reaction to changes in our markets, or if we do not manage or address these risks successfully, our results of operations could differ materially from our expectations, and our business could suffer.

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

We have recently experienced substantial growth in our business. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope, and complexity, we will need to increase our sales and marketing efforts and add additional sales and marketing personnel in various regions worldwide and improve and upgrade our systems and infrastructure to attract, service, and retain an increasing number of customers. For example, we expect the volume of simultaneous calls to increase significantly as our customer base grows. Our network hardware and software may not be able to accommodate this additional simultaneous call volume. The expansion of our systems and infrastructure will require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Any such additional capital investments will increase our cost base.

Continued growth could also strain our ability to maintain reliable service levels for our customers, resellers, and carriers develop and improve our operational, financial and management controls, enhance our billing and reporting systems and procedures and recruit, train and retain highly skilled personnel. In addition, our existing systems, processes, and controls may not prevent or detect all errors, omissions, or fraud. We may also experience difficulties in managing improvements to our systems, processes, and controls or in connection with third-party software licensed to help us with such improvements. Any future growth, particularly as we continue to expand internationally, would add complexity to our organization and require effective communication and coordination throughout our organization. Additionally, our productivity and the quality of our solutions and services may be adversely affected if we do not integrate and train our new employees quickly and effectively. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, results of operations and financial condition could be materially and adversely affected.

***Our future operating results will rely in part upon the successful execution of our strategic partnerships with Avaya and others, which may not be successful.***

A strategic partnership between two independent businesses is a complex, costly, and time-consuming process that will require significant management attention and resources. Realizing the benefits of our strategic partnerships, particularly our relationship with Avaya Holdings Corp. and its subsidiaries ("Avaya"), will depend in part on our ability to work with our strategic partners to develop, market and sell co-branded solutions, such as Avaya Cloud Office by RingCentral ("ACO"). Setting up and maintaining the operations and processes of these strategic partnerships may cause us to incur significant costs, disrupt our business and, if implemented ineffectively, would limit the expected benefits to us. In addition, the process of bringing ACO and other co-branded solutions to market may take longer than anticipated, which could negate or reduce our anticipated benefits and revenue opportunities. In addition, we must be successful in marketing and selling ACO to realize the benefits of our prepayment to Avaya

of \$345 million in our common stock. The failure to successfully and timely implement and operate our strategic partnerships could harm our ability to realize the anticipated benefits of these partnerships and could adversely affect our results of operations.

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

The cloud-based business communications and collaboration solutions industry is competitive, and we expect competition to increase in the future. We face intense competition from other providers of business communications and collaboration systems and solutions.

Our competitors include traditional on-premise, hardware business communications providers such as Alcatel-Lucent Enterprise, Avaya Inc., Cisco Systems, Inc., Mitel Networks Corporation, NEC Corporation, Siemens Enterprise Networks, LLC, their resellers, and others, as well as companies such as Microsoft Corporation and Cisco Systems, Inc., and their resellers that license their software. In addition, certain of our carriers and strategic partners, such as AT&T, BT, TELUS, Avaya, and Aios SE ("Aios") sell or are expected to sell our solutions, but they are also competitors for business communications. These companies have significantly greater resources than us and currently, or may in the future, develop and/or host their own or other solutions through the cloud. Such competitors may not be successful in or cease marketing and selling our solutions to their customers and ultimately be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues and growth. We also face competition from other cloud companies and established communications providers that resell on-premise hardware, software, and hosted solutions, such as 8x8, Inc., Amazon.com, Inc., Dialpad, Inc., Fuze, Inc., StarBlue, Inc., Intermedia.net, Inc., J2 Global, Inc., LogMeIn, Inc., Microsoft Corporation, Nextiva, Inc., Twilio Inc., Vonage Holdings Corp., West Corporation, and Zoom Video Communications, Inc., which announced a voice solution. Established communications providers, such as AT&T, Verizon Communications Inc., Sprint Corporation and Comcast Corporation in the United States, TELUS and others in Canada, and BT, Vodafone Group plc, and others in the U.K., that resell on-premise hardware, software, and hosted solutions, compete with us in business communications and currently, or may in the future, develop and/or host their own cloud solutions. We may also face competition from other large Internet companies, such as Alphabet Inc. (Google Voice), Facebook, Inc., Oracle Corporation, and salesforce.com, inc., any of which might launch its own cloud-based business communications services or acquire other cloud-based business communications companies in the future. We also compete against providers of communications platform as a service solutions and messaging software platforms with APIs such as Twilio Inc., Vonage Holdings Corp., and Slack Technologies, Inc., on which customers can build diverse solutions by integrating cloud communications into business applications. We face competition with respect to this solution from contact center and customer relationship management providers such as Amazon.com, Inc., Aspect Software, Inc., Avaya Inc., Five9, Inc., NICE InContact, Genesys Telecommunications Laboratories, Inc., Serenova, LLC, Talkdesk, Inc., Vonage Holdings Corp., salesforce.com, inc., and Twilio Inc. We also face competition from digital engagement vendors such as Brand Embassy Ltd, eGain Corporation, Lithium Technologies, LLC, LivePerson, Inc., SparkCentral Inc., among others named above that may offer similar features.

Many of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, more diversified offerings, and larger customer bases than we have. As a result, these competitors may have greater credibility with our existing and potential customers and may be better able to withstand an extended period of downward pricing pressure. In addition, certain of our competitors have partnered with, or been acquired by, and may in the future partner with or acquire, other competitors to offer services, leveraging their collective competitive positions, which makes it more difficult to compete with them and could significantly and adversely affect our results of operations. Demand for our platform is also sensitive to price. Many factors, including our marketing, user acquisition and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. Our competitors may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their services than we can to ours. Some of these service providers have in the past and may choose in the future to sacrifice revenues in order to gain market share by offering their services at lower prices or for free, or offering alternative pricing models, such as "freemium" pricing, in which a basic offering is provided for free with advanced features provided for a fee, on the services they offer. Our competitors may also offer bundled service arrangements offering a more complete service offering, despite the technical merits or advantages of our subscriptions. Competition could result in a decrease to our prices, slow our growth, increase our customer turnover, reduce our sales, or decrease our market share.

***We rely and may in the future rely significantly on our strategic partners, resellers, and carriers to sell our subscriptions; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues.***

Our future success depends on our continued ability to establish and maintain a network of channel relationships, and we expect that we will need to expand our network in order to support and expand our historical base of smaller enterprises as well as attract and support larger customers and expand into international markets. An increasing portion of our revenues are

derived from our network of sales agents and resellers, which we refer to collectively as resellers, many of which sell or may in the future decide to sell their own services or services from other business communications providers. We generally do not have long-term contracts with these resellers, and the loss of or reduction in sales through these third parties could materially reduce our revenues. Our competitors may in some cases be effective in causing our current or potential resellers to favor their services or prevent or reduce sales of our subscriptions. Furthermore, while AT&T, BT, and TELUS also sell our solutions, and Avaya is expected to introduce the new ACO solution commencing at the end of the first quarter of 2020, they are also competitors for business communications. These companies have significantly greater resources than us and currently, or may in the future, develop and/or host their own or other solutions through the cloud. Such competitors may cease marketing or selling our solutions to their customers and ultimately be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues and growth. In this regard, AT&T launched a competing hosted business communications solution in 2016, and new subscriptions for our solution sold by AT&T declined to an immaterial level in 2017 and into 2018. In August 2018, we entered into a revised agreement with AT&T, under which AT&T resumed reselling our solutions, and sales of our solutions by AT&T have increased as a result, but there can be no guarantee that AT&T will not cease reselling our solutions in the future. We also recently entered into certain agreements for strategic partnerships with Avaya and Atos to sell certain of our solutions. We expect that the ACO solution will be introduced at the end of the first quarter of 2020; however, there can be no guarantee that Avaya or any of its channel partners will be successful in marketing or selling our solutions or that they will not cease marketing or selling our solutions in the future. If AT&T, Avaya and its channel partners, or Atos, are not successful in marketing and selling our solutions or cease to market and sell our solutions, our revenues and growth could be significantly and adversely affected. If we fail to maintain relationships with our resellers, carriers and strategic partners or fail to develop new and expanded relationships in existing or new markets, or if our networks of indirect channel relationships are not successful in their sales efforts, sales of our subscriptions may decrease and our operating results would suffer. In addition, we may not be successful in managing, training, and providing appropriate incentives to our existing resellers, carriers and strategic partners, and they may not be able to commit adequate resources in order to successfully sell our solutions.

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

***To deliver our subscriptions, we rely on third parties for our network connectivity and for certain of the features in our subscriptions.***

We currently use the infrastructure of third-party network service providers, including CenturyLink, Inc. and Bandwidth.com, Inc. in North America and several others internationally, to deliver our subscriptions over their networks. Our third-party network service providers provide access to their Internet protocol ("IP") networks and public switched telephone networks, and provide call termination and origination services, including 911 emergency calling in the U.S. and equivalent services internationally, and local number portability for our customers. We expect that we will continue to rely heavily on third-party network service providers to provide these subscriptions for the foreseeable future.

Through our wholly-owned local exchange carrier subsidiary, RCLEC, Inc. ("RCLEC"), we also obtain certain connectivity and network services directly from incumbent local exchange carriers ("ILECS") and from other competitive local exchange carriers ("CLECs") in certain geographic markets at lower prices than we pay for such services through third-party network service providers. However, RCLEC also uses the infrastructure of third-party network service providers to deliver its services and the ILECs may favor themselves and their affiliates may not provide network services to us at lower prices than we could obtain through third-party CLECs, or at all. If we are unable to continue to reduce our pricing as a result of obtaining network services through our subsidiary, we may be forced to rely on other third-party network service providers and be unable to effectively lower our cost of service. Historically, our reliance on third-party networks has reduced our operating flexibility and ability to make timely service changes and control quality of service, and we expect that this will continue for the foreseeable future. If any of these network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to another third-party network service provider, if one is available, could have a material adverse effect on our business and results of operations.

In addition, we currently use and may in the future use third-party service providers to deliver certain features of our subscriptions. For example, we rely on Zoom Video Communications for our HD video and web conferencing and screen sharing features, Bandwidth.com for our texting capabilities, and NICE inContact, Inc. for our contact center capabilities. We do not or may not in the future, have long-term contracts with certain of these third-party providers. If any of these service providers elects to stop providing us with access to their services, fails to provide these services to us on a cost-effective basis, ceases operations,

or otherwise terminates these services, the delay caused by qualifying and switching to another third-party service provider, if one is available, or building a proprietary replacement solution could have a material adverse effect on our business and results of operations.

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

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

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

***Interruptions or delays in service from our third-party data center hosting facilities and co-location facilities could impair the delivery of our subscriptions, require us to issue credits or pay penalties and harm our business.***

We currently serve our North American customers from geographically disparate data center hosting facilities in North America, where we lease space from Equinix, Inc., and other providers, and we serve our European customers from third-party data center hosting facilities in Europe. We also use third-party co-location facilities located in various international regions to serve our customers in these regions. Certain of our solutions are hosted by third party data center facilities including Amazon Web Services, Inc. ("AWS"), NICE inContact, Inc., and Google Cloud Platform. In addition, RCLEC uses third-party co-location facilities to provide us with network services at several locations. Damage to, or failure of, these facilities, the communications network providers with whom we or they contract, or with the systems by which our communications providers allocate capacity among their customers, including us, or software errors, have in the past and could in the future result in interruptions in our services. Additionally, in connection with the addition of new data centers or expansion or consolidation of our existing data center facilities, we may move or transfer our data and our customers' data to other data centers. Despite precautions that we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our subscriptions. Interruptions in our subscriptions may reduce our revenues, may require us to issue credits or pay penalties, subject us to claims and litigation, cause customers to terminate their subscriptions and adversely affect our renewal rates and our ability to attract new customers. Our ability to attract and retain customers depends on our ability to provide customers with a highly reliable subscription and even minor interruptions in our subscriptions could harm our brand and reputation and have a material adverse effect on our business.

As part of our current disaster recovery arrangements, our North American and European infrastructure and our North American and European customers' data is currently replicated in near real-time at data center facilities in the U.S. and Europe, respectively. We do not control the operation of these facilities or of our other data center facilities or RCLEC's co-location facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They may also be subject to human error or to break-ins, sabotage, acts of vandalism, and similar misconduct.

Despite precautions taken at these facilities, the occurrence of a natural disaster, human error, or an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our subscriptions. Even with the disaster recovery arrangements in place, our subscriptions could be interrupted.

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



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

Unlike traditional communications services, our subscriptions depend on our customers' high-speed broadband access to the Internet. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our services and applications due to capacity constraints and other Internet infrastructure limitations. As our customer base grows and their usage of our services increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high reliability or performance. In addition, if Internet access service providers have outages or deteriorations in their quality of service, our customers will not have access to our subscriptions or may experience a decrease in the quality of our services. Frequent or persistent interruptions could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or to avoid our subscriptions, and could permanently harm our reputation and brands.

In addition, users who access our subscriptions and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi, 3G, 4G, 5G, or LTE, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent phone companies, cable companies, and wireless companies. Some of these providers offer solutions and subscriptions that directly compete with our own offerings, which can potentially give them a competitive advantage. Also, these providers could take measures that degrade, disrupt or increase the cost of user access to third-party services, including our subscriptions, by restricting or prohibiting the use of their infrastructure to support or facilitate third-party services or by charging increased fees to third parties or the users of third-party services, any of which would make our subscriptions less attractive to users, and reduce our revenues.

Further, in January 2018, the Federal Communications Commission (the "FCC") released an order reclassifying broadband Internet access as an information service, subject to certain provisions of Title I of the Communications Act. Among other things, the order eliminates rules adopted in 2015 that prohibited broadband providers from blocking, impairing, or degrading access to legal content, applications, services, or non-harmful devices, or engaging in the practice of paid prioritization, e.g., the favoring of some lawful Internet traffic over other traffic in exchange for higher payments. The order was contested in federal court, was largely affirmed by a three-judge panel, and certain parties have requested rehearing by the full court. A number of states have enacted or are considering legislation or executive actions that would regulate the conduct of broadband providers. We cannot predict whether the FCC order or state initiatives will be modified, overturned, or vacated by legal action of the court, federal or state legislation, or the FCC. Under the new FCC rules, broadband Internet access providers may be able to charge web-based services such as ours for priority access to customers, which could result in increased costs and a loss of existing users, impair our ability to attract new users, and materially and adversely affect our business and opportunities for growth.

***Interruptions in our services caused by undetected errors, failures, or bugs in our subscriptions could harm our reputation, result in significant costs to us, and impair our ability to sell our subscriptions.***

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

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

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

- harm our reputation and brand.

***We rely on third parties, including third parties outside the U.S., for some of our software development, quality assurance, operations, and customer support.***

We currently depend on various third parties for some of our software development efforts, quality assurance, operations, and customer support services. Specifically, we outsource some of our software development and design, quality assurance, and operations activities to third-party contractors that have employees and consultants located in St. Petersburg, Russia, Odessa, Ukraine, and Manila, the Philippines. In addition, we outsource a portion of our customer support, inside sales and network operation control functions to third-party contractors located in Manila, the Philippines. Our dependence on third-party contractors creates a number of risks, in particular, the risk that we may not maintain service quality, control, or effective management with respect to these business operations. In addition, recent political and military events in Ukraine, poor relations between the U.S. and Russia, and sanctions by the U.S. and the EU against Russia could have an adverse impact on our third-party software development and quality assurance operations in Ukraine and Russia. Additionally, we rely on purchased or leased hardware and software licensed from third parties in order to offer our subscriptions, and in some cases, we integrate third-party licensed software components into our platform. Any errors or defects in third-party hardware or software could result in errors or a failure of our subscriptions which could harm our business.

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

***A cyber-attack, information security breach or denial of service event could delay or interrupt service to our customers, harm our reputation, or subject us to significant liability.***

Our operations depend on our ability to protect our production and corporate information technology services from interruption or damage from unauthorized entry, computer malware or other events beyond our control. We have, from time to time, been subject to communications fraud and cyber-attacks by malicious actors, and denial of service events, and we may be subject to similar attacks in the future. We cannot assure you that our backup systems, regular data backups, security controls and other procedures currently in place, or that may be in place in the future, will be adequate to prevent significant damage, system failure, service outages, data breach, data loss, or increased charges from our technology vendors. Also, our subscriptions are web-based. The amount of data we store for our users increases as our business grows. We host services, which includes hosting customer data, both in co-located data centers and in multiple public cloud services. Our solutions allow users to store files, tasks, calendar events, messages and other data indefinitely on our services. We also maintain sensitive data related to our technology and business, and that of our employees, strategic partners, and customers, including intellectual property, proprietary business information and personally identifiable information (also called personal data) on our own systems and in multiple vendors' cloud services. As a result of maintaining larger volumes of data and user files and/or as a result of our continued movement up market, or movement into new customer segments and acquisition of larger and more recognized customers, we may become more of a target for hackers, nation states and other malicious actors. In addition, we use third-party vendors which, in some cases, have access to our data and our customers' data. We employ layered security measures and have a means of working with third parties who report vulnerabilities to us. Despite the implementation of security measures by us or our vendors, our computing devices, infrastructure, or networks, or our vendors' computing devices, infrastructure, or networks, may be vulnerable to hackers, computer viruses, worms, other malicious software programs, or similar disruptive problems that are caused by or through a security weakness or vulnerability in our or our vendors' infrastructure, network, or business practices or our or our vendors' customers, employees, business partners, consultants, or other Internet users who attempt to invade our or our vendors' corporate and personal computers, tablets, mobile devices, software, data networks, or voice networks. If there is a security weakness or vulnerability in our, our vendors', or our customers' infrastructure, networks, or business practices that is successfully targeted, we could face increased costs, liability claims, including contractual liability claims relating to security obligations in agreements with our partners and our customers, fines, reduced revenue, or harm to our reputation or competitive position. In addition, even if not targeted, in strengthening our security controls or in remediating security vulnerabilities, we could incur increased costs and capital expenditures.

Further, in some cases we do not have in place disaster recovery facilities for certain ancillary services, such as email delivery of messages. We rely on encryption and authentication technology to ensure secure transmission of and access to confidential information, including customer credit card numbers, debit card numbers, direct debit information, customer communications, and files uploaded by our customers. Advances in computer capabilities, new discoveries in the field of cryptography, discovery of software bugs or vulnerabilities, discovery of hardware bugs or vulnerabilities, social engineering

activities, or other developments may result in a compromise or breach of the technology we use to protect our data and our customer data, or of the data itself.

Additionally, third parties have attempted in the past, and may attempt in the future, to induce domestic and international employees, consultants, or customers into disclosing sensitive information, such as user names, provisioning data, customer proprietary network information (“CPNI”) or other information in order to gain access to our customers’ user accounts or data, or to our data. CPNI includes information such as the phone numbers called by a customer, the frequency, duration, and timing of such calls, and any services purchased by the consumer, such as call waiting, call forwarding, and caller ID, in addition to other information that may appear on a customer’s bill. Third parties may also attempt to induce employees, consultants, or customers into disclosing sensitive information regarding our intellectual property and other confidential business information, our customers, the customer information we hold, or our information technology systems. In addition, the techniques used to obtain unauthorized access, to perform hacking, phishing and social engineering, or to sabotage systems change and evolve frequently and may not be recognized until launched against a target, may be new and previously unknown or little-known, or may not be detected or understood until well after such actions are conducted. We may be unable to anticipate these techniques or to implement adequate preventative measures, and any security breach or other incident may take longer than expected to remediate or otherwise address. Any system failure or security breach that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our or our customers’ confidential or personal information could result in significant liability to us, loss of our intellectual property, cause our subscriptions to be perceived as not being secure, cause considerable harm to us and our reputation (including requiring notification to customers, regulators, or the media), and deter current and potential customers from using our subscriptions. Any of these events could have a material adverse effect on our business, results of operations, and financial condition.

It is critical to our business that our information and our employees’, strategic partners’, and customers’ sensitive information remains secure and that our customers perceive that this information is secure. An information security incident could result in unauthorized access to, loss of, or unauthorized disclosure of such information. A cybersecurity breach could expose us to litigation, indemnity obligations, government investigations, contractual liability, and other possible liabilities. Additionally, a cyber-attack or other information security incident, whether actual or perceived, could result in negative publicity, which could harm our reputation and reduce our customers’ confidence in the effectiveness of our solutions, which could materially and adversely affect our business and operating results. A breach of our security systems could also expose us to increased costs, including remediation costs, disruption of operations, or increased cybersecurity protection costs, that may have a material adverse effect on our business. In addition, a cybersecurity breach of our customers’ systems can also result in exposure of their authentication credentials, unauthorized access to their accounts, exposure of their account information and data (including CPNI), and fraudulent calls on their accounts, which can subsequently have similar actual or perceived impacts to us as described above. A cybersecurity breach of our partners’ or vendors’ systems can result in similar actual or perceived impacts.

While we maintain cybersecurity insurance, our insurance may be insufficient to cover all liabilities incurred by privacy or security incidents. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Laws, regulations, and enforcement actions relating to security and privacy information continue to evolve. We have incurred and expect to continue to incur significant expenses to prevent security incidents. It is possible that, in order to support changes to applicable laws and to support our expansion of sales into new geographic areas or into new industry segments, we will need to increase or change our cybersecurity systems and expenditures. Further, it is possible that changes to laws and regulations relating to security and privacy may make it more expensive to operate in certain jurisdictions and may increase the risk of our non-compliance with such changing laws and regulations.

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

We rely on our information systems and those of third parties for processing customer orders, distribution of our subscriptions, billing our customers, processing credit card transactions, customer relationship management, supporting financial planning and analysis, accounting functions and financial statement preparation, and otherwise running our business. Information systems may experience interruptions, including interruptions of related services from third-party providers, which may be beyond our control. Such business interruptions could cause us to fail to meet customer requirements. All information systems, both internal and external, are potentially vulnerable to damage or interruption from a variety of sources, including without limitation, computer viruses, security breaches, energy blackouts, natural disasters, terrorism, war, telecommunication failures, employee or

other theft, and third-party provider failures. In addition, since telecommunications billing is inherently complex and requires highly sophisticated information systems to administer, our internally developed billing system, which is currently being implemented, may experience errors or we may improperly operate the system, which could result in the system incorrectly calculating the fees owed by our customers for our subscriptions or related taxes and administrative fees. Any such errors in our customer billing could harm our reputation and cause us to violate truth in billing laws and regulations. Our current internally developed billing system requires us to process an increasing number of invoices manually, which could result in billing errors. Any errors or disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business. In addition, we may implement further and enhanced information systems in the future to meet the demands resulting from our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise, and can be time-consuming and expensive, increase management responsibilities, and divert management attention.

***We depend largely on the continued services of our senior management and other highly-skilled employees, and if we are unable to hire, retain, manage and motivate our employees, we may not be able to grow effectively and our business, results of operations and financial condition could be adversely affected.***

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue opportunities and services innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our development and strategic objectives. In particular, we depend to a considerable degree on the vision, skills, experience, and effort of our co-founder, Chairman and Chief Executive Officer, Vladimir Shmunis. None of our executive officers or other senior management personnel is bound by a written employment agreement and any of them may therefore terminate employment with us at any time with no advance notice. The replacement of any of these senior management personnel would likely involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives. The loss of the services of our senior management or other key employees for any reason could adversely affect our business, financial condition, or results of operations.

Our future success also depends on our ability to continue to attract and retain highly skilled personnel. We believe that there is, and will continue to be, intense competition for highly skilled technical and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, in Denver, Colorado, where our U.S. sales and customer support office and our network operations center is located, and in other locations where we maintain offices. In addition, changes to U.S. immigration policies, particularly to H-1B and other visa programs, and restrictions on travel could restrain the flow of technical and professional talent into the U.S. and may inhibit our ability to hire qualified personnel. We must provide competitive compensation packages and a high-quality work environment to hire, retain, and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing, and sale of existing and new subscriptions, which could have a material adverse effect on our business, financial condition, and results of operations. To the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel.

***Increased customer turnover, or costs we incur to retain and upsell our customers, could materially and adversely affect our financial performance.***

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

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

their subscriptions, we may be required to incur significantly higher marketing expenditures than we currently anticipate in order to increase the number of new customers or to upsell existing customers, and such additional marketing expenditures could harm our business and results of operations.

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

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

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

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

***Significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.***

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

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

Sales to medium-sized and larger businesses continue to grow in both absolute dollars and as a percentage of our total sales. As we continue to target more of our sales efforts to medium-sized and larger businesses, we expect to incur higher costs and longer sales cycles and we may be less effective at predicting when we will complete these sales. In these market segments, the decision to purchase our subscriptions generally requires the approval of more technical personnel and management levels within a potential customer's organization, and therefore, these types of sales require us to invest more time educating these potential customers about the benefits of our subscriptions. In addition, larger customers may demand more features, integration services, and customization, and may require highly skilled sales and support personnel. Our investment in marketing our

subscriptions to these potential customers may not be successful, which could significantly and adversely affect our results of operations and our overall ability to grow our customer base. Furthermore, many medium-sized and larger businesses that we target for sales may already purchase business communications solutions from our larger competitors. As a result of these factors, these sales opportunities may require us to devote greater research and development resources and sales support to individual customers, and invest in hiring and retaining highly skilled personnel, resulting in increased costs and could likely lengthen our typical sales cycle, which could strain our sales and support resources. Moreover, these larger transactions may require us to delay recognizing the associated revenues we derive from these customers until any technical or implementation requirements have been met.

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

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

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

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

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

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

We believe that continuing to strengthen our current brand will be critical to achieving widespread acceptance of our subscriptions and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Accordingly, we may need to increase our investment in, and devote greater resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among users. Brand promotion activities may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in building our brand. In addition, if we do not handle customer complaints effectively, our brand and reputation may suffer, we may lose our customers' confidence, and they may choose to terminate, reduce or not to renew their subscriptions. Many of our customers also participate in social media and online blogs about Internet-based software solutions, including our subscriptions, and our success depends in part on our ability to minimize negative and generate positive customer feedback through such online channels where existing and potential customers seek and share information. If we fail to promote and maintain our brand, our business could be materially and adversely affected.

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

Most of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If customers pay for our subscriptions with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which are referred to in the industry as chargebacks, from the credit card companies from claims that a customer did not authorize the specific credit card transaction to purchase our subscription. If the number of chargebacks becomes excessive, we could be assessed substantial fines or be charged higher transaction fees, and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant and/or service provider standards, including data protection standards, required to utilize their services from time to time. We have established and implemented measures intended to comply with the Payment Card Industry Data Security Standard ("PCI DSS") in the United States, Canada, and the U.K. If we fail to maintain compliance with such standards or fail to meet new standards, the credit card associations could fine us or terminate their agreements with us, and we would be unable to accept credit cards as payment for our subscriptions. If we fail to maintain compliance with current service provider standards, such as PCI DSS, or fail to meet new standards, customers may choose not to use our services for certain types of communication they have with their customers. If such a failure to comply with relevant standards occurs, we may also face legal liability if we are found to not comply with applicable laws that incorporate, by reference or by adoption of substantially similar provisions, merchant or service provider standards, including PCI DSS. Our subscriptions may also be subject to fraudulent usage, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams, and other fraudulent schemes. This usage can result in, among other things, substantial bills from our vendors, for which we would be responsible, for terminating fraudulent call traffic. In addition, third parties may have attempted in the past, and may attempt in the future, to induce employees, sub-contractors, or consultants into disclosing customer credentials and other account information, which can result in unauthorized access to customer accounts and customer data, unauthorized use of customers' services, charges to customers for fraudulent usage and costs that we must pay to carriers. Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments could cause our paid customer base to significantly decrease, which would have a material adverse effect on our results of operations, financial condition, and ability to grow our business.

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

We have significant operations in the United States, Canada, the United Kingdom, Russia, China, Ukraine, the Philippines and France. We also sell our solutions to customers in other countries in the EU and in Australia, and we expect to grow our international presence in the future. The future success of our business will depend, in part, on our ability to expand our operations and customer base worldwide. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic, and political risks that are different from those in the U.S. Due to our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. In addition, we will face risks in doing business internationally that could materially and adversely affect our business, including:

- our ability to comply with differing and evolving technical and environmental standards, telecommunications regulations, and certification requirements outside the U.S.;
- difficulties and costs associated with staffing and managing foreign operations;

- our ability to effectively price our subscriptions in competitive international markets;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our subscriptions for specific countries;
- the need to offer customer care in various native languages;
- reliance on third parties over which we have limited control, including those that market and resell our subscriptions;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- lower levels of adoption of credit or debit card usage for Internet related purchases by foreign customers and compliance with various foreign regulations related to credit or debit card processing and data protection requirements;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions;
- restrictions on travel to or from countries in which we operate or inability to access certain areas;
- export controls and economic sanctions;
- changes in diplomatic and trade relationships, including tariffs and other non-tariff barriers, such as quotas and local content rules;
- U.S. government trade restrictions, including those which may impose restrictions, including prohibitions, on the exportation, re-exportation, sale, shipment or other transfer of programming, technology, components, and/or services to foreign persons;
- our ability to comply with different and evolving laws, rules, and regulations, including the European General Data Protection Regulation (the "GDPR") and other data privacy and data protection laws, rules and regulations;
- compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and U.K. Bribery Act of 2010;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates;
- exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars;
- restrictions on the transfer of funds;
- new and different sources of competition;
- political and economic instability created by the U.K.'s departure from the EU ("Brexit"); and
- deterioration of political relations between the U.S. and other countries in which we operate, particularly Russia, Ukraine, China, and the Philippines; or
- political or social unrest, economic instability, conflict or war in such countries, or sanctions implemented by the U.S. against these countries, all of which could have a material adverse effect on our operations.

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

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

Our business strategy may, from time to time, include acquiring or investing in complementary services, technologies or businesses, strategic investments and partnerships, or other strategic transactions, such as our recent acquisitions of Dimelo SA and Connect First, and our investment in and strategic partnerships with Avaya and Atos. We cannot assure you that we will successfully identify suitable acquisition candidates or transaction counterparties, integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Any such acquisition, investment, strategic partnership, or other strategic transaction could materially and adversely affect our results of operations. The process of negotiating, effecting, and realizing the benefits from acquisitions, investments, strategic partnerships, and strategic transactions is complex, expensive and time-consuming, and may cause an interruption of, or loss of momentum in, development and sales activities and operations of both companies, and we may incur substantial cost and expense, as well as divert the attention of management. We may issue equity securities which could dilute current stockholders' ownership, incur debt, assume contingent or other liabilities and expend cash in acquisitions, investments, strategic partnerships, and other strategic transactions which could negatively impact our financial position, stockholder equity, and stock price.

Acquisitions, investments, strategic partnerships, and other strategic transactions involve significant risks and uncertainties, including:

- the potential failure to achieve the expected benefits of the acquisition, investment, strategic partnership, or other strategic transaction;



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- unanticipated costs and liabilities;
- difficulties in integrating new solutions and subscriptions, software, businesses, operations, and technology infrastructure in an efficient and effective manner;
- difficulties in maintaining customer relations;
- the potential loss of key employees of any acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position to the extent that we use cash for the transaction consideration;
- the potential significant increase of our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition, investment, strategic partnership, or other strategic transaction;
- the potential issuance of securities that would dilute our stockholders' percentage ownership;
- the potential to incur large and immediate write-offs and restructuring and other related expenses;
- the potential liability or expenses associated with new types of data stored, existing security obligations or liabilities, unknown weaknesses in our solutions, insufficient security measures in place, and compromise of our networks via access to our systems from assets not previously under our control; and
- the inability to maintain uniform standards, controls, policies, and procedures.

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

For example, in connection with our strategic partnership with Avaya, we purchased \$125.0 million of Avaya Series A Preferred Stock and made an advance of \$375.0 million, predominantly for future commissions, as well as for certain licensing rights (paid primarily in our Class A Common Stock). These are significant investments on which we may not realize the anticipated benefits for various reasons, including a lack of success in the marketing and sale of ACO, potential or actual financial distress, insolvency, or bankruptcy of Avaya or any of its subsidiaries, or other facts or circumstances that may limit our ability to recover, or realize benefits from, these investments.

*We may be subject to liabilities on past sales for taxes, surcharges, and fees and our operating results may be harmed if we are required to collect such amounts in jurisdictions where we have not historically done so.*

We believe we collect state and local sales tax and use, excise, utility user, and ad valorem taxes, fees, or surcharges in all relevant jurisdictions in which we generate sales, based on our understanding of the applicable laws in those jurisdictions. Such tax, fees and surcharge laws and rates vary greatly by jurisdiction, and the application of such taxes to e-commerce businesses, such as ours, is a complex and evolving area. There is uncertainty as to what constitutes sufficient "in state presence" for a state to levy taxes, fees, and surcharges for sales made over the Internet, and after the U.S. Supreme Court's ruling in *South Dakota v. Wayfair*, U.S. states may require an online retailer with no in-state property or personnel to collect and remit sales tax on sales to the state's residents, which may permit wider enforcement of sales tax collection requirements. Therefore, the application of existing or future laws relating to indirect taxes to our business, or the audit of our business and operations with respect to such taxes or challenges of our positions by taxing authorities, all could result in increased tax liabilities for us or our customers that could materially and adversely affect our results of operations and our relationships with our customers.

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

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

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

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

***Changes in U.S. and foreign tax laws could have a material adverse effect on our business, cash flow, results of operations or financial conditions.***

We are subject to tax legislation in several countries; changes in tax laws or challenges to our tax positions could adversely affect our business, results of operations, and financial condition. As such, we are subject to tax laws, regulations, and policies of the U.S. federal, state, and local governments and of comparable taxing authorities in foreign jurisdictions. Changes in tax laws, including the U.S. federal tax legislation enacted in 2017, commonly referred to as the Tax Cuts and Jobs Act of 2017, as well as other factors, could cause us to experience fluctuations in our tax obligations and effective tax rates in 2018 and thereafter and otherwise adversely affect our tax positions and/or our tax liabilities. There can be no assurance that our effective tax rates, tax payments, tax credits, or incentives will not be adversely affected by these or other initiatives.

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

As of December 31, 2019, we had federal and state net operating loss carryforwards ("NOLs") of \$782.7 million and \$675.6 million, respectively, available to offset future taxable income, due to prior period losses, which, if not utilized, will begin to expire in 2023 for federal purposes and will begin to expire in 2021 for state purposes. We also have federal research tax credit carryforwards that will begin to expire in 2028. Realization of these net operating loss and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our results of operations.

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

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

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

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

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

Our future success depends on our ability to procure large quantities of local and toll-free direct inward dialing numbers ("DIDs") in the U.S. and foreign countries in desirable locations at a reasonable cost and without restrictions. Our ability to procure and distribute DIDs depends on factors outside of our control, such as applicable regulations, the practices of the communications carriers that provide DIDs, the cost of these DIDs, and the level of demand for new DIDs. Due to their limited availability, there are certain popular area code prefixes that we generally cannot obtain. Our inability to acquire DIDs for our operations would

make our subscriptions less attractive to potential customers in the affected local geographic areas. In addition, future growth in our customer base, together with growth in the customer bases of other providers of cloud-based business communications, has increased, which increases our dependence on needing sufficiently large quantities of DIDs.

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

Our vendor-supplied phones have lead times of up to 10 to 13 weeks for delivery to our fulfillment agents and are built to forecasts that are necessarily imprecise. It is likely that, from time to time, we will have either excess or insufficient product inventory. In addition, because we rely on third-party vendors for the supply of our vendor-supplied phones, our inventory levels are subject to the conditions regarding the timing of purchase orders and delivery dates that are not within our control. Excess inventory levels would subject us to the risk of inventory obsolescence, while insufficient levels of inventory may negatively affect relations with customers. For instance, our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of our subscriptions could result in loss of customers or harm to our ability to attract new customers. Any reduction or interruption in the ability of our vendors to supply our customers with vendor-supplied phones could cause us to lose revenue, damage our customer relationships and harm our reputation in the marketplace. Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

***We currently depend on three phone device suppliers and two fulfillment agents to configure and deliver the phones that we sell and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may harm our business.***

We rely on three suppliers to provide phones that we offer for sale to our customers that use our subscriptions, and we rely on two fulfillment agents to configure and deliver the phones that we sell to our customers. Accordingly, we could be adversely affected if such third parties fail to maintain competitive phones or configuration services or fail to continue to make them available on attractive terms, or at all.

If our fulfillment agents are unable to deliver phones of acceptable quality, or if there is a reduction or interruption in their ability to supply the phones in a timely manner, our ability to bring services to market, the reliability of our subscriptions and our relationships with customers or our overall reputation in the marketplace could suffer, which could cause us to lose revenue. We expect that it could take several months to effectively transition to new third-party manufacturers or fulfillment agents.

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

Phones must interoperate with our back-end servers and systems, which contain complex specifications and utilize multiple protocol standards and software applications. Currently, the phones used by our customers are manufactured by only three third-party providers. If any of these providers changes the operation of their phones, we will be required to undertake development and testing efforts to ensure that the new phones interoperate with our system. In addition, we must be successful in integrating our solutions with strategic partners' devices in order to market and sell these solutions. These efforts may require significant capital and employee resources, and we may not accomplish these development efforts quickly or cost-effectively, if at all. If our vendor-supplied phones do not interoperate effectively with our system, our customers' ability to use our subscriptions could be delayed or orders for our subscriptions could be canceled, which would harm our business, financial condition, and results of operations.

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

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

We cannot assure you that we will be able to comply with any such restrictive covenants. In the event that we are unable to comply with these covenants in the future, we would seek an amendment or waiver of the covenants. We cannot assure you that any such waiver or amendment would be granted. In such event, we may be required to repay any or all of our existing borrowings, and we cannot assure you that we will be able to borrow under our existing credit agreements, or obtain alternative funding arrangements on commercially reasonable terms, or at all.

In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. The conversion of our 0% convertible senior notes due 2023 (the "Notes") and any future issuances of other equity or any future issuances of equity or convertible debt securities could result in significant dilution to our existing stockholders, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our Class A Common Stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected.

*If our internal control over financial reporting is not effective, it may adversely affect investor confidence in our company.*

Pursuant to Section 404 of the Sarbanes-Oxley Act, our independent registered public accounting firm, KPMG LLP, is required to and has issued an attestation report as of December 31, 2019. While management concluded internal control over financial reporting was at a reasonable assurance level as of December 31, 2019, there can be no assurance that material weaknesses will not be identified in the future. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. As a result, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. Our remediation efforts may not enable us to avoid a material weakness in the future.

If our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A Common Stocks to decline, and we may be subject to investigation or sanctions by the Securities and Exchange Commission (the "SEC").

*The nature of our business requires the application of complex revenue and expense recognition rules and the current legislative and regulatory environment affecting generally accepted accounting principles is uncertain. Significant changes in current principles could affect our financial statements going forward and changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and harm our operating results.*

The accounting rules and regulations that we must comply with are complex and subject to interpretation by the Financial Accounting Standards Board (the "FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. Recent actions and public comments from the FASB and the SEC have focused on the integrity of financial reporting and internal controls. In addition, many companies' accounting policies are being subject to heightened scrutiny by regulators and the public. Further, the accounting rules and regulations are continually changing in ways that could materially impact our financial statements.

We cannot predict the impact of future changes to accounting principles or our accounting policies on our financial statements going forward, which could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of the change. In addition, if we were to change our critical accounting estimates, including those related to the recognition of subscription revenue and other revenue sources, our operating results could be significantly affected.

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

Our corporate headquarters and many of our data centers, co-location and research and development facilities, and third-party customer service call centers are located in California, Florida, and several countries in Asia, including the Philippines and Australia. All of these locations are near known earthquake fault zones, which are vulnerable to damage from earthquakes and

tsunamis, or are in areas subject to hurricanes. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics, such as the recent outbreak of coronavirus in China and other parts of the world, cyber-attack, war, political unrest, and terrorist attacks and similar events that are beyond our control. If any disasters were to occur, our ability to operate our business could be seriously impaired, and we may endure system interruptions, reputational harm, loss of intellectual property, delays in our subscriptions development, lengthy interruptions in our services, breaches of data security, and loss of critical data, all of which could harm our future results of operations. In addition, we do not carry earthquake insurance and we may not have adequate insurance to cover our losses resulting from other disasters or other similar significant business interruptions. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition.

#### **Risks Related to Regulatory Matters**

***Our subscriptions are subject to regulation, and future legislative or regulatory actions could adversely affect our business and expose us to liability in the U.S. and internationally.***

##### *Federal Regulation*

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

Through RCLEC, we also provide competitive local exchange carrier ("CLEC") services which are regulated by the FCC as traditional telecommunications services. Our CLEC services depend on certain provisions of the Telecommunications Act of 1996 that require incumbent local exchange carriers ("ILECs") to provide us facilities and services that are necessary to provide our services. Over the past several years, the FCC has reduced or eliminated a number of regulations governing ILECs' wholesale offerings. If ILECs were no longer required by law to provide such services to us, or ceased to provide these services at reasonable rates, terms and conditions, our business could be adversely affected and our cost of providing CLEC services could increase. This could have a materially adverse impact on our results of operations and cash flows.

In addition, the federal Telephone Consumer Protection Act ("TCPA") and FCC rules implementing the TCPA, as amended by the Junk Fax Prevention Act of 2005, prohibit sending unsolicited facsimile advertisements, subject to certain exceptions. The FCC may take enforcement action against persons or entities that send "junk faxes," and individuals also may have a private cause of action. Although the FCC's rules prohibiting unsolicited fax advertisements apply to those who "send" the advertisements, fax transmitters or other service providers that have a high degree of involvement in, or actual notice of, unlawful sending of junk faxes and have failed to take steps to prevent such transmissions also face liability under the FCC's rules. We take significant steps designed to prevent our systems from being used to send unsolicited faxes on a large scale, and we do not believe that we have a high degree of involvement in, or notice of, the use of our systems to broadcast junk faxes. However, because fax transmitters and related service providers do not enjoy an absolute exemption from liability under the TCPA and related FCC rules, we could face FCC inquiry and enforcement or civil litigation, or private causes of action, if someone uses our system for such purposes. If any of these were to occur, we could be required to incur significant costs and management's attention could be diverted. Further, if we were to be held liable for the use of our service to send unsolicited faxes or to settle any action or proceeding, any judgment, settlement, or penalties could cause a material adverse effect on our operations.

##### *State Regulation*

States currently do not regulate our Internet voice communications subscriptions, which are considered to be nomadic because they can be used from any broadband connection. However, a number of states require us to register as a Voice over Internet Protocol ("VoIP") provider, contribute to state USF, contribute to E-911, and pay other surcharges and annual fees that fund various utility commission programs, while others are actively considering extending their public policy programs to include the subscriptions we provide. We pass USF, E-911 fees, and other surcharges through to our customers, which may result in our subscriptions becoming more expensive or require that we absorb these costs. State public utility commissions may attempt to apply state telecommunications regulations to Internet voice communications subscriptions like ours.

RCLEC services are subject to regulation by the public utility regulatory agency in those states where we provide local telecommunications services. This regulation includes the requirement to obtain a certificate of public convenience and necessity or other similar licenses prior to offering our CLEC services. We may also be required to file tariffs that describe our CLEC services.

and provide rates for those services. We are also required to comply with regulations that vary by state concerning service quality, disconnection and billing requirements. State commissions also have authority to review and approve interconnection agreements between incumbent phone carriers and CLECs such as our subsidiary.

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

*International Regulation*

As we expand internationally, we may be subject to telecommunications, consumer protection, data protection, emergency call services, and other laws, regulations, taxes, and fees in the foreign countries where we offer our subscriptions. Any foreign regulations could impose substantial compliance costs on us, restrict our ability to compete, and impact our ability to expand our service offerings in certain markets. Moreover, the regulatory environment is constantly evolving and changes to the applicable regulations could impose additional compliance costs and require modifications to our technology and operations. Internationally, we currently offer our subscriptions in Canada, the U.K., Australia, and several European countries. We also offer our Global Office solution, enabling our multinational customers in the U.S., U.K., Canada, and other locations where we sell our solutions, to establish local phone solutions in various countries internationally. We may be subject to telecommunications, consumer protection, data protection, emergency call services, and other laws and regulations in additional countries as we continue to expand our Global Office solution internationally.

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

The increasing growth and popularity of Internet voice communications, video conferencing and messaging heighten the risk that governments will regulate or impose new or increased fees or taxes on these services. To the extent that the use of our subscriptions continues to grow, and our user base continues to expand, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our subscriptions.

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

In the course of providing our services, we collect, store, and process many types of data, including personal data. Moreover, our customers can use our subscriptions to store contact and other personal or identifying information, and to process, transmit, receive, store, and retrieve a variety of communications and messages, including information about their own customers and other contacts. Customers are able, and may be authorized under certain circumstances, to use our subscriptions to transmit, receive, and/or store personal information.

There are a number of federal, state, local, and foreign laws and regulations, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure, and protection of personal information and other customer data. We expect that with the implementation of our Global Office solution, we may become subject to additional data privacy regulations in other countries throughout the world. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain. Failure to comply with obligations and restrictions related to data privacy and security in any jurisdiction in which we operate could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity, and other losses that could harm our business.

For example, the GDPR, which came into force in May 2018, strengthened the existing data protection regulations in the EU and its provisions include increasing the maximum level of fines that EU regulators may impose for the most serious of breaches to the greater of €20 million or 4% of worldwide annual turnover. Such fines would be in addition to (i) the rights of individuals to sue for damages in respect of any data privacy breach which causes them to suffer harm and (ii) the right of individual

member states to impose additional sanctions over and above the administrative fines specified in the GDPR. Other examples include, but are not limited to, Canadian anti-spam legislation and Australia's Spam Act 2003, as amended.

At present, we use the EU-U.S. and Swiss-U.S. Privacy Shield framework and EU Standard Contractual Clauses ("Model Clauses") to protect data exports between the European Economic Area (the "EEA") and U.S. The future of cross-border data flows following the U.K.'s exit from the EU on January 31, 2020 is uncertain. After the transition period, currently set to last until December 31, 2020, it may become necessary for us to implement additional data export solutions like the Model Clauses to enable the continued flow of personal data between our U.K. operations and our EU customers and affiliates. These solutions may take time and be challenging to put in place and, if not implemented promptly before or immediately following Brexit, our business may be disrupted, and we may be exposed to potential regulatory fines and civil claims. The EU-U.S. Privacy Shield and the Model Clauses are subject to ongoing legal challenges. Any of these challenges, or any future challenges, may result in a ruling that the industry-standard measures we, and other companies, have taken are insufficient. Additionally, it is possible that the EU-U.S. Privacy Shield or the Model Clauses may need to be updated by the European Commission, the Swiss Administration, and the U.S. Department of Commerce. Should any of these prove to be the case, we will need to take any necessary and additional measures to ensure compliance with EU law with respect to our transfers of personal data from the EEA to the U.S. and other non-EEA countries. If we are unable to take such measures, then we may be at risk of experiencing reluctance or refusal of European or multi-national customers to use our solutions and incurring regulatory penalties, which may have an adverse effect on our business.

In the United States, there are numerous federal and state laws governing the privacy and security of personal information. In particular, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") establishes privacy and security standards that limit the use and disclosure of individually identifiable health information and requires the implementation of administrative, physical, and technical safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity, and availability of electronic protected health information by certain institutions. We act as a "Business Associate" through our relationships with certain customers and are thus directly subject to certain provisions of HIPAA. In addition, if we are unable to protect the privacy and security of protected health information, we could be found to have breached our contracts with customers with whom we have a Business Associate relationship. Additionally, we are subject to FCC regulations imposing obligations related to our use and disclosure of certain data related our interconnected VoIP service. If we experience a data security incident, we may be required by state law or FCC regulations to notify our customers and/or law enforcement. We may also be subject to Federal Trade Commission ("FTC") enforcement actions if the FTC has reason to believe we have engaged in unfair or deceptive privacy or data security practices.

Noncompliance with laws and regulations relating to privacy and security of personal information, including HIPAA, or with contractual obligations under any Business Associate agreement may lead to significant fines, civil and criminal penalties, or liabilities. The U.S. Department of Health and Human Services ("HHS") audits the compliance of Business Associates and enforces HIPAA privacy and security standards. HHS enforcement activity has become more significant over the last few years and HHS has signaled its intent to continue this trend. Violation of the FCC's privacy rules can result in large monetary forfeitures and injunctive relief. The FTC has broad authority to seek monetary redress for affected consumers and injunctive relief. In addition to federal regulators, state attorneys general (and, in some states, individual residents) are authorized to bring civil actions seeking either injunctions or damages to the extent violations implicate the privacy of state residents. Class action lawsuits are common in the event of a data breach affecting financial or other forms of sensitive information.

Additionally, California has enacted the California Consumer Privacy Act ("CCPA"), which came into effect on January 1, 2020. Pursuant to the CCPA, we are required, among other things, to make certain enhanced disclosures related to California residents regarding our use or disclosure of their personal information, allow California residents to opt-out of certain uses and disclosures of their personal information without penalty, provide Californians with other choices related to personal data in our possession, and obtain opt-in consent before engaging in certain uses of personal information relating to Californians under the age of 16. The California Attorney General may seek substantial monetary penalties and injunctive relief in the event of our non-compliance with the CCPA. The CCPA also allows for private lawsuits from Californians in the event of certain data breaches. Aspects of the CCPA remain uncertain, and we may be required to make modifications to our policies or practices in order to comply.

As Internet commerce and communication technologies continue to evolve, thereby increasing online service providers' and network users' capacity to collect, store, retain, protect, use, process, and transmit large volumes of personal information, increasingly restrictive regulation by federal, state, or foreign agencies becomes more likely.

While we try to comply with all applicable data protection laws, regulations, standards, and codes of conduct, as well as our own posted privacy policies and contractual commitments to the extent possible, any actual or alleged failure by us to comply with any of the foregoing or to protect our users' privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of user confidence in our subscriptions and ultimately in a loss of users, which could materially and adversely affect our business.

Regulation of personal information is evolving, and new laws could further impact how we handle personal information or could require us to incur additional compliance costs, either of which could have an adverse impact on our operations. Further, our actual compliance, our customers' perception of our compliance, costs of compliance with such regulations, and obligations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our subscriptions and reduce overall demand. Privacy-related concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our subscriptions, may cause our customers' customers to resist providing the personal data necessary to allow our customers to use our subscriptions effectively. Even the perception of privacy-related concerns, whether or not valid, may inhibit market adoption of our subscriptions in certain industries.

Additionally, due to the nature of our service, we are unable to maintain complete control over data security or the implementation of measures that reduce the risk of a data security incident. For example, our customers may accidentally disclose their passwords or store them on a mobile device that is lost or stolen, creating the perception that our systems are not secure against third-party access. Additionally, our third-party contractors in the Philippines, Russia, Ukraine, India, and Poland may have access to customer data. If these or other third-party vendors violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have a material and adverse effect on our business.

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

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

In connection with the regulatory requirements that we provide access to emergency services dialing to our interconnected VoIP customers, we must obtain from each customer, prior to the initiation of or changes to service, the physical locations at which the service will first be used for each VoIP line. For subscriptions that can be utilized from more than one physical location, we must provide customers one or more methods of updating their physical location. Because we are not able to confirm that the service is used at the physical addresses provided by our customers, and because customers may provide an incorrect location or fail to provide updated location information, it is possible that emergency services calls may get routed to the wrong PSAP. If emergency services calls are not routed to the correct PSAP, and if the delay results in serious injury or death, we could be sued and the damages substantial. We are evaluating measures to attempt to verify and update the addresses for locations where our subscriptions are used.

In August 2019, the FCC adopted an order that will require providers of non-fixed interconnected VoIP service (service that is capable of being used from more than one location) to automatically provide with each 911 call, when technically feasible, specific address information that can be used to adequately identify the location of the caller. The requirement is scheduled to take effect on January 6, 2022. The implementation of this requirement may increase our costs and make our service more expensive, which could adversely affect our results of operations.

We could be subject to enforcement action by the FCC or international regulators for our customer lines that cannot provide access to emergency services in accordance with regulatory requirements. This enforcement action could result in significant monetary penalties and restrictions on our ability to offer non-compliant subscriptions.

In addition, customers may attempt to hold us responsible for any loss, damage, personal injury, or death suffered as a result of delayed, misrouted, or uncompleted emergency service calls or text messages, subject to any limitations on a provider's liability provided by applicable laws, regulations and our customer agreements.

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

We offer customer support through both our online account management website and our toll-free customer support number in multiple languages. Our customer support is currently provided via a third-party provider located in the Philippines, as well as our employees in the U.S. Our third-party providers generally provide customer service and support to our customers without identifying themselves as independent parties. The ability to support our customers may be disrupted by natural disasters, inclement weather conditions, civil unrest, strikes, and other adverse events in the Philippines. Furthermore, as we expand our operations internationally, we may need to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in additional foreign languages. We also use third parties to deliver onsite professional services to our customers in deploying our solutions. If these vendors do not deliver timely and high-quality services to our customers, our reputation could be damaged, and we could lose customers. In addition,



third party professional services vendors may not be available when needed, which would adversely impact our ability to deliver on our customer commitments.

We also contract with third parties to provide emergency services calls in the United States, Canada, the U.K., and other jurisdictions in which we provide access to emergency services dialing, including assistance in routing emergency calls and terminating emergency services calls. Our domestic providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain PSAP databases for the purpose of deploying and operating E-911 services. We rely on providers for similar functions in other jurisdictions in which we provide access to emergency services dialing. On mobile devices, we rely on the underlying cellular or wireless carrier to provide emergency services dialing. Interruptions in service from our vendors could cause failures in our customers' access to E-911/999/112 services and expose us to liability and damage our reputation.

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

#### **Risks Related to Intellectual Property**

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

There has been substantial litigation in the areas in which we operate regarding intellectual property rights. For instance, we have recently and in the past been sued by third parties claiming infringement of their intellectual property rights and we may be sued for infringement from time to time in the future. Also, in some instances, we have agreed to indemnify our customers, resellers, and carriers for expenses and liability resulting from claimed intellectual property infringement by our solutions. From time to time, we have received requests for indemnification in connection with allegations of intellectual property infringement and we may choose, or be required, to assume the defense and/or reimburse our customers and/or resellers and carriers for their expenses, settlement and/or liability. In the past, we have settled infringement litigation brought against us; however, we cannot assure you that we will be able to settle any future claims or, if we are able to settle any such claims, that the settlement will be on terms favorable to us. Our broad range of technology may increase the likelihood that third parties will claim that we, or our customers and/or resellers, and carriers, infringe their intellectual property rights.

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

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

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

These and other outcomes may:

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

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

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

We also rely, in part, on patent law to protect our intellectual property in the U.S. and internationally. Our intellectual property portfolio includes over 200 issued patents, which expire between 2022 and 2038. We also have 45 patent applications pending examination in the U.S. and 16 patent applications pending examination in foreign jurisdictions, all of which are related to U.S. applications. We cannot predict whether such pending patent applications will result in issued patents or whether any issued patents will effectively protect our intellectual property. Even if a pending patent application results in an issued patent, the patent may be circumvented or its validity may be challenged in various proceedings in United States District Court or before the U.S. Patent and Trademark Office, such as Post Grant Review or Inter Partes Review, which may require legal representation and involve substantial costs and diversion of management time and resources. In addition, we cannot assure you that every significant feature of our solutions is protected by our patents, or that we will mark our solutions with any or all patents they embody. As a result, we may be prevented from seeking injunctive relief or damages, in whole or in part for infringement of our patents.

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

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

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

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

**Risks Related to Our Class A Common Stock, Our Notes and Our Charter Provisions**

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

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

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

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

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

Our Class B common stock, par value \$0.0001 per share ("Class B Common Stock"), has 10 votes per share, and our Class A Common Stock has one vote per share. Stockholders who hold shares of Class B Common Stock, including our founders, previous investors and our executive officers, employees and directors and their affiliates, together hold approximately 59% of the voting power of our outstanding capital stock, and our founders, including our CEO and Chairman, together hold a majority of such voting power. As a result, for the foreseeable future, our stockholders who acquired their shares prior to the completion of our initial public offering will continue to have significant influence over the management and affairs of our company and over the outcome of many matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets.

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

Future transfers by holders of Class B Common Stock will generally result in those shares converting to Class A Common Stock, which may have the effect, over time, of increasing the relative voting power of those holders of Class B Common Stock who retain their shares in the long term. If, for example, Mr. Shmunis retains a significant portion of his holdings of Class B Common Stock for an extended period of time, he could, in the future, control a majority of the combined voting power of our Class A and Class B Common Stock. As a board member, Mr. Shmunis owes fiduciary duties to our stockholders and must act in

good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Shmunis is generally entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

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

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

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

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

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

Holders of the "Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change before the maturity date at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid special interest, if any, as set forth in the indenture governing the Notes. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our Class A Common Stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted, as set forth in the indenture governing the Notes. Moreover, we will be required to repay the Notes in cash at their maturity unless earlier converted, redeemed or repurchased. However, we may not have enough available cash on hand or be able to obtain financing at the time we are required to make repurchases of the Notes surrendered therefor or pay cash with respect to the Notes being converted or at their maturity.

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

***The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled under the Indenture to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, in certain circumstances, such as conversion by holders or redemption, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability.

***The capped call transactions may affect the value of the Notes and our Class A Common Stock and we are subject to counterparty risk.***

In connection with the issuance of the Notes, we entered into capped call transactions with the counterparties. The capped call transactions cover, subject to customary adjustments, the number of shares of our Class A Common Stock initially underlying the Notes. The capped call transactions are expected to offset the potential dilution as a result of conversion of the Notes.

In connection with establishing their initial hedge of the capped call transactions, the counterparties or their respective affiliates entered into various derivative transactions with respect to our Class A Common Stock concurrently with or shortly after the pricing of the Notes, including with certain investors in the Notes.

In addition, the counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A Common Stock and/or purchasing or selling our Class A Common Stock or other securities of ours in secondary market transactions at any time prior to the maturity of the Notes (and are likely to do so on each exercise date of the capped call transactions). This activity could also cause or prevent an increase or a decrease in the market price of our Class A Common Stock.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Notes or the shares of our Class A Common Stock. In addition, we do not make any representation that these transactions will not be discontinued without notice.

In addition, the counterparties to the capped call transactions are financial institutions and we will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions. If a counterparty to one or more capped call transaction becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, it will increase if the market price or the volatility of our Class A Common Stock increases. Upon a default or other failure to perform, or a termination of obligations, by a counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our Class A Common Stock. We can provide no assurances as to the financial stability or viability of the counterparties.

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

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

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

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

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our corporate headquarters is located in Belmont, California, and consists of approximately 110,000 square feet of office space, under leases that expire from July 2021 through December 2022.

We also lease offices in Denver, Colorado; Charlotte, North Carolina; Fort Lauderdale, Florida; London, England, Xiamen, China; Paris, France; and other small offices worldwide. In addition, we lease space from third-party datacenter hosting facilities under co-location agreements that support our cloud infrastructure, the most significant locations being Vienna and Ashburn, Virginia; San Jose and Santa Clara, California; Chicago, Illinois; Amsterdam, the Netherlands; Zurich, Switzerland, and other small locations worldwide. We believe that we will be able to obtain additional space at other locations at commercially reasonable terms to support our continuing expansion.

**ITEM 3. LEGAL PROCEEDINGS**

Information with respect to this item may be found in Note 9 - *Commitment and Contingencies* in the accompanying notes to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, under "Legal Matters" which is incorporated herein by reference.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

**Market Information for Common Stock**

Our Class A common stock has been listed on the New York Stock Exchange under the symbol "RNG" since September 27, 2013.

Our Class B common stock is not listed or traded on any stock exchange.

**Dividend Policy**

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant.

**Stockholders**

As of February 19, 2020, there were 20 stockholders of record of our Class A common stock and Class B common stock. Because most of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

**Sales of Unregistered Equity Securities and Use of Proceeds**

None.

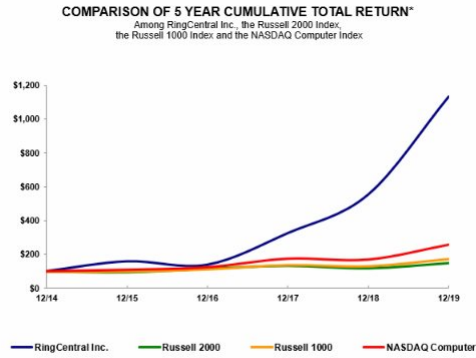
**Securities Authorized for Issuance under Equity Compensation Plans**

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of this Annual Report on Form 10-K.

**Stock Performance Graph**

The following shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

The graph below matches RingCentral Inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the Russell 2000 Index, the Russell 1000 Index, and the NASDAQ Computer Index. Prior to fiscal year 2018, we were included in the Russell 2000 Index and have historically included a comparison with the Russell 2000 Index here. During fiscal year 2018, we moved to the Russell 1000 Index. As such, we have determined that the Russell 1000 Index is the more appropriate index going forward. For this transitional year, both the Russell 1000 Index and the Russell 2000 Index are reflected in the following graph, but we do not expect to include the Russell 2000 Index in future years. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from December 31, 2014 to December 31, 2019. The stock price performance on the following graph is not intended to forecast or be indicative of future stock price performance of our Class A common stock.



\*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends.  
Fiscal year ending December 31.  
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**ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial statements and data should be read together with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

|  | Year ended December 31,                  |                    |                   |                    |                    |
|--|--|--------------------|-------------------|--------------------|--------------------|
|  | 2019                                     | 2018               | 2017              | 2016               | 2015               |
|  | (in thousands, except per share amounts) |                    |                   |                    |                    |
| <b>Consolidated Statements of Operations</b>                           |  |                    |                   |                    |                    |
| <b>Revenues</b>  |  |                    |                   |                    |                    |
| Subscriptions  | \$ 817,811                               | \$ 612,888         | \$ 465,254        | \$ 356,562         | \$ 271,245         |
| Other  | 85,047                                   | 60,736             | 38,363            | 23,874             | 24,983             |
| <b>Total revenues</b>  | <b>902,858</b>                           | <b>673,624</b>     | <b>503,617</b>    | <b>380,436</b>     | <b>296,228</b>     |
| Loss from operations   | (45,675)                                 | (16,436)           | (5,338)           | (12,868)           | (30,932)           |
| <b>Net loss</b>  | <b>\$ (53,607)</b>                       | <b>\$ (26,203)</b> | <b>\$ (4,204)</b> | <b>\$ (16,225)</b> | <b>\$ (32,099)</b> |
| Net loss per common share  |  |                    |                   |                    |                    |
| Basic and diluted  | (0.64)                                   | (0.33)             | (0.06)            | (0.22)             | (0.46)             |
| Weighted-average number of shares used in computing net loss per share |  |                    |                   |                    |                    |
| Basic and diluted  | 83,130                                   | 79,500             | 76,281            | 72,994             | 70,069             |

|   | As of December 31,  |                   |                   |                   |                   |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
|   | 2019                | 2018              | 2017              | 2016              | 2015              |
| <b>Consolidated Balance Sheet Data (in thousands)</b> |                     |                   |                   |                   |                   |
| Cash and cash equivalents                             | \$ 343,606          | \$ 566,329        | \$ 181,192        | \$ 160,355        | \$ 137,588        |
| Working capital surplus                               | 254,826             | 508,155           | 139,602           | 100,220           | 90,472            |
| <b>Total assets</b>                                   | <b>\$ 1,450,747</b> | <b>\$ 894,326</b> | <b>\$ 359,814</b> | <b>\$ 286,296</b> | <b>\$ 214,813</b> |
| Deferred revenue                                      | \$ 107,372          | \$ 88,527         | \$ 62,917         | \$ 44,618         | \$ 36,657         |
| Debt and financing obligations                        | \$ 389,718          | \$ 370,324        | —                 | \$ 15,021         | \$ 19,040         |
| <b>Total stockholders' equity</b>                     | <b>\$ 745,700</b>   | <b>\$ 317,609</b> | <b>\$ 228,346</b> | <b>\$ 164,248</b> | <b>\$ 110,132</b> |

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

*The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. As discussed in the section entitled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ significantly from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in the section entitled "Risk Factors" included under Part I, Item 1A.*

*This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussion regarding our financial condition and results of operations for fiscal 2018 as compared to fiscal 2017 is included in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 27, 2019.*

**Overview**

We are a leading provider of software-as-a-service ("SaaS") solutions that enable businesses to communicate, collaborate, and connect. We believe that our innovative, cloud-based approach disrupts the large market for business communications and collaboration by providing flexible and cost-effective solutions that support distributed workforces, mobile employees, and the proliferation of smart phones and tablets. We enable convenient and effective communications for organizations across all their locations and employees, enabling them to be more productive and more responsive to their customers.

Our cloud-based business communications and collaboration solutions are designed to be easy to use, providing a single user identity across multiple locations and devices, including smartphones, tablets, PCs and desk phones. Our solutions can be deployed rapidly and configured and managed easily. Through our platform, we enable third-party developers and customers to integrate our solution with leading business applications to customize their own business workflows.

We have a portfolio of cloud-based offerings that are subscription based, made available at different rates varying by the specific functionalities, services, and number of users. We primarily generate revenues from the sale of subscriptions to our offerings.

Our subscription plans have monthly, annual, or multi-year contractual terms. We believe that this flexibility in contract duration is important to meet the different needs of our customers. For the years ended December 31, 2019, 2018, and 2017, subscriptions revenues accounted for 90% or more of our total revenues. The remainder of our revenues has historically been primarily comprised of product revenues from the sale of pre-configured phones and professional services. We do not develop, manufacture, or otherwise touch the delivery of physical phones and offer it as a convenience for a total solution to our customers in connection with subscriptions to our services. We rely on third-party providers to develop and manufacture these devices and fulfillment partners to successfully serve our customers.

We continue to invest in our direct inside sales force while also developing indirect sales channels to market our brand and our subscription offerings. Our indirect sales channel consists of a network of resellers who sell our solutions. We also sell our solutions through carriers including AT&T, Inc. ("AT&T"), TELUS Communications Company ("TELUS"), and BT Group plc ("BT"). In October 2019, we entered into a strategic partnership with Avaya Holdings Corp. ("Avaya"), which includes the introduction of a new solution Avaya Cloud Office by RingCentral ("ACO"), which will be marketed and sold by Avaya and its subsidiaries. In December 2019, we entered into a strategic partnership with Aios SE ("Aios"), which includes the introduction of a co-branded Unified Communications as a Service ("UCaaS") solution. We intend to continue to foster this network and expand our network with other resellers. We also participate in more traditional forms of media advertising, such as radio and billboard advertising.

Since its launch, our revenue growth has primarily been driven by our flagship RingCentral Office product offering, which has resulted in an increased number of customers, increased average subscription revenue per customer, and increased retention of our existing customer and user base. We define a "customer" as one individual billing relationship for the subscription to our services, which generally correlates to one company account per customer. As of December 31, 2019, we had customers from a range of industries, including financial services, education, healthcare, legal services, real estate, retail, technology, insurance, construction, hospitality, and state and local government, among others. For the years ended December 31, 2019, 2018 and 2017, the vast majority of our total revenues were generated in the U.S. and Canada, although we expect the percentage of our total revenues derived outside of the U.S. and Canada to grow as we continue to expand internationally.

The growth of our business and our future success depend on many factors, including our ability to expand our customer base to larger customers, continue to innovate, grow revenues from our existing customer base, expand our distribution channels, and scale internationally.

**Key Business Metrics**

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

***Annualized Exit Monthly Recurring Subscriptions***

We believe that our Annualized Exit Monthly Recurring Subscriptions (“ARR”) is a leading indicator of our anticipated subscriptions revenues. We believe that trends in revenue are important to understanding the overall health of our business, and we use these trends in order to formulate financial projections and make strategic business decisions. Our ARR equals our Monthly Recurring Subscriptions multiplied by 12. Our Monthly Recurring Subscriptions equals the monthly value of all customer recurring charges at the end of a given month. For example, our Monthly Recurring Subscriptions at December 31, 2019 was \$80.0 million. As such, our ARR at December 31, 2019 was \$960.1 million compared to \$725.8 million at December 31, 2018.

***RingCentral Office Annualized Exit Monthly Recurring Subscriptions***

We calculate our RingCentral Office Annualized Exit Monthly Recurring Subscriptions (“Office ARR”) in the same manner as we calculate our ARR, except that only customer subscriptions from RingCentral Office and RingCentral customer engagement solutions customers are included when determining Monthly Recurring Subscriptions for the purposes of calculating this key business metric. We believe that trends in revenue with respect to these products are important to the understanding of the overall health of our business, and we use these trends in order to formulate financial projections and make strategic business decisions. Our Office ARR at December 31, 2019 was \$876.8 million compared to \$644.1 million at December 31, 2018.

***Net Monthly Subscription Dollar Retention Rate***

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

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

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

Our key business metrics for the five quarterly periods ended December 31, 2019 were as follows (dollars in millions):

|  | December 31, 2019 |       | September 30, 2019 |       | June 30, 2019 |       | March 31, 2019 |       | December 31, 2018 |       |
|--|-------------------|-------|--------------------|-------|---------------|-------|----------------|-------|-------------------|-------|
| Net Monthly Subscription Dollar Retention Rate                     | >99%              |       | >99%               |       | >99%          |       | >99%           |       | >99%              |       |
| Annualized Exit Monthly Recurring Subscriptions                    | \$                | 960.1 | \$                 | 881.4 | \$            | 830.8 | \$             | 776.7 | \$                | 725.8 |
| RingCentral Office Annualized Exit Monthly Recurring Subscriptions | \$                | 876.8 | \$                 | 800.3 | \$            | 749.2 | \$             | 694.0 | \$                | 644.1 |

#### Components of Results of Operations

##### Revenues

Our revenues for the years presented consisted of subscriptions and other revenues. Our subscriptions revenue includes all fees billed in connection with subscriptions to our solution offerings. These fees include recurring fixed plan subscription fees, variable usage-based fees for usage in excess of plan limits, recurring administrative cost recovery fees, one-time fees, and other recurring fees related to our subscriptions. We provide our subscriptions to our customers pursuant to contractual arrangements that range in duration typically from one month to five years. We provide our subscriptions to our customers pursuant to either "click through" online agreements for service terms up to one year or written agreements when the arrangement is expected to be one year or longer. We offer our subscriptions based on the functionalities and services selected by a customer, and generally our subscription arrangements automatically renew for additional periods at the end of the initial subscription term. We believe that this flexibility in contract duration is important to meet the different needs of our customers.

We generally bill our subscription fees in advance. We recognize subscription revenue over the term of the agreement. Amounts billed in excess of revenue recognized for the period are reported as deferred revenue on our consolidated balance sheets.

We also generate revenues through sales of our subscriptions and products by resellers and carrier partners. When we control the performance of the contractual obligations, we record the revenues on a gross basis and amounts retained by our resellers are recorded as sales and marketing expenses. Our assumption of such control is evidenced when, among other things, we take responsibility for delivery of the service or products, establish pricing of the arrangement, and assume inventory risk. When a reseller assumes the majority of these factors, we record the associated revenue at the net amount remitted to us by the reseller.

"Other revenues" includes product revenues from the sale of pre-configured phones, phone rentals, and professional services. Product revenue is recognized when the product has been delivered to the customer. Professional services revenue is recognized as services are delivered.

##### Cost of Revenues and Gross Margin

Our cost of subscriptions revenue primarily consists of fees paid to third-party telecommunications providers, network operations, costs to build out and maintain data centers, including co-location fees for the right to place our servers in data centers owned by third parties, depreciation of servers and equipment, along with related utilities and maintenance costs, personnel costs associated with customer care and support of the functionality of our platform and data center operations, including share-based compensation expenses, and allocated costs of facilities and information technology.

We define subscriptions gross margins as subscriptions revenue minus the cost of subscriptions revenue expressed as a percentage of subscriptions revenue.

Cost of other revenue is comprised primarily of the cost associated with the purchase of phones, cost of professional services, and allocated costs of facilities and information technology.

##### Operating Expenses

We classify our operating expenses as research and development, sales and marketing, and general and administrative expenses.

Our research and development efforts are focused on developing new and expanded features for our solutions, integrations with distributors and other software platforms, and improvements to our backend architecture. Research and development expenses consist primarily of personnel costs for employees and contractors, including share-based compensation expenses, and allocated costs of facilities and information technology, software tools, and product certification. We expense research and development costs as incurred, except for certain internal-use software development costs that we capitalize. We believe that continued investment in our products is important for our future growth, and we expect our research and development expenses to continue to increase in absolute dollars for the foreseeable future, although these expenses may fluctuate as a percentage of our total revenues from period to period depending on the timing of these expenses.

Sales and marketing expenses are the largest component of our operating expenses and consist primarily of personnel costs for employees and contractors directly associated with our sales and marketing activities including share-based compensation expenses, internet advertising fees, radio and billboard advertising, public relations, commissions paid to employees, resellers and other third parties, amortization of capitalized sales commissions, trade shows, travel expenses, credit card fees, marketing and promotional activities, amortization of acquired customer relationship intangibles, and allocated costs of facilities and information technology. We expect our sales and marketing expenses to continue to increase in absolute dollars for the foreseeable future as we expand our sales and marketing efforts domestically and internationally and continue to build our brand, although these expenses may fluctuate as a percentage of our total revenues from period to period depending on the timing of these expenses.

General and administrative expenses consist primarily of personnel costs, including share-based compensation expenses, for employees and contractors engaged in infrastructure and administrative activities to support the day-to-day operations of our business. Other significant components of general and administrative expenses include professional service fees, allocated costs of facilities and information technology, cost of compliance with certain government-imposed taxes, the costs of legal matters, business acquisition costs, and loss contingencies. We expect our general and administrative expenses to continue to increase in absolute dollars for the foreseeable future, although these expenses may fluctuate as a percentage of our total revenues from period to period, depending on the timing of these expenses.

**Results of Operations**

The following tables set forth selected consolidated statements of operations data and such data as a percentage of total revenues. The historical results presented below are not necessarily indicative of the results that may be expected for any future period (in thousands):

|   | Year ended December 31, |                    |                   |
|---|-------------------------|--------------------|-------------------|
|   | 2019                    | 2018               | 2017              |
| <b>Revenues</b>                           |                         |                    |                   |
| Subscriptions                             | \$ 817,811              | \$ 612,888         | \$ 465,254        |
| Other                                     | 85,047                  | 60,736             | 38,363            |
| <b>Total revenues</b>                     | <b>902,858</b>          | <b>673,624</b>     | <b>503,617</b>    |
| <b>Cost of revenues</b>                   |                         |                    |                   |
| Subscriptions                             | 160,320                 | 109,454            | 89,193            |
| Other                                     | 70,723                  | 47,675             | 32,078            |
| <b>Total cost of revenues</b>             | <b>231,043</b>          | <b>157,129</b>     | <b>121,271</b>    |
| <b>Gross profit</b>                       | <b>671,815</b>          | <b>516,495</b>     | <b>382,346</b>    |
| <b>Operating expenses</b>                 |                         |                    |                   |
| Research and development                  | 136,363                 | 101,042            | 75,148            |
| Sales and marketing                       | 439,100                 | 329,116            | 240,223           |
| General and administrative                | 142,027                 | 102,773            | 72,313            |
| <b>Total operating expenses</b>           | <b>717,490</b>          | <b>532,931</b>     | <b>387,684</b>    |
| <b>Loss from operations</b>               | <b>(45,675)</b>         | <b>(16,436)</b>    | <b>(5,338)</b>    |
| <b>Other income (expense), net</b>        |                         |                    |                   |
| Interest expense                          | (20,512)                | (16,102)           | (99)              |
| Other income, net                         | 9,247                   | 6,475              | 1,491             |
| Other income (expense), net               | (11,265)                | (9,627)            | 1,392             |
| <b>Loss before income taxes</b>           | <b>(56,940)</b>         | <b>(26,063)</b>    | <b>(3,946)</b>    |
| Provision for (benefit from) income taxes | (3,333)                 | 140                | 258               |
| <b>Net loss</b>                           | <b>\$ (53,607)</b>      | <b>\$ (26,203)</b> | <b>\$ (4,204)</b> |

**Percentage of Total Revenues\***

|   | Year ended December 31, |             |             |
|---|-------------------------|-------------|-------------|
|   | 2019                    | 2018        | 2017        |
| <b>Revenues</b>                           |                         |             |             |
| Subscriptions                             | 91 %                    | 91 %        | 92 %        |
| Other                                     | 9                       | 9           | 8           |
| <b>Total revenues</b>                     | <b>100</b>              | <b>100</b>  | <b>100</b>  |
| <b>Cost of revenues</b>                   |                         |             |             |
| Subscriptions                             | 18                      | 16          | 18          |
| Other                                     | 8                       | 7           | 6           |
| <b>Total cost of revenues</b>             | <b>26</b>               | <b>23</b>   | <b>24</b>   |
| Gross profit                              | 74                      | 77          | 76          |
| <b>Operating expenses</b>                 |                         |             |             |
| Research and development                  | 15                      | 15          | 15          |
| Sales and marketing                       | 49                      | 49          | 48          |
| General and administrative                | 16                      | 15          | 14          |
| <b>Total operating expenses</b>           | <b>79</b>               | <b>79</b>   | <b>77</b>   |
| Loss from operations                      | (5)                     | (2)         | (1)         |
| <b>Other income (expense), net</b>        |                         |             |             |
| Interest expense                          | (2)                     | (2)         | —           |
| Other income, net                         | 1                       | 1           | —           |
| Other income (expense), net               | (1)                     | (1)         | —           |
| Loss before income taxes                  | (6)                     | (4)         | (1)         |
| Provision for (benefit from) income taxes | —                       | —           | —           |
| <b>Net loss</b>                           | <b>(6%)</b>             | <b>(4%)</b> | <b>(1%)</b> |

\* Percentages may not add up due to rounding.

**Comparison of Fiscal Years Ended December 31, 2019, 2018, and 2017:**

**Revenues**

| (in thousands, except percentages) | Year ended December 31, |                   |                   |            | Year ended December 31, |                   |                   |            |
|------------------------------------|-------------------------|-------------------|-------------------|------------|-------------------------|-------------------|-------------------|------------|
|                                    | 2019                    | 2018              | \$ Change         | % Change   | 2018                    | 2017              | \$ Change         | % Change   |
| <b>Revenues</b>                    |                         |                   |                   |            |                         |                   |                   |            |
| Subscriptions                      | \$ 817,811              | \$ 612,888        | \$ 204,923        | 33%        | \$ 612,888              | \$ 465,254        | \$ 147,634        | 32%        |
| Other                              | 85,047                  | 60,736            | 24,311            | 40%        | 60,736                  | 38,363            | 22,373            | 58%        |
| <b>Total revenues</b>              | <b>\$ 902,858</b>       | <b>\$ 673,624</b> | <b>\$ 229,234</b> | <b>34%</b> | <b>\$ 673,624</b>       | <b>\$ 503,617</b> | <b>\$ 170,007</b> | <b>34%</b> |
| <b>Percentage of revenues</b>      |                         |                   |                   |            |                         |                   |                   |            |
| Subscriptions                      | 91%                     | 91%               |                   |            | 91%                     | 92%               |                   |            |
| Other                              | 9                       | 9                 |                   |            | 9                       | 8                 |                   |            |
| <b>Total</b>                       | <b>100%</b>             | <b>100%</b>       |                   |            | <b>100%</b>             | <b>100%</b>       |                   |            |

**Subscriptions revenue.** Subscriptions revenue increased by \$204.9 million, or 33%, during fiscal year 2019 as compared to fiscal year 2018. The increase was primarily a combination of the acquisition of new customers and upsells of seats and additional offerings to our existing customer base. This growth was primarily driven by an increase in sales to our mid-market and enterprise customers as we continue to expand up market, and increase in sales through our channel partners.

**Other revenues.** Other revenues are primarily comprised of product revenue from the sale of pre-configured phones, phone rentals, and professional services.

Other revenue increased by \$24.3 million, or 40%, during fiscal year 2019 as compared to fiscal year 2018, primarily due to the increase in product sales and professional services resulting from the overall growth in our business.

**Cost of Revenues and Gross Margin**

| (in thousands, except percentages) | Year ended December 31, |            |           |          | Year ended December 31, |            |           |          |
|------------------------------------|-------------------------|------------|-----------|----------|-------------------------|------------|-----------|----------|
|                                    | 2019                    | 2018       | \$ Change | % Change | 2018                    | 2017       | \$ Change | % Change |
| <b>Cost of revenues</b>            |                         |            |           |          |                         |            |           |          |
| Subscriptions                      | \$ 160,320              | \$ 109,454 | \$ 50,866 | 46%      | \$ 109,454              | \$ 89,193  | \$ 20,261 | 23%      |
| Other                              | 70,723                  | 47,675     | 23,048    | 48%      | 47,675                  | 32,078     | 15,597    | 49%      |
| Total cost of revenues             | \$ 231,043              | \$ 157,129 | \$ 73,914 | 47%      | \$ 157,129              | \$ 121,271 | \$ 35,858 | 30%      |
| <b>Percentage of revenues</b>      |                         |            |           |          |                         |            |           |          |
| Subscriptions                      | 18%                     | 16%        |           |          | 16%                     | 18%        |           |          |
| Other                              | 8%                      | 7%         |           |          | 7%                      | 6%         |           |          |
| <b>Gross margins</b>               |                         |            |           |          |                         |            |           |          |
| Subscriptions                      | 80%                     | 82%        |           |          | 82%                     | 81%        |           |          |
| Other                              | 17%                     | 22%        |           |          | 22%                     | 16%        |           |          |
| Total gross margin %               | 74%                     | 77%        |           |          | 77%                     | 76%        |           |          |

*Subscription cost of revenues and gross margin.* Cost of subscriptions revenues increased by \$50.9 million, or 46%, during fiscal year 2019 as compared to fiscal year 2018. Primary drivers of the increase were increases in third-party costs to support our solution offerings of \$21.5 million, infrastructure support costs of \$19.8 million including amortization expense from acquired intangible assets, and headcount and personnel and contractor related costs of \$9.6 million including share-based compensation expense. These factors resulted in a decrease in gross margin.

The increase in headcount and other expense categories described herein was driven primarily by investments in our infrastructure and capacity to improve the availability of our subscription offerings, while also supporting the growth in new customers and increased usage of our subscriptions by our existing customer base. We expect subscription gross margin to be within a relatively similar range in the future.

*Other cost of revenues and gross margin.* Cost of other revenues increased by \$23.0 million, or 48%, during fiscal year 2019 as compared to fiscal year 2018. This was primarily due to the increase in services personnel costs of \$11.1 million including share-based compensation expense, cost of product sales of \$10.6 million, and overhead costs of \$1.3 million. Other revenues gross margin fluctuates based on timing of completion of professional services projects and discounting on phones.

**Research and Development**

| (in thousands, except percentages) | Year ended December 31, |            |           |          | Year ended December 31, |           |           |          |
|------------------------------------|-------------------------|------------|-----------|----------|-------------------------|-----------|-----------|----------|
|                                    | 2019                    | 2018       | \$ Change | % Change | 2018                    | 2017      | \$ Change | % Change |
| Research and development           | \$ 136,363              | \$ 101,042 | \$ 35,321 | 35%      | \$ 101,042              | \$ 75,148 | \$ 25,894 | 34%      |
| Percentage of total revenues       | 15%                     | 15%        |           |          | 15%                     | 15%       |           |          |

Research and development expenses increased by \$35.3 million, or 35%, during fiscal year 2019 as compared to fiscal year 2018, primarily due to increases in personnel and contractor costs of \$30.3 million and overhead costs to support our research and development efforts of \$4.8 million. Of the total increase in personnel and contractor costs, approximately \$20.0 million was primarily driven by headcount growth and \$8.2 million was due to higher share-based compensation expense.

The increases in research and development headcount and other expense categories were driven by continued investment in current and future software development projects for our applications. Given the continued emphasis and focus on product innovation, we expect research and development expenses to continue to increase in absolute dollars.

**Sales and Marketing**

| (in thousands, except percentages) | Year ended December 31, |            |            |          | Year ended December 31, |            |           |          |
|------------------------------------|-------------------------|------------|------------|----------|-------------------------|------------|-----------|----------|
|                                    | 2019                    | 2018       | \$ Change  | % Change | 2018                    | 2017       | \$ Change | % Change |
| Sales and marketing                | \$ 439,100              | \$ 329,116 | \$ 109,984 | 33%      | \$ 329,116              | \$ 240,223 | \$ 88,893 | 37%      |
| Percentage of total revenues       | 49%                     | 49%        |            |          | 49%                     | 48%        |           |          |

Sales and marketing expenses increased by \$110.0 million, or 33%, during fiscal year 2019 as compared to fiscal year 2018, primarily due to increases in personnel and contractor costs of \$45.2 million, third-party commissions of \$27.5 million, amortization of deferred sales commission costs of \$10.4 million, costs associated with strategic partnerships and acquisitions of \$10.3 million, advertising and marketing costs of \$6.6 million, overhead costs to support our marketing efforts of \$6.5 million, and travel costs of \$2.8 million. Of the total increase in personnel and contractor costs, approximately \$31.9 million was primarily due to headcount growth and \$11.0 million was due to higher share-based compensation expense.

The increases in sales and marketing headcount and other expense categories were necessary to support our growth strategy to acquire new customers with a focus on larger customers, and to establish brand recognition to achieve greater penetration into the North American and international markets. Additionally, we expect sales and marketing expenses to continue to increase in absolute dollars as we continue to expand our presence in North America, Europe, and other markets.

**General and Administrative**

| (in thousands, except percentages) | Year ended December 31, |            |           |          | Year ended December 31, |           |           |          |
|------------------------------------|-------------------------|------------|-----------|----------|-------------------------|-----------|-----------|----------|
|                                    | 2019                    | 2018       | \$ Change | % Change | 2018                    | 2017      | \$ Change | % Change |
| General and administrative         | \$ 142,027              | \$ 102,773 | \$ 39,254 | 38%      | \$ 102,773              | \$ 72,313 | \$ 30,460 | 42%      |
| Percentage of total revenues       | 16%                     | 15%        |           |          | 15%                     | 14%       |           |          |

General and administrative expenses increased by \$39.3 million, or 38%, during fiscal year 2019 as compared to fiscal year 2018, primarily due to increases in personnel and contractor costs of \$31.6 million, business fees and taxes of \$3.5 million, professional fees of \$2.1 million, and acquisition related costs of \$2.4 million, partially offset by a decrease in overhead costs of \$1.2 million when compared to prior year. Of the total increase in personnel and contractor cost, approximately \$19.1 million was primarily driven by headcount growth and \$10.3 million was due to higher share-based compensation expense.

We expect general and administrative expenses to continue to increase in absolute dollars as we continue to make additional investments in processes, systems, and personnel to support our anticipated revenue growth.

**Other Income (expense), net**

| (in thousands, except percentages) | Year ended December 31, |             |            |          | Year ended December 31, |          |             |          |
|------------------------------------|-------------------------|-------------|------------|----------|-------------------------|----------|-------------|----------|
|                                    | 2019                    | 2018        | \$ Change  | % Change | 2018                    | 2017     | \$ Change   | % Change |
| Interest expense                   | \$ (20,512)             | \$ (16,102) | \$ (4,410) | 27%      | \$ (16,102)             | \$ (99)  | \$ (16,003) | nm       |
| Other income, net                  | 9,247                   | 6,475       | 2,772      | 43%      | 6,475                   | 1,491    | 4,984       | nm       |
| Other income (expense), net        | \$ (11,265)             | \$ (9,627)  | \$ (1,638) | 17%      | \$ (9,627)              | \$ 1,392 | \$ (11,019) | nm       |

nm - not meaningful

Other expense, net increased by \$1.6 million during fiscal year 2019 as compared to fiscal year 2018, primarily driven by an increase in costs associated with strategic partnerships and acquisitions of \$10.6 million, interest expense of \$4.4 million resulting from the amortization of debt discount and issuance costs of our 0% convertible senior notes due 2023 ("Notes"), offset in part by \$8.3 million non-cash gains recognized from our long-term investments, increase of \$3.0 million in interest income earned on our cash and cash equivalents, and gain on foreign exchange of \$1.6 million.



**Net loss**

Net loss increased by \$27.4 million during fiscal year 2019, mainly due to higher share-based compensation expense of \$33.3 million and non-recurring acquisitions and strategic partnership related expenses of \$24.1 million, offset by growth in continuing operations, as discussed above.

**Liquidity and Capital Resources**

As of December 31, 2019 and 2018, we had cash and cash equivalents of \$343.6 million and \$566.3 million, respectively. We finance our operations primarily through sales to our customers and a majority of our customers are billed monthly. For customers with annual or multi-year contracts and those who opt for annual invoicing, we generally invoice only one annual period in advance and all invoicing occurs at the start of the respective subscription period. Revenue is deferred for such advanced billings. We also finance our operations from proceeds from issuance of stock under our stock plans, and proceeds from issuance of debt. We believe that our operations and existing liquidity sources will satisfy our cash requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support customer growth, acquisitions and expansions, sales and marketing, research and development, increased general and administrative expenses to support the anticipated growth in our operations, and capital equipment required to support our growing headcount and in support of our co-location data center facilities. Our capital expenditures in future periods are expected to grow in line with our business. We continually evaluate our capital needs and may decide to raise additional capital to fund the growth of our business, to further strengthen our balance sheet, or for general corporate purposes through public or private equity offerings or through additional debt financing. We also may in the future make investments in or acquire businesses or technologies that could require us to seek additional equity or debt financing. Access to additional capital may not be available, or on favorable terms.

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

|  | Year ended December 31, |            |           |
|--|-------------------------|------------|-----------|
|  | 2019                    | 2018       | 2017      |
| Net cash provided by operating activities                              | \$ 64,846               | \$ 72,130  | \$ 41,165 |
| Net cash used in investing activities                                  | (296,780)               | (83,448)   | (26,387)  |
| Net cash provided by financing activities                              | 9,042                   | 397,255    | 6,783     |
| Effect of exchange rate changes  | 169                     | (800)      | (724)     |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | \$ (222,723)            | \$ 385,137 | \$ 20,837 |

**Net Cash Provided by Operating Activities**

Cash provided by operating activities is influenced by the timing of customer collections, as well as the amount and timing of disbursements to our vendors, the amount of cash we invest in personnel, marketing, and infrastructure costs to support the anticipated growth of our business, and the increase in the number of customers.

Net cash provided by operating activities was \$64.8 million for the year ended December 31, 2019. This was driven by net loss of \$53.6 million adjusted for impacts of non-cash adjustments of \$205.5 million, partially offset by a net cash used for working capital of \$87.0 million driven primarily by timing of cash payments to vendors and cash receipts and prepayments from customers and carriers. The non-cash adjustments resulted primarily from \$101.4 million of share-based compensation, \$37.9 million of depreciation and amortization, \$30.1 million amortization of deferred sales commissions costs, \$20.3 million amortization of debt discount and issuance costs related to our convertible notes, and \$3.4 million loss and other related costs on investments.

Net cash provided by operating activities for the year ended December 31, 2019, decreased by \$7.3 million as compared to the year ended December 31, 2018. This change reflects working capital benefits resulting from payments and collections timing, as well as approximately \$37.0 million of one-time payments stemming from our recent partnerships.

**Net Cash Used in Investing Activities**

Our primary investing activities have consisted of our long-term investments, business acquisitions and purchase of intellectual properties, and capital expenditures and internal-use software. As our business grows, we expect our capital expenditures to continue to increase.

Net cash used in investing activities was \$296.8 million for the year ended December 31, 2019. This was driven by our \$135.6 million purchase of long-term investments, \$89.1 million cash paid to acquire intellectual property, \$44.3 million in capital expenditures including personnel-related costs associated with development of internal-use software, and \$27.9 million net cash paid for our acquisition of Connect First, Inc.

Net cash used in investing activities for the year ended December 31, 2019 increased by \$213.3 million as compared to the year ended December 31, 2018, primarily due to our \$135.6 million purchase of long-term investments, an increase of \$70.6 million in cash paid for the acquisition of intangible assets, and higher capital expenditures during 2019.

#### Net Cash Provided by Financing Activities

Our primary financing activities have consisted of raising proceeds through the issuance of stock under our stock plans and issuance of our Notes.

Net cash provided by financing activities was approximately \$9.0 million for the year ended December 31, 2019, primarily resulting from \$15.2 million in proceeds from the issuance of shares in connection with our stock plans, net of taxes paid. This was partially offset by payments of \$5.2 million of contingent consideration associated with acquisitions, and repayment of our financing obligation of \$0.9 million.

Net cash provided by financing activities for the year ended December 31, 2019, decreased by \$388.2 million as compared to the year ended December 31, 2018, primarily due to proceeds from our Notes issued in 2018.

#### Backlog

We have generally signed new customers to contracts that vary in length, from month-to-month to multi-year terms for our subscriptions. The timing of invoicing to our customers is a negotiated term and thus varies among our subscription contracts. Payment terms are generally billed either monthly or on an annual basis. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice, which constitute backlog. Until such time as these amounts are invoiced, we do not recognize them as revenues, unearned revenues or elsewhere in our consolidated financial statements. Given the variability in our contract length, we believe that backlog is not a reliable indicator of future revenues and we do not utilize backlog as a key management metric internally.

#### Deferred Revenue

Deferred revenue primarily consists of the unearned portion of invoiced fees for our subscriptions, which we recognize as revenue in accordance with our revenue recognition policy. Customers with annual or multi-year contracts may opt for annual invoicing. For these customers, we generally invoice only one annual subscription period in advance. Therefore, our deferred revenue balance does not capture the full contract value of such multi-year contracts. Accordingly, we believe that deferred revenue is not a reliable indicator of future revenues and we do not utilize deferred revenue as a key management metric internally.

#### Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2019 (in thousands):

|                             | Payments due by period |               |                |                   | Total          |
|-----------------------------|------------------------|---------------|----------------|-------------------|----------------|
|                             | Up to 1 year           | 1 to 3 years  | 3 to 5 years   | More than 5 years |                |
| Operating lease obligations | 16,164                 | 19,812        | 6,551          | 5,883             | 48,410         |
| Financing obligations       | 2,956                  | 5,912         | —              | —                 | 8,868          |
| Long-term debt              | —                      | —             | 460,000        | —                 | 460,000        |
| Purchase obligations        | 55,755                 | 16,220        | 7,595          | 17,649            | 97,219         |
| <b>Total</b>                | <b>74,875</b>          | <b>41,944</b> | <b>474,146</b> | <b>23,532</b>     | <b>614,497</b> |

Purchase obligations represent an estimate of open purchase orders and contractual obligations in the normal course of business for which we have not received the goods or services as of December 31, 2019. Although open purchase orders are considered enforceable and legally binding, except for our purchase orders with our inventory suppliers, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to the delivery of goods or performance of services. Our purchase orders with our inventory suppliers are non-cancellable. In addition, we have other

obligations for goods and services that we enter into in the normal course of business. These obligations, however, are either not enforceable or legally binding, or are subject to change based on our business decisions. The aggregate of these items represents our estimate of purchase obligations.

**Indemnification Obligations**

Certain of our agreements with sales agents, resellers and customers include provisions for indemnification against liabilities if our products infringe a third-party's intellectual property rights. To date, we have not incurred any material costs as a result of such indemnification provisions and have not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2019.

**Contingencies**

We are and may be in the future subject to certain legal proceedings and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other matters relating to various claims that arise in the normal course of business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount of loss. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a significant impact on our results of operations, financial position, and cash flows.

Refer to Note 9 – *Commitment and Contingencies* of the notes to the consolidated financial statements included in Part II, Item 8, “Consolidated Financial Statements and Supplementary Data” of this Annual Report on Form 10-K for additional information.

**Off-Balance Sheet Arrangements**

Through December 31, 2019, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

**Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application. In other cases, management's judgment is required in selecting among available alternative accounting standards that provide for different accounting treatment for similar transactions. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the amounts we report as assets, liabilities, revenues, costs, and expenses, and affect the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. In many instances, we could reasonably use different accounting estimates, and in some instances changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, our actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

**Revenue Recognition**

We derive our revenues from subscriptions, sale of products, and professional services. Subscriptions revenue is generally recognized over the period of the subscription contract. Subscription contracts typically allow the customers to terminate their services at any time during the first 30 or 60 days of the subscription period and are charged for the term of usage. Upon cancellation during the termination period, customers receive a pro-rata refund for any amounts paid. After the end of the termination period, the contract is non-cancellable and the customer is obligated to pay for the remaining term of the contract. For sale of products, revenue is recognized when control is transferred. For professional services, revenue is recognized as services are rendered.

***Recent Accounting Pronouncements***

For a summary of recent accounting pronouncements and the anticipated effects on our consolidated financial statements, see Note 1 to the consolidated financial statements included in Part II, Item 8, "Consolidated Financial Statements and Supplementary Data" of this Annual Report on Form 10-K, which is incorporated herein by reference.

**ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk**

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

***Foreign Currency Risk***

The majority of our sales and contracts are denominated in U.S. dollars, and therefore our net revenue is not currently subject to significant foreign currency risk. As part of our international operations, we charge customers in British Pounds, European Union ("EU") Euro, Canadian Dollars and Australian Dollars, among others. However, this impact has not been significant in 2019. Our operating expenses are generally denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., and to a lesser extent in Canada, Europe, and Asia-Pacific. The functional currency of our foreign subsidiaries is generally the local currency. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign currency exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk. During fiscal 2019, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements. As our international operations continue to expand, risks associated with fluctuating foreign currency rates may increase. We will continue to reassess our approach to managing these risks.

***Interest Rate and Investments Risks***

As of December 31, 2019, we had cash and cash equivalents of \$343.6 million, a majority of which are held in money-market funds. We hold our cash and cash equivalents for working capital purposes. Declines in interest rates would reduce future interest income. During fiscal year 2019, a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income. The carrying amount of our cash equivalents reasonably approximates fair values. Due to the short-term nature of our money-market funds, we believe that exposure to changes in interest rates will not have a material impact on the fair value of our cash equivalents.

As of December 31, 2019, we had \$386.9 million outstanding of our 0% convertible senior notes due 2023 (the "Notes"). We carry the Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only. The Notes have a zero percent fixed annual interest rate and, therefore, we have no economic exposure to changes in interest rates. The fair value of the Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Notes will increase as interest rates decline and decrease as interest rates increase. In addition, the fair values of the Notes are affected by our stock price. The fair value of the Notes will generally increase as our common stock price increases and will generally decrease as our common stock price decrease in value.

As of December 31, 2019, we had long term investments in convertible and redeemable preferred stock of \$132.2 million. These equity investments are subject to market related risks that could decrease or increase the fair value of our holdings. These equity investments are adjusted to fair value based on market inputs at the balance sheet date, which are subject to market-related risks that could decrease or increase the fair value of our holdings. A fluctuation in the investee's stock price could have an adverse impact on the fair value of our investment. A hypothetical adverse stock price change of 10% could have resulted in a potential decrease of up to \$7 million in the fair-value of our investment as of December 31, 2019.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

RINGCENTRAL, INC.  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors

RingCentral, Inc.:

*Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of RingCentral, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Connect First, Inc. on January 14, 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, Connect First, Inc.'s internal control over financial reporting associated with approximately 3% of consolidated total assets and approximately 1% of consolidated total revenues included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company as of December 31, 2019 also excluded an evaluation of the internal control over financial reporting of Connect First, Inc.

*Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019, due to the adoption of Financial Accounting Standards Board's Accounting Standards Codification (ASC) Topic 842, Leases.

*Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting appearing in Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

*Definition and Limitations of Internal Control Over Financial Reporting*

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

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

*Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgment. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Evaluation of Audit Evidence Over Subscriptions Revenue*

As discussed in Note 1 to the consolidated financial statements, and disclosed in the consolidated statements of operations, the Company recorded \$902.9 million of total revenues for the year ended December 31, 2019, of which \$817.8 million related to subscriptions. There are high volumes of subscription transactions processed across multiple information technology (IT) systems.

We identified the evaluation of audit evidence over subscriptions revenue as a critical audit matter. This matter required especially subjective auditor judgment because of the number of IT applications involved in the subscriptions revenue recognition process. This matter also included determining the nature and extent of audit evidence obtained over subscriptions revenue, and the need to involve IT professionals to assist with the performance of certain procedures.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's subscriptions revenue process, including associated IT controls. We applied auditor judgment to determine the nature and extent of procedures to be performed over subscriptions revenue, including the determination of the IT applications subject to testing. We assessed the recorded subscriptions revenue by selecting transactions and comparing the amounts recognized for consistency with underlying documentation, including contracts with customers. We also involved IT professionals with specialized skills and knowledge, who assisted in testing certain IT applications that are used by the Company in its subscriptions revenue recognition process. In addition, we evaluated the overall sufficiency of audit evidence obtained over subscriptions revenue.

/s/ KPMG LLP

We have served as the Company's auditor since 2010.

Santa Clara, California  
February 26, 2020



RINGCENTRAL, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except par value per share)

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| <b>Current assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 343,606           | \$ 566,329           |
| Accounts receivable, net   | 129,990              | 94,375               |
| Deferred and prepaid sales commission costs  | 36,589               | 23,038               |
| Prepaid expenses and other current assets  | 25,354               | 23,772               |
| <b>Total current assets</b>  | 535,539              | 707,514              |
| Property and equipment, net  | 89,230               | 70,205               |
| Operating lease right-of-use-assets  | 39,269               | —                    |
| Long-term investments  | 132,188              | —                    |
| Deferred and prepaid sales commission costs, non-current   | 462,344              | 55,735               |
| Goodwill   | 55,278               | 31,238               |
| Acquired intangibles, net  | 127,338              | 19,480               |
| Other assets   | 9,561                | 10,154               |
| <b>Total assets</b>  | \$ 1,450,747         | \$ 894,326           |
| <b>Liabilities and Stockholders' Equity</b>  |                      |                      |
| <b>Current liabilities</b>   |                      |                      |
| Accounts payable   | \$ 34,612            | \$ 10,145            |
| Accrued liabilities  | 138,729              | 100,687              |
| Deferred revenue   | 107,372              | 88,527               |
| <b>Total current liabilities</b>   | 280,713              | 199,359              |
| Convertible senior notes, net  | 386,889              | 366,552              |
| Operating lease liabilities  | 28,516               | —                    |
| Other long-term liabilities  | 8,929                | 10,806               |
| <b>Total liabilities</b>   | 705,047              | 576,717              |
| Commitments and contingencies (Note 9)   |                      |                      |
| <b>Stockholders' equity</b>  |                      |                      |
| Class A common stock, \$0.0001 par value; 1,000,000 shares authorized at December 31, 2019 and 2018; 75,901 and 69,445 shares issued and outstanding at December 31, 2019 and 2018 | 8                    | 7                    |
| Class B common stock, \$0.0001 par value; 250,000 shares authorized at December 31, 2019 and 2018; 11,039 and 11,601 shares issued and outstanding at December 31, 2019 and 2018   | 1                    | 1                    |
| Additional paid-in capital   | 1,033,053            | 551,078              |
| Accumulated other comprehensive income   | 1,948                | 2,226                |
| Accumulated deficit  | (289,310)            | (235,703)            |
| <b>Total stockholders' equity</b>  | 745,700              | 317,609              |
| <b>Total liabilities and stockholders' equity</b>  | \$ 1,450,747         | \$ 894,326           |

See accompanying notes to consolidated financial statements

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

|  | Year ended December 31, |                    |                   |
|--|-------------------------|--------------------|-------------------|
|  | 2019                    | 2018               | 2017              |
| <b>Revenues</b>  |                         |                    |                   |
| Subscriptions  | \$ 817,811              | \$ 612,888         | \$ 465,254        |
| Other  | 85,047                  | 60,736             | 38,363            |
| <b>Total revenues</b>  | <b>902,858</b>          | <b>673,624</b>     | <b>503,617</b>    |
| <b>Cost of revenues</b>  |                         |                    |                   |
| Subscriptions  | 160,320                 | 109,454            | 89,193            |
| Other  | 70,723                  | 47,675             | 32,078            |
| <b>Total cost of revenues</b>  | <b>231,043</b>          | <b>157,129</b>     | <b>121,271</b>    |
| Gross profit   | 671,815                 | 516,495            | 382,346           |
| <b>Operating expenses</b>  |                         |                    |                   |
| Research and development   | 136,363                 | 101,042            | 75,148            |
| Sales and marketing  | 439,100                 | 329,116            | 240,223           |
| General and administrative   | 142,027                 | 102,773            | 72,313            |
| <b>Total operating expenses</b>  | <b>717,490</b>          | <b>532,931</b>     | <b>387,684</b>    |
| Loss from operations   | (45,675)                | (16,436)           | (5,338)           |
| <b>Other income (expense), net</b>                                     |                         |                    |                   |
| Interest expense   | (20,512)                | (16,102)           | (99)              |
| Other income, net  | 9,247                   | 6,475              | 1,491             |
| Other income (expense), net  | (11,265)                | (9,627)            | 1,392             |
| Loss before income taxes   | (56,940)                | (26,063)           | (3,946)           |
| Provision for (benefit from) income taxes                              | (3,333)                 | 140                | 258               |
| <b>Net loss</b>  | <b>\$ (53,607)</b>      | <b>\$ (26,203)</b> | <b>\$ (4,204)</b> |
| Net loss per common share  |                         |                    |                   |
| Basic and diluted  | \$ (0.64)               | \$ (0.33)          | \$ (0.06)         |
| Weighted-average number of shares used in computing net loss per share |                         |                    |                   |
| Basic and diluted  | 83,130                  | 79,500             | 76,281            |

See accompanying notes to consolidated financial statements

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

|   | Year ended December 31, |                    |                   |
|---|-------------------------|--------------------|-------------------|
|   | 2019                    | 2018               | 2017              |
| Net loss                                      | \$ (53,607)             | \$ (26,203)        | \$ (4,204)        |
| <b>Other comprehensive income (loss)</b>      |                         |                    |                   |
| Foreign currency translation adjustments, net | (278)                   | (772)              | 261               |
| <b>Comprehensive loss</b>                     | <b>\$ (53,885)</b>      | <b>\$ (26,975)</b> | <b>\$ (3,943)</b> |

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands)

|   | Common stock |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|---|--------------|--------|----------------------------------|---|------------------------|----------------------------------|
|   | Shares       | Amount |                                  |   |                        |                                  |
| <b>Balance as of December 31, 2016</b>  | 74,383       | \$ 7   | \$ 366,800                       | \$ 2,737                                      | \$ (205,296)           | \$ 164,248                       |
| Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings | 3,594        | 1      | 21,803                           | —   | —                      | 21,804                           |
| Issuance of common stock for achievement of Glip related matters  | 77           | —      | 3,560                            | —   | —                      | 3,560                            |
| Share-based compensation  | —            | —      | 42,677                           | —   | —                      | 42,677                           |
| Changes in comprehensive loss   | —            | —      | —                                | 261   | —                      | 261                              |
| Net loss  | —            | —      | —                                | —   | (4,204)                | (4,204)                          |
| <b>Balance as of December 31, 2017</b>  | 78,054       | \$ 8   | \$ 434,840                       | \$ 2,998                                      | \$ (209,500)           | \$ 228,346                       |
| Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings | 3,231        | —      | 13,449                           | —   | —                      | 13,449                           |
| Shares repurchased  | (239)        | —      | (15,000)                         | —   | —                      | (15,000)                         |
| Share-based compensation  | —            | —      | 68,876                           | —   | —                      | 68,876                           |
| Equity component of convertible senior notes, net of issuance cost  | —            | —      | 98,823                           | —   | —                      | 98,823                           |
| Purchase of capped calls  | —            | —      | (49,910)                         | —   | —                      | (49,910)                         |
| Changes in comprehensive loss   | —            | —      | —                                | (772)   | —                      | (772)                            |
| Net loss  | —            | —      | —                                | —   | (26,203)               | (26,203)                         |
| <b>Balance as of December 31, 2018</b>  | 81,046       | \$ 8   | \$ 551,078                       | \$ 2,226                                      | \$ (235,703)           | \$ 317,609                       |
| Issuance of common stock in connection with Equity Incentive and Employee Stock Purchase plans, net of tax withholdings | 3,723        | 1      | 15,160                           | —   | —                      | 15,161                           |
| Issuance of common stock in connection with investments   | 2,171        | —      | 361,000                          | —   | —                      | 361,000                          |
| Share-based compensation  | —            | —      | 105,815                          | —   | —                      | 105,815                          |
| Changes in comprehensive loss   | —            | —      | —                                | (278)   | —                      | (278)                            |
| Net loss  | —            | —      | —                                | —   | (53,607)               | (53,607)                         |
| <b>Balance as of December 31, 2019</b>  | 86,940       | \$ 9   | \$ 1,033,053                     | \$ 1,948                                      | \$ (289,310)           | \$ 745,700                       |

See accompanying notes to consolidated financial statements

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

|  | Year ended December 31, |                   |                   |
|--|-------------------------|-------------------|-------------------|
|  | 2019                    | 2018              | 2017              |
| <b>Cash flows from operating activities</b>  |                         |                   |                   |
| Net loss   | \$ (53,607)             | \$ (26,203)       | \$ (4,204)        |
| Adjustments to reconcile net loss to net cash provided by operating activities:        |                         |                   |                   |
| Depreciation and amortization  | 37,870                  | 23,273            | 16,214            |
| Share-based compensation   | 101,354                 | 68,088            | 42,060            |
| Amortization of deferred sales commission cost   | 30,134                  | 19,754            | 12,623            |
| Amortization of debt discount and issuance cost  | 20,337                  | 15,918            | —                 |
| Reduction of operating lease right-of-use assets                                       | 13,256                  | —                 | —                 |
| Loss (gain) and other related costs on investments                                     | 3,369                   | —                 | —                 |
| Foreign currency remeasurement (gain) loss   | (105)                   | 951               | (666)             |
| Provision for bad debt   | 2,949                   | 3,091             | 1,674             |
| Deferred income taxes  | (737)                   | (303)             | (47)              |
| Tax benefit from release of valuation allowance  | (3,210)                 | —                 | —                 |
| Other  | 240                     | 614               | 181               |
| Changes in assets and liabilities:   |                         |                   |                   |
| Accounts receivable  | (37,163)                | (47,877)          | (17,903)          |
| Deferred and prepaid sales commission costs  | (102,303)               | (45,232)          | (32,469)          |
| Prepaid expenses and other current assets  | (1,575)                 | (342)             | (6,199)           |
| Other assets   | 764                     | 279               | 1,533             |
| Accounts payable   | 21,753                  | 2,783             | 176               |
| Accrued liabilities  | 27,095                  | 33,695            | 9,918             |
| Deferred revenue   | 18,845                  | 24,780            | 18,298            |
| Operating lease liabilities  | (13,830)                | —                 | —                 |
| Other liabilities  | (590)                   | (1,139)           | (24)              |
| Net cash provided by operating activities  | <u>64,846</u>           | <u>72,130</u>     | <u>41,165</u>     |
| <b>Cash flows from investing activities</b>  |                         |                   |                   |
| Purchases of property and equipment  | (27,767)                | (27,123)          | (19,497)          |
| Capitalized internal-use software  | (16,526)                | (11,421)          | (7,420)           |
| Cash paid for business combination, net of cash acquired                               | (27,870)                | (26,434)          | —                 |
| Purchases of long-term investments   | (135,557)               | —                 | —                 |
| Cash paid for acquisition of intangible assets   | (89,060)                | (18,470)          | —                 |
| Restricted investments   | —                       | —                 | 530               |
| Net cash used in investing activities  | <u>(296,780)</u>        | <u>(83,448)</u>   | <u>(26,387)</u>   |
| <b>Cash flows from financing activities</b>  |                         |                   |                   |
| Proceeds from issuance of convertible senior notes, net of issuance costs              | —                       | 449,457           | —                 |
| Payments for capped call transactions and costs  | —                       | (49,910)          | —                 |
| Repurchase of common stock   | —                       | (15,000)          | —                 |
| Proceeds from issuance of stock in connection with stock plans                         | 29,827                  | 20,621            | 25,495            |
| Taxes paid related to net share settlement of equity awards                            | (14,666)                | (7,172)           | (3,691)           |
| Payment of contingent consideration for business combination                           | (5,176)                 | —                 | —                 |
| Repayment of financing obligations   | (943)                   | (741)             | (181)             |
| Repayment of debt  | —                       | —                 | (14,840)          |
| Net cash provided by financing activities  | <u>9,042</u>            | <u>397,255</u>    | <u>6,783</u>      |
| Effect of exchange rate changes  | 169                     | (800)             | (724)             |
| Net (decrease) increase in cash, cash equivalents, and restricted cash                 | <u>(222,723)</u>        | <u>385,137</u>    | <u>20,837</u>     |
| <b>Cash, cash equivalents, and restricted cash</b>                                     |                         |                   |                   |
| Beginning of year  | 566,329                 | 181,192           | 160,355           |
| End of year  | <u>\$ 343,606</u>       | <u>\$ 566,329</u> | <u>\$ 181,192</u> |
| <b>Supplemental disclosure of cash flow data:</b>                                      |                         |                   |                   |
| Cash paid for interest   | \$ 189                  | \$ 40             | \$ 116            |
| Cash paid for income taxes, net of refunds   | \$ 996                  | \$ 433            | \$ 216            |
| <b>Non-cash investing and financing activities</b>                                     |                         |                   |                   |
| Cash held for future indemnity claims and other potential future payments              | \$ 7,148                | \$ 971            | \$ —              |
| Equipment and capitalized internal-use software purchased and unpaid at period end     | \$ 5,215                | \$ 4,785          | \$ 1,699          |
| Common stock issued for acquisition of intangible assets                               | \$ 16,450               | \$ —              | \$ —              |
| Common stock issued for prepaid and deferred sales commission cost                     | \$ 345,000              | \$ —              | \$ —              |
| Reclassification from intangible assets to prepaid services                            | \$ —                    | \$ 8,223          | \$ —              |
| Equipment acquired under financing obligations   | \$ —                    | \$ 4,513          | \$ —              |
| Earnout related matters, including issuance of common stock for milestone achievements | \$ —                    | \$ 5,375          | \$ 3,560          |

See accompanying notes to consolidated financial statements

RINGCENTRAL, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

***Description of Business***

RingCentral, Inc. (the "Company") is a provider of software-as-a-service ("SaaS") solutions that enables businesses to communicate, collaborate and connect. The Company was incorporated in California in 1999 and was reincorporated in Delaware on September 26, 2013.

***Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and include the consolidated accounts of the Company and 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, the allowance for doubtful accounts, valuation of long-term investments, deferred sales commission costs, goodwill, useful lives of intangible assets, share-based compensation, capitalization of internally developed software, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities, and accrued liabilities. Management periodically evaluates these estimates and will make adjustments prospectively based upon the results of such periodic evaluations. Actual results could differ from these estimates.

***Foreign Currency***

The functional currency of the Company's foreign subsidiaries is generally the local currency. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are recorded as part of a separate component of stockholders' equity and reported in the statements of comprehensive loss. Foreign currency transaction gains and losses are included in net loss for the period. All assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average exchange rate during the period. Equity transactions are translated using historical exchange rates.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at fair value.

***Allowance for Doubtful Accounts***

For the years ended December 31, 2019 and 2018, a significant portion of revenues were realized from credit card transactions while the remaining revenues generated accounts receivable. The portion of revenues billed to customers through invoices with payment terms has increased year over year. The Company determines provisions based on historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with delinquent accounts.

Below is a summary of the changes in allowance for doubtful accounts for the years ended December 31, 2019, 2018 and 2017 (in thousands):

|                                     | Balance at<br>beginning of<br>year |    | Provision,<br>net of<br>recoveries |    | Write-offs |    | Balance at<br>end of<br>year |
|-------------------------------------|------------------------------------|----|------------------------------------|----|------------|----|------------------------------|
| <b>Year ended December 31, 2019</b> |                                    |    |                                    |    |            |    |                              |
| Allowance for doubtful accounts     | \$ 2,506                           | \$ | 2,949                              | \$ | 3,097      | \$ | 2,358                        |
| <b>Year ended December 31, 2018</b> |                                    |    |                                    |    |            |    |                              |
| Allowance for doubtful accounts     | \$ 712                             | \$ | 3,091                              | \$ | 1,297      | \$ | 2,506                        |
| <b>Year ended December 31, 2017</b> |                                    |    |                                    |    |            |    |                              |
| Allowance for doubtful accounts     | \$ 434                             | \$ | 1,674                              | \$ | 1,396      | \$ | 712                          |

**Long-Term Investments**

Long-term investments consist of convertible and redeemable preferred securities in which the Company does not have a controlling interest or significant influence. These investments are recorded at fair value using both observable and unobservable inputs and the valuation requires judgment. These investments are reported at fair value in long-term investments in the Consolidated Balance Sheets. All gains and losses on these investments, realized and unrealized, are recognized in other income (expense), net in the Consolidated Statement of Operations.

**Internal-Use Software Development Costs**

The Company capitalizes qualifying internal-use software development costs that are incurred during the application development stage, provided that management with the relevant authority authorizes and commits to the funding of the project, it is probable the project will be completed, and the software will be used to perform the function intended. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Capitalized internal-use software development costs are included in property and equipment and are amortized on a straight-line basis over their estimated useful lives.

For the years ended December 31, 2019 and 2018, the Company capitalized \$18.5 million and \$11.7 million, net of impairment, of internal-use software development costs, respectively. The carrying value of internal-use software development costs was \$35.6 million and \$22.2 million at December 31, 2019 and 2018, respectively.

**Property and Equipment, net**

Property and equipment, net is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of those assets as follows:

|   |  |
|---|--|
| Computer hardware and software          | 3 to 5 years                                       |
| Internal-use software development costs | 3 to 5 years                                       |
| Furniture and fixtures                  | 1 to 5 years                                       |
| Leasehold improvements                  | Shorter of the estimated lease term or useful life |

The Company evaluates the recoverability of property and equipment and intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets or asset groups may not be recoverable. Recoverability of these assets or asset groups is measured by comparing the carrying amounts of such assets or asset groups to the future undiscounted cash flows that such assets or asset groups are expected to generate. If this evaluation indicates that the carrying amount of the assets or asset groups is not recoverable, the carrying amount of such assets or asset groups is reduced to its estimated fair value.

Maintenance and repairs are charged to expense as incurred.

**Leases**

Effective January 1, 2019, the Company adopted the requirements of Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("Topic 842"), issued by the Financial Accounting Standards Board ("FASB"), as discussed in Note 2.

The Company determines if a contract is a lease or contains a lease at the inception of the contract and reassesses that conclusion if the contract is modified. All leases are assessed for classification as an operating lease or a finance lease. Operating lease right-of-use ("ROU") assets are presented separately on the Company's Consolidated Balance Sheet. Operating lease liabilities are separated into a current portion, included within accrued liabilities on the Company's Consolidated Balance Sheet, and a non-current portion included within operating lease liabilities on the Company's Consolidated Balance Sheet. The Company does not have significant finance lease ROU assets or liabilities. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. The Company does not obtain and control its right to use the identified asset until the lease commencement date.

The Company's lease liabilities are recognized at the applicable lease commencement date based on the present value of the lease payments required to be paid over the lease term. Because the rate implicit in the lease is not readily determinable, the Company generally uses an incremental borrowing rate to discount the lease payments to present value. The estimated incremental borrowing rate is derived from information available at the lease commencement date. The Company factors in publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. The Company's ROU assets are also recognized at the applicable lease commencement date. The ROU asset equals the carrying amount of the related lease liability, adjusted for any lease payments made prior to lease commencement and lease incentives provided by the lessor. Variable lease payments are expensed as incurred and do not factor into the measurement of the applicable ROU asset or lease liability.

The term of the Company's leases equal the non-cancellable period of the lease, including any rent-free periods provided by the lessor, and also include options to renew or extend the lease (including by not terminating the lease) that the Company is reasonably certain to exercise. The Company establishes the term of each lease at lease commencement and reassesses that term in subsequent periods when one of the triggering events outlined in Topic 842 occurs. Operating lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company's lease contracts often include lease and non-lease components. For facility leases, the Company has elected the practical expedient offered by the standard to not separate lease from non-lease components and accounts for them as a single lease component. For the Company's other contracts that include leases, the Company accounts for the lease and non-lease components separately.

The Company has elected, for all classes of underlying assets, not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. Lease cost for short-term leases is recognized on a straight-line basis over the lease term. Additionally, for certain facility leases, the Company applies a portfolio approach, whereby it effectively accounts for the operating lease ROU assets and liabilities for multiple leases as a single unit of account because the accounting effect of doing so is not material.

#### ***Goodwill and Intangible Assets***

Goodwill is tested for impairment at the reporting unit level at a minimum on an annual basis or more frequently when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The Company conducted its annual impairment test of goodwill in the fourth quarter of 2019 and 2018 and determined that no adjustment to the carrying value of goodwill was required.

Intangible assets consist of purchased customer relationships and developed technology. Intangible assets are amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from two to five years. No residual value is estimated for intangible assets.

#### ***Concentrations***

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Although the Company deposits its cash with multiple financial institutions, its deposits, at times, may exceed federally insured limits. The Company's accounts receivable are primarily derived from sales by resellers and to larger direct customers. The Company maintains an allowance for doubtful accounts for estimated potential credit losses. At December 31, 2019 and 2018, and for the years then ended, none of the Company's customers accounted for more than 10% of total accounts receivable, total revenues, or subscription revenues. For the year ended December 31, 2017, one of the Company's resellers accounted for 11% of the Company's total revenues, and 12% of the Company's subscription revenues.



During the years ended December 31, 2019, 2018 and 2017, the Company contracted a significant portion of its software development efforts from third-party vendors located in Russia and Ukraine. A cessation of services provided by these vendors could result in a disruption to the Company's research and development efforts.

#### ***Revenue Recognition***

The Company derives its revenues primarily from subscriptions, sale of products, and professional services. Revenues are recognized when control of these services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

The Company recognizes revenues as follows:

#### ***Subscriptions revenue***

Subscriptions revenue is generated from fees that provide customers access to one or more of the Company's software applications and related services. These arrangements have contractual terms typically ranging from one month to five years and include recurring fixed plan subscription fees and variable usage-based fees for usage in excess of plan limits.

Arrangements with customers do not provide the customer with the right to take possession of the Company's software at any time. Instead, customers are granted continuous access to the services over the contractual period. The Company transfers control evenly over the contractual period by providing stand-ready service. Accordingly, the fixed consideration related to subscription is recognized over time on a straight-line basis over the contract term beginning on the date the Company's service is made available to the customer. The Company may offer its customer services for no consideration during the initial months. Such discounts are recognized ratably over the term of the contract.

Fees for additional minutes of usage in excess of plan limits are deemed to be variable consideration that meet the allocation exception for variable consideration as they are specific to the month that the usage occurs.

The Company's subscription contracts typically allow the customers to terminate their services within the first 30 or 60 days and receive a refund for any amounts paid. After the end of the termination period, the contract is non-cancellable and the customer is obligated to pay for the remaining term of the contract. Accordingly, the Company considers the non-cancellable term of the contract to begin after the expiration of the termination period.

The Company has service-level agreements with customers warranting defined levels of uptime reliability and performance and these customers can get credits or refunds if the Company fails to meet those levels. If the services do not meet certain criteria, fees are subject to adjustment or refund representing a form of variable consideration.

The Company records reductions to revenue for estimated sales returns and customer credits at the time the related revenue is recognized. Sales returns and customer credits are estimated based on the Company's historical experience, current trends and the Company's expectations regarding future experience. The Company monitors the accuracy of its sales reserve estimates by reviewing actual returns and credits and adjusts them for its future expectations to determine the adequacy of its current and future reserve needs. If actual future returns and credits differ from past experience, additional reserves may be required.

#### ***Other revenue***

Other revenue includes revenue generated from sale of pre-configured phones, professional implementation services, and phone rentals.

Phone revenue is recognized upon transfer of control to the customer which is generally upon shipment from the Company's or its designated agents' warehouse. The amount of revenue recognized for products is adjusted for expected returns, which are estimated based on historical data.

The Company offers professional services to support implementation and deployment of its subscription services. Professional services do not result in significant customization of the product and are generally short-term in duration. The majority of the Company's professional services contracts are on a fixed price basis and revenue is recognized when services are delivered.

*Principal vs. Agent*

A portion of the Company's subscriptions and product revenues are generated through sales by resellers and carrier partners. When the Company controls the performance of contractual obligations to the customer, it records these revenues at the gross amount paid by the customer with amounts retained by the resellers recognized as sales and marketing expense. The Company assesses control of goods or services when it is primarily responsible for fulfilling the promise to provide the good or service, has inventory risk and has discretion in establishing the price. When a reseller assumes the majority of these factors in assessing control, the Company records the associated revenue at the net amount received from the reseller.

*Deferred and prepaid sales commission costs*

The Company capitalizes sales commission expenses and associated payroll taxes paid to internal sales personnel and resellers, who sell the Company's solutions. The resellers are selling agents for the Company and earn sales commissions which are directly tied to the value of the contracts that the Company enters with the end-user customers. These sales commissions are incremental costs the Company incurs to obtain contracts with its end-user customers. The Company pays sales commissions on initial contracts and contracts for increased purchases with existing customers (expansion contracts). The Company does not pay sales commissions for contract renewals.

These sales commission costs are deferred and then amortized over the expected period of benefit, which is estimated to be five years. The Company has determined the period of benefit taking into consideration the expected subscription term and expected renewal periods of its customer contracts, the duration of its relationships with its customers considering historical and expected customer retention, technology and other factors. Amortization expense is included in sales and marketing expenses in the accompanying Consolidated Statement of Operations.

*Cost of Revenues*

Cost of subscriptions revenue primarily consists of costs of network capacity purchased from third-party telecommunications providers, network operations, costs to build out and maintain data centers, including co-location fees for the right to place the Company's servers in data centers owned by third-parties, depreciation of the servers and equipment, along with related utilities and maintenance costs, personnel costs associated with customer care and support of the functionality of the Company's platform and data center operations, including share-based compensation expenses, and allocated costs of facilities and information technology. Cost of subscriptions revenue is expensed as incurred.

Cost of other revenue is comprised primarily of the cost associated with purchased phones, shipping costs, costs of professional services, and allocated costs of facilities and information technology related to the procurement, management and shipment of phones. Cost of other revenue is expensed in the period product is delivered to the customer.

*Share-Based Compensation*

Share-based compensation expense resulting from options, restricted stock units ("RSUs"), performance-based awards, and employee stock purchase plan ("ESPP") rights granted is measured as the grant date fair value of the award and is generally recognized using the straight-line attribution method over the requisite service period of the award, which is generally the vesting period. The Company estimates the fair value of stock options, ESPP rights, and performance-based awards using the Black-Scholes-Merton option-pricing model. The Company estimates the fair value of RSUs as the closing market value of its Class A Common Stock on the grant date. For awards with performance-based and service-based conditions, compensation cost is recognized over the requisite service period if it is probable that the performance condition will be satisfied. The expense for performance-based awards is evaluated each quarter based on the achievement of the performance conditions. The effect of a change in the estimated number of performance-based awards expected to be earned is recognized in the period those estimates are revised. Compensation expense is recognized net of estimated forfeiture activity, which is based on historical forfeiture rates.

**Research and Development**

Research and development expenses consist primarily of third-party contractor costs, personnel costs, technology license expenses, and depreciation associated with research and development equipment. Research and development costs are expensed as incurred.

**Advertising Costs**

Advertising costs, which include various forms of e-commerce such as search engine marketing, search engine optimization and online display advertising, as well as more traditional forms of media advertising such as radio and billboards, are expensed as incurred and were \$59.9 million, \$58.3 million, and \$42.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

**Convertible Debt**

The Company bifurcates the debt and equity (the contingently convertible feature) components of its convertible debt instruments in a manner that reflects its nonconvertible debt borrowing rate at the time of issuance. The equity components of the convertible debt instruments are recorded within stockholders' equity with an allocated issuance discount. The debt issuance discount is amortized to interest expense in the Consolidated Statement of Operations using the effective interest method over the expected term of the convertible debt.

**Income Taxes**

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amount of future tax benefit that is more likely than not to be realized. As of December 31, 2019, except for deferred tax assets associated with its subsidiary in China, the Company recorded a full valuation allowance against all other net deferred tax assets due to its history of operating losses. The Company classifies interest and penalties on unrecognized tax benefits as income tax expense.

**Segment Information**

The Company has determined the chief executive officer is the chief operating decision maker. The Company's chief executive officer reviews financial information presented on a consolidated basis for purposes of assessing performance and making decisions on how to allocate resources. Accordingly, the Company has determined that it operates in a single reportable segment.

**Indemnification**

Certain of the Company's agreements with resellers and customers include provisions for indemnification against liabilities if its subscriptions infringe upon a third-party's intellectual property rights. At least quarterly, the Company assesses the status of any significant matters and its potential financial statement exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount or the range of loss can be estimated, the Company accrues a liability for the estimated loss. The Company has not incurred any material costs as a result of such indemnification provisions. The Company has not accrued any material liabilities related to such obligations as of December 31, 2019 and 2018.

**Recent Accounting Pronouncements Not Yet Adopted**

In June 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements*, which expands the disclosure requirements for Level 3 fair value measurements and expands disclosures for entities that calculate net assets value. This new standard is effective for the Company's interim and annual reporting periods beginning January 1, 2020, and early adoption permitted. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies the measurement of expected credit losses on certain financial instruments.

This new standard is effective for the Company's interim and annual reporting periods beginning January 1, 2020, and earlier adoption is permitted. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Accounting Standards Update (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The ASU is effective for calendar year-end public entities on January 1, 2021. Entities may early adopt the ASU in any interim period for which financial statements have not yet been issued (or made available for issuance). The Company has not yet adopted the new guidance and is currently analyzing the tax impact, but does not anticipate any material impacts upon adoption.

## Note 2. Impact of Recently Adopted Accounting Pronouncements

On January 1, 2019, the Company adopted Topic 842, which requires recognition of ROU assets and lease liabilities for most leases on the Company's Consolidated Balance Sheet. The Company adopted Topic 842 using a modified retrospective transition approach as of the effective date as permitted by the amendments in ASU 2018-11. As a result, the Company was not required to adjust its comparative periods' financial information for effects of the standard or make the new required lease disclosures for the periods before the date of adoption (i.e., January 1, 2019). The Company elected the package of practical expedients which allowed the Company not to reassess (1) whether existing or expired contracts, as of the adoption date, contain leases, (2) the lease classification for existing leases, and (3) whether existing initial direct costs meet the new definition. The Company also elected the practical expedient to not separate lease and non-lease components for its facility leases, and to not recognize ROU assets and liabilities for short-term leases.

The standard had an impact on the Company's Consolidated Balance Sheet but did not have a significant impact on its Consolidated Statement of Operations or Cash Flows. The impact on the Company's Consolidated Balance Sheet was the recognition of ROU assets and lease liabilities for operating leases.

The adoption of this new standard at January 1, 2019, resulted in the following changes:

- assets increased by \$33.5 million, representing the recognition of ROU assets; and
- liabilities increased by \$33.5 million, primarily representing the recognition of lease liabilities.

## Note 3. Revenues and Cost of Revenue

### *Disaggregation of revenue*

The following table provides information about disaggregated revenue by primary geographical markets:

|                              | Year ended December 31, |      |      |
|------------------------------|-------------------------|------|------|
|                              | 2019                    | 2018 | 2017 |
| Primary geographical markets |                         |      |      |
| North America                | 93%                     | 95%  | 96%  |
| Others                       | 7%                      | 5%   | 4%   |
| Total revenues               | 100%                    | 100% | 100% |

The Company derived over 90%, and approximately 88% and 84% of subscription revenues from RingCentral Office product for the years ended December 31, 2019, 2018 and 2017, respectively.

### *Deferred revenue*

During the year ended December 31, 2019, the Company recognized revenue of \$88.3 million that was included in the corresponding deferred revenue balance at the beginning of the year.

*Remaining performance obligations*

The typical subscription term ranges from one month to five years. Contract revenue as of December 31, 2019 that has not yet been recognized was approximately \$0.9 billion. This excludes contracts with an original expected length of less than one year. Of these remaining performance obligations, the Company expects to recognize revenue of 55% of this balance over the next 12 months and 45% thereafter.

*Other revenues and cost of revenues*

Other revenues are primarily comprised of product revenue from the sale of pre-configured phones, professional services, and phone rentals. Product revenues were \$42.9 million, \$34.4 million, and \$26.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. Cost of product revenues were \$40.0 million, \$30.9 million, and \$25.0 million for the years ended December 31, 2019, 2018 and 2017, respectively.

**Note 4. Financial Statement Components**

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

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| Cash                                   | \$ 46,295            | \$ 80,457            |
| Money market funds                     | 297,311              | 485,872              |
| <b>Total cash and cash equivalents</b> | <b>\$ 343,606</b>    | <b>\$ 566,329</b>    |

The Company has no restricted cash balance as of December 31, 2019. The Company had an immaterial restricted cash balance, included in the cash balances above, as of December 31, 2018.

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

|                                 | December 31,<br>2019 | December 31,<br>2018 |
|---------------------------------|----------------------|----------------------|
| Accounts receivable             | \$ 114,745           | \$ 82,740            |
| Unbilled accounts receivable    | 17,603               | 14,141               |
| Allowance for doubtful accounts | (2,358)              | (2,506)              |
| <b>Accounts receivable, net</b> | <b>\$ 129,990</b>    | <b>\$ 94,375</b>     |

Prepaid expenses and other current assets consisted of the following (in thousands):

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
| Prepaid expenses                                       | \$ 16,249            | \$ 14,805            |
| Inventory  | 401                  | 199                  |
| Other current assets                                   | 8,704                | 8,768                |
| <b>Total prepaid expenses and other current assets</b> | <b>\$ 25,354</b>     | <b>\$ 23,772</b>     |

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

|   | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|
| Computer hardware and software                  | \$ 120,841           | \$ 103,766           |
| Internal-use software development costs         | 48,419               | 29,886               |
| Furniture and fixtures                          | 7,690                | 5,896                |
| Leasehold improvements                          | 11,327               | 6,863                |
| Property and equipment, gross                   | 188,277              | 146,411              |
| Less: accumulated depreciation and amortization | (99,047)             | (76,206)             |
| <b>Property and equipment, net</b>              | <b>\$ 89,230</b>     | <b>\$ 70,205</b>     |

Total depreciation and amortization expense related to property and equipment was \$27.2 million, \$18.9 million, and \$15.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The carrying value of goodwill is as follows (in thousands):

|  | December 31,<br>2019 |
|--|----------------------|
| Balance at December 31, 2018             | \$ 31,238            |
| Connect First acquisition                | 24,465               |
| Foreign currency translation adjustments | (425)                |
| Balance at December 31, 2019             | \$ 55,278            |

The carrying values of intangible assets are as follows (in thousands):

|                                  | Estimated Lives | December 31, 2019 |                          |                           | December 31, 2018 |                          |                           |
|----------------------------------|-----------------|-------------------|--------------------------|---------------------------|-------------------|--------------------------|---------------------------|
|                                  |                 | Cost              | Accumulated Amortization | Acquired Intangibles, Net | Cost              | Accumulated Amortization | Acquired Intangibles, Net |
| Customer relationships           | 2 to 5 years    | \$ 21,245         | \$ 8,178                 | \$ 13,067                 | \$ 20,121         | \$ 4,460                 | \$ 15,661                 |
| Developed technology             | 3 to 5 years    | 123,547           | 9,276                    | 114,271                   | 6,098             | 2,279                    | 3,819                     |
| Total acquired intangible assets |                 | \$ 144,792        | \$ 17,454                | \$ 127,338                | \$ 26,219         | \$ 6,739                 | \$ 19,480                 |

Amortization expense from acquired intangible assets for the years ended December 31, 2019, 2018 and 2017 was \$10.7 million, \$4.4 million and \$0.8 million, respectively. Amortization of developed technology is included in cost of revenues expenses and amortization of customer relationships is included in sales and marketing expenses in the consolidated statements of operations. As of December 31, 2019, the weighted-average amortization period for developed technology is approximately 3.9 years and for customer relationships is approximately 2.8 years.

Estimated amortization expense for acquired intangible assets for the following five fiscal years and thereafter is as follows (in thousands):

|                                      |            |
|--------------------------------------|------------|
| 2020                                 | \$ 34,274  |
| 2021                                 | 34,016     |
| 2022                                 | 28,416     |
| 2023                                 | 16,477     |
| 2024 and thereafter                  | 14,155     |
| Total estimated amortization expense | \$ 127,338 |

Accrued liabilities consisted of the following (in thousands):

|   | December 31,<br>2019 | December 31,<br>2018 |
|---|----------------------|----------------------|
| Accrued compensation and benefits             | \$ 30,541            | \$ 20,932            |
| Accrued sales, use, and telecom related taxes | 25,757               | 19,609               |
| Accrued marketing                             | 17,505               | 12,291               |
| Operating lease liabilities, short-term       | 14,249               | —                    |
| Other accrued expenses                        | 50,677               | 47,855               |
| Total accrued liabilities                     | \$ 138,729           | \$ 100,687           |

*Deferred and Prepaid Sales Commission Costs*

Amortization expense for the deferred and prepaid sales commission costs for the years ended December 31, 2019, 2018 and 2017 were \$30.1 million, \$19.8 million and \$12.6 million, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

**Note 5. Fair Value of Financial Instruments**

The Company measures and reports certain cash equivalents, including money market funds and certificates of deposit, in addition to its long-term investments at fair value in accordance with the provisions of the authoritative accounting guidance that addresses fair value measurements. This guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

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

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

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

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

|                           | Fair Value at December 31, 2019 |    | Level 1 |    | Level 2 |    | Level 3 |
|---------------------------|---------------------------------|----|---------|----|---------|----|---------|
| <b>Cash equivalents:</b>  |                                 |    |         |    |         |    |         |
| Money market funds        | \$ 297,311                      | \$ | 297,311 | \$ | —       | \$ | —       |
| <b>Noncurrent assets:</b> |                                 |    |         |    |         |    |         |
| Long-term investments     | 132,188                         |    | —       |    | —       |    | 132,188 |
|                           | Fair Value at December 31, 2018 |    | Level 1 |    | Level 2 |    | Level 3 |
| <b>Cash equivalents:</b>  |                                 |    |         |    |         |    |         |
| Money market funds        | \$ 485,872                      | \$ | 485,872 | \$ | —       | \$ | —       |
| <b>Noncurrent assets:</b> |                                 |    |         |    |         |    |         |
| Long-term investments     | —                               |    | —       |    | —       |    | —       |

The Company's other financial instruments, including accounts receivable, accounts payable, and other current liabilities, are carried at cost, which approximates fair-value due to the relatively short maturity of those instruments.

**Convertible Senior Notes**

As of December 31, 2019, the fair value of the 0% convertible senior notes due 2023 (the "Notes") was approximately \$929.2 million. The fair value was determined based on the quoted price for the Notes in an inactive market on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

**Long-Term Investments**

As of December 31, 2019, the fair value of the Company's long-term investments in convertible and redeemable preferred stock was \$132.2 million. The Company classifies its long-term investments as Level 3 in the fair value hierarchy based on the nature of the fair value inputs and judgment involved in the valuation process. These investments are reported at fair value in long-term investments in the Consolidated Balance Sheets. During fiscal year 2019, the Company's total unrealized gains (losses) recorded in other income (expense), net, was \$6.6 million.

**Note 6. Business Combinations, Strategic Partnerships, and Asset Acquisitions****2019 Business Combination***Connect First Acquisition*

On January 14, 2019, the Company acquired the equity interests of Connect First, Inc. ("Connect First"), a cloud-based outbound/blended customer engagement platform for midsize and enterprise companies. The acquisition complements the Company's current Customer Engagement portfolio to provide differentiated customer experiences.

The total purchase price of approximately \$36.4 million consisted of cash of \$29.3 million and \$7.1 million held to cover indemnity claims made by the Company after the closing date. In connection with the acquisition, the Company granted \$4.0 million in restricted stock units, which vest over four years.

The allocation of the purchase price of the assets acquired and liabilities assumed based on their estimated fair values was as follows (in thousands):

|                                |           |               |
|--------------------------------|-----------|---------------|
| Cash and cash equivalents      | \$        | 1,427         |
| Other tangible assets acquired |           | 2,266         |
| Acquired intangible assets     |           | 13,300        |
| Goodwill                       |           | 24,465        |
| <b>Total assets acquired</b>   |           | <b>41,458</b> |
| Liabilities assumed            |           | (5,013)       |
| <b>Total consideration</b>     | <b>\$</b> | <b>36,445</b> |

The amortizable intangible assets have a weighted average useful life of three years. The purchase price exceeded the estimated fair value of the tangible and identifiable intangible assets and liabilities acquired and, as a result of the allocation, the Company recorded goodwill of \$24.5 million, which is not deductible for tax purposes. The goodwill recognized is attributable primarily to contributions of the entity's technology to the overall corporate strategy, enhancements to the Company's contact center product offerings, and assembled workforce of the acquired business.

**2019 Strategic Partnerships and Asset Purchases**

In October 2019, the Company entered into certain agreements for a strategic partnership with Avaya Holdings Corp. ("Avaya") and its subsidiaries, including Avaya Inc. In connection with the strategic partnership, the Company purchased \$125.0 million aggregate principal amount of 3% convertible and redeemable preferred stock, with a conversion price of \$16.00 per share, representing an approximately 6% position in Avaya on an as-converted basis. The Company also paid Avaya \$345.0 million in the Company's common stock, predominantly for future commissions, which was capitalized and will be amortized over the expected benefit period. The transaction closed on October 31, 2019. The investment in preferred securities in which the Company does not have a controlling interest or significant influence are measured at fair value with changes recorded through other income (expense) in the Consolidated Statement of Operations. The advance payment represents prepayment for cost to obtain contracts with customers. The Company also purchased intellectual property rights, which have been capitalized as an intangible asset and will be amortized over the useful life of three years.

In the fourth quarter of 2019, the Company also entered into a commercial agreement with another unrelated strategic partner for a one-time upfront consideration towards acquisition of certain intellectual property rights and commercial arrangement. Under the commercial agreement the Company's strategic partner shall be engaged as its agent in marketing and sale of its product, which represents advance payment for cost to obtain contracts with customers.

In addition to the above transactions, the Company also separately entered into arrangements with unrelated third parties to acquire intellectual property rights during the fourth quarter of 2019.

In connection with the above transactions, the Company recorded in aggregate \$105.5 million in acquired intangible assets relating to developed technology on the Consolidated Balance Sheet, which will be amortized over their respective useful life of three to five years. The Company also recorded \$371.1 million as deferred and prepaid sales commission costs representing cost to obtain contracts with customers. The prepaid assets will be amortized over their useful life based on the pattern of benefit since they are considered to be incremental customer acquisition costs.



**2018 Business Combination***Dimelo Acquisition*

On October 22, 2018, the Company acquired Dimelo SA ("Dimelo"), a cloud-based digital customer engagement platform. The acquisition expanded the Company's platform and enabled its customers to manage all their digital customer interactions through a single platform. The total purchase price of approximately \$36.1 million consisted of cash of \$30.7 million and the acquisition date fair value of contingent consideration of \$5.4 million. In connection with the acquisition, the Company has agreed to grant \$3.3 million in restricted stock units that vest over four years.

The contingent consideration was based on the achievement of specified performance targets through the end of the second quarter of 2019. The Company settled the contingent consideration in the fourth quarter of 2019 for approximately \$7.0 million.

The allocation of the purchase price of the assets acquired and liabilities assumed based on their estimated fair values was as follows (in thousands):

|                                |    |         |
|--------------------------------|----|---------|
| Cash and cash equivalents      | \$ | 4,225   |
| Other tangible assets acquired |    | 3,289   |
| Acquired intangible assets     |    | 12,208  |
| Goodwill                       |    | 21,995  |
| Total assets acquired          |    | 41,717  |
| Liabilities assumed            |    | (5,646) |
| Total consideration            | \$ | 36,071  |

The amortizable intangible assets have a weighted average useful life of five years. The purchase price exceeded the estimated fair value of the tangible and identifiable intangible assets and liabilities acquired and, as a result of the allocation, the Company recorded goodwill of \$22.0 million in connection with this transaction, which is not deductible for tax purposes. The goodwill recognized is attributable primarily to the contributions of the entity's technology to the overall corporate strategy and assembled workforce of the acquired business.

**2018 Acquired Customer Base**

On January 16, 2018, the Company acquired from AT&T the existing customer base of the RingCentral Office@Hand solution, which was previously sold by AT&T, for a total fair value of the purchase consideration of \$24.0 million, of which \$20.0 million was cash payment upon closing of the transaction. The transaction was accounted for as an asset acquisition. Subsequently on August 31, 2018, the Company and AT&T entered into a revised agreement through June 30, 2024, under which AT&T resumed reselling RingCentral solutions to its customers and will obtain control over the non-transitioned customer base. The value of the customer base that transitioned to the Company is reflected as a customer relationship asset of approximately \$10.0 million, to be amortized over the expected useful life of five years.

**Note 7. Convertible Senior Notes**

In March 2018, the Company issued \$460.0 million aggregate principal amount of 0% convertible senior notes due 2023 in a private placement, including the exercise in full of the over-allotment options of the initial purchasers. The Notes are senior unsecured obligations of the Company and do not bear regular interest, and the principal amount of the Notes does not accrete. The Notes may bear special interest under specified circumstances as outlined in the indenture governing the Notes (the "Indenture") or if the Notes are not freely tradeable as required by the Indenture. The Notes will mature on March 15, 2023, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchase discounts and debt issuance costs, were approximately \$449.5 million.

Each \$1,000 principal amount of the Notes is initially convertible into 12.2782 shares of the Company's Class A common stock par value \$0.0001 ("Class A Common Stock"), which is equivalent to an initial conversion price of approximately \$81.45 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, upon the occurrence of a make-whole fundamental change or a redemption period, each as defined in the Indenture, the Company will, in certain circumstances, increase the conversion rate by a number of

additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change or during the relevant redemption period.

The Notes will be convertible at certain times and upon the occurrence of certain events in the future. Further, on or after December 15, 2022, until the close of business on the scheduled trading day immediately preceding the maturity date, holders of the Notes may convert all or a portion of their Notes regardless of these conditions.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of Class A Common Stock, or a combination of cash and shares of Class A Common Stock, at the Company's election. It is the Company's current intent to settle the principal amount of the Notes with cash.

During the quarter ended December 31, 2019, the stock price condition allowing holders of the Notes to convert was met. As a result, holders have the option to convert their Notes at any time during the fiscal quarter ending March 31, 2020. There were no conversions of the Notes during the year ended December 31, 2019. The Notes may be convertible thereafter if one or more of the conversion conditions specified in the Indenture is satisfied during future measurement periods.

The Company may redeem the Notes, at its option, on or after September 20, 2020, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid special interest to, but excluding the redemption date, subject to certain conditions. No sinking fund is provided for the Notes. Upon the occurrence of a fundamental change (as defined in the Indenture) prior to the maturity date, holders may require the Company to repurchase all or a portion of the Notes for cash at a price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid special interest to, but excluding, the fundamental change repurchase date.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was \$101.1 million and was determined by deducting the fair value of the liability component from the par value of the Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense at an effective interest rate over the contractual terms of the Notes.

The net carrying amount of the liability component of the Notes was as follows (in thousands):

|                           | December 31, 2019 |
|---------------------------|-------------------|
| Principal                 | \$ 460,000        |
| Unamortized discount      | (67,350)          |
| Unamortized issuance cost | (5,761)           |
| Net carrying amount       | \$ 386,889        |

The net carrying amount of the equity component of the Notes was as follows (in thousands):

|   | December 31, 2019 |
|---|-------------------|
| Proceeds allocated to the conversion option (debt discount) | \$ 101,141        |
| Issuance cost   | (2,318)           |
| Net carrying amount   | \$ 98,823         |

The following table sets forth the interest expense recognized related to the Notes (in thousands):

|   | Year ended December 31, |           |      |
|---|-------------------------|-----------|------|
|   | 2019                    | 2018      | 2017 |
| Amortization of debt discount               | \$ 18,920               | \$ 14,872 | \$ — |
| Amortization of debt issuance cost          | 1,417                   | 1,046     | —    |
| Total interest expense related to the Notes | \$ 20,337               | \$ 15,918 | \$ — |

In connection with the offering of the Notes, the Company entered into privately-negotiated capped call transactions with certain counterparties (the "Capped Calls"). The Capped Calls each have an initial strike price of approximately \$81.45 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$119.035 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, approximately 5.6 million shares of Class A Common Stock. The Capped Calls are generally intended to reduce or offset the potential dilution to the Class A Common Stock upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The Capped Calls settle in components commencing January 13, 2023 with the last component expiring on March 13, 2023. The Capped Calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, a tender offer, and a nationalization, insolvency or delisting involving the Company. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including changes in law, insolvency filings, and hedging disruptions. The Capped Call transactions are recorded in stockholders' equity and are not accounted for as derivatives. The net cost of \$49.9 million incurred to purchase the Capped Call transactions was recorded as a reduction to additional paid-in capital on the Company's Consolidated Balance Sheets.

**Note 8. Leases**

The Company primarily leases facilities for office and datacenter space under non-cancelable operating leases for its U.S. and international locations. As of December 31, 2019, non-cancelable leases expire on various dates between 2020 and 2029.

Generally, the non-cancelable leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has the right to exercise or forego the lease renewal options. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of December 31, 2019, the components of leases and lease costs are as follows (in thousands):

|                                     | December 31, 2019 |        |
|-------------------------------------|-------------------|--------|
| <b>Operating leases</b>             |                   |        |
| Operating lease right-of-use assets | \$                | 39,269 |
| Accrued liabilities                 | \$                | 14,249 |
| Operating lease liabilities         |                   | 28,516 |
| Total operating lease liabilities   | \$                | 42,765 |

|                          | Year ended December 31, |      |
|--------------------------|-------------------------|------|
|                          | 2019                    | 2018 |
| <b>Lease Cost</b>        |                         |      |
| Operating lease cost (a) | \$ 17,584               | \$ — |

<sup>(a)</sup> Includes short-term leases and variable lease costs, which are immaterial.

The Company recognized rent expense on operating lease facilities of \$6.9 million and \$5.5 million for the years ended December 31, 2018 and 2017.

Maturities of operating lease liabilities as of December 31, 2019 are presented in the table below (in thousands):

| Year Ending December 31,            |    |         |
|-------------------------------------|----|---------|
| 2020                                | \$ | 16,164  |
| 2021                                |    | 12,162  |
| 2022                                |    | 7,650   |
| 2023                                |    | 5,197   |
| 2024                                |    | 1,354   |
| 2025 onwards                        |    | 5,883   |
| Total future minimum lease payments |    | 48,410  |
| Less: Imputed interest              |    | (5,645) |
| Present value of lease liabilities  | \$ | 42,765  |

Other supplemental information as of December 31, 2019 is as follows (in thousand):

|   |  | December 31, 2019 |
|---|--|-------------------|
| <b>Lease Term and Discount Rate</b>                     |  |                   |
| Weighted-average remaining operating lease term (years) |  | 4.2               |
| Weighted-average operating lease discount rate          |  | 5%                |

|  |    | Year ended December 31, 2019 |
|--|----|------------------------------|
| <b>Supplemental Cash Flow Information</b>                              |    |                              |
| Operating cash flows resulting from operating leases:                  |    |                              |
| Cash paid for amounts included in the measurement of lease liabilities | \$ | 15,709                       |
| New ROU assets obtained in exchange of lease liabilities:              |    |                              |
| Operating leases   | \$ | 18,584                       |

As of December 31, 2019, the Company has additional operating leases of approximately \$2.0 million that have not yet commenced and as such, have not yet been recognized on the Company's Consolidated Balance Sheet. These operating leases are expected to commence in the first quarter of 2020 with lease terms up to three years.

**Note 9. Commitments and Contingencies**

*Legal Matters*

The Company is subject to certain legal proceedings described below, and from time to time may be involved in a variety of claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business.

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Actual claims could settle or be adjudicated against the Company in the future for materially different amounts than the Company has accrued due to the inherently unpredictable nature of litigation. Legal fees are expensed in the period in which they are incurred.

**TCPA Matter**

On November 17, 2017, Joann Hurley (“Hurley”), filed a second amended complaint in an ongoing putative class action lawsuit pending in the United States District Court for the Southern District of West Virginia, adding the Company as a named defendant and alleging that the Company and other defendants violated the Telephone Consumer Protection Act (“TCPA”) and regulations promulgated thereunder by allegedly using an automated telephone dialing system to deliver prerecorded political messages to Hurley, an incumbent running for reelection, and others. Hurley alternatively alleged that the Company was vicariously liable for the actions of the other co-defendants. Hurley seeks statutory, compensatory, consequential, incidental and punitive damages, costs, and attorneys’ fees in connection with her claims. The Company was served with the second amended complaint on January 4, 2018. On March 23, 2018, the Company filed a motion to dismiss the complaint for lack of standing and failure to sufficiently state a claim on which relief may be granted. Hurley filed her opposition brief on April 6, 2018, and the Company filed its reply brief on April 13, 2018. On October 4, 2018, the district court issued its memorandum and opinion order granting in part and denying in part the Company’s motion to dismiss. The district court dismissed Hurley’s vicarious liability claim but allowed Hurley’s TCPA claim to proceed. The Company filed its answer and affirmative defenses to the second amended complaint on October 18, 2018. Plaintiff filed a motion to certify a class on July 9, 2019. The Company and another defendant filed oppositions to the motion, which have been fully briefed and is pending decision by the court. Discovery closed on October 25, 2019. The Company filed a motion for summary judgment on November 14, 2019. The plaintiff opposed the motion, which has been fully briefed and is pending decision by the court. The parties mediated the case before a private mediator on January 23, 2020, at which time a tentative settlement was achieved. The settlement will need to be approved by the court. Meanwhile, the court has issued an order holding the case in abeyance pending approval of the settlement. The Consolidated Financial Statements include an accrual for the estimated loss that is expected to occur.

**Patent Infringement Matter**

On April 25, 2017, Uniloc USA, Inc. and Uniloc Luxembourg, S.A. (together, “Uniloc”) filed in the U.S. District Court for the Eastern District of Texas two actions against the Company alleging infringement of U.S. Patent Nos. 7,804,948; 7,853,000; and 8,571,194 by RingCentral’s Clip unified communications application. The plaintiffs seek a declaration that the Company has infringed the patents, damages according to proof, injunctive relief, as well as their costs, attorney’s fees, expenses and interest. On October 9, 2017, the Company filed a motion to dismiss or transfer requesting that the case be transferred to the United States District Court for the Northern District of California. In response to the motion, plaintiffs filed a first amended complaint on October 24, 2017. The Company filed a renewed motion to dismiss or transfer on November 15, 2017. Although briefing on that motion has been completed, the motion has not yet been decided. On February 5, 2018, Uniloc moved to stay the litigation pending the resolution of certain third-party inter partes review proceedings (“IPRs”) before the United States Patent and Trademark Office. On February 9, 2018, the court stayed the litigation pending resolution of the IPRs without prejudice to or waiver of the Company’s motion to dismiss or transfer. This litigation is still in its earliest stages. Based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company’s Consolidated Financial Statements, it is not possible to provide an estimated amount of any such loss or range of loss that may occur. The Company intends to vigorously defend against this lawsuit.

**Other matter**

On June 14, 2019, the Company filed suit in the Superior Court of California, County of Alameda, against Bright Pattern, Inc. and two of its officers, alleging that the defendants negotiated a potential acquisition of Bright Pattern by RingCentral fraudulently and in bad faith. The Company seeks its costs incurred in negotiating under the Letter of Intent (“LOI”) that the parties entered into and damages for lost opportunity as a result of forgoing another acquisition opportunity, and attorneys’ fees and costs. On August 26, 2019, Bright Pattern filed a cross-complaint against the Company and two of its executive officers alleging breach of the LOI as well as tort claims arising from the Company’s allegedly inducing Bright Pattern to enter into the LOI and subsequent extensions while allegedly misstating the timeframe for the proposed transaction. As damages, Bright Pattern seeks audit fees it allegedly incurred, a \$5 million break-up fee, its alleged “cash burn” during the negotiations, and unspecified lost opportunity damages. The Company filed a demurrer to Bright Pattern’s amended cross-complaint, as well as a related motion to strike. This litigation is still in early stages. Based on the information known by the Company as of the date of this filing and the rules and regulations applicable to the preparation of the Company’s Consolidated Financial Statements, it is not possible to provide an estimated amount of any loss or range of loss that may occur. The Company intends to vigorously prosecute and defend this lawsuit.

**Employee Agreements**

The Company has signed various employment agreements with executives and key employees pursuant to which if the Company terminates their employment without cause or if the employee terminates his or her employment for good reason following

a change of control of the Company, the employees are entitled to receive certain benefits, including severance payments, accelerated vesting of stock options and RSUs and continued COBRA coverage. As of December 31, 2019, no triggering events which would cause these provisions to become effective have occurred. Therefore, no liabilities have been recorded for these agreements in the consolidated financial statements.

**Note 10. Stockholders' Equity**

In connection with the Company's initial public offering ("IPO"), the Company reincorporated in Delaware on September 26, 2013. The Delaware certificate of incorporation provides for two classes of common stock: Class A and Class B common stock, both with a par value of \$0.0001 per share. In addition, the certificate of incorporation authorizes shares of undesignated preferred stock with a par value of \$0.0001 per share. The terms of preferred stock are described below.

**Preferred Stock**

The board of directors may, without further action by the stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 100,000,000 shares of preferred stock in one or more series and authorizes their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of the Class A and Class B common stock. As of December 31, 2019 and 2018, there were 100,000,000 shares of preferred stock authorized and no shares issued or outstanding.

**Class A and Class B Common Stock**

The Company has authorized 1,000,000,000 and 250,000,000 shares of Class A common stock and Class B common stock for issuance. Holders of Class A common stock and Class B common stock have identical rights for matters submitted to a vote of the Company's stockholders. Holders of Class A common stock are entitled to one vote per share of Class A common stock and holders of Class B common stock are entitled to 10 votes per share of Class B common stock. Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) except for specific circumstances that would adversely affect the powers, preferences, or rights of a particular class of common stock. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, holders of Class A and Class B common stock share equally, identically and ratably, on a per share basis, with respect to any dividend or distribution of cash, property or shares of the Company's capital stock. Holders of Class A and Class B common stock also share equally, identically, and ratably in all assets remaining after the payment of any liabilities and liquidation preferences and any accrued or declared but unpaid dividends, if any, with respect to any outstanding preferred stock at the time. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically to Class A common stock upon: (i) the date specified by an affirmative vote or written consent of holders of at least 67% of the outstanding shares of Class B common stock, or (ii) the seven years anniversary of the closing date of the initial public offering (October 2, 2020).

Shares of Class A common stock reserved for future issuance were as follows (in thousands):

|  | <b>December 31, 2019</b> |
|--|--------------------------|
| Preferred stock                                      | 100,000                  |
| Class B common stock                                 | 11,039                   |
| 2013 Employee stock purchase plan                    | 3,919                    |
| 2013 Equity incentive plan:                          |                          |
| Outstanding options and restricted stock unit awards | 5,505                    |
| Available for future grants                          | 15,529                   |
|  | <u>135,992</u>           |

**Note 11. Share-Based Compensation**

A summary of share-based compensation expense recognized in the Company's Consolidated Statements of Operations is as follows (in thousands):

|  | Year ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2019                    | 2018      | 2017      |
| Cost of revenues                       | \$ 8,741                | \$ 4,982  | \$ 3,735  |
| Research and development               | 23,132                  | 14,975    | 9,550     |
| Sales and marketing                    | 38,325                  | 27,324    | 16,015    |
| General and administrative             | 31,156                  | 20,807    | 12,760    |
| Total share-based compensation expense | \$ 101,354              | \$ 68,088 | \$ 42,060 |

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

|  | Year ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2019                    | 2018      | 2017      |
| Options                                | \$ 986                  | \$ 3,433  | \$ 6,803  |
| Employee stock purchase plan rights    | 4,176                   | 3,094     | 2,177     |
| Restricted stock units                 | 96,192                  | 61,561    | 33,080    |
| Total share-based compensation expense | \$ 101,354              | \$ 68,088 | \$ 42,060 |

**Equity Incentive Plans**

In September 2013, the Board adopted and the Company's stockholders approved the 2013 Equity Incentive Plan ("2013 Plan"), which became effective on September 26, 2013. In connection with the adoption of the 2013 Plan, the Company terminated the 2010 Equity Incentive Plan ("2010 Plan"), under which stock options had been granted prior to September 26, 2013. The 2010 Plan was established in September 2010, when the 2003 Equity Incentive Plan ("2003 Plan") was terminated. After the termination of the 2003 and 2010 Plans, no additional options were granted under these plans; however, options previously granted under these plans will continue to be governed by these plans and will be exercisable into shares of Class B common stock. In addition, options authorized to be granted under the 2003 and 2010 Plans, including forfeitures of previously granted awards, are authorized for grant under the 2013 Plan.

A total of 6,200,000 shares of Class A common stock were originally reserved for issuance under the 2013 Plan. The 2013 Plan includes an annual increase on the first day of each fiscal year beginning in 2014, equal to the least of: (i) 6,200,000 shares of Class A common stock; (ii) 5% of the outstanding shares of all classes of common stock as of the last day of the Company's immediately preceding fiscal year; or (iii) such other amount as the board of directors may determine. During the year ended December 31, 2019, a total of 4,052,295 shares of Class A common stock were added to the 2013 Plan in connection with the annual automatic increase provision. As of December 31, 2019, a total of 15,528,723 shares remain available for grant under the 2013 Plan.

The plans permit the grant of stock options and other share-based awards, such as restricted stock units, to employees, officers, directors, and consultants by the board of directors. Option awards are generally granted with an exercise price equal to the fair market value of the Company's Class A common stock at the date of grant. Option awards generally vest according to a graded vesting schedule based on four years of continuous service. On January 29, 2014, the board of directors approved an amendment to decrease the contractual term of all equity awards issued from the 2013 Plan from 10 years to 7 years for all awards granted after January 29, 2014. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the option agreement) and early exercise of options prior to vesting (subject to the Company's repurchase right).

A summary of option activity under all of the Company's equity incentive plans at December 31, 2019 and changes during the period then ended is presented in the following table:

|   | Number of Options Outstanding (in thousands) | Weighted-Average Exercise Price Per Share | Weighted-Average Contractual Term (in Years) | Aggregate Intrinsic Value (in thousands) |
|---|--|---|--|--|
| Outstanding at December 31, 2016                    | 7,384  | \$ 10.59                                  | 5.3  | \$ 74,065                                |
| Granted   | 25   | 23.99                                     |  |  |
| Exercised   | (1,722)                                      | 10.39                                     |  |  |
| Canceled/Forfeited                                  | (401)  | 16.04                                     |  |  |
| Outstanding at December 31, 2017                    | 5,286  | \$ 10.30                                  | 4.2  | \$ 201,480                               |
| Granted   | —  | —   |  |  |
| Exercised   | (1,138)                                      | 8.17                                      |  |  |
| Canceled/Forfeited                                  | (17)   | 18.79                                     |  |  |
| Outstanding at December 31, 2018                    | 4,131  | \$ 10.86                                  | 3.3  | \$ 295,921                               |
| Granted   | —  | —   |  |  |
| Exercised   | (1,742)                                      | 8.53                                      |  |  |
| Canceled/Forfeited                                  | (132)  | 2.73                                      |  |  |
| Outstanding at December 31, 2019                    | 2,257  | \$ 13.13                                  | 2.5  | \$ 351,428                               |
| Vested and expected to vest as of December 31, 2019 | 2,259  | \$ 13.13                                  | 2.5  | \$ 351,362                               |
| Exercisable as of December 31, 2019                 | 2,243  | \$ 13.10                                  | 2.5  | \$ 349,002                               |

There were no options granted for the year ended December 31, 2019 and 2018. The total intrinsic value of options exercised during year ended December 31, 2019, 2018 and 2017 were \$215.5 million, \$74.6 million, and \$41.2 million, respectively.

**Valuation Assumptions**

The Company estimated the fair values of each option awarded on the date of grant using the Black-Scholes-Merton option-pricing model, which requires inputs including the fair value of common stock, expected term, expected volatility, risk-free interest rate, and dividend yield.

The weighted-average assumptions used in the option-pricing model and the resulting grant date fair value of stock options granted in 2017 were as follows:

|  | Year Ended December 31, 2017 |
|--|------------------------------|
| Expected term for employees (in years)     | 4.4                          |
| Expected term for non-employees (in years) | 4.6                          |
| Expected volatility                        | 44%                          |
| Risk-free interest rate                    | 1.78%                        |
| Expected dividend yield                    | 0%                           |
| Grant date fair value of employee options  | \$ 9.08                      |

As of December 31, 2019 and 2018, there was an immaterial amount and \$1.0 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to non-vested stock option grants, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 0.3 years and 0.8 years, respectively.

**Employee Stock Purchase Plan**

The Company's Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of the Company's Class A common stock at a discounted price, through payroll deductions of up to the lesser of 15% of their eligible compensation or the IRS allowable limit per calendar year. A participant may purchase a maximum of 3,000 shares during an offering period. The offering periods are for a period of six months and generally start on the first trading day on or after May 13th and November 13th of each year. At the end of the offering period, the purchase price is set at the lower of: (i) 90% of the fair value of the Company's common stock at the beginning of the six month offering period and (ii) 90% of the fair value of the Company's Class A common stock at the end of the six month offering period.



The ESPP provides for annual increases in the number of shares available for issuance under the ESPP on the first day of each fiscal year beginning in fiscal 2014, equal to the least of: (i) 1% of the outstanding shares of all classes of common stock on the last day of the immediately preceding year; (ii) 1,250,000 shares; or (iii) such other amount as may be determined by the board of directors. During the year ended December 31, 2019, a total of 810,459 shares of Class A common stock were added to the ESPP Plan in connection with the annual increase provision. At December 31, 2019, a total of 3,918,712 shares were available for issuance under the ESPP.

The weighted-average assumptions used to value ESPP rights under the Black-Scholes-Merton option-pricing model and the resulting offering grant date fair value of ESPP rights granted in the periods presented were as follows:

|   | Year ended December 31, |          |         |
|---|-------------------------|----------|---------|
|   | 2019                    | 2018     | 2017    |
| Expected term (in years)                      | 0.5                     | 0.5      | 0.5     |
| Expected volatility                           | 47%                     | 42%      | 34%     |
| Risk-free interest rate                       | 2.01%                   | 2.31%    | 1.20%   |
| Expected dividend yield                       | 0%                      | 0%       | 0%      |
| Offering grant date fair value of ESPP rights | \$ 33.66                | \$ 18.07 | \$ 9.52 |

As of December 31, 2019 and 2018, there was approximately \$2.3 million and \$1.5 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to ESPP, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 0.4 years, respectively.

**Restricted Stock Units**

The 2013 Plan provides for the issuance of RSUs to employees, directors, and consultants. RSUs issued under the 2013 Plan generally vest over four years. A summary of activity of RSUs under the 2013 Plan at December 31, 2019 and changes during the periods then ended is presented in the following table:

|                                  | Number of<br>RSUs<br>Outstanding<br>(in thousands) | Weighted-<br>Average<br>Grant Date Fair<br>Value Per Share | Aggregate<br>Intrinsic<br>Value<br>(in thousands) |
|----------------------------------|--|--|---|
| Outstanding at December 31, 2016 | 3,554  | \$ 18.01   | \$ 73,261   |
| Granted                          | 3,005  | 30.20  |   |
| Released                         | (1,680)  | 19.54  |   |
| Canceled/Forfeited               | (598)  | 20.91  |   |
| Outstanding at December 31, 2017 | 4,281  | \$ 25.51   | \$ 207,197  |
| Granted                          | 1,746  | 67.64  |   |
| Released                         | (1,971)  | 30.50  |   |
| Canceled/Forfeited               | (495)  | 34.99  |   |
| Outstanding at December 31, 2018 | 3,561  | \$ 42.09   | \$ 293,523  |
| Granted                          | 2,069  | 122.35   |   |
| Released                         | (1,906)  | 50.99  |   |
| Canceled/Forfeited               | (475)  | 60.38  |   |
| Outstanding at December 31, 2019 | 3,249  | \$ 85.39   | \$ 548,145  |

As of December 31, 2019 and 2018, there was a total of \$198.3 million and \$107.9 million of unrecognized share-based compensation expense, net of estimated forfeitures, related to RSUs, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 2.3 years and 2.4 years, respectively.

**Bonus Plan**

In December 2017, the Company's board of directors (the "Board") adopted the Selective 2018 Key Employee Equity Bonus Plan (the "2018 KEEB Plan"), which became effective on January 1, 2018, and in December 2018, the Board adopted the Selective 2019 Key Employee Equity Bonus Plan (the "2019 KEEB Plan" and together with the 2018 KEEB Plan the "KEEB Plans"), which became effective on January 1, 2019. Both of the KEEB Plans allow the recipients to earn fully vested shares of the Company's Class A Common Stock upon the achievement of quarterly service and performance conditions. During the year

ended December 31, 2019 and 2018, 0.1 million and 0.1 million RSUs were issued under the KEEB Plans, respectively. The total requisite service period of each quarterly award is approximately 0.4 years.

The unrecognized share-based compensation expense was approximately \$1.0 million, which will be recognized over the remaining service period of 0.1 years. The shares issued under the KEEB Plans will be issued from the reserve of shares available for issuance under the 2013 Plan.

**Note 12. Income Taxes**

Net loss before provision for (benefit from) income taxes consisted of the following (in thousands):

|  | Year ended December 31, |                    |                   |
|--|-------------------------|--------------------|-------------------|
|  | 2019                    | 2018               | 2017              |
| United States  | \$ (64,822)             | \$ (29,584)        | \$ (5,883)        |
| International  | 7,882                   | 3,521              | 1,937             |
| <b>Total net loss before provision for (benefit from) income taxes</b> | <b>\$ (56,940)</b>      | <b>\$ (26,063)</b> | <b>\$ (3,946)</b> |

The provision for (benefit from) income taxes consisted of the following (in thousands):

|                                   | Year ended December 31, |               |               |
|-----------------------------------|-------------------------|---------------|---------------|
|                                   | 2019                    | 2018          | 2017          |
| <b>Current</b>                    |                         |               |               |
| Federal                           | \$ —                    | \$ —          | \$ —          |
| State                             | 150                     | 61            | 49            |
| Foreign                           | 464                     | 382           | 256           |
| <b>Total current</b>              | <b>\$ 614</b>           | <b>\$ 443</b> | <b>\$ 305</b> |
| <b>Deferred</b>                   |                         |               |               |
| Federal                           | \$ (2,765)              | \$ —          | \$ —          |
| State                             | (445)                   | —             | —             |
| Foreign                           | (737)                   | (303)         | (47)          |
| <b>Total deferred</b>             | <b>(3,947)</b>          | <b>(303)</b>  | <b>(47)</b>   |
| <b>Total income tax provision</b> | <b>\$ (3,333)</b>       | <b>\$ 140</b> | <b>\$ 258</b> |

The provision for (benefit from) income tax differed from the amounts computed by applying the U.S. federal income tax rate to pretax loss as a result of the following (in thousands):

|   | Year ended December 31, |               |               |
|---|-------------------------|---------------|---------------|
|   | 2019                    | 2018          | 2017          |
| Federal tax benefit at statutory rate                       | \$ (11,957)             | \$ (5,473)    | \$ (1,341)    |
| State tax, net of federal tax benefit                       | (233)                   | 48            | 32            |
| Research and development credits                            | (5,312)                 | (3,284)       | (707)         |
| Share-based compensation                                    | (58,780)                | (25,170)      | (18,154)      |
| Other permanent differences                                 | 3,149                   | 1,325         | 814           |
| Change in U.S. federal Tax Rate                             | —                       | —             | 33,254        |
| Foreign tax rate differential                               | (799)                   | (288)         | (445)         |
| Net operating (gains) losses not recognized                 | 73,364                  | 32,982        | (13,195)      |
| Release of valuation allowance associated with acquisitions | (2,765)                 | —             | —             |
| <b>Total income tax provision</b>                           | <b>\$ (3,333)</b>       | <b>\$ 140</b> | <b>\$ 258</b> |

In general, it is the Company's practice and intention to reinvest the earnings of its non-U.S. subsidiaries in those operations. Undistributed earnings of foreign subsidiaries are immaterial for all periods presented. Because the Company's non-U.S. subsidiary earnings have previously been subject to the one-time transition tax on foreign earnings required by the 2017 Tax Act, any additional taxes due with respect to such earnings or the excess of the amount for financial reporting over the tax basis of its foreign investments would generally be limited to foreign withholding taxes and/or U.S. state income taxes.

The types of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

|  | Year ended December 31, |            |
|--|-------------------------|------------|
|  | 2019                    | 2018       |
| Deferred tax assets                          |                         |            |
| Net operating loss and credit carry-forwards | \$ 196,930              | \$ 109,812 |
| Research and development credits             | 24,452                  | 16,380     |
| Sales tax liability                          | 157                     | 258        |
| Share-based compensation                     | 5,937                   | 5,435      |
| Accrued liabilities                          | 6,612                   | 5,135      |
| Gross deferred tax assets                    | 234,088                 | 137,020    |
| Valuation allowance                          | (180,090)               | (94,118)   |
| Total deferred tax assets                    | 53,998                  | 42,902     |
| Deferred tax liabilities                     |                         |            |
| Convertible debt discount                    | (16,701)                | (21,035)   |
| Deferred sales commissions                   | (28,601)                | (18,253)   |
| Acquired intangibles                         | (3,857)                 | (2,670)    |
| Property and equipment                       | (6,731)                 | (3,573)    |
| Net deferred tax (liabilities) assets        | \$ (1,892)              | \$ (2,629) |

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017.

In connection with the acquisition of Connect First on January 14, 2019, a net deferred tax liability of \$3.2 million was established, the most significant component of which is related to the book/tax basis differences associated with the acquired technology and customer relationships. The net deferred tax liability from this acquisition created an additional source of income to realize deferred tax assets. As the Company continues to maintain a full valuation allowance against its deferred tax assets, this additional source of income resulted in the release of the Company's previously recorded valuation allowance against deferred assets. Consistent with the applicable guidance the release of the valuation allowance of \$3.2 million caused by the acquisition was recorded in the consolidated financial statements outside of acquisition accounting as a tax benefit to the Consolidated Statements of Operations.

As of December 31, 2019, the Company has federal net operating loss carryforwards of approximately \$782.7 million, of which approximately \$272.9 million expire between 2023 and 2037 and the remainder do not expire. As of December 31, 2019, the Company had state net operating loss carryforwards of approximately \$675.6 million which will begin to expire in 2021. The Company also has research credit carryforwards for federal and California tax purposes of approximately \$20.2 million and \$15.7 million, respectively, available to reduce future income subject to income taxes. The federal research credit carryforwards will begin to expire in 2028 and the California research credits carry forward indefinitely.

The Internal Revenue Code of 1986, as amended, imposes restrictions on the utilization of net operating losses in the event of an "ownership change" of a corporation. Accordingly, a company's ability to use net operating losses may be limited as prescribed under Internal Revenue Code Section 382 ("IRC Section 382"). Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Utilization of the federal and state net operating losses may be subject to substantial annual limitation due to the ownership change limitations provided by the IRC Section 382 and similar state provisions.

The Company's management believes that, based on a number of factors, it is more likely than not, that all or some portion of the deferred tax assets will not be realized; and accordingly, for the year ended December 31, 2019, the Company has provided a valuation allowance against the Company's U.S. net deferred tax assets. The net change in the valuation allowance for the years ended December 31, 2019 and 2018 was an increase of \$86.0 million, \$18.2 million, respectively.

In accordance with ASC 740-10, *Income Taxes*, the Company has adopted the accounting policy that interest and penalties recognized are classified as part of its income taxes.

The following shows the changes in the gross amount of unrecognized tax benefits as of December 31, 2019 (in thousands):

|  | 2019            | 2018            | 2017            |
|--|-----------------|-----------------|-----------------|
| Unrecognized tax benefits, beginning of the year | \$ 6,029        | \$ 3,004        | \$ 2,460        |
| Increases related to prior year tax positions    | —               | 1,050           | —               |
| Decreases related to prior year tax positions    | (48)            | —               | (3)             |
| Increases related to current year tax positions  | 2,984           | 1,975           | 547             |
| Unrecognized tax benefits, end of year           | <u>\$ 8,965</u> | <u>\$ 6,029</u> | <u>\$ 3,004</u> |

The Company does not anticipate that its total unrecognized tax benefits will significantly change due to settlement of examination or the expiration of statute of limitations during the next 12 months.

The Company files U.S. and foreign income tax returns with varying statutes of limitations. Due to the Company's net carry-over of unused operating losses and tax credits, all years from 2003 forward remain subject to future examination by tax authorities.

**Note 13. Basic and Diluted Net Loss Per Share**

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less the weighted-average unvested common stock subject to repurchase or forfeiture as they are not deemed to be issued for accounting purposes. Diluted net loss per share is computed by giving effect to all potential shares of common stock, stock options, restricted stock units, ESPP, and convertible senior notes, to the extent dilutive. For the periods presented, all such common stock equivalents have been excluded from diluted net loss per share as the effect to net loss per share would be anti-dilutive.

The following table sets forth the computation of the Company's basic and diluted net loss per share during the years ended December 31, 2019, 2018 and 2017 (in thousands, except per share data):

|   | Year Ended December 31, |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2019                    | 2018             | 2017             |
| <b>Numerator</b>  |                         |                  |                  |
| Net loss  | \$ (53,607)             | \$ (26,203)      | \$ (4,204)       |
| <b>Denominator</b>  |                         |                  |                  |
| Weighted-average common shares for basic and diluted net loss per share | 83,130                  | 79,500           | 76,281           |
| Basic and diluted net loss per share                                    | <u>\$ (0.64)</u>        | <u>\$ (0.33)</u> | <u>\$ (0.06)</u> |

The following table summarizes the potentially dilutive common shares that were excluded from diluted weighted-average common shares outstanding because including them would have had an anti-dilutive effect (in thousands):

|  | Year Ended December 31, |              |               |
|--|-------------------------|--------------|---------------|
|  | 2019                    | 2018         | 2017          |
| Shares of common stock issuable under equity incentive plans outstanding | 6,832                   | 8,943        | 10,806        |
| Convertible senior notes   | 1,905                   | 79           | —             |
| Potential common shares excluded from diluted net loss per share         | <u>8,737</u>            | <u>9,022</u> | <u>10,806</u> |

Since the Company expects to settle the principal amount of its outstanding convertible senior notes in cash and any excess in cash or shares of the Company's Class A Common Stock, the Company uses the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The conversion spread will have a dilutive impact on diluted net income per share of common stock when the average market price of the Company's Class A Common Stock for a given period exceeds the conversion price of \$81.45 per share for the Notes.

**Note 14. Geographic Concentrations**

Revenues by geographic location are based on the billing address of the customer. More than 90% of the Company's revenues are from the U.S. for fiscal years ended December 31, 2019, 2018, and 2017. No other individual country exceeded 10% of total revenues for fiscal years ended December 31, 2019, 2018, and 2017.

Long-lived assets by geographic location is based on the location of the legal entity that owns the asset. As of December 31, 2019 and 2018, approximately 89% and 67% of the Company's consolidated long-lived assets, respectively, were located in the U.S. France represented 8% and 26% of the Company's consolidated long-lived assets, including fair value adjustments relating to the acquisition of Dimelo. There was no other single country outside of the U.S. representing 10% or more of the Company's consolidated long-lived assets as of December 31, 2019 and 2018.

**Note 15. 401(k) Plan**

The Company has a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. Substantially all of the U.S. employees are eligible to make contributions to the 401(k) plan. On July 1, 2017, the Company implemented a 401(k) employer match, based on the amount of the employees' contributions subject to certain limitations. Employer contributions were \$4.1 million, \$2.9 million, and \$1.1 million for the years ended December 31, 2019, 2018 and 2017.

**Note 16. Selected Quarterly Financial Data (unaudited)**

The following tables set forth selected unaudited quarterly consolidated statements of operations data for each of the eight quarters in the years ended December 31, 2019 and 2018 (in thousands except per share data):

|   | Dec 31, 2019 |          | Sep 30, 2019 |          | Jun 30, 2019 |         | Mar 31, 2019 |         | Dec 31, 2018 |         | Sep 30, 2018 |         | Jun 30, 2018 |         | Mar 31, 2018 |         |
|---|--------------|----------|--------------|----------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|
| <b>Consolidated Statements of Operations Data</b> |              |          |              |          |              |         |              |         |              |         |              |         |              |         |              |         |
| Revenues  | \$           | 252,865  | \$           | 233,352  | \$           | 215,152 | \$           | 201,489 | \$           | 188,624 | \$           | 173,825 | \$           | 160,832 | \$           | 150,343 |
| Gross profit                                      |              | 185,992  |              | 173,647  |              | 161,522 |              | 150,654 |              | 144,509 |              | 134,551 |              | 122,766 |              | 114,669 |
| Operating loss                                    |              | (20,369) |              | (10,663) |              | (7,180) |              | (7,463) |              | (3,404) |              | (7,027) |              | (4,654) |              | (1,351) |
| Net loss  |              | (25,257) |              | (12,749) |              | (9,243) |              | (6,358) |              | (5,678) |              | (9,518) |              | (8,291) |              | (2,716) |
| Net loss per share, basic and diluted             | \$           | (0.30)   | \$           | (0.15)   | \$           | (0.11)  | \$           | (0.08)  | \$           | (0.07)  | \$           | (0.12)  | \$           | (0.10)  | \$           | (0.03)  |

**Note 17. Related-Party Transactions**

In the ordinary course of business, the Company made purchases from Google Inc., at which one of the Company's directors serves as President, Americas. Total payables to Google Inc. at December 31, 2019 and 2018 were \$1.5 million and \$1.2 million, respectively. Total expenses incurred from Google Inc. in 2019, 2018, and 2017 were \$18.7 million, \$18.8 million, and \$15.4 million, respectively.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Annual Report on Form 10-K.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

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

**Management's Annual Report on Internal Controls Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019 based on the guidelines established in the *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2019. In evaluating the effectiveness of our internal controls over financial reporting as of December 31, 2019, our management excluded Connect First, Inc. ("Connect First") in accordance with the guidance issued by the Securities and Exchange Commission, since it was acquired on January 14, 2019. Connect First's assets, excluding acquisition method fair value adjustments, as of December 31, 2019, and revenues for the period from January 14, 2019 through December 31, 2019, were approximately 3% of our consolidated total assets and approximately 1% of our consolidated total revenues, in our consolidated financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 of this Annual Report on Form 10-K.

**Changes in Internal Control Over Financial Reporting**

There are no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

Our management, including our chief executive officer and chief financial officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well

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

**ITEM 9B. OTHER INFORMATION**

None.

PART III

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information concerning our directors, compliance with Section 16(a) of the Exchange Act, our Audit Committee and any changes to the process by which stockholders may recommend nominees to the Board required by this Item are incorporated herein by reference to information contained in the Proxy Statement to be filed with the SEC pursuant to Regulation 14A not later than 120 days after the fiscal year to which this report relates.

The information concerning our executive officers required by this Item is incorporated herein by reference to information contained in the Proxy Statement to be filed pursuant to Regulation 14A.

We have adopted a code of ethics, our Code of Conduct, which applies to all employees, including our principal executive officers, our principal financial officer, and all other executive officers. The Code of Conduct is available on our Web site at [www.ringcentral.com](http://www.ringcentral.com) within the investor relations section. A copy may also be obtained without charge by contacting Investor Relations, RingCentral, Inc., 20 Davis Drive, Belmont, California 94002 or by calling (650) 472-4100.

We plan to post on our Web site at the address described above any future amendments or waivers of our Code of Conduct.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement to be filed pursuant to Regulation 14A.

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

The information required by this Item with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to information contained in the Proxy Statement to be filed pursuant to Regulation 14A.

The following chart sets forth certain information as of December 31, 2019, with respect to our equity compensation plans, specifically our 2003 Equity Incentive Plan (the "2003 Plan"), 2010 Equity Incentive Plan (the "2010 Plan"), 2013 Equity Incentive Plan (the "2013 Plan"), and our Amended and Restated Employee Stock Purchase Plan (the "ESPP"). Each of the 2003 Plan, the 2010 Plan, the 2013 Plan and the ESPP has been approved by our stockholders.

| Plan Category  | Equity Compensation Plan Information  |   |  |
|--|---|---|--|
|  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (1) |
| Equity compensation plans approved by security holders | 5,580,627   | \$ 57.06  | 19,447,435   |

Equity Compensation Plan Information

(1) Includes shares reserved for issuance under the 2013 Plan and the ESPP. The number of shares reserved for issuance under the 2013 Plan automatically increases on January 1st of each year by the lesser of (i) 6,200,000 shares, or (ii) five percent (5%) of the number of shares of our common stock outstanding on the last day of the immediately preceding fiscal year. During the year ended December 31, 2019, a total of 4,052,295 shares of Class A common stock were added to the 2013 Plan in connection with the annual automatic increase provision. In addition, the number of shares reserved for issuance under the 2013 Plan is increased from time to time in an amount equal to the number of shares subject to outstanding options under the 2003 and 2010 Plans that are subsequently forfeited or terminate for any other reason before being exercised and unvested shares that are forfeited pursuant to the 2003 and 2010 Plans. The number of shares reserved for issuance under the ESPP automatically increases on January 1st of each year by the lesser of (i) 1,250,000 shares, or (ii) one percent (1%) of the number of shares of our common stock outstanding on the last trading day of the immediately preceding fiscal year. During the year ended December 31, 2019, a total of 810,459 shares of Class A common stock were added to the 2013 ESPP Plan in connection with the annual increase provision.



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

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement to be filed pursuant to Regulation 14A.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated herein by reference to information contained in the Proxy Statement to be filed pursuant to Regulation 14A.

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) Exhibits. The following exhibits are included herein or incorporated herein by reference:

| Exhibit Number | Description   |
|----------------|---|
| 3.1            | <a href="#">Second Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on June 3, 2015, and incorporated herein by reference).</a>  |
| 3.2            | <a href="#">Bylaws of the Registrant (filed as Exhibit 3.4 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>  |
| 4.1            | <a href="#">Fourth Amended Investor Rights Agreement, dated November 23, 2012, by and among the Registrant and the investors listed on Exhibit A thereto (filed as Exhibit 4.3 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>    |
| 4.2            | <a href="#">Indenture, dated March 5, 2018, between RingCentral, Inc. and U.S. Bank National Association, (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on March 6, 2018, and incorporated herein by reference).</a>  |
| 4.3            | <a href="#">Form of 0% Convertible Senior Note due 2023 (included in Exhibit 4.2) (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on March 6, 2018, and incorporated herein by reference).</a>  |
| 4.4            | <a href="#">Registration Rights Agreement, dated October 31, 2019, by and between the Registrant and Avaya Inc. (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-3ASR, File No. 333-234647, and incorporated herein by reference).</a>  |
| 4.5            | <a href="#">Description of Securities</a>   |
| 10.1+          | <a href="#">2003 Equity Incentive Plan, as amended, and forms of stock option agreements thereunder (filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>  |
| 10.2+          | <a href="#">2010 Equity Incentive Plan, as amended, and forms of stock option agreements thereunder (filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>  |
| 10.3+          | <a href="#">2013 Equity Incentive Plan and forms of stock option agreements thereunder (filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>   |
| 10.4+          | <a href="#">Amended and Restated Employee Stock Purchase Plan (filed as Exhibit 10.2 to the Registrant's Quarterly Statement on Form 10-Q for the quarter ended June 30, 2018, filed on August 7, 2018, and incorporated herein by reference).</a>  |
| 10.5+          | <a href="#">Equity Acceleration Policy, (filed as Exhibit 10.5 to the Registrant's Annual Report for the year ended December 31, 2018, filed on February 27, 2019, and incorporated herein by reference).</a>   |
| 10.6+          | <a href="#">Form of Director and Executive Officer Indemnification Agreement (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on August 7, 2017, and incorporated herein by reference).</a>  |
| 10.7+          | <a href="#">Employment Letter by and between the Registrant and Vladimir Shmunis, dated September 13, 2013 (filed as Exhibit 10.19 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>  |
| 10.8+          | <a href="#">Offer Letter by and between the Registrant and Anand Eswaran, dated December 23, 2019.</a>  |
| 10.9+          | <a href="#">Offer Letter by and between the Registrant and David Sipes, dated June 10, 2008 (filed as Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 29, 2016, and incorporated herein by reference).</a>                           |
| 10.10+         | <a href="#">Supplemental Offer Letter by and between the Registrant and David Sipes, dated as of August 12, 2016 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, filed on November 7, 2016, and incorporated herein by reference).</a> |
| 10.11+         | <a href="#">Offer Letter by and between the Registrant and Mitesh Dhruv, dated March 1, 2012 (filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on August 7, 2017, and incorporated herein by reference).</a>                            |
| 10.12+         | <a href="#">Offer Letter by and between the Registrant and Mitesh Dhruv, dated July 28, 2017 (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed on November 9, 2017, and incorporated herein by reference).</a>                     |

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 10.13+                | <a href="#">Offer Letter by and between the Registrant and Praful Shah, dated March 31, 2008 (filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>   |
| 10.14+                | <a href="#">Revised Employment Offer Letter by and between the Registrant and John Marlow, dated September 13, 2013 (filed as Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).</a>  |
| 10.15+                | <a href="#">2018 Bonus Plan, Appendix A 2018. (filed as Exhibit 10.15 to the Registrant's Annual Report for the year ended December 31, 2018, filed on February 27, 2019, and incorporated herein by reference).</a>  |
| 10.16                 | <a href="#">2019 Bonus Plan, Appendix A 2019.</a>   |
| 10.17                 | <a href="#">Office Lease, dated September 25, 2014, by and between the Registrant and Helen M. Raiser, Trustee of the JHR Marial Trust under Trust Agreement dated October 2, 1969, as amended, Helen M. Raiser, Trustee of the JHR Bypass Trust under Trust Agreement dated October 2, 1969, as amended, Harvey E. Chapman, Jr., Trustee of the Harvey E. Chapman, Jr. Living Trust under Trust Agreement dated July 17, 2006, and Colleen C. Badell, Trustee of the Colleen C. Badell Living Trust under Trust Agreement dated July 17, 2006, as tenants in common (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, filed on November 3, 2014, and incorporated herein by reference).</a> |
| 10.18                 | <a href="#">Commercial Lease Agreement, dated May 17, 2017, by and between the Registrant and TG Brothers, LLC. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed on August 7, 2017, and incorporated herein by reference).</a>   |
| 10.19                 | <a href="#">First Amendment to Lease, dated May 7, 2018, by and between the Registrant and TG Brothers, LLC. (filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed on August 7, 2018, and incorporated herein by reference).</a>  |
| 10.20                 | <a href="#">Second Amendment to Lease, dated September 20, 2019, by and between the Registrant and TG Brothers, LLC.</a>  |
| 10.21                 | <a href="#">Purchase Agreement, dated February 28, 2018, by and among the Registrant and Morgan Stanley &amp; Co. LLC and Goldman Sachs &amp; Co. LLC, as representatives of the initial purchasers named therein. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).</a>   |
| 10.22                 | <a href="#">Form of Capped Call Confirmation. (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 6, 2018, and incorporated herein by reference).</a>  |
| 10.23                 | <a href="#">Investment Agreement, dated as of October 3, 2019, by and between the Registrant and Avaya Holdings Corp. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on October 3, 2019, and incorporated herein by reference).</a>   |
| 10.24*                | <a href="#">First Amended and Restated Framework Agreement, dated as of February 10, 2020, by and between the Registrant and Avaya Inc.</a>   |
| 21.1                  | <a href="#">List of subsidiaries of the Registrant.</a>   |
| 23.1                  | <a href="#">Consent of KPMG LLP, independent registered public accounting firm.</a>   |
| 24.1                  | <a href="#">Power of Attorney (included in signature page).</a>   |
| 31.1                  | <a href="#">Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |
| 31.2                  | <a href="#">Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |
| 32.1                  | <a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>  |
| 32.2                  | <a href="#">Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>  |
| 101.INS               | Inline XBRL Instance Document.  |
| 101.SCH               | Inline XBRL Taxonomy Extension Schema Document.   |
| 101.CAL               | Inline XBRL Taxonomy Extension Calculation Linkbase Document.   |

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 101.DEF               | Inline XBRL Taxonomy Extension Definition Linkbase Document.                              |
| 101.LAB               | Inline XBRL Taxonomy Extension Label Linkbase Document.                                   |
| 101.PRE               | Inline XBRL Taxonomy Extension Presentation Linkbase Document.                            |
| 104                   | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101). |

+ Indicates a management or compensatory plan

\* Certain identified information has been omitted pursuant to Item 601(b)(10) of Regulation S-K because such information is both (i) not material and (ii) would likely cause competitive harm to the Registrant if publicly disclosed.

(b) *Financial Statements.* Our consolidated financial statements are included under Part II, Item 8 of this Annual Report on Form 10-K.

(c) *Financial Statement Schedules.* All financial statement schedules are omitted because they are not applicable or the information is included in the Registrant's consolidated financial statements or related notes.

**PART IV.  
SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Belmont, State of California, on this 26th day of February 2020.

Date: February 26, 2020

**RINGCENTRAL, INC.**

/s/ Vladimir Shmunis  
Vladimir Shmunis  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

Date: February 26, 2020

/s/ Mitesh Dhruv  
Mitesh Dhruv  
Chief Financial Officer  
(Principal Financial Officer)

Date: February 26, 2020

/s/ Vaibhav Agarwal  
Vaibhav Agarwal  
Chief Accounting Officer  
(Principal Accounting Officer)

**POWER OF ATTORNEY**

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

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

| <u>Signature</u>   | <u>Title</u>   | <u>Date</u>       |
|--|--|-------------------|
| <u>/s/ Vladimir Shmunis</u><br><b>Vladimir Shmunis</b>     | Chairman and Chief Executive Officer<br><i>(Principal Executive Officer)</i> | February 26, 2020 |
| <u>/s/ Mitesh Dhruv</u><br><b>Mitesh Dhruv</b>             | Chief Financial Officer<br><i>(Principal Financial Officer)</i>              | February 26, 2020 |
| <u>/s/ Vaibhav Agarwal</u><br><b>Vaibhav Agarwal</b>       | Chief Accounting Officer<br><i>(Principal Accounting Officer)</i>            | February 26, 2020 |
| <u>/s/ Michelle McKenna</u><br><b>Michelle McKenna</b>     | Director   | February 26, 2020 |
| <u>/s/ Robert Theis</u><br><b>Robert Theis</b>             | Director   | February 26, 2020 |
| <u>/s/ Allan Thygesen</u><br><b>Allan Thygesen</b>         | Director   | February 26, 2020 |
| <u>/s/ R. Neil Williams</u><br><b>R. Neil Williams</b>     | Director   | February 26, 2020 |
| <u>/s/ Kenneth A. Goldman</u><br><b>Kenneth A. Goldman</b> | Director   | February 26, 2020 |
| <u>/s/ Godfrey Sullivan</u><br><b>Godfrey Sullivan</b>     | Director   | February 26, 2020 |

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, RingCentral Inc. had one class of securities, our Class A common stock, registered under Section 12 of the Securities Exchange Act of 1934, as amended. These securities are listed on the New York Stock Exchange under the symbol "RNG."

**General**

The following descriptions of our capital stock and certain provisions of our second amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to our second amended and restated certificate of incorporation and amended and restated bylaws. Copies of these documents have been filed with the SEC as exhibits to our Annual Reports on Form 10-K.

Our second amended and restated certificate of incorporation provides for two classes of common stock: Class A and Class B common stock. In addition, our second amended and restated certificate of incorporation authorizes shares of undesignated preferred stock, the rights, preferences, and privileges of which may be designated from time to time by our board of directors.

Our authorized capital stock consists of shares, all with a par value of \$0.0001 per share, of which:

- 1,000,000,000 shares are designated as Class A common stock;
- 250,000,000 shares are designated as Class B common stock; and
- 100,000,000 are designated as preferred stock.

**Class A and Class B Common Stock**

Our second amended and restated certificate of incorporation provides for two classes of common stock: Class A and Class B common stock.

**Voting Rights**

Holders of our Class A common stock and Class B common stock have identical rights, provided however that, except as otherwise expressly provided in our second amended and restated certificate of incorporation or required by applicable law, on any matter that is submitted to a vote of our stockholders, holders of Class A common stock are entitled to one vote per share of Class A common stock and holders of Class B common stock are entitled to 10 votes per share of Class B common stock. Holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, except that there would be a separate vote of our Class A common stock and Class B common stock as separate classes in the following circumstances:

- if we propose to amend our second amended and restated certificate of incorporation (i) to increase or decrease the par value of the shares of any class of our capital stock or (ii) to alter or change the powers, preferences or special rights of the shares of a class of our common stock so as to affect them adversely;
  - if we propose to treat the shares of a class of our common stock differently with respect to any dividend or distribution of cash, property or shares of our stock paid or distributed by us;
  - if we propose to treat the shares of a class of our common stock differently with respect to any subdivision or combination of the shares of a class of our common stock; or
-

- if we propose to treat the shares of a class of our common stock differently in connection with a change of control with respect to any consideration into which the shares are converted or any consideration paid or otherwise distributed to our stockholders.

Under our second amended and restated certificate of incorporation, we may not increase or decrease the authorized number of shares of Class A common stock or Class B common stock without the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of Class A common stock and Class B common stock, voting together as a single class.

Under our second amended and restated certificate of incorporation, we may not issue any shares of Class B common stock, other than upon exercise of options, warrants, or similar rights to acquire common stock outstanding immediately prior to the completion of our initial public offering and in connection with stock dividends and similar transactions, unless that issuance is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class B common stock.

We have not provided for cumulative voting for the election of directors in our second amended and restated certificate of incorporation.

***Economic Rights***

Except as otherwise expressly provided in our second amended and restated certificate of incorporation or required by applicable law, shares of Class A common stock and Class B common stock have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters, including, without limitation those described below.

***Dividends and Distributions***

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock and Class B common stock are entitled to share equally, identically and ratably, on a per share basis, with respect to any dividend or distribution of cash, property or shares of our capital stock paid or distributed by us, unless different treatment of the shares of each such class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class. In the event a dividend or distribution is paid in the form of shares of Class A common stock or Class B common stock or rights to acquire shares of such stock, the holders of Class A common stock shall receive Class A common stock, or rights to acquire Class A common stock, as the case may be, and the holders of Class B common stock shall receive Class B common stock, or rights to acquire Class B common stock, as the case may be.

***Liquidation Rights***

Upon our liquidation, dissolution or winding-up, the holders of Class A common stock and Class B common stock are entitled to share equally, identically and ratably in all assets remaining after the payment of any liabilities and the liquidation preferences and any accrued or declared but unpaid dividends, if any, with respect to any outstanding preferred stock, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

***Change of Control Transactions***

Upon (A) the closing of the sale, transfer or other disposition of all or substantially all of our assets, (B) the consummation of a merger, reorganization, consolidation or share transfer which results in our voting securities outstanding immediately prior to the transaction (or the voting securities issued with respect to our voting securities outstanding immediately prior to the transaction) representing less than a majority of the combined voting power of our voting securities or the voting securities of the surviving or acquiring entity or (C) the closing of the transfer (whether by merger, consolidation or otherwise), in one transaction or a series of related transactions, to a person or group of affiliated persons of securities of the company if, after closing, the transferee person or group would hold 50% or more of our outstanding voting stock (or the outstanding voting stock of the surviving or acquiring entity), the holders of Class A common stock and Class B common stock will be treated equally and identically with respect to shares of Class A common stock or Class B common stock owned by them, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.



### ***Subdivisions and Combinations***

If we subdivide or combine in any manner outstanding shares of Class A common stock or Class B common stock, the outstanding shares of the other class will be subdivided or combined in the same manner, unless different treatment of the shares of each class is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting as a separate class.

### ***Conversion***

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date specified by affirmative vote or written consent of the holders of at least 67% of the outstanding shares of Class B common stock or (ii) any transfer, whether or not for value, except for certain transfers described in our second amended and restated certificate of incorporation, including, without limitation, transfers for tax and estate planning purposes, so long as the transferring holder of Class B common stock continues to hold exclusive voting and dispositive power with respect to the shares transferred.

Upon the death of a holder of Class B common stock who is a natural person, the Class B common stock held by that person or his or her permitted estate planning entities will convert automatically into Class A common stock; provided, however, that Vladimir Shmunis and Vlad Vendrow, our two founders, may transfer voting control of shares of Class B common stock to another Class B stockholder contingent or effective upon his death or permanent incapacity without triggering a conversion to Class A common stock, provided that the shares of Class B common stock so transferred shall convert to Class A common stock nine months after the death of the transferring stockholder.

In addition, with respect to each holder of Class B common stock, all of such holder's shares of Class B common stock will automatically convert into shares of Class A common stock on the seven-year anniversary of the closing date of our initial public offering; provided that any such holder's Class B common stock will not automatically convert into Class A common stock, notwithstanding the seven-year automatic conversion provision, and such holder will continue to be deemed to hold Class B common stock, as long as such holder continues to beneficially own a number of shares of Class B common stock equal to more than 50% of the number of shares of Class B common stock that such holder beneficially owned immediately prior to completion of our initial public offering.

Once transferred and converted into Class A common stock, such Class B common stock shall be retired and may not be reissued.

All outstanding shares of Class B common stock will convert into Class A common stock on the date on which the number of outstanding shares of Class B common stock represents less than 10% of the aggregate combined number of outstanding shares of Class A common stock and Class B common stock. After such conversion, no further shares of Class B common stock will be issued.

Except for the issuance of Class B Common Stock issuable upon exercise of options, warrants or similar rights to acquire Class B common stock outstanding as of the effective time of the second amended and restated certificate of incorporation (the "Effective Time") or a dividend payable in accordance with the second amended and restated certificate of incorporation, we shall not at any time after the Effective Time issue any additional shares of Class B common stock, unless such issuance is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class B common stock.

### ***Preferred Stock***

Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 100,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our Class A common stock or Class B common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our Class A common stock or Class B common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. No shares of preferred stock are outstanding, and we have no present plan to issue any shares of preferred stock.

**Provisions of Our Second Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Delaware Anti-Takeover Law**

Our second amended and restated certificate of incorporation provides for a board of directors with each director serving a one-year term. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. Our second amended and restated certificate of incorporation and amended and restated bylaws provide that, once our outstanding shares of Class B common stock represent less than a majority of the combined voting power of our common stock, all stockholder actions must be effected at a duly called meeting of stockholders and not by a consent in writing, and that only the majority of our whole board of directors, chair of the board of directors or our chief executive officer may call a special meeting of stockholders.

***Stockholder Action***

Our second amended and restated certificate of incorporation provides that our stockholders are able to take action by written consent. When the outstanding shares of our Class B common stock represent less than a majority of the combined voting power of common stock, our stockholders will no longer be able to take action by written consent, and will only be able to take action at annual or special meetings of our stockholders.

As described above in “Class A and Class B Common Stock-Voting Rights,” our second amended and restated certificate of incorporation further provides for a dual class common stock structure, which provides our founders, current investors, executives and employees with significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

Our second amended and restated certificate of incorporation and amended and restated bylaws provide that our directors may be removed only for cause and require a supermajority stockholder vote for the rescission, alteration, amendment or repeal of the second amended and restated certificate of incorporation or amended and restated bylaws by stockholders. Our second amended and restated certificate of incorporation and amended and restated bylaws also provide that vacancies occurring on our board of directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of our board of directors. Our amended and restated bylaws establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors. The combination of the classification of our board of directors, the lack of cumulative voting, supermajority stockholder voting requirements, the ability of the board to fill vacancies and the advance notice provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors 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. In addition, the authorization of undesignated preferred stock will make it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions, including the dual class structure of our common stock, may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

***Section 203 of the Delaware General Corporate Law***

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that 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 began,

excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, Massachusetts 02021, and its phone number is (877) 373-6374.

December 23, 2019

To: Anand Eswaran

Re: Offer Letter

Dear Anand,

It is my pleasure to offer you a full-time position with RingCentral, Inc. (“Company”) as President, reporting to Vlad Shmunis, CEO. Your responsibilities in this role will include direct reporting responsibility for the Company’s go-to-market, product, and human resources functions, as well as other responsibilities and functions reasonably assigned to you by the CEO. Pending satisfactory completion of our pre-employment checks and your satisfaction of the other terms and conditions described herein, your employment start date (the “Start Date”) shall be January 13, 2020 or a sooner date if mutually agreed.

**Base Salary.** Your initial annualized base salary will be **\$600,000**, which will be paid on a semi-monthly basis, subject to applicable withholdings. Your base salary may be adjusted from time to time in the Company’s sole discretion.

**Bonus.** On a quarterly basis, you may be eligible to receive a management-by-objective bonus (“MBO”) in the target gross amount of **100%** of your quarterly base salary (**\$150,000** per quarter; **\$600,000** per year) based upon achievement of the performance objectives established by the Company’s board of directors or a committee of the board (in either case, the “Board”) and the Board’s assessment of achievement of those objectives, as well as satisfying the other terms and conditions of the bonus plan approved by the Board. More information about the MBO is available in the RingCentral Executive Incentive Plan. As a member of the executive team, the achieved portion of your MBO currently will be paid in accordance with the Company’s Key Employee Equity Bonus Plan, in which the achieved portion of your MBO is paid on a quarterly basis in the form of fully-vested restricted stock units that cover shares of the Company’s Class A common stock (“RSUs”).

**Equity Award.** Subject to approval of the Board, you will be granted RSUs with an initial value of \$16,000,000 (the “Initial Value”) (the “Initial Equity Grant”). The actual number of RSUs granted to you will equal the Initial Value divided by the monthly average closing price of a share of the Company’s Class A common stock (as quoted on the New York Stock Exchange) during the calendar month in which your Start Date occurs. The RSUs will be granted to you only if you remain an employee of the Company through the grant date. Your RSUs shall be subject to the terms of the Company’s 2013 Equity Incentive Plan (the “2013 Plan”) and an RSU agreement between you and the Company (together with the 2013 Plan, the “Equity Documents”). Subject to the paragraph below, your RSUs shall vest over a 4-year period as follows: provided you remain a service provider of the Company, 1/16<sup>th</sup> of the RSUs shall vest on each Quarterly RSU Vesting Date beginning on February 20, 2020. The “Quarterly RSU Vesting Dates” are February 20, May 20, August 20, and November 20 of each year. No right to any stock is earned or accrued until such time that vesting occurs, nor does the grant confer any right to continue vesting or employment.

You will be eligible to participate in the Company’s Equity Acceleration Policy, as amended (“EAP”). As more fully set forth therein, if you experience a “Qualified Termination” (as defined in the EAP), one hundred percent (100%) of your then-outstanding unvested RSUs shall vest if you satisfy the terms and conditions set forth in the EAP.

Beginning in 2021, you are eligible for annual Company equity awards commensurate with your position and the approval of the Board and subject to any terms and conditions approved by the Board (each, an “Additional Equity Award”). Beginning in 2021, and subject to Board approval, your performance and your remaining an employee in good standing with the Company, it is anticipated that your Additional Equity Award may have a target value of

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approximately fifty percent (50%) of the Initial Equity Grant. The Additional Equity Award shall be subject to the terms of the Equity Documents and shall vest over a 4-year period as follows: provided you remain a service provider of the Company, 1/16<sup>th</sup> of the RSUs shall vest on each Quarterly RSU Vesting Date beginning on February 20, 2021. For clarity, the Initial Equity Grant and the Additional Equity Awards shall be deemed time-based RSUs. Notwithstanding anything to the contrary contained herein with respect to the Additional Equity Award, if the Company introduces and implements performance-based RSUs as part of the Company's 2021 executive compensation, then some or all of the Additional Equity Award shall be subject to performance-based vesting on substantially similar terms and conditions as the performance-based vesting terms of other similarly-situated Company executives.

**Severance.** In the event of (a) a termination of your employment by the Company other than for "Cause" (as defined below), death or "Disability" (as defined in the EAP), or (b) your termination of employment for "Good Reason" (as defined in the EAP), then, subject to your satisfying the conditions set forth in Exhibit A attached hereto, you will be entitled to the following:

(a) Cash. Cash severance equal to twelve (12) months of your then-current base salary, payable in semi-monthly installments in accordance with the Company's payroll procedures,

(b) COBRA. If you elect continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA") within the time period prescribed pursuant to COBRA for you and your eligible dependents, then the Company will reimburse you for the COBRA premiums for such coverage (at the coverage levels in effect immediately prior to your termination) until the earlier of (i) a period of 12 months from the date of termination or (ii) the date upon which you and/or your eligible dependents are no longer eligible for COBRA continuation coverage. or, in the event providing such benefit would result in a violation of applicable law as determined by the Company, in its discretion, a lump sum payment of \$30,000, less applicable withholding, in lieu of such COBRA reimbursement,

(c) Acceleration of Vesting.

1) Pursuant to the EAP, if such termination occurs during the Change in Control Period (as defined in the EAP, as amended to begin 90 days prior to a Change in Control (as defined in the EAP)), 100% accelerated vesting of your then-outstanding and unvested Company equity awards that are subject to time-based vesting conditions (including, without limitation, time-based RSUs granted to you) subject to the terms and conditions of the EAP; and

2) If such termination occurs outside of the Change in Control Period (as defined above), accelerated vesting of the portion of each of your then-outstanding and unvested Company equity awards that are subject to time-based vesting conditions (including, without limitation, time-based RSUs granted to you) that would have vested had you remained employed with the Company through the date that is twelve (12) months following your effective last day with the Company.

For purposes of this letter, "Cause" has the meaning set forth in the EAP, as amended to (a) include your failure to satisfy the Relocation Condition (as defined below), and (b) with respect to Section 16(a)(ii) of the EAP, allow you at least thirty (30) days to cure any such breach or failure after receiving written notice from Company of such breach or failure.

**Benefits.** You will be eligible to participate in the Company's employee benefits plans generally available to the Company's senior executives subject to their terms, including any eligibility requirements. You will be provided with Company-wide paid holiday days and paid-time off in accordance with the Company's paid time off policy, as may be amended from time to time.

You should note that the Company may modify job titles, job duties, compensation, and benefits from time to time as it deems necessary and in its sole discretion.

**Relocation.**

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(a) The Company will pay or reimburse you for the expenses that you reasonably incur on or before September 8, 2020 (the “**Relocation Date**”), in connection with your permanent relocation from the Seattle, Washington to the San Francisco-Bay Area, California by the Relocation Date (such condition referred to herein as the “**Relocation Condition**”), including:

- 1) temporary housing, air travel and ground transportation in the San Francisco Bay Area beginning on your Start Date and ending on the earlier of the Relocation Date or the date you satisfy the Relocation Condition,
- 2) two relocation round-trip visits for you and your family prior to April 30, 2020 ((1) and (2) together, the “**Transition Expenses**”), and
- 3) other moving-related expenses (but excluding any costs or other expenses to the sale or purchase of your permanent residence) (the “**Moving Expenses**” and, together with the Transition Expenses, the “**Relocation Expenses**”). For clarity, Transition Expenses are separate from Moving Expenses.

For clarity, all Relocation Expenses must be incurred during calendar year 2020. The Company will not reimburse you for Moving Expenses in excess of \$45,000 in the aggregate.

- (b) You must submit written documentation (e.g., itemized receipts) of the Relocation Expenses within 45 days after the Relocation Expenses are incurred in order to receive any reimbursement for such Relocation Expenses. Reimbursements will be paid to you, grossed up for applicable tax withholding, within 30 days after the Company receives written documentation of the Relocation Expenses in accordance with the previous sentence.
- (c) In the event that you are terminated by the Company for Cause or you voluntarily resign (without Good Reason) from your employment with the Company, in either case, within a year of your Start Date, you agree to reimburse the Company for the total amount actually received by you as reimbursement made to you by the Company under this provision within 30 days following your employment termination date.

**Legal Expenses.** You are eligible to receive reimbursement for reasonable legal expenses related to this letter and affiliated documents up to \$5,000 (“**Legal Expenses**”). You must submit written documentation of the Legal Expenses within 45 days after the Legal Expenses are incurred in order to receive any reimbursement for such Legal Expenses. Reimbursements will be paid to you, grossed up for applicable tax withholdings (if any), within 30 days after the Company receives written documentation of the Legal Expenses in accordance with the previous sentence.

**Guidelines for Employment.** If you accept this offer and become an employee of the Company, you will be subject to our employment policies. In addition to those employment policies, this offer is contingent upon its approval by the Board and the following:

- Execution by you of the Company’s standard Confidential Information and Invention Assignment Agreement on or as soon as possible following the date you sign this letter, but in no event later than your Start Date; and
- Execution by you of the Company’s standard Arbitration Agreement on or as soon as possible following the date you sign this letter, but in no event later than your Start Date; and
- Successful completion of a background investigation, consistent with applicable law.

This offer will be withdrawn (whether or not you have already signed it) if any of the above conditions set forth in this section “Guidelines for Employment” is not satisfied.

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On your Start Date, please be sure to bring your identification card(s) to establish your identity and eligibility for employment in the United States. Failure to provide such verification within three business days of your Start Date will result in the withdrawal of this offer.

**Restrictions on Employment.** By signing this offer letter, you represent and warrant that you are not party to any agreement or subject to any policy that would prevent or restrict your from engaging in activities competitive with the activities of your former employer or from directly or indirectly soliciting any employee, client or customer to leave the employ of, or transfer its business away from, your former employer, or if you are subject to such an agreement or policy, you have complied and will comply with it, and your employment with the Company does not violate any such agreement or policy. You further confirm that you will not remove or take any documents or proprietary data or materials of any kind, electronic or otherwise, with you from your current or former employer to the Company without written authorization from your current or former employer. If you have any questions about the ownership of particular documents or other information, discuss such questions with your former employer before removing or copying the documents or information. Moreover, you agree that, during the term of your employment with the Company, you will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or become involved during the term of your employment, nor will you engage in any other activities that conflict with your obligations to the Company; *provided* that you may request approval for such other business activities that do not compete, directly or indirectly, with the Company or its subsidiaries (*e.g.*, serving as a board member or advisor for up to one other public company) from the Board and such approval shall not be unreasonably withheld or delayed. For clarity, nothing in this letter shall restrict your ability to engage in any work with non-profit and/or community organizations.

**At-Will Employment.** Your employment with the Company is "at will." This means that you may terminate your employment with the Company at any time for any reason. Likewise, the Company may terminate your employment or this offer any time and for any reason.

**Location.** You will be primarily working in the Company's offices in Belmont, California. You may be requested to travel as part of your job duties.

**Prior Agreements.** This letter, together with the Equity Documents and Confidential Information and Invention Assignment Agreement, supersedes and replaces any prior understandings or agreements, whether oral, written, or implied, between you and the Company regarding the matters described in this letter.

**Choice of Law.** The validity, interpretation, construction, and performance of this letter, all acts and transactions pursuant hereto, and the rights and obligations of the parties shall be governed, construed, and interpreted in accordance with the laws of the state of California without giving effect to principles of conflicts of law. Any disputes dispute arising from this letter shall be decided only in a state or federal court sitting in San Mateo County, California, which the parties expressly agree shall be the exclusive venue for any such action.

**Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents or notices related to this Agreement by email or any other electronic means. You hereby consent to (i) conduct business electronically, (ii) receive such documents and notices by such electronic delivery, and (iii) sign documents electronically and agree to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

**Acceptance.** If not accepted by 5:00 pm PST on December 24, 2019, this offer will expire in its entirety.

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Anand, I really look forward to working with you. We have high hopes that you will contribute in a very tangible and visible manner to our continued success.

Sincerely,

ACCEPTED

/s/ Vlad Shmunis  
Vlad Shmunis  
Chief Executive Officer  
RingCentral, Inc.

/s/ Anand Eswaran  
Anand Eswaran

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**Exhibit A**

**Terms Applicable to Severance**

The receipt of any severance under this letter is subject to you signing and not revoking a general release of claims in a form reasonably acceptable to the Company and in a manner that is otherwise consistent with the terms of this letter (the "**Release**"); provided that such Release is effective within sixty (60) days following your termination of employment (the "**Release Deadline**"). No severance payment will be made until the Release becomes effective. Moreover, as a condition precedent to receiving COBRA premiums, you must complete and return a Form W-9 to RingCentral within sixty (60) days following the termination of your employment. If the Release is not effective by the Release Deadline, you forfeit your right to any severance benefits under this letter. Subject to any payment delay necessary to comply with Section 409A (as defined below), your severance under this letter will be paid on, or, in the case of installments, will not commence until, the first Company payroll date following the effective date of the Release (or, in the case of payments that qualify as Deferred Compensation, on the sixty-first (61<sup>st</sup>) day following your separation from service). If you die before all amounts have been paid, such unpaid amounts will be paid to your designated beneficiary, if living, or otherwise to your personal representative in a lump-sum payment (less any withholding taxes) as soon as possible following your death.

It is the intent of this letter that all payments and benefits hereunder comply with or be exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and the final regulations and any guidance promulgated thereunder and any applicable state law requirements ("**Section 409A**") so that none of the payments and benefits to be provided under this letter will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be exempt or so comply. Each payment and benefit payable under this letter is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. You and the Company agree to work together in good faith to consider amendments to this letter and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A.

Notwithstanding anything to the contrary in this letter, no separation pay or benefits will be paid or provided to you, if any, pursuant to this letter that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A (together, "**Deferred Compensation**") or otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) until you have a "separation from service" within the meaning of Section 409A. Further, if at the time of your termination of employment, you are a "specified employee" within the meaning of Section 409A, payment of such Deferred Compensation will be delayed to the extent necessary to avoid the imposition of the additional tax imposed under Section 409A, which generally means that you will receive payment on the first payroll date that occurs on or after the date that is six (6) months and one (1) day following your termination of employment, or your death, if earlier (the "**Six-Month Delay**"). All subsequent Deferred Compensation, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if you die following your termination but prior to the six (6) month anniversary of your termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of your death and all other Deferred Compensation will be payable in accordance with the payment schedule applicable to each payment or benefit.

## RINGCENTRAL, INC.

## BONUS PLAN

1. Purposes of the Plan. This Bonus Plan (the "Plan") is intended to increase shareholder value and the success of the Company by motivating Employees to (a) perform to the best of their abilities, and (b) achieve the Company's objectives.
  2. Definitions.
    - (a) "Affiliate" means any corporation or other entity (including, but not limited to, partnerships and joint ventures) controlled by the Company.
    - (b) "Actual Award" means as to any Performance Period, the actual award (if any) payable to a Participant for the Performance Period, subject to the Committee's authority under Section 3(d) to modify the award.
    - (c) "Board" means the Board of Directors of the Company.
    - (d) "Bonus Pool" means the pool of funds available for distribution to Participants. Subject to the terms of the Plan, the Committee establishes the Bonus Pool for each Performance Period.
    - (e) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated thereunder, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.
    - (f) "Committee" means the committee appointed by the Board (pursuant to Section 5) to administer the Plan. Unless and until the Board otherwise determines, the Board's Compensation Committee will administer the Plan.
    - (g) "Company" means RingCentral, Inc., or any successor thereto.
    - (h) "Disability" means a permanent and total disability determined in accordance with uniform and nondiscriminatory standards adopted by the Committee from time to time.
    - (i) "Employee" means any executive or key employee of the Company or of an Affiliate, whether such individual is so employed at the time the Plan is adopted or becomes so employed subsequent to the adoption of the Plan.
    - (j) "Participant" means as to any Performance Period, an Employee who has been selected by the Committee for participation in the Plan for that Performance Period.
    - (k) "Performance Period" means the period of time for the measurement of the performance criteria that must be met to receive an Actual Award, as determined by the Committee in its sole discretion. A Performance Period may be divided into one or more shorter periods if, for example, but not by way of limitation, the Committee desires to measure some performance criteria over 12 months and other criteria over 3 months.
    - (l) "Plan" means this Bonus Plan, as set forth in this instrument and as hereafter amended from time to time.
    - (m) "Target Award" means the target award, at 100% performance achievement, payable under the Plan to a Participant for the Performance Period, as determined by the Committee in accordance with Section 3(b).
    - (n) "Termination of Service" means a cessation of the employee-employer relationship between an Employee and the Company or an Affiliate for any reason, including, but not by way of limitation, a
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termination by resignation, discharge, death, Disability, retirement, or the disaffiliation of an Affiliate, but excluding any such termination where there is a simultaneous reemployment by the Company or an Affiliate.

3. **Selection of Participants and Determination of Awards.**

(a) **Selection of Participants.** The Committee, in its sole discretion, will select the Employees who will be Participants for any Performance Period. Participation in the Plan is in the sole discretion of the Committee, on a Performance Period by Performance Period basis. Accordingly, an Employee who is a Participant for a given Performance Period in no way is guaranteed or assured of being selected for participation in any subsequent Performance Period or Periods.

(b) **Determination of Target Awards.** The Committee, in its sole discretion, will establish a Target Award for each Participant, which generally will be a percentage of a Participant's average annual base salary for the Performance Period.

(c) **Bonus Pool.** Each Performance Period, the Committee, in its sole discretion, will establish a Bonus Pool. Actual Awards will be paid from the Bonus Pool.

(d) **Discretion to Modify Awards.** Notwithstanding any contrary provision of the Plan, the Committee may, in its sole discretion and at any time, (i) increase, reduce or eliminate a Participant's Actual Award, and/or (ii) increase, reduce or eliminate the amount allocated to the Bonus Pool. The Committee may determine the amount of any increase or reduction on the basis of such factors as it deems relevant, and will not be required to establish any allocation or weighting with respect to the factors it considers.

(e) **Discretion to Determine Criteria.** Notwithstanding any contrary provision of the Plan, the Committee will, in its sole discretion, determine the performance goals applicable to any Target Award which requirement may include, without limitation, (i) cash flow, (ii) cash position, (iii) earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), (iii) earnings per share, (iv) net income, (v) net profit, (vi) net sales, (vii) operating cash flow, (xxiv) operating expenses, (xxv) operating income, (xxvi) operating margin, (xxvii) overhead or other expense reduction, (xxviii) product defect measures, (xxix) product release timelines, (xxx) productivity, (xxxi) profit, (xxxii) return on assets, (xxxiii) return on capital, (xxxiv) return on equity, (xxxv) return on investment, (xxxvi) return on sales, (xxxvii) revenue, (xxxviii) revenue growth, (xxxix) sales results, (xl) sales growth, (xli) stock price, (xlii) time to market, (xliii) total stockholder return, (xliv) working capital, and individual objectives such as peer reviews or other subjective or objective criteria. As determined by the Committee, the performance goals may be based on GAAP or Non-GAAP results and any actual results may be adjusted by the Committee for one-time items or unbudgeted or unexpected items when determining whether the performance goals have been met. The goals may be on the basis of any factors the 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. The Committee may, in its discretion, determine to set forth the applicable performance goals in writing from time-to-time, which writing shall be attached hereto as Appendix A. Failure to meet the goals will result in a failure to earn the Target Award, except as provided in Section 3(d).

4. **Payment of Awards.**

(a) **Right to Receive Payment.** Each Actual Award will be paid solely from the general assets of the Company. Nothing in this Plan will be construed to create a trust or to establish or evidence any Participant's claim of any right other than as an unsecured general creditor with respect to any payment to which he or she may be entitled.

(b) **Timing of Payment.** Payment of each Actual Award shall be made as soon as practicable as determined by the Committee after the end of the Performance Period during which the Actual Award was earned, but in no event later than the fifteenth day of the third month of the Fiscal Year following the date the Participant's Actual Award is no longer subject to a substantial risk of forfeiture. Unless otherwise determined by the Committee, a Participant must be employed by the Company or any Affiliate on the last day of the Performance Period to receive a payment under the Plan.

It is the intent that this Plan comply with the requirements of Code Section 409A so that none of the payments to be provided hereunder will be subject to the additional tax imposed under Code Section 409A, and any ambiguities herein will be interpreted to so comply.

(c) Form of Payment. Each Actual Award will be paid in cash (or its equivalent) in a single lump sum.

(d) Payment in the Event of Death or Disability. If a Participant dies or becomes Disabled prior to the payment of an Actual Award earned by him or her prior to death or Disability for a prior Performance Period, the Actual Award will be paid to his or her estate or to the Participant, as the case may be, subject to the Committee's discretion to reduce or eliminate any Actual Award otherwise payable.

5. Plan Administration.

(a) Committee is the Administrator. The Plan will be administered by the Committee or, if no Committee has been appointed, the Plan shall be administered by the Board. The Committee will consist of not less than two (2) members of the Board. The members of the Committee will be appointed from time to time by, and serve at the pleasure of, the Board.

(b) Committee Authority. It will be the duty of the Committee to administer the Plan in accordance with the Plan's provisions. The Committee will have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power to (i) determine which Employees will be granted awards, (ii) prescribe the terms and conditions of awards, (iii) interpret the Plan and the awards, (iv) adopt such procedures and subplans as are necessary or appropriate to permit participation in the Plan by Employees who are foreign nationals or employed outside of the United States, (v) adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (vi) interpret, amend or revoke any such rules.

(c) Decisions Binding. All determinations and decisions made by the Committee, the Board, and any delegate of the Committee pursuant to the provisions of the Plan will be final, conclusive, and binding on all persons, and will be given the maximum deference permitted by law.

(d) Delegation by Committee. The Committee, in its sole discretion and on such terms and conditions as it may provide, may delegate all or part of its authority and powers under the Plan to one or more directors and/or officers of the Company.

(e) Indemnification. Each person who is or will have been a member of the Committee will be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any award, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she will give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

6. General Provisions.

(a) Tax Withholding. The Company will withhold all applicable taxes from any Actual Award, including any federal, state and local taxes (including, but not limited to, the Participant's FICA and SDI obligations).

(b) No Effect on Employment or Service. Nothing in the Plan will interfere with or limit in any way the right of the Company to terminate any Participant's employment or service at any time, with or without cause. For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Affiliates (or between Affiliates) will not be deemed a Termination of Service. Employment with the

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Company and its Affiliates is on an at-will basis only. The Company expressly reserves the right, which may be exercised at any time and without regard to when during a Performance Period such exercise occurs, to terminate any individual's employment with or without cause, and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

(c) Participation. No Employee will have the right to be selected to receive an award under this Plan, or, having been so selected, to be selected to receive a future award.

(d) Successors. All obligations of the Company under the Plan, with respect to awards granted hereunder, will be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

(e) Beneficiary Designations. If permitted by the Committee, a Participant under the Plan may name a beneficiary or beneficiaries to whom any vested but unpaid award will be paid in the event of the Participant's death. Each such designation will revoke all prior designations by the Participant and will be effective only if given in a form and manner acceptable to the Committee. In the absence of any such designation, any vested benefits remaining unpaid at the Participant's death will be paid to the Participant's estate.

(f) Nontransferability of Awards. No award granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, by the laws of descent and distribution, or to the limited extent provided in Section 6(e). All rights with respect to an award granted to a Participant will be available during his or her lifetime only to the Participant.

7. Amendment, Termination, and Duration

(a) Amendment, Suspension, or Termination. The Board, in its sole discretion, may amend or terminate the Plan, or any part thereof, at any time and for any reason. The amendment, suspension or termination of the Plan will not, without the consent of the Participant, alter or impair any rights or obligations under any Actual Award theretofore earned by such Participant. No award may be granted during any period of suspension or after termination of the Plan.

(b) Duration of Plan. The Plan will commence on the date specified herein, and subject to Section 7(a) (regarding the Board's right to amend or terminate the Plan), will remain in effect thereafter.

8. Legal Construction

(a) Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also will include the feminine; the plural will include the singular and the singular will include the plural.

(b) Severability. In the event any provision of the Plan will be held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provision had not been included.

(c) Requirements of Law. The granting of awards under the Plan will be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(d) Governing Law. The Plan and all awards will be construed in accordance with and governed by the laws of the State of California, but without regard to its conflict of law provisions.

(e) Bonus Plan. The Plan is intended to be a "bonus program" as defined under U.S. Department of Labor regulation 2510.3-2(c) and will be construed and administered in accordance with such intention.

(f) Captions. Captions are provided herein for convenience only, and will not serve as a basis for interpretation or construction of the Plan.

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APPENDIX A-2019

**To RingCentral, Inc. Executive Bonus Plan**

**2019 Performance Goals**

**(Effective as of January 1, 2019)**

1. **2019 Performance Periods and Performance Goals.** For the calendar year 2019, there are four quarterly Performance Periods, ending on March 31, June 30, September 30 and December 31, 2019 (each, a “2019 Performance Period”). For each of the four 2019 Performance Periods, there are two equally weighted (50% each) performance goals (each, a “2019 Performance Goal”): Revenue and Operating Margin (each as defined below). The chart below set forth the Revenue and Operating Margin Performance Goals for the four 2019 Performance Periods.

| 2019 Performance Period | Revenue Performance Goal<br>(in millions) | Operating Margin Performance Goal |
|-------------------------|---|-----------------------------------|
| Q1                      | \$199.5                                   | 8.1%                              |
| Q2                      | \$211.7                                   | 8.3%                              |
| Q3                      | \$227.3                                   | 9.6%                              |
| Q4                      | \$243.2                                   | 10.8%                             |

“Revenue” means as to each of the 2019 Performance Periods, the Company’s net revenues generated from third parties, including both services revenues and product revenues as defined in the Company’s Form 10-K filed for the calendar year ended December 31, 2018. Net revenue is defined as gross sales less any pertinent discounts, refunds or other contra-revenue amounts, as presented on the Company’s press releases reporting its quarterly financial results.

“Operating Margin” means as to each of the 2019 Performance Periods, the Company’s non-GAAP operating income divided by its Revenue. Non-GAAP operating income means the Company’s Revenues less cost of revenues and operating expenses, excluding the impact of stock-based compensation expense, amortization of acquisition related intangibles, legal settlement related charges and as adjusted for certain acquisitions, as presented on the Company’s press releases reporting its quarterly financial results.

2. **Funding of 2019 Bonus Pool.** Subject to the terms of the Plan, including but not limited to Section 3(d) of the Plan, following the end of each of the 2019 Performance Periods, the Committee will determine the extent to which each of the 2019 Performance Goals are achieved in accordance with the following guidelines.

- a. If the Company achieves Revenue in the 2019 Performance Period that is lower than the amount of Revenue expected by analyst consensus estimates after the Company has released its guidance for such 2019 Performance Period (“Revenue Floor”), the 2019 Bonus Pool related to the Revenue Performance Goal for such 2019 Performance Period will not fund.
  - b. If the Company achieves Operating Margin in the 2019 Performance Period that is lower than the Operating Margin expected by analyst consensus estimates after the Company has released its guidance for such 2019 Performance Period (“Operating Margin Floor”), the 2019 Bonus Pool related to the Operating Margin Performance Goal for such 2019 Performance Period will not fund.
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- c. If the Company achieves Revenue that is at least equal to the Revenue Floor, the 2019 Bonus Pool related to the Revenue Performance goal for the 2019 Performance Period will fund as follows based on the achievement relative to the applicable Performance Goal.

Revenue: For 100% of the Bonus Pool with respect to Revenue to fund, 100% to 101% of the Performance Goal for Revenue must be achieved. For each 0.5% of Revenue that is achieved above 101% of the Performance Goal for Revenue, the Bonus Pool with respect to Revenue will be increased by 5%, and for each 0.5% of Revenue that is achieved below 100% of the Performance Goal for Revenue, the Bonus Pool with respect to Revenue will be reduced by 5%.

- d. If the Company achieves Operating Margin that is at least equal to the Operating Margin Floor, the 2019 Bonus Pool related to the Operating Margin Performance goal for the 2019 Performance Period will fund as follows based on the achievement relative to the applicable Performance Goal.

Operating Margin: For 100% of the Bonus Pool with respect to Operating Margin to fund, 100% of the Performance Goal for Operating Margin must be achieved. For each 0.5% of Operating Margin that is achieved above the Performance Goal for Operating Margin, the Bonus Pool with respect to operating Margin will be increased by 5% (up to a maximum of 120%), and for each 0.5% of Operating Margin that is achieved below the Performance Goal for Operating Margin, the Bonus Pool with respect to Operating Margin will be reduced by 5%.

The chart below illustrates examples of the funding multiple that will apply to each Performance Goal.

| Performance Goal Achievement Revenue | 2019 Bonus Pool Funding Multiple for Revenue* | Performance Goal Achievement Operating Margin | 2019 Bonus Pool Funding Multiple for Operating Margin* |
|--------------------------------------|---|---|--|
| 97%                                  | .70x  | 1.5% below Goal                               | .85x   |
| 97.5%                                | .75x  | 1.0% below Goal                               | .90x   |
| 98%                                  | .80x  | 0.5% below Goal                               | .95x   |
| 98.5%                                | .85x  | At Goal                                       | 1.00x  |
| 99%                                  | .90x  | 0.5% above Goal                               | 1.05x  |
| 99.5%                                | .95x  | 1.0% above Goal                               | 1.10x  |
| 100% - 101%                          | 1.00x   | 1.5% above Goal                               | 1.15x  |
| 101.5%                               | 1.05x   | 2.0% above Goal                               | 1.20x  |
| 102%                                 | 1.10x   | --  | --   |
| 102.5%                               | 1.15x   | --  | --   |
| 103%                                 | 1.20x   | --  | --   |

\* "x" equals the target bonus amount at achievement of 100%-101% of the 2019 Performance Goal for Revenue, and equals the target bonus amount at achievement of 100% of the 2019 Performance Goal for Operating Margin. The lowest Funding Multiple for Revenue set forth above assumes that the achievement of the 2019 Performance Goal for Revenue is equal to at least the Revenue Floor required to fund the 2019 Bonus Plan. The maximum Funding Multiple for Operating Margin shall be 1.20x. There is no maximum Funding Multiple for Revenue.

#### Illustration

For example, if the Company achieves its Revenue at 101% of the 2019 Performance Goal for Revenue and achieves its Operating Margin at 1.3% above the 2019 Performance Goal for Operating Margin, the 2019 Bonus Pool will fund as to 106.5%, determined as follows:

- 50% on achievement of the Revenue 2019 Performance Goal (50% weighted target \* 1.00x)

- 56.5% on achievement of the Operating Margin 2019 Performance Goal (50% weighted target \* 1.13x)

3. **Timing of Bonus Payments.** Quarterly bonuses earned under this 2019 Bonus Plan shall be paid in the quarter following the quarter in which earned.



**SECOND AMENDMENT TO LEASE**

THIS SECOND AMENDMENT TO LEASE (this "Second Amendment") dated as of August \_\_, 2019 ("Effective Date") is entered into by and between TG BROTHERS, LLC, a California limited liability company ("Landlord") and RINGCENTRAL, INC., a Delaware corporation ("Tenant") with reference to the following:

**R E C I T A L S**

- A. Landlord and Tenant are parties to that certain Commercial Lease Agreement (C.A.R. Form CL, revised 12/15) dated for reference purposes only May 17, 2017 (the "Original Lease"), as amended by that certain First Amendment to Lease dated as of February \_\_, 2018 (the "First Amendment"), hereafter collectively referred to as the "Lease". Pursuant to the Lease, Tenant currently leases from Landlord that certain building located at 19 Davis Drive, Belmont, California ("Building"), as more particularly described in the Lease ("Premises").
- B. The term of the Lease is scheduled to expire on July 31, 2021 as indicated in Paragraph 2A of the Original Lease.
- C. The parties desire to amend the Lease in order to extend the term of the Lease and otherwise modify the Lease pursuant to the terms and conditions set forth below.

**A G R E E M E N T**

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree to further amend the Lease as follows:

- References.** All references to the "Lease" appearing in this Second Amendment, the First Amendment or in the Original Lease shall mean the Original Lease as amended by the First Amendment and this Second Amendment. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Lease.
- Extension of Term.** As of the Effective Date, the term of the Lease is hereby extended for seventeen (17) months (the "Extended Term") commencing as of August 1, 2021 (the "Extended Term Commencement Date"), and expiring on December 31, 2022 (the "Extended Term Expiration Date"), on the same terms and conditions as the Lease, except as set forth in this Second Amendment. All references in the Lease to "the term of the Lease" or any similar expression and to the termination date of the Lease shall be amended accordingly. [Landlord and Tenant hereby acknowledge and agree that any and all provisions of the Lease providing for an extension or renewal of the Term of the Lease are hereby deleted in their entirety and Tenant has no remaining options extend the Term of the Lease.] **[CONFIRM]**
- Monthly Base Rent.** Effective on the Extended Term Commencement Date and continuing through the Extended Term, Tenant shall pay Landlord Base Rent for the Premises in accordance with the following schedule:

| Period                  | Monthly Base Rent |
|-------------------------|-------------------|
| 08/1/2021 - 7/31/2022   | \$78,676.34       |
| 08/01/2022 - 12/31/2022 | \$81,036.63       |

- Security Deposit.** Landlord acknowledges that it currently holds a Security Deposit in the amount of Forty Five Thousand Seven Hundred Thirty Eight and No/100 Dollars (\$45,738.00) as security for the full and faithful performance by Tenant of its obligations under the Lease, and that no increase to the Security Deposit is required in consideration of this Second Amendment.
- Tenant Improvements.** Landlord agrees to provide Tenant with an allowance for the making of improvements to the roof and gutter of the Premises in accordance with the plans and specifications attached hereto as **Exhibit A**, or such other plans and specifications as may be reasonably approved by Landlord (the "Roof Project"). Tenant shall be responsible for the construction of the Roof Project. The parties shall mutually agree upon the schedule for performance of the Roof Project. Landlord will provide an allowance of Seventy One Thousand Forty Seven and No/100 Dollars

(\$71,047.00) (the "**Roof Allowance**") for the Roof Project, to be in the form of a credit against Base Rent. Tenant shall be entitled to a Base Rent credit equal to \$23,682.33 for each of the first three (3) months following completion of the Roof Project. Tenant agrees to pay for any costs of the Roof Project in excess of the Roof Allowance.

6. **No Brokers.** Each party hereby represents and warrants to the other party that neither party has entered into any agreement or taken any other action which might result in any obligation on the part of the other party to pay any brokerage commission, finder's fee or other compensation with respect to this Second Amendment and each party making this representation agrees to indemnify and hold the other party harmless from and against any losses, damages, costs or expenses (including, without limitation, attorneys' fees) incurred by reason of any breach or inaccuracy of such representation or warranty.
7. **Miscellaneous**
  - a. **Severability.** If any provision of this Second Amendment or the application of any provision of this Second Amendment to any person or circumstance is, to any extent, held to be invalid or unenforceable, the remainder of this Second Amendment or the application of that provision to persons or circumstances other than those as to which it is held invalid or unenforceable, will not be affected, and each provision of this Second Amendment will be valid and be enforced to the fullest extent permitted by law.
  - b. **Entire Agreement.** This Second Amendment contains all of the agreements of the parties hereto with respect to the matters contained herein, and no prior agreement, arrangement or understanding pertaining to any such matters shall be effective for any purpose. Except for any subsequent amendments or modifications to the Lease made in accordance with the terms thereof, any agreement made after the date of this Second Amendment is ineffective to modify or amend the terms of this Second Amendment, in whole or in part, unless that agreement is in writing, is signed by the parties to this Second Amendment, and specifically states that that agreement modifies this Second Amendment.
  - c. **Ratification.** Except as otherwise specifically herein amended, the Original Lease is and shall remain in full force and effect according to the terms thereof. In the event of any conflict between the Original Lease and this Second Amendment, this Second Amendment shall control.
  - d. **Attorneys' Fees.** Should either party institute any action or proceeding to enforce or interpret this Second Amendment or any provision thereof, for damages by reason of any alleged breach of this Second Amendment or of any provision hereof, or for a declaration of rights hereunder, the prevailing party in any such action or proceeding shall be entitled to receive from the other party all cost and expenses, including actual attorneys' and other fees, reasonably incurred in good faith by the prevailing party in connection with such action or proceeding. The term "attorneys' and other fees" shall mean and include attorneys' fees, accountants' fees, and any and all consultants' and other similar fees incurred in connection with the action or proceeding and preparations therefore. The term "action or proceeding" shall mean and include actions, proceedings, suits, arbitrations, appeals and other similar proceedings.
  - e. **Authority.** Each individual executing this Second Amendment on behalf of his or her respective party represents and warrants that he or she is duly authorized to execute and deliver this Second Amendment on behalf of said entity in accordance with the governing documents of such entity, and that upon full execution and delivery this Second Amendment is binding upon said entity in accordance with its terms.
  - f. **Counterparts.** This Second Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Second Amendment may be delivered in executed form by way of electronic mail and portable document format, the exchange of which shall be binding upon the parties hereto as if the parties had delivered a fully executed original Amendment.
  - g. **Electronic Signature Consent.** THE PARTIES HERETO CONSENT AND AGREE THAT THIS SECOND AMENDMENT MAY BE SIGNED AND/OR TRANSMITTED BY FACSIMILE, E-MAIL OF A .PDF DOCUMENT OR USING ELECTRONIC SIGNATURE TECHNOLOGY (E.G., VIA DOCUSIGN OR SIMILAR ELECTRONIC SIGNATURE TECHNOLOGY), AND THAT SUCH SIGNED ELECTRONIC RECORD SHALL BE VALID AND AS EFFECTIVE TO BIND THE PARTY SO SIGNING AS A PAPER COPY BEARING SUCH PARTY'S HAND WRITTEN SIGNATURE. THE PARTIES FURTHER CONSENT AND AGREE THAT (1) TO THE EXTENT A PARTY SIGNS THIS DOCUMENT USING ELECTRONIC SIGNATURE TECHNOLOGY, BY CLICKING "SIGN", SUCH PARTY IS SIGNING THIS SECOND AMENDMENT ELECTRONICALLY, AND (2) THE ELECTRONIC SIGNATURES APPEARING ON THIS SECOND AMENDMENT SHALL BE TREATED, FOR PURPOSES OF VALIDITY, ENFORCEABILITY AND ADMISSIBILITY, THE SAME AS HAND-WRITTEN SIGNATURES.

[Remainder of Page Blank; Signature Page Follows]

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IN WITNESS WHEREOF, this Second Amendment has been executed by the parties as of the Effective Date first referenced above.

**"LANDLORD"**

**TG BROTHERS, LLC,**

a California limited liability company

By: /s/ Joann Wu  
Name: Joann Wu  
Title: CEO

**"TENANT"**

**RingCentral, Inc.,**

a Delaware corporation

By: /s/ John Marlow  
Name: John Marlow  
Title: CAO

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EXHIBIT A

**Plans and Specifications for Roof and Gutter Improvements**

*[See attached]*

\*\*\*Certain information identified with brackets (\*\*\*\*\*) has been excluded from this exhibit because such information is both (i) not material and (ii) competitively harmful if publicly disclosed\*\*\*

**First Amended and Restated Framework Agreement**

This FIRST AMENDED AND RESTATED FRAMEWORK AGREEMENT (this "Agreement") is made and entered into as of February 10, 2020 (the "A&R Date") and effective as of October 3, 2019 and amends, restates and supersedes in its entirety the Framework Agreement entered into as of October 3, 2019 (such agreement, the "Original Agreement" and such date, the "Execution Date") by and between *RingCentral, Inc.*, a Delaware corporation ("RingCentral") and *Avaya Inc.*, a Delaware corporation ("Avaya") (each of RingCentral and Avaya, a "Party" and collectively the "Parties").

**Background:**

- A. RingCentral is a cloud communications provider;
- B. Avaya is a provider of unified communications and contact center solutions and services;
- C. RingCentral and Avaya Holdings Corp., a Delaware corporation ("Avaya Holdings") have entered into (i) an Investment Agreement, dated as of the Execution Date (as may be amended, modified, or supplemented from time to time, the "Investment Agreement"), pursuant to which, and subject to the terms and conditions thereof, RingCentral shall purchase, and Avaya Holdings shall sell to RingCentral, certain shares of Series A Convertible Preferred Stock, par value \$0.01 per share, of Avaya Holdings ("Avaya Series A Preferred Stock"), and (ii) an agreement, dated as of the Execution Date (as may be amended, modified or supplemented from time to time, the "Holdings Agreement"), pursuant to which Avaya Holdings agreed to issue the Shares (as defined below) pursuant to Section 5.4(h) and certain other restrictions in connection with the transactions contemplated by this Agreement;
- D. the Parties entered into the Original Agreement as part of a broader relationship among the Parties, including in connection with RingCentral's significant equity investment in Avaya Holdings, with the objective of RingCentral and Avaya efficiently commercializing an Offering (as defined below) with an enhanced Subject Functionality (as defined below) to complement their then-existing activities;
- E. the Parties now wish to make changes with respect to, among other things, certain representations made by Avaya; and
- F. the Parties have agreed to amend and restate the Original Agreement to reflect the foregoing changes.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements set forth in this Agreement, the Parties, intending to be legally bound, hereby agree as follows:

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1. **Definitions**

1.1 "**Affiliate**" means, with respect to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person. For purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of that Person, whether through the ownership of voting securities or partnership or other ownership interests, by Contract or otherwise at any time and for so long as such control exists.

1.2 "**Antitrust Law**" means the HSR Act and all other Laws that are designed or intended to prohibit, restrict or regulate actions, including transactions, acquisitions and mergers, having the purpose or effect of creating or strengthening a dominant position, monopolization, lessening of competition or restraint of trade.

1.3 "**Available**" means, with respect to a particular Location, that ACO is, in accordance with applicable Law in all material respects, commercially available in such Location for Sale to final end customers and licensees (it being understood that, as an example, "RingCentral Office" was, as of the Execution Date, Available in the U.S., Canada, United Kingdom, France, Australia, and the Netherlands).

1.4 "**Avaya Certificate of Designations**" means that certain Certificate of Designations of Series A Convertible Preferred Stock of Avaya Holdings, as amended.

1.5 "**Avaya Cloud Office by RingCentral**" or "**ACO**" means the Offerings developed pursuant to the terms of the Development Agreement and referred to in the Development Agreement as an "MVP".

1.6 "**Avaya Common Stock**" means shares of Common Stock, par value \$0.01 per share, of Avaya Holdings.

1.7 "**Avaya Customer**" means each final end customer or licensee that purchases, licenses or otherwise receives any Avaya Services from Avaya or any of its Subsidiaries, directly or through the Avaya Channel.

1.8 "**Avaya Endpoint**" means an endpoint hardware device Sold by Avaya or any of its Subsidiaries and configured to facilitate communications. Avaya Endpoints include all Avaya and Avaya Subsidiary tablets, telephones, headsets, huddle room and conference room devices, and any other Avaya and Avaya Subsidiary endpoint hardware devices or similar devices.

1.9 "**Avaya Services**" means all Offerings that are Sold by Avaya or by any Avaya Subsidiary, directly or through the Avaya Channel.

1.10 "**Blackout Period**" has the meaning set forth in the Stockholder Agreement.

1.11 "**Business Day**" means any day except a Saturday, a Sunday or other day on which the SEC or banking institutions in New York, New York or San Francisco, California are authorized or required by law, regulation or executive order to be closed.

1.12 "**CCaaS**" means any Offering of Avaya or any of its Affiliates that is primarily designed to be used as, and for which the primary function is to provide or support, call center functionality (including Contact Center as a Service).

1.13 "**Change of Control**" of a Party means any transaction or series of related transactions involving: (i) any direct or indirect purchase or other acquisition by any Person not Affiliated with such Party (such a Person, a "**Third Party**") or the equityholders of such Third Party, whether from such Party or any other Person(s), of securities representing more than 50% of the total outstanding voting power of such Party after giving effect to the consummation of such purchase or other acquisition, including pursuant to a tender offer or exchange offer by any Third Party that, if consummated in accordance with its terms, would result in such Third Party beneficially owning more than 50% of the total outstanding voting power of such Party after giving effect to the consummation of such tender or exchange offer, (ii) any direct or indirect purchase or other acquisition by, or license or grant of other quasi-ownership or similar interest to, any Third Party or the equityholders of such Third Party of, in, or to more than 50% of (a) the consolidated assets or (b) consolidated revenues, in each case, of such Party and its Subsidiaries taken as a whole (measured by the fair market value thereof as of the date of such purchase or acquisition); or (iii) any merger, consolidation, business combination, recapitalization, reorganization, or other transaction involving such Party or any of its Subsidiaries pursuant to which any Third Party would hold securities representing more than 50% of the total outstanding voting power of such Party or of the surviving or resulting entity of such transaction after giving effect to the consummation of such transaction.

1.14 "**Channel**" means, with respect to Avaya and RingCentral, respectively, each agent, master-agent, sub-agent, representative, contractor, consultant, referrer, reseller, partner, distributor or any other Person that refers, sells, resells, licenses, transfers, or otherwise provides Offerings of Avaya or RingCentral, as applicable, or of a Subsidiary of such Party. For avoidance of doubt, agents and subagents of Avaya under the Super Master Agent Agreement are part of the Avaya Channel.

1.15 "**Channel Compensation**" means certain compensation to be paid by RingCentral in accordance with the Super Master Agent Agreement, which compensation Avaya or one of its Affiliates is, legally or contractually, obligated to pay to the Avaya Channel.

- 1.16 “Cloud Model” has the meaning ascribed to it in the definition of Subject Functionality.
- 1.17 “Contract” means any written or oral contract, subcontract, note, bond, mortgage, indenture, lease, license, sublicense, or other agreement, understanding, or arrangement.
- 1.18 “CPaaS” has the meaning ascribed to it in the definition of Subject Functionality.
- 1.19 “Deployable” means, with respect to a particular Location, that ACO is, in accordance with applicable Law in all material respects, available in such Location for deployment to final end customers and licensees in connection with a Sale thereof in the Territory (it being understood that, as an example, “RingCentral Office” was, as of the Execution Date, Deployable in at least forty (40) countries (including Germany, Hong Kong, and Singapore) in connection with a Sale thereof in the United States and was, as of the Execution Date, deployed in such countries as “RingCentral Global Office”).
- 1.20 “Development Agreement” means a Development Agreement substantially in the form attached hereto as Exhibit A.
- 1.21 “Effective Date” means the Closing Date (as defined in the Investment Agreement).
- 1.22 “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.
- 1.23 “Extended Territory” means any and all Locations outside of the Territory in which ACO is Deployable, in the case of each such Location, effective ninety (90) days after the date that ACO becomes Deployable in such Location, provided that RingCentral has provided Avaya with at least ninety (90) days’ notice prior to the date that ACO is or will be so Deployable in such Location (where such notice is given by RingCentral solely where RingCentral has a reasonable expectation that ACO will be made Deployable in such Location within ninety (90) days after the provision of such notice); provided, however, that if a Location is both in the Territory and in the Extended Territory, it shall be deemed to be in the Territory (and not in the Extended Territory) for all purposes under this Agreement.
- 1.24 “Governmental Entity” means any government, political subdivision, governmental, administrative, self-regulatory or regulatory entity or body, department, commission, board, agency or instrumentality, or other legislative, executive or judicial governmental entity, and any court, tribunal, judicial or arbitral body, in each case whether federal, national, state, county, municipal, provincial, local, foreign or multinational.
- 1.25 “Holder” means Avaya or RingCentral, as applicable, in its capacity as a recipient and holder of RingCentral Common Stock, in the case of Avaya, or Avaya Common Stock or Avaya Series A Preferred Stock, in the case of RingCentral.
- 1.26 “HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.
- 1.27 “Insolvency Event” means, with respect to a Party, that such Party or any of its Subsidiaries comprising more than 50% of such Party’s consolidated assets (i) becomes the subject of a bankruptcy or insolvency proceeding (including any proceeding under Title 11 of the United States Code or other applicable Law concerning bankruptcy, insolvency, liquidation, dissolution, or creditors rights), (ii) has had a receiver, manager, receiver and manager, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it or has called a meeting of its creditors or (iii) admits in writing to a third party its inability to pay its debts as they become due.
- 1.28 “Investor Rights Agreement” means an agreement entered into by RingCentral and Avaya Holdings on or about the Effective Date which provides for certain rights and obligations of Avaya Holdings and RingCentral following the Effective Date.
- 1.29 “[\*\*\*\*\*]” has the meaning ascribed to it in the definition of Subject Functionality.
- 1.30 “Issuer” means Avaya Holdings or RingCentral, as applicable, in its capacity as an issuer of Avaya Common Stock or Avaya Series A Preferred Stock, in the case of Avaya Holdings, or RingCentral Common Stock, in the case of RingCentral.
- 1.31 “Law” means any federal, national, state, county, municipal, provincial, local, foreign or multinational, treaty, statute, constitution, common law, ordinance, code, decree, order, judgment, rule, regulation, ruling, published policy or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Entity and any award, order or decision of an arbitrator or arbitration panel with jurisdiction over the Parties and subject matter of the dispute.
- 1.32 “Location” means a country or special administrative region of a country (e.g., Hong Kong with respect to China).
- 1.33 “Market” (including, with correlative meanings, the terms “Marketed” and “Marketing”) means, with respect to an Offering, the marketing, promotion, advertising, or offering for Sale of such Offering.
- 1.34 “Multi-Tenant” means any deployment of software and supporting infrastructure that is not Single-Tenant.

- 1.35 "Offering" means any product, component, feature, application, module, system, portal, software, hardware, service, platform, technology, or other offering.
- 1.36 "Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or Governmental Entity, other entity, or any syndicate or group that would be deemed to be a Person under Section 13(d)(3) of the Exchange Act.
- 1.37 "Registration Rights Agreement" means a Registration Rights Agreement in substantially the form attached hereto as Exhibit B.
- 1.38 "Representatives" means, with respect to a Person, such Person's Subsidiaries and the directors, managers, members, officers, employees, agents, contractors, subcontractors, or other representatives of such Person and its Subsidiaries.
- 1.39 "Retail UCaaS" has the meaning ascribed to it in the definition of Subject Functionality.
- 1.40 "RingCentral Common Stock" means the Class A Common Stock, par value \$0.0001 per share, of RingCentral.
- 1.41 "RingCentral Customer" means each final end customer or licensee that directly or indirectly purchases, licenses or otherwise receives any RingCentral Services from RingCentral or any RingCentral Affiliate.
- 1.42 "RingCentral Services" means all Offerings that are Sold directly or indirectly by RingCentral or any RingCentral Affiliate. The RingCentral Services shall, with respect to a particular Location, automatically include ACO when it first becomes Available in such Location.
- 1.43 "Rules of Engagement" means those certain Rules of Engagement attached to the Super Master Agent Agreement, which is a part of and incorporated into the Super Master Agent Agreement.
- 1.44 "SEC" means the United States Securities and Exchange Commission.
- 1.45 "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.
- 1.46 "Sell" (including, with correlative meanings, the terms "Sale", "Sold", and "Selling") means, with respect to an Offering, the sale, resale, license, or other provision of such Offering, whether by way of migration, a new purchase, or otherwise.
- 1.47 "Shares" means shares of RingCentral Common Stock, Avaya Common Stock, or Avaya Series A Preferred Stock, as applicable.
- 1.48 "Single-Tenant" means the deployment of a single instance of software and supporting infrastructure that is dedicated to a single customer or licensee with a single billing relationship between the provider or licensor, on the one hand, and the customer or licensee, on the other hand.
- 1.49 "Stockholder Agreement" means a Stockholder Agreement in substantially the form attached hereto as Exhibit C.
- 1.50 "Storefront Portal" means an online electronic commerce portal owned and operated by Avaya that allows Avaya Customers to purchase, license or otherwise order Offerings from Avaya, any of its Affiliates, or from the Avaya Channel.
- 1.51 "Subject Functionality" means any [\*\*\*\*\*] that, taken as a whole, is primarily designed to be used as, or has as its primary function to provide, an alternative to, or [\*\*\*\*\*], and which functionality is both (i) run over the Internet on a physical server(s), container(s), or virtual machine(s), in each case, maintained and controlled offsite ("Cloud Model"), and (ii) deployed in a [\*\*\*\*\*] manner.
- (a) For the avoidance of doubt, without limiting the definition of Subject Functionality, for the purposes of this Agreement, the [\*\*\*\*\*] ("[\*\*\*\*\*]") and the [\*\*\*\*\*] Offering sold through the Storefront Portal ("Retail UCaaS"), as they exist on the Effective Date or as may be further developed, improved, extended, rebranded, or otherwise modified by Avaya during the Term, shall be deemed to include Subject Functionality.
- (b) Notwithstanding the foregoing, and for the avoidance of doubt, Subject Functionality shall be deemed to exclude any Offering that is or is in one or more of the following:
- (i) CCaaS;
- (ii) "Avaya Spaces" Offering, "Avaya XCaaS" Offerings ("XCaaS"), "Avaya IX Workplace" Offerings (excluding the Retail UCaaS product, but including Avaya's "IX Meetings", "IX Collaboration", and "IX Devices" Offerings), "Avaya Mobile Experience" Offering, or Communications Platform as a Service ("CPaaS")



Offerings, in each case, together with any developments, improvements, extensions, rebranded versions, or modifications with respect thereto;

(iii) "Avaya Equinox", "Avaya Aura", or "Avaya ReadyNow" (i.e., a hosted "Aura" Offering) Offerings, in each case, where (A) deployed in a Single-Tenant manner (whether or not running on a Cloud Model), (B) deployed in a Multi-Tenant manner and not running on a Cloud Model, or (C) deployed in a Multi-Tenant manner by a single customer or licensee with a single billing relationship with Avaya or any of its Affiliates and a single point of administration, in each case, together with any developments, improvements, extensions, rebranded versions, or modifications with respect thereto except to the extent any such development, improvement, extension, rebranded versions, or modification results in such applicable Offering being both deployed in a Multi-Tenant manner and run on a Cloud Model (except as specifically permitted in clause (C) above); or

(iv) SIP trunking.

1.52 "Subsidiary" means, with respect to any Person, any other Person (other than a natural Person) of which securities or other ownership interests (i) having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions or (ii) representing more than 50% of such securities or ownership interests, in each case, are at the time directly or indirectly beneficially owned by such first Person.

1.53 "Super Master Agent Agreement" means a Super Master Agent Agreement in substantially the form attached hereto as Exhibit D.

1.54 "Taxes" means any federal, state, local or non-U.S. taxes, including sales and use taxes, transaction privilege taxes, gross receipts taxes, income taxes, business and occupation taxes, social security taxes, payroll taxes, employment taxes, estimated taxes, real property taxes, stamp taxes, franchise taxes, transfer taxes, value added taxes, withholding taxes, unemployment taxes, and other similar charges in the nature of tax such as duties, customs, tariffs, imposts, and government-imposed surcharges (including any fee, assessment, or other charge relating to the Universal Service Fund or similar vehicle or system of subsidies and fees managed by the Federal Communications Commission or other Governmental Entity) imposed by any Governmental Entity, together with any interest, penalties and additions to tax imposed thereon.

1.55 "Territory" means any and all Locations in which ACO is Available, in the case of each such Location, effective ninety (90) days after the date that ACO first becomes Available in such Location, provided that RingCentral has provided Avaya with at least ninety (90) days' notice prior to the date that ACO is or will be so Available in such Location (where such notice is given by RingCentral solely where RingCentral has a reasonable expectation that ACO will be made Available in such Location within ninety (90) days after the provision of such notice).

1.56 "U.S." means the United States of America.

1.57 "Unified Communications Offering" means any unified communications Offering that both (i) uses a Cloud Model, and (ii) is deployed in a Multi-Tenant manner, which, for the avoidance of doubt, shall not include any Offering that is primarily designed to be used as, and for which the primary function is to provide or support, call center functionality (including Contact Center as a Service).

1.58 "Unit" means, with respect to any Offering, an individual license or user seat, or other unit, as applicable, with respect to such Offering.

## 2. Commercial Relationship

2.1 **Super Master Agent Agreement.** RingCentral and Avaya shall enter into the Super Master Agent Agreement on the Effective Date, including the Rules of Engagement.

2.2 **Exclusivity.** Except as expressly authorized in writing by RingCentral or otherwise provided in this Agreement, during the Term, (i) ACO shall be the sole and exclusive Offering for Subject Functionality Marketed or Sold by Avaya (and Avaya shall cause ACO to be the sole and exclusive Offering for Subject Functionality Marketed or Sold by its Subsidiaries) throughout the Territory and the Extended Territory and (ii) in connection therewith, Avaya shall not, and shall cause its Subsidiaries not to:

(a) directly or indirectly Market or Sell any other Offering with Subject Functionality, or establish, engage in, conduct, or operate any business that Markets or Sells any other Offering with Subject Functionality, whether on its own, together with its Subsidiaries, or through the Avaya Channel, in the Territory or Extended Territory, in each case, other than in a de minimis manner;

(b) form a joint venture with, or enter into a Contract for a strategic transaction, strategic partnership, or strategic relationship with, any of the Persons set forth on Schedule J or any successor to any such Person's business (which Schedule J may be updated by mutual agreement of Avaya and RingCentral on an annual basis, it being understood that neither Avaya nor RingCentral shall unreasonably withhold, condition, or delay its consent with respect thereto (each such Person set forth on Schedule J, as updated from time to time, a "Relevant Company")), to the extent it is for the Marketing, Sale, or strategic

development of or with respect to any Offering of a Relevant Company (as such Offering exists as of, and with respect to Persons that are Relevant Companies as of, the commencement of such joint venture, transaction, partnership, or relationship) that is directly competitive with one or more of RingCentral's proprietary or core RingCentral-branded Unified Communications Offerings in existence as of the commencement of such joint venture, transaction, partnership, or relationship and that are commercially Available or Deployable to final end customers and licensees within the Territory or Extended Territory, respectively (in each case, determining Territory and Extended Territory as if such Offerings were ACO), provided that,

(I) this clause (b) shall not prohibit (x) a Change of Control of Avaya Holdings or any of its Affiliates, (y) upon the request of customer or licensee, Avaya of any of its Affiliates from integrating any Avaya Service with, or otherwise making any Avaya Service compatible with, any Offering of the sixth Person set forth on Schedule 1 (which shall include through public application programming interfaces) to enhance such Avaya Service (provided, that, Avaya shall not (and shall cause its Subsidiaries not to) Market any such integration (excluding, for the avoidance of doubt, listings of product specifications)), or (z) Avaya or any of its Affiliates from forming a joint venture with, or entering into a Contract for a strategic transaction, strategic partnership, or strategic relationship with, any Relevant Company to the extent it is for the Marketing or Sale of or with respect to CCaaS, and

(II) for the avoidance of doubt, for purposes of determining whether the Marketing or Sale of or with respect to an Offering of a Person is directly competitive with one or more of the proprietary or core RingCentral-branded Unified Communications Offerings of RingCentral (but excluding any Offerings of any successor thereto) under this clause (b), such determination shall not include the Offerings of any Person that acquires or is acquired by RingCentral that are in existence as of or prior to such acquisition;

(c) acquire any debt or equity interest in any Relevant Company, provided that this clause (c) shall not prohibit a Change of Control of Avaya Holdings or any of its Affiliates;

(d) acquire or license any assets for the purpose of establishing, engaging in, conducting, or operating the business of Marketing or Selling any other Offering with Subject Functionality during the Term in the Territory or the Extended Territory, in each case, other than de minimis assets in connection therewith; or

(e) customize any of the "open SIP" Avaya Endpoints for the purpose of being compatible with the Offerings as of the date of such customization of any Person that is a Relevant Company as of the date of such customization; provided, however, that nothing herein shall restrict or otherwise impact Avaya's or any of its Subsidiaries' ability to maintain "open SIP" standard certification in accordance with their customary certification processes in the ordinary course of business consistent with past practice (which, for purposes of clarity, may require Avaya or its Subsidiaries to configure such Avaya Endpoints to become certified to standards publicly maintained by the second Person set forth on Schedule 1).

Notwithstanding the foregoing, the Parties hereby agree that:

(i) Avaya and its Subsidiaries may act under, and subject to the terms and conditions of, the Super Master Agent Agreement, as an agent with respect to RingCentral Services as contemplated thereunder, including ACO when it becomes Available; and

(ii) Avaya and its Subsidiaries may, on their own, together with their Affiliates, or through the Avaya Channel, do any of the following:

A. solely with respect to [\*\*\*\*\*] and solely in the Extended Territory (and the Parties agree that [\*\*\*\*\*] shall be an exception to ACO being the sole and exclusive Offering with Subject Functionality in the Extended Territory as provided in this Section 2.2), engage in any activity that would otherwise be prohibited by this Section 2.2;

B. with respect to a Location in the Territory or the Extended Territory, for Contracts in existence as of the date that the applicable Location became part of the Territory or Extended Territory, respectively:

I. provide support, and take actions to fulfill Avaya's or any of its Affiliates' obligations thereunder, in respect of Avaya Services (including [\*\*\*\*\*] and [\*\*\*\*\*]) (it being understood that neither Avaya nor any of its Affiliates shall be permitted to amend, modify, or renew any such Contract to the extent such amendment, modification or renewal would extend the term thereof); and

II. fulfill any Person's or any of its Affiliates' requests to Sell to any of them additional Units of any Avaya Services for which any Units of such Avaya Service were Sold to such Person or any of its Affiliates prior to such date, in each case, only for the remainder of the term of such Contract (it being understood that neither Avaya nor any of its Affiliates shall be permitted to

amend, modify, or renew any such Contract to the extent such amendment, modification or renewal would extend the term thereof);

C. solely with respect to the [\*\*\*\*\*] Offering solely within [\*\*\*\*\*] for so long as [\*\*\*\*\*] is not in the Territory, engage in any activity that would otherwise be prohibited by this Section 2.2;

D. elect to [\*\*\*\*\*] or [\*\*\*\*\*] each of [\*\*\*\*\*], [\*\*\*\*\*], and [\*\*\*\*\*], in which case Avaya Holdings and its Subsidiaries (including Avaya) may [\*\*\*\*\*] and continue to [\*\*\*\*\*] (and engage in, conduct, and operate a business in connection therewith) [\*\*\*\*\*] of such Avaya Service;

E. with respect to FedRamp certification requirements,

I. for so long as ACO is not FedRamp certified to the certification level requested by a particular Person, Market and Sell to such Person any Avaya Service with Subject Functionality that is FedRamp certified to such certification level;

II. in respect of such Avaya Service with Subject Functionality, provide support, and take actions to fulfill Avaya's or any of its Affiliates' Contracts in effect as of such date that ACO becomes FedRamp certified to the applicable certification level; and

III. fulfill any Person's or any of its Affiliates' requests to Sell to any of them additional Units of such Avaya Service with Subject Functionality for which any Units of such Avaya Service were Sold to such Person or any of its Affiliates prior to such date that ACO becomes FedRamp certified to the applicable certification level;

F. with respect to Governmental Entities,

I. for so long as, with respect to a particular Governmental Entity, (1) ACO does not comply with applicable technical or contractual requirements of such Governmental Entity or (2) RingCentral is not otherwise authorized to Market or Sell to such Governmental Entity due to the lack of an approved contracting vehicle or absence of approved vendor or related contracting authority, Market and Sell Avaya Services with Subject Functionality to such Governmental Entity;

II. in respect of such Avaya Services with Subject Functionality, provide support, and take actions to fulfill Avaya's or any of its Subsidiaries' Contracts in effect as of such date (the "Governmental Trigger Date") that (1) ACO complies with applicable technical and contractual requirements of such Governmental Entity and (2) RingCentral is permitted to Market and Sell to such Governmental Entity with all necessary approvals and contracting authority; and

III. fulfill any Person's or any of its Affiliates' requests to Sell to any of them additional Units of such Avaya Services with Subject Functionality for which any Units of such Avaya Service were Sold to such Person or any of its Affiliates prior to the applicable Governmental Trigger Date;

G. purchase, license, develop, or use Offerings with Subject Functionality for internal administrative purposes, provided that Avaya shall, and shall cause its Subsidiaries to, as applicable, first discuss and evaluate with RingCentral the potential purchase or license of ACO for such internal administrative purposes; and

H. engage in any conduct required by an order of a Governmental Entity with competent jurisdiction.

2.3 Certain Requirements.

(a) Efforts to Marketing and Sale of ACO. Once ACO is Available in a particular Location in the Territory:

(i) Avaya shall, and shall cause its Subsidiaries to, use reasonable best efforts to (and to cause the Avaya Channel to) Market and Sell ACO to all Avaya Customers utilizing any Offering with Subject Functionality (including all [\*\*\*\*\*] and all [\*\*\*\*\*]), but excluding such Avaya Customers utilizing any [\*\*\*\*\*], which customers are governed by Section 2.3(a)(ii), in such Location;

(ii) without limiting the foregoing, Avaya shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to (and to cause the Avaya Channel to) Market and Sell ACO to all other Avaya Customers (including those utilizing the [\*\*\*\*\*] Offering, the [\*\*\*\*\*] Offering, and [\*\*\*\*\*]) in such Location; and

(iii) RingCentral and its Affiliates shall not (and shall cause the RingCentral Channel not to) undertake to Sell ACO to any Person without Avaya's prior written consent.

(b) Other Avaya Requirements. Avaya shall not, and shall cause its Subsidiaries not to, take any action or omit to take any action, and shall not direct any other Representative to take any action or omit to take any action, that would directly disincentivize the Marketing or Sale of ACO to the benefit of any other Avaya Services that are designed to provide functionality substantially similar to ACO, taken as a whole, including to the benefit of Avaya's on-premise and private cloud Offerings, including [\*\*\*\*\*], "[\*\*\*\*\*]," "[\*\*\*\*\*]", and the "[\*\*\*\*\*]" [\*\*\*\*\*] Offerings. Without limiting the foregoing, Avaya shall, and shall cause its Subsidiaries:

(i) not to take any action or omit to take any action, and shall not direct any Representative or the Avaya Channel to take any action or omit to take any action, with respect to any rate of sales commissions or Avaya Channel compensation that is intended to directly disincentivize the Marketing or Sale of ACO to the benefit of any Avaya Services that are designed to provide functionality substantially similar to ACO, taken as a whole, including to the benefit of Avaya's on-premise and private cloud Offerings that are so designed, including "[\*\*\*\*\*]" "[\*\*\*\*\*]" ([\*\*\*\*\*]), and the "[\*\*\*\*\*]" [\*\*\*\*\*] Offerings;

(ii) not to provide a lower sales compensation rate or channel spiffs for ACO as compared to any Avaya Services that are designed to provide functionality substantially similar to ACO, taken as a whole (e.g., "[\*\*\*\*\*]", "[\*\*\*\*\*]" ([\*\*\*\*\*]), and "[\*\*\*\*\*]" Offerings) (it being understood that this clause (ii) shall not be applicable to CCaaS); *provided* that, nothing in this Section 2.3(b) shall restrict Avaya or any of its Subsidiaries from increasing or reducing incentives or rebates with respect to ACO from time to time so long as incentives and rebates on ACO are on parity with or better than those offered with respect to Avaya Services that are designed to provide functionality substantially similar to ACO, taken as a whole;

(iii) to maintain and implement a reasonable sales compensation and commission plan with respect to ACO, which plan shall set forth in detail such sales compensation and commissions, including with respect to the Avaya Channel and Avaya's salespersons, and shall otherwise be subject to RingCentral's reasonable review and comment, and shall promptly provide to RingCentral any updates thereto;

(iv) to maintain and implement a sales and marketing plan for the Territory that is specific for ACO (the "Avaya ACO Sales and Marketing Plan"), which Avaya ACO Sales and Marketing Plan shall contemplate an overlay sales team dedicated to ACO and a marketing plan with respect to ACO, which overlay sales team and Avaya ACO Sales and Marketing Plan shall be reasonable after taking into consideration the size of the addressable market for ACO, including the install base of Avaya and its Subsidiaries, as reasonably determined by Avaya, and which Avaya ACO Sales and Marketing Plan shall be subject to RingCentral's reasonable review and comment, and Avaya shall promptly provide to RingCentral any updates thereto; and

(v) in the Territory, to ensure that their main websites and the Storefront Portal shall Market ACO at least as prominently and positively in the ordinary course of business, and in all material respects, as each Avaya Service (which Avaya Service is designed to have substantially similar functionality as ACO, taken as a whole) then-currently Marketed on such websites and the Storefront Portal in the ordinary course of business.

Nothing in this Section 2.3(b) shall require Avaya or any other Person to breach any Contract existing as of the Execution Date or limit Avaya's or any of its Subsidiaries' ability to independently and unilaterally determine, change, or otherwise set the price or alter any other economic terms for any Avaya Service.

(c) Other RingCentral Requirements. RingCentral shall, and shall cause its Subsidiaries:

(i) not to take any action or omit to take any action, and shall not direct any other Representative or the RingCentral Channel to take any action or omit to take any action, with respect to any rate of sales commissions or RingCentral Channel compensation that is intended to directly disincentivize the Marketing or Sale of ACO to the benefit of other RingCentral Services that are designed to provide functionality substantially similar to ACO, taken as a whole;

(ii) to maintain and implement a budget specific to an overlay sales team dedicated to ACO (the "RingCentral Overlay Sales Team" and such budget, the "RingCentral Overlay Sales Budget"), which RingCentral Overlay Sales Team and RingCentral Overlay Sales Budget shall be reasonable after taking into consideration the size of the addressable market for ACO, including the install base of Avaya, as reasonably determined by RingCentral, and

which RingCentral Overlay Sales Budget shall be subject to Avaya's reasonable review and comment; and RingCentral shall promptly provide to Avaya any updates thereto; and

(iii) from time to time, as reasonably requested by Avaya, to provide certain training, consulting, and other professional services in connection with ACO and the Marketing, Sale, and support thereof (the "RingCentral Consulting Services").

Nothing in this Section 2.3(e) shall require RingCentral or any other Person to breach any Contract existing as of the Effective Date.

(d) [\*\*\*\*\*]. In the event Avaya or any of its Subsidiaries [\*\*\*\*\*] any of Avaya's [\*\*\*\*\*], [\*\*\*\*\*], [\*\*\*\*\*], [\*\*\*\*\*] ([\*\*\*\*\*]), [\*\*\*\*\*], or [\*\*\*\*\*] Offerings, and upon Avaya's written request and subject to Avaya's cooperation and sharing of all information reasonably requested by RingCentral, [\*\*\*\*\*] (determined by RingCentral in its sole discretion), RingCentral and Avaya will use commercially reasonable efforts [\*\*\*\*\*]. In such event, the Parties will engage in good faith discussions regarding such [\*\*\*\*\*] in connection therewith.

(e) Endpoints. (i) Avaya shall use its commercially reasonable efforts to cause (x) the Avaya Endpoints existing as of the Effective Date to be, as soon as reasonably practicable following the Effective Date, and (y) future Avaya Endpoints to be, at all times prior to such Avaya Endpoints being Sold, in each case, compatible with ACO and the other RingCentral Services, and (ii) RingCentral shall use its commercially reasonable efforts to cause (x) the RingCentral Services existing as of the Effective Date to be, as soon as reasonably practicable following the Effective Date, and (y) future RingCentral Services to be, at all times prior to the RingCentral Services being Sold, in each case, compatible with the Avaya Endpoints. To the extent an Avaya Endpoint and the RingCentral Services are so compatible, RingCentral shall offer such Avaya Endpoint as part of its and its Subsidiaries' product catalogs at least as prominently and positively in the ordinary course of business, in all material respects, as any other RingCentral Offering that is designed to provide substantially similar functionality (taken as a whole) and is then-currently Marketed in such product catalogs in the ordinary course of business. Each Party acknowledges that the other Party's performance of its obligations under this Section 2.3(e) depends on such Party's compliance with this Section 2.3(e) and timely, accurate and effective delivery of all information to make the Avaya Endpoints compatible with ACO, and the other RingCentral Services compatible with the Avaya Endpoints, including such information, cooperation, and assistance reasonably required by either Party. Each Party further acknowledges and agrees that its failure to satisfy any such responsibilities may prevent or delay the other Party's performance of its obligations under this Section 2.3(e). The Parties agree to work together in good faith to develop a mutually agreed process pursuant to which Avaya will sell to RingCentral certain Avaya Endpoints on commercially favorable terms.

3. **Development of ACO.** RingCentral, Avaya, and Avaya Management L.P. shall enter into the Development Agreement on the Execution Date.

4. **Project Management**

4.1 **Project Managers and Product Managers.** Each Party shall appoint a principal point of contact for this Agreement to be its project manager (the "Project Manager") for management and implementation of the commercial relationship contemplated by this Agreement and a product manager (the "Product Manager") for management of the product development activities of ACO (RingCentral's and Avaya's Product Manager may be the same person who is RingCentral's or Avaya Management L.P.'s Development Manager (as defined in the Development Agreement), respectively). For the avoidance of doubt, no person shall be appointed as Project Manager or Product Manager whose primary job function is to provide substantial and direct day-to-day supervision of an Offering other than ACO (it being understood that a person that has general supervisory authority over multiple Offerings of a Party shall not be prohibited from being a Project Manager or Product Manager, so long as such Person complies with the Rules of Engagement). Each Party may change its Project Manager or Product Manager at any time by notifying the other Party in writing. Each Party shall be solely responsible for the performance of its Project Manager and Product Manager under this Agreement. Each Party's Project Manager shall coordinate with its Product Manager.

4.2 **Project Manager Responsibilities.** Each Party's Project Manager shall manage that Party's activities under this Agreement, understand the obligations of that Party under this Agreement, regularly discuss work progress with the other Party's Project Manager, and collaborate with the other Party's Project Manager to identify barriers to success, key issues and issues-resolution options for the activities contemplated in this Agreement. The Project Managers shall hold regular status meetings with additional relevant representatives of each Party to discuss progress.

4.3 **Product Manager Responsibilities.** Each Party's Product Manager shall manage such Party's product development activities under the Development Agreement with respect to ACO, understand the obligations of RingCentral and

Avaya Management L.P., respectively, under the Development Agreement with respect to ACO, regularly discuss work progress with the other Party's Product Manager with respect to ACO, and collaborate with the other Party's Product Manager to identify barriers to success, key issues and issues-resolution options for the activities contemplated in this Agreement and the Development Agreement with respect to ACO. The Product Managers shall hold regular status meetings with additional relevant representatives of each Party to discuss progress of the development of ACO.

4.4 **Quarterly Executive Reviews.** Throughout the Term, RingCentral and Avaya shall meet and confer in person for a quarterly review meeting that shall be attended by the Chief Executive Officer of each such Person and at least one other executive of each of such Person who is knowledgeable about the transactions contemplated by this Agreement and the Super Master Agent Agreement (this group being defined herein as the "Governance Committee"). The Governance Committee shall discuss, among other things, the Parties' present and future relationship, the addressable market and the go-to-market strategy for ACO, and any other material issue reasonably requested in a written notice delivered at least five (5) Business Days prior to such quarterly review meeting. In addition, during the Term, the Governance Committee shall have monthly update conference calls.

4.5 **Guidelines.** The Parties shall, promptly following the Execution Date, work in good faith to establish antitrust guidelines and protocols for their Project Managers, Product Managers, Chief Executive Officers, and other designated executives referenced in this Section 4.

**5. Payments**

**5.1 Certain Defined Terms.**

(a) "[\*\*\*]" means, with respect to [\*\*\*\*\*] (i) [\*\*\*\*\*] (ii) the [\*\*\*\*\*] (it being understood that the foregoing [\*\*\*\*\*] is an [\*\*\*\*\*] that is [\*\*\*\*\*] or any of its Affiliates and, solely for purposes of this definition of [\*\*\*], the [\*\*\*\*\*] need not be actually be [\*\*\*\*\*] or any of its Affiliates at the [\*\*\*\*\*]).

(b) "AVYA 5-day VWAP" means, with respect to a referenced date, the volume weighted average price per share rounded to four decimal places (with amounts 0.00005 and above rounded up) of the Avaya Common Stock on the New York Stock Exchange (or, if different, the principal trading market for such security) for five (5) consecutive trading days ending on the last full trading day before such referenced date as reported by Bloomberg.

(c) "AVYA 20-day VWAP" means, with respect to a referenced date, the volume weighted average price per share rounded to four decimal places (with amounts 0.00005 and above rounded up) of the Avaya Common Stock on the New York Stock Exchange (or, if different, the principal trading market for such security) for twenty (20) consecutive trading days ending on the last full trading day before such referenced date as reported by Bloomberg.

(d) "[\*\*\*]" means, with respect to [\*\*\*\*\*], the [\*\*\*\*\*] (or, if [\*\*\*\*\*], the [\*\*\*\*\*] attributable to such [\*\*\*\*\*] (and, for the avoidance of doubt, any [\*\*\*\*\*]; provided that, for the avoidance of doubt, (i) [\*\*\*] shall exclude

[\*\*\*\*\*] (B) [\*\*\*\*\*] (C) [\*\*\*] and (D) [\*\*\*\*\*] and (ii) [\*\*\*]

[\*\*\*\*\*] that RingCentral or any of its Affiliates intends to [\*\*\*\*\*]. The Parties agree that, for purposes of this Agreement, a [\*\*\*\*\*] shall include the [\*\*\*\*\*]. An example of a [\*\*\*\*\*] is set forth on Schedule 2.

(e) "[\*\*\*\*\*]" means only those accounts set forth on Schedule 3 hereto.

(f) (i) "[\*\*\*\*\*]" means any Person that is both (i) not party to a Contract for any [\*\*\*\*\*], and (ii) in a Location that is outside of the Territory. The Parties agree that RingCentral may, in its sole discretion, [\*\*\*\*\*] with Subject Functionality as contemplated under the Rules of Engagement to a Person that would otherwise qualify as a [\*\*\*\*\*] if such Person is an Affiliate of a party to a

Contract for any [\*\*\*\*\*]. [\*\*\*\*\*]

(ii) "Qualified Seat" means: (i) a Unit of ACO Sold during the Term for a subscription fee in a Location in which ACO is Available; (ii) a Unit of ACO Sold during the [\*\*\*\*\*] commencing upon the expiration or termination of the Term for a subscription fee in a Location in which ACO is Available, but solely with respect to clause (ii), only if (A) Avaya, any of its Subsidiaries, or the Avaya Channel registered the sales opportunity with RingCentral prior to expiration or termination of the Term in accordance with the lead registration process set forth in the Rules of Engagement, and (B) Avaya, any of its Subsidiaries, or the Avaya Channel [\*\*\*\*\*] (as defined in the Rules of Engagement) with respect to such sales opportunity as set forth in the Rules of Engagement; (iii) in the case of [\*\*\*\*\*] Sold during the Term [\*\*\*\*\*] for a subscription fee in a Location that such Offering is, in accordance with applicable Law in all material respects, commercially available in such Location for Sale to final end customers and licensees, but, solely with respect to clause (iii), only if (A) Avaya, any of its Subsidiaries, or the Avaya Channel registered the sales opportunity with RingCentral in accordance with the lead registration process set forth in the Rules of Engagement, and (B) Avaya, any of its Subsidiaries, or the Avaya Channel [\*\*\*\*\*] (as defined in the Rules of Engagement) with respect to such sales opportunity as set forth in the Rules of Engagement; and (iv) in the case of [\*\*\*\*\*] only, a [\*\*\*\*\*] Unit of RingCentral's or any of its Subsidiaries' own or branded Offering with Subject Functionality Sold during period beginning on the Effective Date and ending on the date that is [\*\*\*\*\*] after the Effective Date to such [\*\*\*\*\*] for a subscription fee in a Location that is both (x) outside of the Territory, and (y) in which such Offering is, in accordance with applicable Law in all material respects, commercially available in such Location for Sale to final end customers and licensees, but, solely with respect to clause (iv), only if (A) Avaya, any of its Subsidiaries, or the Avaya Channel registered the sales opportunity with RingCentral in accordance with the lead registration process set forth in the Rules of Engagement, and (B) Avaya, any of its Subsidiaries, or the Avaya Channel [\*\*\*\*\*] (as defined in the Rules of Engagement) with respect to such sales opportunity as set forth in the Rules of Engagement.

(g) "RNG 5-day VWAP" means, with respect to a referenced date, the volume weighted average price per share rounded to four decimal places (with amounts 0.00005 and above rounded up) of the RingCentral Common Stock on the New York Stock Exchange (or, if different, the principal trading market for such security) for five (5) consecutive trading days ending on the last full trading day before such referenced date as reported by Bloomberg.

(h) "[\*\*\*\*\*]" means, with respect to [\*\*\*\*\*], the [\*\*\*\*\*] on the [\*\*\*\*\*].

5.2 RingCentral Upfront Payment. If a Qualified Seat is Sold and the applicable [\*\*\*\*\*] (at any time) its [\*\*\*\*\*] payment with respect to such Qualified Seat (the [\*\*\*\*\*], the "Accrual Date"), subject to the other terms and conditions of this Agreement, RingCentral shall:

(a) pay, or issue to Avaya (or, with respect to a cash payment, Avaya one of its Subsidiaries, as designated by Avaya) consideration equal to [\*\*\*\*\*], which [\*\*\*\*\*] may be payable in arrears in cash or shares of RingCentral Common Stock or a combination thereof, at RingCentral's election; in the event RingCentral elects to pay [\*\*\*\*\*] in whole or in part in shares of RingCentral Common Stock, (x) the number of shares of RingCentral Common Stock to be issued for such [\*\*\*\*\*] shall equal (A) the value of the Elective Component (or portion thereof) that RingCentral elects to settle in shares of RingCentral Common Stock, divided by (B) the RNG 5-day VWAP as of the date of issuance, and (y) [\*\*\*\*\*]; and

(b) [\*\*\*\*\*] of a [\*\*\*\*\*], or otherwise, and each, a "[\*\*\*\*\*]" and,

together with the corresponding [\*\*\*\*\*], an "Upfront Payment"); provided, however, that the [\*\*\*\*\*] shall be [\*\*\*\*\*]:

(i) on the [\*\*\*\*\*] of the Effective Date:

A. if [\*\*\*\*\*] or more [\*\*\*\*\*] that have not been subject to a [\*\*\*\*\*] (as defined below) prior thereto have been Sold prior thereto, then the [\*\*\*\*\*] shall, from and after such [\*\*\*\*\*], continue to be [\*\*\*\*\*] until the earlier of (i) the date upon which [\*\*\*\*\*] have been [\*\*\*\*\*] in respect of the [\*\*\*\*\*], and (ii) the [\*\*\*\*\*] of the Effective Date;

B. if less than [\*\*\*\*\*] that have not been subject to a [\*\*\*\*\*] (as defined below) prior thereto have been Sold prior thereto, then the [\*\*\*\*\*] shall, from and after such [\*\*\*\*\*] anniversary, equal a [\*\*\*\*\*] of [\*\*\*\*\*] the [\*\*\*\*\*] of which is [\*\*\*\*\*] and the [\*\*\*\*\*] of which is the [\*\*\*\*\*] as of the [\*\*\*\*\*] of [\*\*\*\*\*] of the Effective Date, which [\*\*\*\*\*], or otherwise) shall be the [\*\*\*\*\*] until the [\*\*\*\*\*] of the Effective Date;

(ii) from and after the [\*\*\*\*\*] of the Effective Date, the [\*\*\*\*\*] shall equal a [\*\*\*\*\*] and the [\*\*\*\*\*] of which is the [\*\*\*\*\*] as of the [\*\*\*\*\*] of Effective Date;

(iii) notwithstanding the foregoing in this Section 5.2(b), if at any time, the foregoing adjustments would result in the [\*\*\*\*\*] being a [\*\*\*\*\*] of [\*\*\*\*\*] greater than [\*\*\*\*\*], then [\*\*\*\*\*] to satisfy the [\*\*\*\*\*] by [\*\*\*\*\*] equal to or greater than [\*\*\*\*\*] and [\*\*\*\*\*] between such [\*\*\*\*\*] and such [\*\*\*\*\*] (with each [\*\*\*\*\*] being deemed to have a [\*\*\*\*\*] as of the [\*\*\*\*\*]);

(iv) notwithstanding the foregoing in this Section 5.2(b), if [\*\*\*\*\*] of [\*\*\*\*\*] have been [\*\*\*\*\*] in respect of the [\*\*\*\*\*], at any time thereafter, [\*\*\*\*\*] to satisfy the [\*\*\*\*\*] by paying [\*\*\*\*\*] (with each [\*\*\*\*\*] being deemed to have a [\*\*\*\*\*] as of the [\*\*\*\*\*]); and

(v) in the event of a Change of Control of RingCentral, the [\*\*\*\*\*] shall be satisfied by [\*\*\*\*\*] and the amount [\*\*\*\*\*] shall be equal to (A) the [\*\*\*\*\*] multiplied by (B) [\*\*\*\*\*] Sections 5.2(b)(i) and 5.2(b)(ii), calculated by [\*\*\*\*\*] with the [\*\*\*\*\*].

(c) Satisfaction of Upfront Payment. Subject to the other terms and conditions of this Agreement, (x) any cash payable in satisfaction of an Upfront Payment shall be paid, by wire transfer of immediately available funds to an account designated in writing by Avaya, on the [\*\*\*\*\*] immediately following [\*\*\*\*\*] after the applicable Accrual Date; and (y) any shares of RingCentral Common Stock payable in satisfaction of an Upfront Payment shall be issued on the [\*\*\*\*\*] following [\*\*\*\*\*]. For the avoidance of doubt, there shall only be one Upfront Payment made in respect of any Qualified Seat, even if such [\*\*\*\*\*] is [\*\*\*\*\*] or otherwise.

(d) Clawback Credits. Notwithstanding the foregoing, if, prior to the [\*\*\*\*\*] of the Accrual Date of a particular Qualified Seat, a RingCentral Customer cancels its Contract with RingCentral or modifies its Contract with RingCentral such that such RingCentral Customer



[\*\*\*\*\*], such Qualified Seat, there shall be an automatic credit to the Consideration Advance Balance for the full value of the Upfront Payment paid by RingCentral to Avaya in respect of such Qualified Seat (with each share (or fractional share) of RingCentral Common Stock comprising such Upfront Payment being deemed to have the value determined pursuant to Section 5.2(a) or Section 5.2(b), as applicable) (each such automatic credit, a "Clawback Credit").

5.3 RingCentral Recurring Payments

(a) Subject to the other terms and conditions of this Agreement, RingCentral shall pay or issue to Avaya (or, with respect to a cash payment, Avaya one of its Subsidiaries, as designated by Avaya), for each [\*\*\*\*\*] during and after the Term, [\*\*\*\*\*] in respect of each Qualified Seat for which [\*\*\*\*\*] (each, a "Recurring Payment"), which Recurring Payment may be payable in arrears in cash or shares of RingCentral Common Stock or a combination thereof, at RingCentral's election; provided, however, that, after the date that is [\*\*\*\*\*] after the Accrual Date of such Qualified Seat, no Recurring Payment shall be payable in respect of such Qualified Seat that was [\*\*\*\*\*] (i.e., [\*\*\*\*\*]). In the event RingCentral elects to make a Recurring Payment in whole or in part in shares of RingCentral Common Stock, (x) the number of shares of RingCentral Common Stock to be issued for such [\*\*\*\*\*] shall equal (A) the value of the Recurring Payment (or portion thereof) that RingCentral elects to settle in shares of RingCentral Common Stock, divided by (B) the RING 5-day VWAP as of the date of issuance (rounded to the nearest whole share), and (y) [\*\*\*\*\*]. Following the [\*\*\*\*\*] and the [\*\*\*\*\*] contemplated by the Super Master Agent Agreement, solely with respect to [\*\*\*\*\*] (and any [\*\*\*\*\*] with respect thereto) that, as a result of the [\*\*\*\*\*] contemplated by the Super Master Agent Agreement, [\*\*\*\*\*] under the terms of the Contract, after giving effect and taking into account any amendments to, work orders, change orders or other similar instruments related to such Contract, for [\*\*\*\*\*] (or any [\*\*\*\*\*] thereof (an "[\*\*\*\*\*]")), which [\*\*\*\*\*] each [\*\*\*\*\*] of [\*\*\*\*\*] shall, solely for the purposes of the Recurring Payment, be deemed to be a [\*\*\*\*\*]. In furtherance of the foregoing, RingCentral and its Affiliates shall not take or omit, or cause to be taken or omitted, any action the primary purpose of which is to [\*\*\*\*\*] that would otherwise occur in the ordinary course of business.

(b) Satisfaction of Recurring Payment. Subject to the other terms and conditions of this Agreement, (i) any cash payable in satisfaction of a Recurring Payment shall be paid, by wire transfer of immediately available funds to an account designated in writing by Avaya, on the [\*\*\*\*\*] immediately following [\*\*\*\*\*] after the applicable calendar quarter; and (ii) any shares of RingCentral Common Stock payable in satisfaction of a [\*\*\*\*\*] shall be issued on the [\*\*\*\*\*] following [\*\*\*\*\*] after the applicable [\*\*\*\*\*].

5.4 Consideration Advance

(a) Consideration Advance. As incentive for Avaya to enter into long-term commercial relationships with RingCentral, RingCentral shall make an advance payment to Avaya of certain of the consideration that would otherwise be payable pursuant to the terms of this Agreement, which advance payment shall be in an amount equal to three hundred forty-five million dollars (\$345,000,000) (the "Consideration Advance") consisting of the following three (3) tranches: (i) an amount equal to [\*\*\*\*\*] ("Tranche 1"), (ii) an amount equal to [\*\*\*\*\*] ("Tranche 2") and (iii) an amount equal to [\*\*\*\*\*] ("Tranche 3", together with Tranche 1 and Tranche 2, each, a "Tranche" and collectively, the "Tranches"). The Consideration Advance may be paid in cash or shares of RingCentral Common Stock or a combination thereof, at RingCentral's election, which election shall be notified to Avaya in writing within one (1) Business Day after the Effective Date. In the event RingCentral elects to make the Consideration Advance in whole or in part in shares of RingCentral Common Stock, (x) the number of shares of RingCentral Common Stock to be issued for the Consideration Advance shall equal (A) the value of the Consideration Advance (or portion thereof) that RingCentral elects to settle in shares of RingCentral

Common Stock, divided by (B) the RNG 5-day VWAP as of the Effective Date (subject to [Section 5.4\(b\)\(i\)](#)). For the avoidance of doubt, all Consideration Advances received by Avaya shall constitute properties of Avaya and may be used freely by Avaya.

(b) **Payment Mechanism.** Any portion of the Consideration Advance to be paid in cash shall be paid as promptly as practicable after the Effective Date by wire transfer of immediately available funds to an account designated in writing by Avaya. If the Effective Date occurs (i) on a date that is during a Blackout Period or the five (5) trading day period after the expiration of a Blackout Period, then the shares of RingCentral Common Stock comprising the applicable portion of the Consideration Advance shall (A) be issued on the [\*\*\*\*\*] following [\*\*\*\*\*], and (B) notwithstanding [Section 5.4\(a\)\(x\)\(B\)](#), be determined based on the RNG 5-day VWAP as of the date of such issuance, or (ii) on any other date, then the shares of RingCentral Common Stock comprising any portion of the Consideration Advance shall be issued as promptly as reasonably practicable after the Effective Date, but in no event during a Blackout Period.

(c) **One Block Trade.** If RingCentral makes the Consideration Advance in shares of RingCentral Common Stock, RingCentral shall be responsible for, and pay to Avaya the following amounts in connection with one block trade by Avaya of some or all of the shares of RingCentral Common Stock issued to satisfy the Consideration Advance: (i) the difference between the aggregate purchase price received by Avaya in such block trade and the product of (x) the closing price of the RingCentral Common Stock on the day such block trade is consummated and (y) the number of shares of RingCentral Common Stock sold in such block trade (the "Block Trade Spread"); and (ii) the reasonable and documented out-of-pocket attorneys' fees and expenses of Avaya, which shall not exceed fifty thousand dollars (\$50,000). Avaya shall use its commercially reasonable efforts to minimize the Block Trade Spread, including by bidding such block trade to J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC, and any other financial banking institution or other broker-dealer reasonably requested by RingCentral and selecting the financial banking institution or other broker-dealer providing for the lowest Block Trade Spread. RingCentral shall reasonably cooperate with Avaya and the banking institution or other broker-dealer selected for such block trade and as may be reasonably requested to facilitate and effectuate such block trade, including immediately removing any restrictive legend on the shares of RingCentral Common Stock sold in such block trade upon request of Avaya.

(d) **Consideration Credit.** As incentive for RingCentral to make the Consideration Advance to Avaya in advance of the payment obligations pursuant to this Agreement, Avaya shall provide RingCentral a credit (the "Consideration Credit"), commencing on the receipt of the applicable amount of Consideration Advance, in an amount equal to 2.50% *per annum* of the daily outstanding Consideration Advance Balance (as defined below) in respect of the applicable Tranche, computed on the basis of a 365/366-day year for the actual number of days elapsed, which amount shall be added to the outstanding Consideration Advance Balance in respect of the applicable Tranche in arrears on the last day of March, June, September and December.

(e) **Exhaustion of Consideration Advance Balance.** For purposes of this Agreement, "Consideration Advance Balance" of any Tranche means, as of a referenced date, the amount of the Consideration Advance under such Tranche actually received by Avaya from RingCentral as may have been increased or reduced prior to such date as a result of the addition of the accrued Consideration Credit to the then-outstanding Consideration Advance Balance of such Tranche as of each applicable quarter end pursuant to [Section 5.4\(d\)](#), any Clawback Credits, any exhaustion or replenishment pursuant to this [Section 5.4\(e\)](#), any return pursuant to [Section 5.4\(f\)](#) or [Section 5.4\(g\)](#), and any conversion pursuant to [Section 5.4\(h\)](#). For so long as there is a positive Consideration Advance Balance, the Consideration Advance Balance shall be automatically reduced from time to time by any Upfront Payment or Recurring Payment that RingCentral is required to pay pursuant to the terms of [Section 5.2](#) or [Section 5.3](#), any other cash amounts that RingCentral is required to pay pursuant to [Section 5.2](#), [Section 5.3](#), or [Section 5.4](#), or any purchase price of Avaya Endpoints that RingCentral is obligated to pay pursuant to a purchase of Avaya Endpoints pursuant to the process contemplated by the last sentence of [Section 2.3\(e\)](#) and, upon such automatic reduction, RingCentral's payment obligations with respect thereto shall be irrevocably deemed satisfied with such reduction to apply, *first* to outstanding Consideration Advance Balance under Tranche 3, *second* to outstanding Consideration Advance Balance under Tranche 2 and *third* to outstanding Consideration Advance Balance under Tranche 1. Any Clawback Credit shall increase the Consideration Advance Balance of the Tranche previously reduced by the corresponding Upfront Payment giving rise to such Clawback Credit.

(f) **Return of Consideration Advance.** Upon one Business Day's written notice to RingCentral, Avaya shall be permitted to return all or any portion of the Consideration Advance Balance of any Tranche at any time by making a cash payment, by wire transfer of immediately available funds to an account designated in writing by RingCentral.

(g) **Return of Remaining Consideration Advance Balance.** The outstanding Consideration Advance Balance shall be returned to RingCentral: (A) with respect to Tranche 1, by wire transfer of immediately available funds to an account designated in writing by RingCentral on the later of (x) the last day of the Initial Term and (y) [\*\*\*\*\*], (B) with respect to Tranche 2, by wire transfer of immediately available funds to an account designated in writing by RingCentral on [\*\*\*\*\*] and (C) with respect to Tranche 3, by wire transfer of immediately available funds to an account designated in writing by RingCentral on the later of (x) the last day of the Initial Term and (y) [\*\*\*\*\*], unless, in each case of the foregoing clauses (A)-(C), (i) this Agreement has been terminated prior to such date pursuant to [Section 11.2](#) or (ii) the Extension has occurred, in which case of clauses (i) and (ii), such outstanding Consideration Advance Balance of the applicable Tranche

shall be returned upon the expiration or termination of this Agreement, subject to [Section 5.4\(h\)](#). If Avaya does not return the Consideration Advance Balance in full in cash within thirty (30) days after the applicable due date, Avaya shall pay a late fee in an amount of 2.00% per annum commencing on the thirty-first day after the applicable due date in addition to the Consideration Credit. For the avoidance of doubt, Consideration Credit shall continue to accrue on the outstanding Consideration Advance Balance pursuant to [Section 5.4\(e\)](#) until all such Consideration Advance Balance has been returned pursuant to this [Section 5.4\(g\)](#) or converted pursuant to [Section 5.4\(h\)](#).

(h) [Conversion of Consideration Advance Balance under Tranche 1; Conversion of Unexhausted Consideration Advance Balance.](#)

(i) With respect to Tranche 1, RingCentral shall have the right, but not the obligation, at any time on or after the [\*\*\*\*\*] anniversary of the Effective Date, to convert all then-outstanding Consideration Advance Balance under Tranche 1 into shares of Avaya Holdings pursuant to [Section 5.4\(h\)\(iii\)](#).

(ii) In the event the Consideration Advance Balance under any Tranche is not repaid in full in cash on or before the date that is seven (7) Business Days after the applicable due date, RingCentral shall have the right, but not the obligation, from thereafter to convert any portion or all of such Consideration Advance Balance under any such applicable Tranche into shares of Avaya Holdings pursuant to [Section 5.4\(h\)\(iii\)](#).

(iii) In each case of the foregoing clauses (i) and (ii), RingCentral may elect either (i) shares of Avaya Series A Preferred Stock at a price per share equal to the Stated Value (as defined in the Avaya Certificate of Designations) as of the Effective Date or (ii) shares of Avaya Common Stock at a price per share equal to the AVYA 20-day VWAP as of the date that RingCentral delivers to Avaya a Conversion Notice. Promptly (and in any event no later than six (6) trading days) after its receipt of a Conversion Notice, Avaya shall cause Avaya Holdings to issue to RingCentral the shares specified in such Conversion Notice. For purposes of this Agreement, a "Conversion Notice" shall mean a written notice delivered by RingCentral to Avaya specifying RingCentral's election to exercise its conversion rights under this [Section 5.4\(h\)](#), the amount and Tranche of the Consideration Advance Balance to be so converted, and the number and class of shares into which RingCentral is electing to convert any portion of the Consideration Advance Balance of the applicable Tranche, including a calculation of such number and class of shares. Notwithstanding the foregoing, prior to the receipt of Stockholder Approval (as defined in the Avaya Certificate of Designations), Avaya shall not be required to issue any number of shares of Avaya Common Stock under this [Section 5.4\(h\)](#) that would exceed the number equal to (i) twenty-two million, one-hundred twenty-three thousand, twenty-two (22,123,022) shares of Avaya Common Stock minus (ii) the aggregate number of shares of Avaya Common Stock issued upon conversion of shares of Avaya Series A Preferred Stock pursuant to the Avaya Certificate of Designations since the Effective Date.

5.5 [Currency and No Offsets.](#) All amounts under this Agreement are stated and calculated, and shall be paid, in United States Dollars (\$ U.S.). No payment obligation of a Party under this Agreement shall be offset or apply against any payment obligation of the other Party, other than the application to the Consideration Advance Balance of any Upfront Payment or Recurring Payment, any other payment obligations of RingCentral under this Agreement or the increase of the Consideration Advance Balance by any Clawback Credit pursuant to [Section 5.4\(e\)](#), to the extent such payment has been accrued in accordance with the terms of this Agreement.

5.6 [Taxes.](#)

(a) Subject to the provisos in this [Section 5.6\(a\)](#), each Party shall be solely responsible for all Taxes imposed on that Party by applicable Law and Governmental Entities in respect of the payments and transactions made under this Agreement; provided that, notwithstanding the foregoing, all transfer, documentary, sales, use, stamp, registration and other similar Taxes and fees (including any penalties and interest thereon) incurred in connection with the issuance of Shares pursuant to this Agreement, shall be borne by the Issuer.

(b) Notwithstanding anything to the contrary in this Agreement, each Party (and any permitted assignee pursuant to [Section 12.2](#) and in the case of Avaya or any of Affiliate of Avaya designated by Avaya) shall be entitled to deduct and withhold from any amounts payable or otherwise deliverable pursuant to this Agreement any Taxes as may be required to be deducted or withheld therefrom under any provision of U.S. federal, state, local or non-U.S. Tax Law or other applicable Law, shall pay over to the appropriate Governmental Entity any such amounts deducted or withheld, and shall be provided any necessary Tax forms, including Form W-9 or the appropriate series of Form W-8, as applicable, or any similar information. The Parties shall use commercially reasonable efforts to cooperate with each other to reduce or minimize any amounts, if any, required to be deducted or withheld, including by applying, only if applicable and if any necessary documentation or certifications are provided and any other requirements are met, a reduced rate of withholding pursuant to an applicable tax treaty. Subject to the following proviso, to the extent any amounts are deducted or withheld and paid over to the appropriate Governmental Entity pursuant to this [Section 5.6\(b\)](#), such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid; *provided* that to the extent a Party assigns its payment obligations under this Agreement pursuant to [Section 12.2](#) to any Person that is not a U.S. corporation (or in the case of Avaya, Avaya designates an Affiliates of

Avaya that is not a U.S. corporation to undertake payment of such payment obligation), to the extent such assignee (or designated Affiliate of Avaya) deducts or withholds any amounts pursuant to this Section 5.6(b) from any amounts payable by such assignee or such Affiliates of Avaya hereunder that would not have been required to have been deducted or withheld if no such assignment of such payment obligations or designation had been made (any such Taxes, "Additional Taxes"), then such Party or its assignee or designee shall pay such additional amounts (the "Additional Amounts") as may be necessary to ensure that the net amount received by the Party entitled to such amount payable hereunder after such withholding or deduction of Additional Taxes (and after deducting or withholding any Taxes imposed or levied by a relevant taxing jurisdiction on the Additional Amounts) will equal the amounts that would have been received by the Party entitled to any such amounts payable hereunder had no such withholding or deduction been made. To the extent any amounts are deducted or withheld and paid over to the appropriate Governmental Entity pursuant to this Section 5.6(b), the applicable Party (or assignee or designee) undertaking such withholding shall provide the other Party, within thirty (30) days after the date of such deduction or withholding (or, if receipts, certificates or evidence are not available within thirty (30) days, as soon as practical thereafter), certified copies of tax receipts, certificates or other evidence of such withholding and payment reasonably acceptable to the other Party.

5.7 Records.

(a) Each Party will maintain, in accordance with its customary practices, reasonable records of such Party's and its Affiliates' transactions and activities under this Agreement for a period of seven (7) years after such records are generated (including all activities undertaken in connection with this Agreement, all fees, charges, costs, revenue, and amounts and consideration incurred, paid or received by such Party or any of its Affiliates); provided that notwithstanding the foregoing each Party shall be required to maintain any such records in respect of Taxes for no longer than a period of four (4) years after such records are generated. Each Party shall maintain a reasonable accounting system sufficient to accurately calculate any payment required to be made by the other Party pursuant to this Section 5, and all components thereof, and shall preserve, as part of such books, accounts, and records, all information and data (including reasonable underlying supporting documentation) relating to such calculations during the Term and for a period of seven (7) years thereafter; provided that notwithstanding the foregoing each Party shall be required to maintain any such records in respect of Taxes for no longer than a period of four (4) years after such records are generated. The Parties shall provide each other with reporting regarding such transactions and activities (including regarding information with respect to Sales of Qualified Seats, [\*\*\*\*\*]), Sales of Licensed Products, Upfront Payments, Recurring Payments, Clawback Credits, and License Fees), as applicable, in a form, and at a frequency, agreed by the Parties (which agreement shall not be unreasonably withheld, conditioned or delayed).

(b) Each Party has the right to audit and inspect during the Term and for seven (7) years thereafter (an "Auditing Party"), in accordance with this Section 5.7, such records of the other Party and its Affiliates' to assess compliance with this Agreement (including the accuracy of any payment made under this Section 5) or as reasonably required to enable the Auditing Party or any of its Affiliates (the "Audited Party") to comply with applicable Law, provided that each Party may only perform one audit during each calendar year. At the Auditing Party's option or upon the Audited Party's request, each audit will be performed by a nationally recognized independent certified public accounting firm at the Auditing Party's sole cost and expense, upon not less than ten (10) Business Days' prior written notice to the Audited Party. The Auditing Party shall ensure that the auditor is subject to a written confidentiality agreement containing non-disclosure obligations that are no less stringent than those contained with this Agreement. The Audited Party shall make such records available in electronic form to the extent reasonably practicable. Such right shall include the right for the auditor to enter onto the Audited Party's premises during normal business hours and on reasonable advance notice and to have reasonable access to any of their applicable personnel and providers. In connection with performance of an inspection or audit under this Section 5.7(b), the Audited Party shall reasonably assist and cooperate with the Auditing Party's auditor and shall provide reasonable access to data, documentation, information, personnel, and records reasonably requested by the auditor, in each case, to the extent related to the transactions contemplated by this Agreement. Any access to any properties or facilities of the Audited Party shall be subject to the Audited Party's reasonable security measures and the applicable insurance requirements of any applicable real property lease. Notwithstanding anything herein to the contrary, an Audited Party may refuse to grant or provide any access to, or to disclose, any information if and to the extent such access or disclosing such information would: (A) violate applicable Law or any Contract, provided, that, the Audited Party shall provide such access or disclose such information to the greatest extent possible without violating applicable Law or Contract; (B) cause the loss of or jeopardize any attorney-client, attorney-work product, or similar legal or protective privilege, provided, that, if any information is withheld pursuant to the foregoing clause (B), the Audited Party shall inform the Auditing Party as to the general nature of what is being withheld and the parties shall use commercially reasonable efforts, such as entry into a customary joint defense agreement, to enable the Audited Party to provide such information without causing the loss of any such privilege; or (C) unreasonably interfere with the business or operations of the Audited Party or any of its Affiliates. The Parties shall cooperate to minimize to the extent reasonably practicable any unnecessary disruption to their respective businesses that may result from the requests for access, data and information hereunder.

5.8 Determination.

(a) The Upfront Payment and any Recurring Payments, and the calculations thereof, shall be determined in good faith by RingCentral based on its books and records and accounting policies and principles. The License Fee, and the calculations thereof, shall be determined in good faith by Avaya based on its books and records and accounting policies and principles. Each Party shall, together with its payment of any amount under this Agreement, provide to the other Party reasonable detail regarding the calculation of such amount. Any dispute (i) Avaya may have to a payment made pursuant to this Section 5, or the calculation thereof, or (ii) RingCentral may have to a payment made pursuant to Section 6.2(e), or the calculations thereof, shall be made by written notice delivered to the other Party on or before the date that is ninety (90) days after such payment, which shall specify in reasonable detail the basis of such dispute and the other Party's calculations of such payment amount (a "Dispute Notice").

(b) After delivery of a Dispute Notice, RingCentral and Avaya shall engage in good faith discussions in an attempt to reconcile any differences and resolve such dispute, in the first instance by each Party's Project Manager. The Project Managers shall attempt in good faith to resolve such dispute as promptly as reasonably practicable. If the Project Managers agree that they are unable to resolve the dispute, or if such dispute is not resolved within fifteen (15) Business Days following the submission of such Dispute Notice, then the Parties shall immediately escalate such dispute to senior executives of each Party. Such senior executives shall attempt in good faith to resolve such dispute as promptly as reasonably practicable. If such senior executives agree that they are unable to resolve the dispute, or if such dispute is not resolved within fifteen (15) Business Days following such escalation, then the Parties shall immediately escalate such dispute to the Chief Financial Officers of each Party. If such Chief Financial Officers agree that they are unable to resolve the dispute, or if such dispute is not resolved within fifteen (15) Business Days of such escalation, then the Parties can proceed with an action commenced in accordance with Section 12.6. Each Party shall pay its own costs and expenses incurred in connection with the disputes contemplated by this Section 5.8.

## 6. Intellectual Property Licenses

6.1 Patent and Patent Cross License. The Parties shall engage in good faith discussions regarding the terms on which (a) RingCentral may purchase certain patents and patent families from Avaya or its Subsidiaries, together with selected licensing rights (subject to diligence and third-party evaluation), and (b) RingCentral and its Affiliates, on the one hand, and Avaya and its Subsidiaries, on the other hand, would cross-license their respective patent portfolios.

6.2 [\*\*\*\*\*] License.

### (a) Payment.

(i) As consideration for the grant of the exclusive license and right to all Licensed Product payments set forth in this Section 6.2, RingCentral shall (i) on the Effective Date, pay to Avaya or one of its Subsidiaries (as designated by Avaya) [\*\*\*\*\*] in cash, by wire transfer of immediately available funds to an account designated in writing by Avaya, and (ii) issue to Avaya (x) the number of shares of RingCentral Common Stock equal to (A) [\*\*\*\*\*], divided by (B) the RING 5-day VWAP as of the Effective Date (subject to the proviso of this sentence) (clauses (i) and (ii), together the "License Payment"); provided, however, that if the Effective Date occurs (x) on a date that is during a Blackout Period or the five (5) trading day period after the expiration of a Blackout Period, then the shares of RingCentral Common Stock comprising any portion of the License Payment shall (A) be issued on the [\*\*\*\*\*], and (B) notwithstanding the foregoing, be determined based on the RING 5-day VWAP as of the date of such issuance, or (y) on any other date, then the shares of RingCentral Common Stock comprising any portion of the License Payment shall be issued as promptly as reasonably practicable after the Effective Date, but in no event during a Blackout Period.

### (b) Certain Defined Terms.

(i) "Embodiments" means copies of the Licensed Product or any software (whether in object code, source code, or other form) or any other technology, documentation, computer files, materials, or tangible embodiment (in any form or medium) of any intellectual property right included in the Licensed IP.

(ii) "Exclusive License" has the meaning ascribed in Section 6.2(c)(i).

(iii) "Licensed IP" means the copyright rights in and to the object code required to support the Licensed Product.

(iv) "Licensed Product" means the [\*\*\*\*\*] Offering (as it exists as of the Effective Date) that is [\*\*\*\*\*].

(c) Grant of License. Effective upon Avaya's or an Avaya Subsidiary's receipt of the License Payment:

(i) Avaya or a Subsidiary of Avaya (as designated by Avaya) hereby grants to RingCentral an exclusive, personal, non-transferable, worldwide license under the Licensed IP, solely to Sell, service, support, and otherwise commercialize the Licensed Product limited to a field of use to be [\*\*\*\*\*] (the "Exclusive License"). For clarification, the exclusivity in the Exclusive License is also with respect to Avaya and all Avaya Affiliates.

(ii) The Exclusive License is irrevocable and perpetual, but subject to the terms and conditions of this Agreement (including Section 6.2(c)(iii)), and non-sublicenseable (other than the license granted pursuant to Section 6.2(d)).

(iii) RingCentral will have the option, but not the obligation, [\*\*\*\*\*] to Avaya or to a Subsidiary of Avaya (as designated by Avaya) the Exclusive License at any time after [\*\*\*\*\*] have elapsed from the Effective Date, for a price [\*\*\*\*\*] of the Exclusive License as mutually determined at that time by the Parties in good faith. If RingCentral exercises the foregoing option, RingCentral will offer to Avaya or such Subsidiary the opportunity [\*\*\*\*\*] the Exclusive License, and Avaya will have the option to accept or decline [\*\*\*\*\*] the Exclusive License. If RingCentral agrees [\*\*\*\*\*], and Avaya or such Subsidiary agrees [\*\*\*\*\*] the Exclusive License, the Parties will negotiate in good faith the [\*\*\*] for the Exclusive License. If the Parties cannot agree on the [\*\*\*], the Parties may engage a competent third party to help determine the [\*\*\*] of the Exclusive License. RingCentral will not be obligated to sell, and Avaya and such Subsidiary will not be obligated to purchase the Exclusive License if the Parties do not agree upon the [\*\*\*]. If RingCentral agrees to sell and Avaya or such Subsidiary agrees to purchase back the Exclusive License, and if the Parties agree upon the [\*\*\*], upon completion of such transaction and payment of the respective [\*\*\*] amount in full by Avaya or such Subsidiary to RingCentral, the Exclusive License will end.

(d) [\*\*\*\*\*]. Effective upon Avaya's or an Avaya Subsidiary's receipt of the License Payment, RingCentral hereby grants to Avaya and its Subsidiaries [\*\*\*\*\*]. RingCentral will be entitled to all benefits and be responsible for all obligations [\*\*\*\*\*] (the "Obligations").

(e) License Fee Payments.

(i) In consideration for RingCentral granting to Avaya and its Subsidiaries [\*\*\*\*\*], Avaya or its applicable Subsidiary (as designated by Avaya) hereby shall [\*\*\*\*\*] ("License Fee"); provided that, for the avoidance of doubt, (A) License Fee shall exclude (I) any revenue from one-time or non-recurring transactions or services (including set-up, installation, professional services, sales of handsets and other equipment) and other one-time charges and services (including usage based charges and charges for a toll-free number), (II) any Taxes paid to Avaya or any of its Subsidiaries by the customer, and (III) any costs and expenses reimbursed to Avaya or any of its Subsidiaries, (B) the License Fee shall be calculated after giving effect to, and net of, any credits, refunds, discounts, and other reductions in respect of such Licensed Product, and (C) for the avoidance of doubt, the License Fee shall not be reduced by any income Taxes paid by Avaya or any of its Affiliates or withholding Taxes in lieu thereof. Avaya or its applicable Affiliate (as designated by Avaya) will start to pay to RingCentral the License Fee on the Effective Date. The License Fee during the first month will be prorated accordingly if the Effective Date is not the first day of the calendar month. RingCentral shall file all Tax returns (including information returns), prepare all Tax books and records, comply with applicable Tax withholding rules (if any), and pay all Taxes, in each case, for U.S. federal income and other applicable tax purposes, in accordance with treating the License Fees as income of RingCentral and shall not take any position contrary to the foregoing for applicable Tax purposes, in each case, unless required by a "determination" as defined in Section 1313(a) of the Code (as defined below) or otherwise required by a Tax authority in connection with the final and binding settlement of an audit.

(ii) Subject to the other terms and conditions of this Agreement, Avaya or its applicable Subsidiary (as designated by Avaya), shall pay RingCentral any cash payable in satisfaction of a License Fee by wire transfer of immediately available funds to an account designated in writing by RingCentral, on the trading day immediately following Avaya's first quarterly or year-end earnings announcement after the applicable calendar quarter.

(iii) Avaya represents, as of the Effective Date, that its projections for the aggregate subscription fees to be collected and received by Avaya or its applicable Subsidiary that are attributable to the Licensed Products in

each of the First Year Period, the Second Year Period, and the Third Year Period in accordance with this Section 6.2(e) are, at a minimum: (A) during the twelve (12) month period following the Effective Date (such period, the "First Year Period"), [\*\*\*\*\*]; (B) during the twelve (12) month period following the First Year Period (such period, the "Second Year Period"), [\*\*\*\*\*]; and (C) during the twelve (12) month period following the Second Year Period (such period, the "Third Year Period"), and each of the First Year Period, Second Year Period, and Third Year Period, a "Subscription Fee Period", [\*\*\*\*\*].

(f) **No Delivery or Support Obligations.** Notwithstanding anything to the contrary contained herein, Avaya and its Subsidiaries shall have no obligation under this Agreement to deliver, directly or indirectly, to RingCentral (and, as a material inducement to Avaya or its Subsidiary granting the license pursuant to Section 6.2(c), RingCentral hereby waives any right it may have to (and shall not) require, directly or indirectly, the delivery of) (i) any Embodiments, or (ii) any technical, consulting, support or other services (including any cooperation or assistance or other further assurances) with respect to the Licensed IP or any Embodiment. Further, RingCentral shall not (and shall not attempt to), directly or indirectly, procure or obtain or, except to the extent such prohibition is not permitted by applicable Law, reverse engineer, disassemble or decompile, any Embodiment (or any portion thereof), or otherwise attempt to discover the source code of any Embodiment (or any portion thereof). RingCentral shall not exploit the Licensed IP in any manner not expressly permitted pursuant to Section 6.2(c), and RingCentral shall not exercise any rights under the Exclusive License (other than to grant the license granted pursuant to Section 6.2(d)).

(g) **Registration.** Avaya and its Subsidiaries shall have the sole and exclusive right (but not the obligation) to obtain, apply for, register, prosecute, and maintain, throughout the world, the Licensed IP, and RingCentral shall not engage in any such activity or record or file this Agreement (including the license granted pursuant to this Section 6.2) with any intellectual property agency or office of any Governmental Entity. For clarification, the foregoing clauses in this Section 6.2(g) will not prevent RingCentral from obtaining, applying for, registering, prosecuting, and/or maintaining, throughout the world, any other intellectual property rights owned by RingCentral.

(h) **Enforcement.** RingCentral shall not, except solely upon Avaya's request or with Avaya's prior written consent, and Avaya and its Subsidiaries shall have the exclusive right (but not the obligation) to, bring or threaten to bring any action or other proceeding (including any appeal) of any kind whatsoever with respect to the Licensed IP against a third party to enforce or defend the Licensed IP (including the institution of any action or other proceeding for infringement thereof) (an "Enforcement Claim"). Avaya and its Subsidiaries may take, in their sole discretion, any action it deems appropriate to protect the Licensed IP.

(i) If Avaya or any of its Subsidiaries brings an Enforcement Claim, RingCentral shall, to the extent it is a necessary party to such Enforcement Claim, join Avaya or such Subsidiary at Avaya's or such Subsidiary's sole cost and expense in such Enforcement Claim and agree to be represented by counsel for Avaya or such Subsidiary and assist Avaya or such Subsidiary in such Enforcement Claim. Upon Avaya's request, RingCentral shall assign to Avaya or a Subsidiary of Avaya (as designated by Avaya) the right to any and all Enforcement Claims, and the right to any and all damages or other relief with respect thereto.

(ii) Additionally, at Avaya's request and direction and at Avaya's sole cost and expense (and solely upon Avaya's request), RingCentral shall bring or threaten to bring any Enforcement Claim. RingCentral agrees that Avaya and its Subsidiaries shall have the sole and exclusive right to control the prosecution, compromise, and settlement of such Enforcement Claim using counsel chosen by Avaya and that RingCentral shall comply (and cause such counsel to comply) with Avaya's and its Subsidiaries' direction with respect thereto (including by causing the filing of pleadings, briefs, and other documents in connection therewith, at Avaya's and such Subsidiaries' direction).

(iii) RingCentral shall, at Avaya's sole cost and expense, fully assist and cooperate with Avaya and its Subsidiaries in connection with any Enforcement Claim and take such measures as may be necessary to preserve the attorney-client and other privileges applicable thereto. Avaya or its applicable Subsidiary shall be entitled to retain any and all damages received, collected, or awarded in connection with, or paid pursuant to any settlement of, any Enforcement Claim.

(iv) Avaya shall defend, indemnify and hold harmless RingCentral and its Affiliates for and against any damages, expenses, liabilities or other losses incurred by RingCentral or its Affiliates as a result of any third-party claims or causes of action to the extent arising out of (A) RingCentral's actions solely to the extent such actions were taken at and in accordance with the direction of Avaya or any of its Subsidiaries in connection with an Enforcement Claim brought by Avaya or any of its Subsidiaries and (B) the Obligations. All claims for indemnification pursuant to this Section 6.2(h)(iv) shall be subject to Section 6.3 of the Development Agreement, *mutatis mutandis*.

(i) **Reservation of Rights.** All rights not granted to RingCentral under this Section 6.2 are expressly reserved by Avaya and its Subsidiaries. RingCentral agrees that, except as expressly provided in Sections 6.2(c), no other intellectual property rights or licenses, express or implied, are granted by Avaya or any of its Subsidiaries to RingCentral under this Agreement.

As between Avaya and its Subsidiaries, on the one hand, and RingCentral, on the other hand, Avaya or its applicable Subsidiary shall be the exclusive owner of all Licensed IP and the Licensed Product. The license to the Licensed IP granted by Avaya and its Subsidiaries hereunder is granted on an "as-is" basis.

**7. Shares.**

7.1 **Issuance of Shares.** The Shares to be issued to Holder pursuant to this Agreement are intended to be issued pursuant to one or more exemptions from registration, including under Section 4(a)(ii) of the Securities Act and the exemption from qualification under applicable state securities Laws. Holder shall assist Issuer as may be necessary to comply with the securities and blue sky Laws relating to the transactions contemplated by this Agreement. Notwithstanding anything herein to the contrary, the number of Shares to be issued on any particular date shall be rounded to the nearest whole share.

7.2 **Regulatory Approvals.**

(a) Notwithstanding anything to the contrary in this Agreement, in no event shall any Shares be issued to Holder unless and until (i) any waiting period (and extensions thereof) applicable to the issuance of such Shares under the HSR Act shall have expired or been terminated, and (ii) any other required approvals, consents, or clearances under any applicable Antitrust Laws shall have been obtained ("**Required Antitrust Approvals**"). Upon obtaining all Required Antitrust Approvals with respect to an applicable issuance of Shares, the Parties shall cause such Shares to be issued as promptly as reasonably practicable thereafter, in accordance with the terms of this Agreement and, in the case of the issuance of RingCentral Common Stock to satisfy an Upfront Payment or a Recurring Payment, such issuance to occur on [\*\*\*\*\*] after the date upon which all such Required Antitrust Approvals were obtained.

(b) The Parties shall reasonably cooperate with one another to determine if there are any Required Antitrust Approvals with respect to any particular issuance of Shares and shall, to the extent required, as promptly as reasonably practicable (i) file with the Federal Trade Commission and the Antitrust Division of the Department of Justice a Notification and Report Form relating to the issuance of such Shares as required by the HSR Act, and (ii) file such notification filings, forms and submissions with any Governmental Entity as are required by other applicable Antitrust Laws in connection with such issuance of shares. The Parties shall (A) cooperate and coordinate (and shall cause its respective Subsidiaries to cooperate and coordinate) with the other in the making of such filings; and (B) make an appropriate response as promptly as reasonably practicable to any request for additional information and documentary material issued pursuant to the HSR Act or other applicable Antitrust Laws. Without limiting the foregoing, the Parties shall request and shall use reasonable best efforts to obtain early termination of the waiting period under the HSR Act or other applicable Antitrust Laws.

(c) Notwithstanding anything herein to the contrary, and for the avoidance of doubt, no Party or any of its Affiliates shall be required to offer, negotiate, commit to, or effect, by consent decree, hold separate order, or otherwise (and no Party or any of its Affiliates shall, without the prior written consent of the other Party, offer, negotiate, commit to, or effect, by consent decree, hold separate order, or otherwise) any of the following in order to obtain expiration or early termination of the HSR Act (or any other approval, clearance, or consent by a Governmental Entity under any other applicable Antitrust Law): (i) the sale, divestiture, transfer, license, disposition, or hold separate (through the establishment of a trust or otherwise), of any and all of the capital stock or other equity or voting interest, assets (whether tangible or intangible), rights, properties, products or businesses of such Party or any of its Affiliates; (ii) the termination, modification, or assignment of existing relationships, joint ventures, Contracts, or obligations of such Party or any of its Affiliates; (iii) the modification of any course of conduct regarding future operations of such Party or its respective Affiliates; or (iv) any other restrictions on the activities of such Party or any of its Affiliates, including the freedom of action of such Party or any of its Affiliates with respect to, or their ability to retain, one or more of their respective operations, divisions, businesses, product lines, customers, assets or rights or interests, or their freedom of action with respect to their assets, properties, or businesses.

7.4 **Holder Representations.** Holder hereby represents and warrants as of the Effective Date and as of the date of each issuance of Shares:

(a) Holder acknowledges that the Shares will not have been registered under the Securities Act or under any state or other applicable securities Laws. Holder (i) acknowledges that it is acquiring the Shares pursuant to an exemption from registration under the Securities Act solely for investment and for Holder's own account, not as nominee or agent, and with no present intention or view to distribute any of the Shares to any Person in violation of the Securities Act, (ii) will not sell or otherwise dispose of any of the Preferred Shares (as defined in the Investment Agreement) or the Conversion Shares (as defined in the Investment Agreement), except in compliance with the registration requirements or exemption provisions of the Securities Act and any other applicable state securities Laws, (iii) is knowledgeable, sophisticated and experienced in financial and business matters, fully understands the limitations on transfer and the restrictions on sales of such Shares and is able to bear the economic risk of its investment and afford the complete loss of such investment, and (iv) is an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act).



(b) Holder understands and acknowledges that (i) its representations and warranties contained herein are being relied upon by Issuer as a basis for availing itself of such exemption and other exemptions under the securities Laws of all applicable states and for other purposes, (ii) no U.S. state or federal agency has made any finding or determination as to the fairness of the terms of the sale of the Shares or any recommendation or endorsement thereof, and (iii) the Shares are "restricted securities" under the Securities Act inasmuch as they are being acquired from Issuer in a transaction not involving a public offering and that under applicable securities Laws such Shares may be resold without registration under the Securities Act only in certain limited circumstances.

7.5 RingCentral Representations. RingCentral hereby represents and warrants as of the Effective Date and as of the date of each issuance of Shares that the Shares will be, when issued, duly authorized validly issued, fully paid, nonassessable, and issued in compliance with all applicable securities Laws and RingCentral's then operative certificate of incorporation and bylaws.

7.6 Stockholder Agreement, Registration Rights Agreement. RingCentral and Avaya shall enter into the Stockholder Agreement and the Registration Rights Agreement on the Effective Date.

#### 8. Confidentiality.

8.1 "Confidential Information" means all information, data, drawings, benchmark tests, specifications, trade secrets, and any other Technology (as defined in the Development Agreement), and other proprietary information provided or made available by either Party or any of its Affiliates to the other Party or any of its Affiliates in connection with this Agreement, the Super Master Agent Agreement, the Development Agreement, or the PDD (as defined in the Development Agreement), that is in written, graphic, machine readable or other tangible form and is marked "Confidential", "Proprietary" or in some other manner to indicate its confidential nature, or that by its nature should reasonably be understood as confidential, but in any case, includes a Party's or any of its Affiliates' proprietary software, inventions, business model and strategies, company financial planning and financial data, product plans and strategies, and prospect and customer lists. Confidential Information may also include oral information that by its nature should reasonably be understood as confidential at the time of being received. Confidential Information will exclude any information that (i) was at the time of disclosure, or later becomes generally known and available in the public domain, through no fault of the receiving Party; (ii) was known to the receiving Party at the time of disclosure without an obligation of confidentiality; or (iii) becomes known to the receiving Party from a source other than the disclosing Party and not in violation of the disclosing Party's rights or any direct or indirect obligation of confidentiality to the disclosing Party. For the avoidance of doubt, the Licensed IP, Licensed Product, and Embodiments shall constitute the Confidential Information of Avaya.

8.2 Confidential Information Obligations. Each Party acknowledges that the Confidential Information constitutes valuable trade secrets and each Party agrees that it will use the Confidential Information of the other Party solely in accordance with the provisions of this Agreement for the purpose of fulfilling its obligations or exercising its rights (or Avaya Management L.P.'s rights, as applicable) under this Agreement, the Super Master Agent Agreement, the Development Agreement, or of any exhibit, schedule or attachment of any of them, and will not disclose, or permit to be disclosed, the same, directly or indirectly, to any unaffiliated third Party without the other Party's prior written consent. Each Party agrees to exercise due care in protecting the Confidential Information from unauthorized use and disclosure.

8.3 Permitted Disclosure. If a receiving Party is requested or required to disclose all or any part of any Confidential Information of the disclosing Party under a discovery request, a subpoena, or an inquiry issued by a court of competent jurisdiction or by a judicial, administrative, regulatory or governmental agency or legislative body or committee or under applicable Law, such receiving Party shall, to the extent practicable and subject to applicable Laws, give prompt notice of such request to the disclosing Party and shall give the disclosing Party the opportunity to seek an appropriate confidentiality agreement, protective order or modification of any disclosure or otherwise intervene, prevent, delay or otherwise affect the response to such request, and the receiving Party shall cooperate in such efforts.

8.4 Independent Development. The terms of confidentiality under this Agreement will not be construed to limit each Party's right to independently develop or acquire any Offerings without use of the other Party's Confidential Information. Further, each Party will be free to use for any purpose the residuals resulting from access to or work with the other Party's Confidential Information (including Technology (as defined in the Development Agreement)), provided that each Party will maintain the confidentiality of the other Party's Confidential Information as provided in this Agreement. The term "residual" means technical or business information in non-tangible form, which may be retained by persons in their unaided memories after having had access to the Confidential Information, including ideas, concepts, know-how, or techniques contained therein; provided that the term "residual" shall exclude information regarding customers and prospective customers or sales or pricing that is obtained in connection with the Super Master Agent Agreement (which excluded information includes the types of information described in Section V of Appendix D of the Super Master Agent Agreement). The foregoing in this Section 8.4 will not be deemed to grant to either Party a license under the other Party's intellectual property rights.

8.5 **Effect of Termination.** Each receiving Party shall, upon expiration or termination of this Agreement (except to the extent retention of any particular Confidential Information is necessary for any obligation that extends beyond such expiration or termination), either return to the disclosing Party, or destroy and notify in writing the disclosing Party of the destruction of, any and all Confidential Information of the disclosing Party, whether in hard copy or electronic format and whether standalone or included in any other materials or documents, in the receiving Party's possession.

9. **Public Announcements.** From the Execution Date through the Effective Date, Avaya and RingCentral shall consult with each other before issuing, and give each other the opportunity to review and comment upon any press release or other public statements with respect to this Agreement or the Transactions and shall not issue any such press release or make any such public statement without the other Party's prior written consent (which shall not be unreasonably, withheld, conditioned or delayed), except (a) as such Party may reasonably conclude may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system (and then only after as much advance notice and consultation as is feasible) or (b) such public statements principally directed to employees, suppliers, customers, partners or vendors that reconvy previous press releases or public statements.

10. **Representations, Warranties, and Liability.**

10.1 **Representations and Warranties.** Each Party represents and warrants that: (a) as of the Execution Date and the A&R Date with respect to this Agreement, as of the Execution Date with respect to the Development Agreement, and as of the Effective Date with respect to the Super Master Agent Agreement, (i) such Party and its Affiliates have the necessary right, title, and interest to all deliverables provided by such Party or its Affiliates under this Agreement, the Super Master Agent Agreement, and the Development Agreement, (ii) such Party is a corporation duly incorporated, validly existing and in good standing under the applicable Laws, (iii) such Party and its Affiliates have all requisite corporate and partnership (as applicable) power and authority to execute, deliver and perform its and their obligations under this Agreement, the Super Master Agent Agreement, and the Development Agreement, and (iv) the execution, delivery and performance of this Agreement, the Super Master Agent Agreement, and the Development Agreement have been duly authorized by such Party and its Affiliates, as applicable; and (b) as of the Effective Date, (i) such Party and its Subsidiaries are in compliance in all material respects with all applicable Laws in connection with its and their obligations under this Agreement, the Super Master Agent Agreement, and the Development Agreement, and (ii) there is no outstanding litigation, arbitrated matter or other dispute to which such Party or any of its Affiliates is a party, and which, if decided unfavorably to such Party or its Affiliates, would reasonably be expected to have a material effect on the ability of such Party or its Affiliates to fulfill its or their respective obligations under this Agreement, the Super Master Agent Agreement, and the Development Agreement.

10.2 **Mutual Disclaimers.** EXCEPT AS EXPRESSLY SPECIFIED IN THIS AGREEMENT, THE SUPER MASTER AGENT AGREEMENT, OR THE DEVELOPMENT AGREEMENT, NEITHER PARTY (NOR AVAYA MANAGEMENT L.P. WITH RESPECT TO THE DEVELOPMENT AGREEMENT) PROVIDES ANY OTHER WARRANTY, EXPRESS, IMPLIED OR STATUTORY, TO THE OTHER PARTY OR TO ANY THIRD PARTY, WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED BY THE FOREMENTIONED AGREEMENTS, INCLUDING WITH RESPECT TO ANY PRODUCTS, SOFTWARE, SERVICES OR OTHERWISE (INCLUDING THE LICENSED IP AND LICENSED PRODUCT), AND EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, NONINFRINGEMENT, OR ANY OTHER MATTER ARISING FROM COURSE OF PERFORMANCE OR USAGE. NOTWITHSTANDING THE FOREGOING AND FOR THE AVOIDANCE OF DOUBT, THIS SECTION 10.2 SHALL NOT LIMIT ANY REPRESENTATION OR WARRANTY MADE IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THE INVESTMENT AGREEMENT OR THE HOLDINGS AGREEMENT (OTHER THAN THOSE GOVERNED BY THIS AGREEMENT, THE SUPER MASTER AGENT AGREEMENT, OR THE DEVELOPMENT AGREEMENT), INCLUDING THOSE SET FORTH IN THE INVESTMENT AGREEMENT OR THE HOLDINGS AGREEMENT, OR ANY CLAIM IN CONNECTION THEREWITH, OR ANY CLAIM OR RECOURSE FOR FRAUD.

10.3 **Exclusion of Consequential Damages.** NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, (I) IN NO EVENT WILL A PARTY BE LIABLE FOR ANY PUNITIVE DAMAGES, AND (II) EXCEPT WITH RESPECT TO A PARTY'S BREACH OF SECTION 2.2 OR SECTION 8, RINGCENTRAL'S BREACH OF SECTION 6.2(f), SECTION 6.2(g), SECTION 6.2(h), OR THE LAST SENTENCE OF SECTION 5.3(a), OR A PARTY'S INFRINGEMENT OR MISAPPROPRIATION OF THE OTHER PARTY'S OR ITS AFFILIATES' INTELLECTUAL PROPERTY RIGHTS, IN NO EVENT WILL EITHER PARTY BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL, OR EXEMPLARY DAMAGES, OR FOR ANY CLAIM FOR LOSS OF PROFITS, LOSS OF ANTICIPATED PROFITS, OR LOSS OF DATA, IN EACH CASE OF (I) AND (II), IN CONNECTION WITH, ARISING FROM OR IN RELATION TO THIS AGREEMENT, WHETHER BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY), OR ANY OTHER LEGAL OR EQUITABLE GROUNDS, AND REGARDLESS OF WHETHER SUCH DAMAGES ARE FORESEEABLE OR WHETHER SUCH PARTY IS ADVISED OF THE POSSIBILITY OR LIKELIHOOD OF SUCH DAMAGES. WITHOUT LIMITING A PARTY'S RESPONSIBILITY FOR DIRECT DAMAGES UNDER THIS

AGREEMENT AND THE OTHER PARTY'S RIGHT TO CLAIM OTHER DIRECT DAMAGES, EACH PARTY AGREES THAT ITS PAYMENT OBLIGATIONS (WHETHER IN CASH, SHARES, OR OTHERWISE) UNDER THIS AGREEMENT (INCLUDING THE CONSIDERATION ADVANCE OR THE REPAYMENT OR CONVERSION THEREOF, AND ALL UPFRONT PAYMENTS, AND RECURRING PAYMENTS) (THE "PAYMENT OBLIGATIONS"), BUT NOT ANY INCREASE IN THE VALUE OF ANY SHARES, SHALL BE DEEMED TO BE DIRECT DAMAGES UNDER THIS AGREEMENT.

10.4 **Damages Cap.** EXCEPT WITH RESPECT TO THE PAYMENT OBLIGATIONS, A CLAIM BY RINGCENTRAL FOR LICENSE FEE DAMAGES (AS DEFINED BELOW) IN ACCORDANCE WITH SECTION 10.6 IN RESPECT OF A BREACH BY AVAYA OF SECTION 6.2(e)(iii), A PARTY'S BREACH OF SECTION 2.2, SECTION 8, OR SECTION 9, RINGCENTRAL'S BREACH OF SECTION 6.2(d), SECTION 6.2(e), SECTION 6.2(h), OR THE LAST SENTENCE OF SECTION 5.3(a), OR A PARTY'S INFRINGEMENT OR MISAPPROPRIATION OF THE OTHER PARTY'S OR ITS AFFILIATES' INTELLECTUAL PROPERTY RIGHTS, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY DAMAGES OR LOSSES IN CONNECTION WITH, ARISING FROM OR IN RELATION TO THIS AGREEMENT FOR ANY AMOUNT IN EXCESS OF [\*\*\*\*\*].

10.5 **No Limitation on Fraud.** NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, AND FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS AGREEMENT SHALL LIMIT ANY CLAIM OR RECOURSE OF ANY PARTY IN CONNECTION WITH ANY FRAUD OR WILLFUL MISCONDUCT COMMITTED BY THE OTHER PARTY OR ANY OF ITS REPRESENTATIVES.

10.6 **License Fees.** Notwithstanding anything to the contrary contained in this Agreement or applicable Law, Avaya and RingCentral agree that (1) if, with respect to a Subscription Fee Period, the projection for the aggregate subscription fees for such Subscription Fee Period set forth in Section 6.2(e)(iii) is greater than the actual aggregate amount of subscription fees collected and received by Avaya or its applicable Subsidiary that are attributable to Licensed Products in such Subscription Fee Period, the existence of such difference shall be deemed to be a breach of Section 6.2(e)(iii), (2) Avaya may cure any breach of Section 6.2(e)(iii) by payment of applicable direct damages, (3) no breach of Section 6.2(e)(iii) is a material breach of this Agreement, (4) notwithstanding Section 12.7, RingCentral's sole and exclusive remedy, and Avaya's sole and exclusive liability, for Avaya's breach of Section 6.2(e)(iii) with respect to a Subscription Fee Period shall be, regardless of when any claim with respect to any such breach is made, direct damages in an amount to be mutually agreed by the Parties in good faith. Such damages shall not exceed the difference between the projection in Section 6.2(e)(iii) corresponding to such Subscription Fee Period and the actual aggregate amount of subscription fees collected and received by Avaya or its applicable Subsidiary that are attributable to the Licensed Products in such Subscription Fee Period (such difference with respect to such Subscription Fee Period, the "License Fee Damages"), and (5) in no event shall RingCentral be entitled any License Fee Damage with respect to the same Subscription Fee Period more than once (such as, for example, if Avaya breaches Section 6.2(e)(iii) by both breaching the representation set forth in such Section and being deemed to have breached such Section pursuant to clause (1) of this Section 10.6). For the avoidance of doubt, nothing in Section 6.2(e)(iii) or this Section 10.6 shall be construed to be (x) a representation by Avaya regarding its projection of subscription fees to be collected or received by Avaya or its applicable Subsidiary that are attributable to the Licensed Products in any period of time following the Third Year Period, or (y) a damage that would otherwise be subject to the cap on damages set forth in Section 10.4.

**11. Term and Termination**

11.1 **Term.** Section 2.1, Section 3, Section 4.5, Section 7.2, Section 7.5, Section 8, Section 9, Section 10, this Section 11.1, Section 11.2(b)(i), Section 11.3, and Section 12 (other than Sections 12.1 and 12.10) (and the definitions set forth in this Agreement as used in the foregoing Sections) shall become effective on the Execution Date and all other provisions of this Agreement shall become effective on the Effective Date, and this Agreement shall continue in effect from the Effective Date until the date that is [\*\*\*\*\*] years after the Effective Date ("Initial Term"), unless terminated in accordance with its terms. The Initial Term shall be automatically extended by [\*\*\*\*\*] additional years (the "Extension") if [\*\*\*\*\*] during the Initial Term. The Initial Term together with the Extension, and any additional extension of the term of this Agreement, are cumulatively denoted the "Term" of this Agreement.

11.2 **Termination.**

(a) If a Party enters into a definitive agreement for or consummates a Change of Control of such Party (such Party, the "Acquired Party"); (i) the Acquired Party shall promptly (and in any event, within three (3) Business Days thereafter) notify the other Party thereof, (ii) the other Party may at any time during the one-hundred twenty (120) day period following its receipt of such notice, terminate this Agreement (together with the Super Master Agent Agreement and the Development Agreement) upon written notice to the Acquired Party, such termination to be effective one hundred eighty (180) days following the Acquired Party's receipt of such notice of termination; and (iii) either Party may, if such Change of Control event occurs prior to the expiration of the Initial Term, elect to eliminate the Extension by written notice delivered prior to the occurrence of the Extension.

(b) Other Termination. This Agreement (i) prior to the Effective Date, shall automatically terminate upon termination of the Investment Agreement, (ii) may be terminated immediately, by written notice, (A) by either Party in the event of a material breach of this Agreement by the other Party that remains uncured for ninety (90) days from receipt of a written notice specifying in reasonable detail such material breach, or (B) by either Party if the other Party is subject of an Insolvency Event, (iii) may be terminated by RingCentral, by written notice, in the event that the restrictions set forth in Section 2.2(i) and Section 2.2(ii)(a) are determined, as set forth in an order of one or more Governmental Entities of competent jurisdiction over any Location in the Territory or a portion thereof, to be void, voidable, or otherwise unenforceable, and Section 11.2(b)(ii)(A) is satisfied with respect to a material breach of such Sections (mutatis mutandis, as if such Section 2.2(i) and Section 2.2(ii)(a) were not void, voidable, or otherwise unenforceable), and such material breach would materially and adversely affect the expected benefits to RingCentral of Section 2.2(i) and Section 2.2(ii)(a), (iv) may be terminated by RingCentral immediately, by written notice, in the event of a material breach of the Holdings Agreement by Avaya Holdings that remains uncured for ninety (90) days from Avaya Holdings' receipt of a written notice from RingCentral specifying in reasonable detail such material breach, or (v) following the Effective Date, shall automatically terminate upon any termination of the Development Agreement or the Super Master Agent Agreement. Avaya and its Subsidiaries shall have the right to immediately terminate the license granted in Section 6.2(c), by written notice, in the event (x) that all or any portion of Section 6.2(f), Section 6.2(g), or Section 6.2(h) is determined, as set forth in an order of a Governmental Entity of competent jurisdiction, to be void, voidable, or otherwise unenforceable and RingCentral or any of its Affiliates engages in any activity that would otherwise have been prohibited by any such Section (but, for the purposes of this clause (x), not taking into account Section 2.2(e)(ii)(H), or (y) of a material breach of any provision of Section 6.2 by RingCentral that remains uncured for ten (10) days from receipt of a written notice specifying in reasonable detail such material breach. In the event of any such termination of such license, Avaya's payment obligations under Section 6.2(e) shall also terminate.

11.3 Effect of Termination. The provisions of Section 5.2, Section 5.3, Section 5.4(d), Section 5.4(g), Section 5.4(h), Section 5.5, Section 5.6, Section 5.7, Section 5.8, Section 6.2, Section 8, Section 9 (solely until the fifth (5th) anniversary of the date of such expiration or termination), Section 10 (except Section 10.1), Section 11, and Section 12 (except Section 12.1) (and the definitions set forth in this Agreement as used in the foregoing Sections) shall remain in full force and effect and survive any termination or expiration of this Agreement (other than any termination pursuant to Section 11.2(b)(i)). No provision of this Agreement shall survive any termination of this Agreement pursuant to Section 11.2(b)(i). Each Party acknowledges and agrees that the termination or expiration of this Agreement for any reason (other than a termination of this Agreement pursuant to Section 11.2(b)(i)) shall not release a Party from any liability or obligation that already has accrued as of the effective date of such termination or expiration, as applicable, and shall not constitute a waiver or release of, or otherwise be deemed to adversely affect, any rights, remedies, or claims which a Party may have hereunder at Law, in equity or otherwise or which may arise out of or in connection with such termination or expiration.

## 12. General

12.1 Compliance with Laws. Each Party shall comply with all applicable Laws under this Agreement, the Super Master Agent Agreement, and the Development Agreement. In the United States, these may include Department of Commerce including U.S. Export Administration regulations, SEC, Environmental Protection Agency, and Department of Transportation regulations applicable to restricted or hazardous materials, and all employment and labor Laws governing that Party's personnel. Neither Party will, in connection with this Agreement, export/re-export any technical data, process, product, or service, directly or indirectly (including the release of controlled technology to foreign nationals from controlled countries), to any country for which the United States government or any agency thereof requires an export license or other government approval without first obtaining such license.

12.2 Assignment. Prior to the Effective Date, neither Party may assign this Agreement (including by operation of Law) without the express consent of the other Party. Following the Effective Date, neither Party may assign this Agreement (including by operation of Law) without the express consent of the other Party, except that each Party may assign this Agreement, without the consent of the other Party, (i) to a U.S. corporation in connection with a corporate reorganization, provided that such Party remains responsible for all of its and such assignee's obligations and liabilities hereunder, or (ii) to a purchaser of all or substantially all of the assets of such Party in one or more related transactions, in each case of (i) and (ii) only so long as the Development Agreement and Super Master Agent Agreement are also so assigned to such assignee or purchaser, respectively and the assignee agrees to be bound, in advance in writing, the terms of this Agreement, the Development Agreement, and the Super Master Agent Agreement. Following such an assignment, notwithstanding anything to the contrary in this Agreement, the assigning Party's rights and obligations under this Agreement will apply only to the business (including services and products) of the assigning Party (and its Affiliates, if and as applicable) acquired by the assignee, as such business is conducted (and services and products Marketed or Sold) as of and from and after the effective date of such assignment (the "Acquired Business"), and does not apply to any other business, or any other past, current, or future services or products, of the assignee or any of its Affiliates (it being understood, for the avoidance of doubt, the assignee entity itself shall be bound by this Agreement and obligated to comply with the provisions hereof as they relate to the Acquired Business).

12.3 **Notices.** All notices, requests, permissions, waivers or other communications required or permitted to be given under this Agreement shall be in writing and shall be delivered by hand or sent by postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand, by facsimile (which is confirmed), by electronic mail (which is confirmed), or if mailed, three days after mailing (one Business Day in the case of express mail or overnight courier service) to the Parties at the following addresses or facsimiles (or at such other address or facsimile for a Party as shall be specified by like notice):

If to Avaya:

Avaya Inc.  
4655 Great America Parkway  
Santa Clara, California 95054  
Attn: Shefali Shah, General Counsel  
Email: sashah@avaya.com

with a copy to (which copy alone shall not constitute notice):

Kirkland & Ellis LLP  
601 Lexington Avenue  
New York, NY 10022  
Attn: Sarkis Jebejian, P.C.  
Jonathan L. Davis, P.C.  
Email: sarkis.jebejian@kirkland.com

If to RingCentral:

RingCentral, Inc.  
20 Davis Drive  
Belmont, CA 94002  
Attn: John Marlow, Chief Administrative Officer, General Counsel,  
and Senior Vice President of Corporate Development  
Email: johnm@ringcentral.com  
with a copy to (which copy alone shall not constitute notice):  
Wilson Sonsini Goodrich & Rosati, P.C.  
650 Page Mill Road  
Palo Alto, CA 94304  
Attn: Jeffrey D. Saper  
Email: jsaper@wsgr.com

and

Wilson Sonsini Goodrich & Rosati, P.C.  
One Market Plaza  
Spear Tower, Suite 3300  
San Francisco, CA 94105  
Attn: Robert Ishii  
Mark Baudler  
Rich Mullen  
Email: rishii@wsgr.com  
mbaudler@wsgr.com  
rich.mullen@wsgr.com

12.4 **Relationship of Parties.** Without limiting the Super Master Agent Agreement and the arrangements thereunder, this Agreement does not create and will not be construed as creating any relationship of agency, franchise, fiduciary duty, partnership, or employment between the Parties. Accordingly, without limiting the Super Master Agent Agreement and the arrangements thereunder, neither Party will have the authority, either express or implied, to make any Contract, commitment or representation, or incur any debt or obligation on behalf of the other Party. The Parties agree to file all Tax returns (including information returns), prepare all Tax books and records, comply with applicable Tax withholding rules (if any), and pay all Taxes, in each case, for U.S. federal income and other applicable tax purposes, in accordance with the two immediately preceding sentences and in accordance with amounts payable by RingCentral to Avaya or any of its applicable Subsidiaries (as designated by Avaya) pursuant to Section 5 of this Agreement not being an allocation of gross receipts from sales of ACO to customers to Avaya or any of its Subsidiaries (as designated by Avaya) for applicable Tax purposes, with all relevant gross receipts from sales of ACO to customers recognized as gross receipts of RingCentral (or its applicable Affiliate) for applicable Tax purposes and shall not take any position contrary

to the foregoing for applicable Tax purposes, in each case, unless required by a "determination" as defined in Section 1313(a) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise required by a Tax authority in connection with the final and binding settlement of an audit.

12.5 **Independent Contractors.** Without limiting the Super Master Agent Agreement and the arrangements thereunder, each Party is an independent contractor for the other Party, and its employees, contractors and other personnel and representatives will not, under this Agreement, act as, nor be agents or employees of the other Party and the Parties. The Parties agree to file all Tax returns (including information returns), prepare all Tax books and records, comply with applicable Tax withholding rules (if any), and pay all Taxes, in each case, for U.S. federal income and other applicable tax purposes, in accordance with the immediately preceding sentence and in accordance with amounts payable by RingCentral to Avaya or any of its applicable Subsidiaries (as designated by Avaya) pursuant to Section 5 of this Agreement not being an allocation of gross receipts from sales of ACO to customers to Avaya or any of its applicable Subsidiaries (as designated by Avaya) for applicable Tax purposes, with all relevant gross receipts from sales of ACO to customers recognized as gross receipts of RingCentral (or its applicable Affiliate) for applicable Tax purposes and shall not take any position contrary to the foregoing for applicable Tax purposes, in each case, unless required by a "determination" as defined in Section 1313(a) of the Code or otherwise required by a Tax authority in connection with the final and binding settlement of an audit.

12.6 **Applicable Law; Exclusive Jurisdiction; Jury Waiver.**

(a) This Agreement, and all rights, obligations, claims, causes of action (whether in contract, tort or statute) or other matter that may result from, arise out of, be in connection with or relating to this Agreement, or the negotiation, administration, performance, or enforcement of this Agreement (the "Relevant Matters"), shall be governed by, and construed and enforced in accordance with, the internal Laws of the State of Delaware, regardless of the Laws that might otherwise govern under applicable principles of conflicts of Laws thereof, including its statutes of limitations. RingCentral and Avaya hereby acknowledge and agree that the United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

(b) Each of the Parties irrevocably consents to the exclusive jurisdiction and venue of state courts located in the State of Delaware in connection with any Relevant Matter (or, only such courts decline to accept jurisdiction over a particular matter, any federal court within the State of Delaware). Each Party agrees not to commence any legal proceedings with respect to a Relevant Matter except in such Delaware state courts (or, only such courts decline to accept jurisdiction over a particular matter, any federal court within the State of Delaware). By execution and delivery of this Agreement, each Party irrevocably and unconditionally submits to the exclusive jurisdiction of such courts and to the appellate courts therefrom solely for the purposes of disputes in connection with any Relevant Matter and not as a general submission to such jurisdiction or with respect to any other dispute, matter or claim whatsoever. The Parties hereby waive any right to stay or dismiss any action or proceeding in connection with any Relevant Matter brought before the foregoing courts on the basis of (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason or that it or any of its property is immune from the above-described legal process, (ii) that such action or proceeding is brought in an inconvenient forum, that venue for the action or proceeding is improper or that this Agreement may not be enforced in or by such courts, or (iii) any other defense that would hinder or delay the levy, execution or collection of any amount to which any Party is entitled pursuant to any final judgment of any court having jurisdiction.

(c) EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY AND ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ACTIONS OF ANY PARTY IN NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT OF THIS AGREEMENT, OR ANY OTHER RELEVANT MATTER.

12.7 **Specific Performance.** The Parties agree that, in the event of any breach or threatened breach by a Party of this Agreement, (i) the other Party shall be entitled, without proof of actual damages (and in addition to any other remedy that may be available to it), to a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other agreement and an injunction preventing or restraining such breach or threatened breach, and (ii) no Party shall be required to provide or post any bond or other security or collateral in connection with any such decree, order or injunction or in connection with any related action or legal proceeding. Any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by Law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy.

12.8 **Construction.** For purposes of this Agreement, unless otherwise required by the context: the singular number will include the plural, and vice versa; the verb "may" indicates a legal right to perform the respective activity but does not establish a legal obligation to perform that activity; the word "will" shall be construed to have the same meaning and effect as the word "shall," and vice versa; and the words "include," "including" and "for example," and variations thereof, will not be deemed to be terms of limitation, but rather will be deemed to be followed by the words "without limitation." The word "or" is used in the inclusive sense of "and/or." The terms "or," "any" and "either" are not exclusive. When used herein, the phrase "to the extent" shall be

deemed to be followed by the words "but only to the extent." The word "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase shall not mean simply "if". The headings in this Agreement are for convenience of reference only, and will not be referred to in connection with the construction or interpretation of this Agreement. English is the official language of this Agreement. This Agreement may be translated or executed in languages other than English, but the Parties agree that the English version will control. Each Party waives any rights it may have under the Laws of any country or jurisdiction to have this Agreement written in any local language, or interpreted or superseded by local Law in those countries.

12.9 **Miscellaneous:** No amendment or modification of this Agreement will be valid or binding upon the Parties unless made in writing and executed by authorized representatives of each Party, except as otherwise expressly provided in this Agreement. This Agreement (together with the Super Master Agent Agreement and Development Agreement) supersedes all prior agreements and understandings, including oral representations, between the Parties (and, with respect to the Development Agreement, Avaya Management L.P., as applicable) relating to its subject matter. No waiver of any provision of this Agreement will be effective unless it is expressly stated to be a waiver and communicated to the other Party in writing by the waiving Party. Waiver of breach of any provision of this Agreement on any occasion will not be deemed a waiver of that provision or of any other provision on any other occasion, nor will such waiver affect the right of either Party to terminate this Agreement. If any provision in this Agreement is held to be invalid or unenforceable for any reason, such provision will, to the extent of such invalidity or unenforceability, be severed, but without in any way affecting the remainder of such provision or any other clause in this Agreement, and the provision will be replaced with a provision which, to the extent permitted by applicable Law, achieves the purposes intended by the invalid or unenforceable provision. This Agreement may be executed in counterparts.

12.10 **Non-Solicitation:** During the Term and for a period of twelve (12) months thereafter, neither Party shall (and each Party shall cause its Subsidiaries not to) directly or indirectly solicit for employment, any current or former officer or employee of the other Party or any of its Affiliates known to such Party to have performed any work in connection with or related to this Agreement, the Development Agreement, or the Super Master Agent Agreement, during and for the twelve (12) month period following such officer's or employee's performance of such work; provided, however, that nothing in this [Section 12.10](#) shall prohibit either Party or its Affiliates from (i) engaging in general advertisements, solicitations or publication of employment opportunities that are not targeted at such employees or officers of the other Party, including through the assistance of third party recruiting firms, or (ii) hiring any person (A) who responds to any such advertisement, solicitation or publication, or (B) whose employment with such other Party has been terminated for at least six (6) months.

12.11 **Non-Exclusive; Independent Advice; Minimum Commitment:** Except as otherwise set forth in [Section 2.2](#), this Agreement is non-exclusive, and nothing in this Agreement shall prohibit either Party from Selling any product or service or working with another product or services provider. Nothing in this Agreement shall prohibit either Party or any of its Affiliates from providing any Person with such Party's or Affiliates' independent advice, opinion, or belief (whether positive, negative, or otherwise) regarding any product or service (including any Avaya Service or RingCentral Service) or such Person's solution requirements. Each Party acknowledges and agrees that the execution of this Agreement is not a guarantee by the other Party of any minimum Sales requirement or volume commitment with respect to ACO, any other RingCentral Service, or any Avaya Service.

[signature page follows]

IN WITNESS WHEREOF, intending to be bound, the Parties have executed this Agreement:

**(RingCentral)**  
**RingCentral, Inc.**

By: /s/ John Marlow  
Name: John Marlow  
Title: General Counsel  
Date: February 10, 2020

**(Avaya)**  
**Avaya Inc.**

By: /s/Shefali Shah  
Name: Shefali Shah  
Title: EVP, Chief Administrative Officer  
Date: February 10, 2020



List of Subsidiaries

| <u>Name</u>                            | <u>Jurisdiction of Incorporation</u> |
|--|--------------------------------------|
| RingCentral International, Inc.        | Delaware                             |
| RCLEC, Inc.                            | Delaware                             |
| RCVA, Inc.                             | Virginia                             |
| Connect First, Inc.                    | Delaware                             |
| RingCentral Florida, LLC               | Florida                              |
| RingCentral Canada Inc.                | Canada                               |
| RingCentral Brasil Soluções em TI LTDA | Brazil                               |
| RingCentral UK LTD                     | United Kingdom                       |
| RingCentral CH GmbH                    | Switzerland                          |
| RingCentral B.V.                       | Netherlands                          |
| RingCentral Ireland Limited            | Ireland                              |
| RingCentral Espana SL                  | Spain                                |
| RingCentral Italy S.R.L.               | Italy                                |
| RingCentral France                     | France                               |
| RingCentral Hong Kong Limited          | Hong Kong                            |
| RingCentral Xiamen Software Co., Ltd.  | China                                |
| RingCentral Singapore Pte. Ltd.        | Singapore                            |
| RingCentral Australia Pty Ltd          | Australia                            |
| RingCentral Japan K.K.                 | Japan                                |
| RingCentral Korea, Ltd.                | South Korea                          |
| RingCentral Holdings I, Inc.           | Delaware                             |
| RingCentral IP Holdings, Inc.          | Delaware                             |
| RingCentral Estonia OÜ                 | Estonia                              |
| RingCentral South Africa Pty Ltd       | South Africa                         |

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
RingCentral, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-234647) on Form S-3 and registration statements (Nos. 333-191433, 333-202367, 333-209794, 333-216297, 333-223228, and 333-229898) on Form S-8 of RingCentral, Inc. of our report dated February 26, 2020, with respect to the consolidated balance sheets of RingCentral, Inc. as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of RingCentral, Inc.

Our report dated February 26, 2020 contains an explanatory paragraph that states that RingCentral, Inc. acquired Connect First, Inc. on January 14, 2019, and management excluded from its assessment of the effectiveness of RingCentral, Inc.'s internal control over financial reporting as of December 31, 2019, Connect First, Inc.'s internal control over financial reporting associated with approximately 3% of consolidated total assets and approximately 1% of consolidated total revenues included in the consolidated financial statements of RingCentral, Inc. as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of RingCentral, Inc. as of December 31, 2019 also excluded an evaluation of internal control over financial reporting of Connect First, Inc.

Our report on the consolidated financial statements refers to RingCentral, Inc.'s adoption of Financial Accounting Standards Board's Accounting Standards Codification (ASC) Topic 842, Leases, as of January 1, 2019.

/s/ KPMG LLP

Santa Clara, California  
February 26, 2020

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

I, Vladimir Shmunis, certify that:

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

/s/ Vladimir Shmunis

Vladimir Shmunis  
*Chief Executive Officer and Chairman*  
*(Principal Executive Officer)*

Date: February 26, 2020

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

I, Mitesh Dhruv, certify that:

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

/s/ Mitesh Dhruv  
Mitesh Dhruv  
Chief Financial Officer  
(Principal Financial Officer)

Date: February 26, 2020

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

In connection with the Annual Report of RingCentral, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vladimir Shmunis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 26, 2020

/s/ Vladimir Shmunis  
Vladimir Shmunis  
Chief Executive Officer and Chairman  
(Principal Executive Officer)

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

In connection with the Annual Report of RingCentral, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mitesh Dhruv, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 26, 2020

*/s/ Mitesh Dhruv*  
Mitesh Dhruv  
Chief Financial Officer  
(Principal Financial Officer)

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