

RingCentral Inc  
Form S-1/A  
March 03, 2014  
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As filed with the Securities and Exchange Commission on March 3, 2014

Registration No. 333-194132

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-1**  
**REGISTRATION STATEMENT**

*Under*

*The Securities Act of 1933*

**RINGCENTRAL, INC.**

(Exact name of Registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>7372</b> (Primary Standard Industrial Classification Code Number) <b>1400 Fashion Island Blvd., 7<sup>th</sup> Floor,</b>  <b>San Mateo, California 94404</b>  <b>(650) 472-4100</b>	<b>94-3322844</b> (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**Vladimir G. Shmunis**  
  
**Chief Executive Officer**  
  
**RingCentral, Inc.**  
  
**1400 Fashion Island Blvd., 7<sup>th</sup> Floor,**  
  
**San Mateo, California 94404**  
  
**(650) 472-4100**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

<b>Jeffrey D. Saper</b>  <b>Nathaniel P. Gallon</b>  <b>Wilson Sonsini Goodrich &amp; Rosati, P.C.</b>  <b>650 Page Mill Road</b>  <b>Palo Alto, California 94304</b>  <b>(650) 493-9300</b>	<b>John H. Marlow</b>  <b>Senior Vice President</b>  <b>and General Counsel</b>  <b>RingCentral, Inc.</b>  <b>1400 Fashion Island Blvd., 7<sup>th</sup> Floor,</b>  <b>San Mateo, California 94404</b>  <b>(650) 472-4100</b>	<b>Eric C. Jensen</b>  <b>Andrew S. Williamson</b>  <b>Cooley LLP</b>  <b>101 California Street, 5<sup>th</sup> Floor</b>  <b>San Francisco, California 94111</b>  <b>(415) 693-2000</b>
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Approximate date of commencement of proposed sale to the public: **As soon as practicable after this Registration Statement becomes effective.**

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

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

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

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

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

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

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

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

**PRELIMINARY PROSPECTUS**

**Subject to Completion, Dated February 28, 2014.**

**6,000,000 Shares**

**Class A Common Stock**

RingCentral, Inc. is offering 2,000,000 shares of Class A common stock, and the selling stockholders are offering 4,000,000 shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share. Each share of Class B common stock is entitled to 10 votes per share and is convertible at any time into one share of Class A common stock. Following this offering, outstanding shares of Class B common stock represent approximately 97.0% of the voting power of our outstanding capital stock.

Our Class A common stock is listed on the New York Stock Exchange under the symbol RNG. On February 27, 2014, the last reported sale price of our common stock on the New York Stock Exchange was \$23.52 per share.

We are an emerging growth company under the federal securities laws and, as such, have elected to comply with certain reduced public company reporting requirements.

*Investing in our Class A common stock involves risks. See Risk Factors beginning on page 10 to read about factors you should consider before buying shares of our Class A common stock.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	Price to Public	Underwriting Discounts and Commissions <sup>(1)</sup>	Proceeds to RingCentral	Proceeds to Selling Stockholders
Per Share	\$	\$	\$	\$
Total	\$	\$	\$	\$

(1) We have agreed to reimburse the underwriters for certain expenses. See Underwriting.

We have granted the underwriters an option to purchase up to 900,000 additional shares of Class A common stock.

The underwriters expect to deliver the shares of our Class A common stock on or about \_\_\_\_\_, 2014.

**Goldman, Sachs & Co.**  
**Raymond James**  
**Macquarie Capital**

**J.P. Morgan**  
**William Blair**

**BofA Merrill Lynch**  
**Oppenheimer & Co.**  
**Northland Capital Markets**

Prospectus dated \_\_\_\_\_, 2014

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**You should rely only on the information contained in this prospectus and in any related free writing prospectus prepared by or on behalf of us. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with information or to make any representations other than those contained in this prospectus or any related free writing prospectus. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.**

For investors outside the U.S.: neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the U.S. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, especially the risks of investing in our Class A common stock discussed under Risk Factors and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Unless otherwise noted or indicated by the context, the term RingCentral refers to RingCentral, Inc., and we, us, and our refer to RingCentral and its consolidated subsidiaries.*

**Overview**

We are a leading provider of software-as-a-service, or SaaS, solutions for business communications. We believe that our innovative, cloud-based approach disrupts the large market for business communications solutions by providing flexible and cost-effective services that support distributed workforces, mobile employees and the proliferation of bring-your-own communications devices. We enable convenient and effective communications for our customers across all their locations, all their employees, all the time, thus fostering a more productive and dynamic workforce. RingCentral Office, our flagship service, is a multi-user, enterprise-grade communications solution that enables our customers and their employees to communicate via voice, text, HD video and web conferencing and fax, on multiple devices, including smartphones, tablets, PCs and desk phones.

Traditionally, businesses have used on-premise hardware-based communications systems, commonly referred to as private branch exchanges, or PBXs. These systems generally require specialized and expensive hardware that must be deployed at every business location and are primarily designed for employees working only at that location and using only their desk phones. In addition, these systems generally require significant upfront investment and ongoing maintenance and support costs. Furthermore, according to Gartner's April 2013 report entitled Bring Your Own Device: The Facts and the Future, by 2017, half of employers will require their employees to supply their own devices for work purposes. We believe that this trend will create additional challenges for businesses using legacy communications solutions.

Our solutions have been developed with a mobile-centric approach and can be configured, managed and used from a smartphone or tablet. We have designed our user interfaces to be intuitive and easy to use for both administrators and end-users. We believe that we can provide substantial savings to our customers because our services do not require the significant upfront investment in on-premise infrastructure hardware or ongoing maintenance costs commonly associated with on-premise systems. Our solutions generally use existing broadband connections. We design our solutions to be delivered to our customers with high reliability and quality of service using our proprietary high-availability and scalable infrastructure.

The market for business communications solutions is large. According to Infonetics Research, from 2008 through 2012, there were 61 million PBX lines sold in North America. Assuming our current base selling price of approximately \$20 per user per month, we believe that the potential replacement market is approximately \$15 billion in North America. We also believe that this estimate significantly understates the potential market opportunity for our cloud-based solutions because a significant number of businesses today have not historically deployed a business communications system due to functionality limitations, cost and other factors.

We primarily generate revenues by selling subscriptions for our cloud-based services. We focus on acquiring and retaining our customers and increasing their spending with us through adding



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additional users, upselling current customers to premium service editions, and providing additional features and functionality. We market and sell our services directly, through both our website and inside sales teams, as well as indirectly through a network of over 1,500 sales agents and resellers, including AT&T, which we refer to collectively as resellers. We have a differentiated business model that reduces the time and cost to purchase, activate and begin using our services. We generally offer free trials to prospective customers, allowing them to evaluate our solutions before making a purchasing decision.

We have a diverse and growing customer base comprised of over 300,000 businesses across a wide range of industries, including advertising, consulting, finance, healthcare, legal, real estate, retail and technology. To date, we have focused our principal efforts on the market for small- and medium-sized businesses, defined by IDC as less than 1,000 employees, in the U.S., Canada and the United Kingdom. We are making investments in an effort to address larger customers. We also believe that there is an additional growth opportunity in international markets.

We have experienced significant growth in recent periods, with total revenues of \$78.9 million, \$114.5 million and \$160.5 million in 2011, 2012 and 2013, respectively, generating year-over-year increases of 45% and 40%, respectively. We have continued to make significant expenditures and investments, including in research and development, brand marketing and channel development, infrastructure and operations, and incurred net losses of \$13.9 million, \$35.4 million and \$46.1 million, in 2011, 2012 and 2013, respectively.

### **Industry Background**

Communications systems are critical to any business. In recent years, there have been significant changes in how people work and communicate with customers, co-workers and other third parties. Traditionally, business personnel worked primarily at a single office, during business hours, and utilized desk phones as their primary communications devices connected through a PBX. With the proliferation of smartphones and tablets that offer much of the functionality of PCs, combined with the pervasiveness of inexpensive broadband Internet access, businesses are increasingly working around the clock across geographically dispersed locations, and their employees are using a broad array of communications devices and utilizing text, along with voice, fax, and video conferencing, for business communications.

These changes have created new challenges for business communications. Traditional on-premise systems are generally not designed for workforce mobility, bring-your-own communications device environments, or the use of multiple communication channels, including text and video conferencing. Today, businesses require flexible, location- and device-agnostic communications solutions that provide users with a single identity across multiple locations and devices.

Fundamental advances in cloud technologies have enabled a new generation of business software to be delivered as a service over the Internet. Today, mission-critical applications such as customer relationship management, human capital management, enterprise resource planning and information technology, or IT, support are being delivered securely and reliably to businesses through cloud-based platforms. While on-premise systems typically require significant upfront and ongoing costs, as well as trained and dedicated IT personnel, cloud-based services enable cost-effective and easy delivery of business applications to users regardless of location or access device.

We believe that there is a significant opportunity to leverage the benefits of cloud computing to provide next-generation, cloud-based business communications solutions that address the new

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realities of workforce mobility, multi-device environments and multi-channel communications, thereby enabling people to communicate the way they do business.

### **Our Solutions**

Our cloud-based business communications solutions provide a single user identity across multiple locations and devices, including smartphones, tablets, PCs and desk phones, and allow for communication across multiple channels, including voice, text, HD video and web conferencing and fax. Our proprietary solutions enable a more productive and dynamic workforce, and have been architected using industry standards to meet modern business communications requirements, including workforce mobility, bring-your-own communications device environments and multiple communications channels.

The key benefits of our solutions include:

***Location Independence.*** 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.

***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; Easy Account Management.*** Our solutions are designed for rapid deployment and ease of management. Our simple and 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.

***Seamless and Intuitive Integration with Other Cloud-Based Applications.*** Our platform provides seamless and intuitive integration with multiple popular cloud-based business applications such as salesforce.com, Google Drive, Box and Dropbox.

### **Our Competitive Strengths**

Our competitive strengths include:

***Proprietary Core Technology Platform.*** We have developed our core multi-tenant, cloud-based, high-availability, scalable platform in-house over several years using industry standards. Our platform incorporates our communications and messaging services, delivery and billing infrastructure and open application programming interfaces, or APIs, for integration with third parties.

***Mobile-Centric Approach.*** Our platform was developed with a mobile-centric approach and can be provisioned, configured, managed and used from a smartphone or tablet as well as from PCs and the Web.



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***Rapid Innovation and Release Cycle.*** We strive to continuously innovate in an effort to regularly release new features and functionality to our customers.

***Quality and Reliability of Service.*** Our platform employs a number of technologies and tools to provide the quality of service that our customers expect while using their existing broadband connections.

***Effective Go-to-Market Strategy.*** We employ a broad range of direct and indirect marketing channels to target potential customers, including search-engine marketing, search-engine optimization, referral, affiliate, radio and billboard advertising.

### **Our Growth Strategy**

Key elements of our growth strategy include:

***Focus on Larger RingCentral Office Customers.*** We believe that these larger customers are more likely to have employees working in distributed locations or multiple offices and are more likely to require additional services, purchase premium service editions, have higher retention rates and enter into longer-term contracts.

***Continue to Innovate.*** We intend to continue to invest in development efforts to introduce new features and functionality to our customers.

***Grow Revenues from Existing Customers.*** We intend to grow our revenues from our existing customers as they add new users and as we provide them with new features and functionality.

***Expand Our Distribution Channels.*** Our indirect sales channel currently consists of a network of over 1,500 resellers, including AT&T. We intend to continue to foster these relationships and to develop additional relationships with other resellers.

***Scale Internationally.*** To date, we have derived most of our revenues from the North American market. We believe that there is an additional growth opportunity for our cloud-based business communications solutions in international markets, and we launched our RingCentral Office service in the United Kingdom in the fourth quarter of 2013.

### **Risks Associated with Our Business**

Investing in our common stock involves substantial risks, including, but not limited to, the following:

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

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

***Reliance on Third Parties.*** We rely on third parties for all of the network connectivity that is needed to deliver our services. We also lease third-party co-location facilities to house our data centers. We use purchased or leased hardware and licensed software from third parties, as well as rely on third parties for some software development, quality assurance, operations and customer support.



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***Third-Party Facilities Risks.*** Interruptions or delays in service from our third-party data center hosting facilities and co-location facilities could impair the delivery of our services and harm our business.

***Security Risks.*** A security breach could delay or interrupt service to our customers, harm our reputation or subject us to significant liability.

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

***Interruptions of Services.*** Interruptions in our services, whether caused by us or third parties, could harm our reputation, result in significant costs to us and impair our ability to sell our services.

If we are unable to adequately address these and other risks we face, our business, financial condition, results of operations, and prospects may be materially and adversely affected. In addition, there are additional risks related to an investment in our common stock.

You should carefully read **Risk Factors** beginning on page 10 for an explanation of the foregoing risks before investing in our common stock.

### **Corporate Background and Information**

We were incorporated in California in February 1999, and we reincorporated in Delaware on September 26, 2013. Our principal executive offices are located at 1400 Fashion Island Blvd., 7<sup>th</sup> Floor, San Mateo, California 94404. The phone number of our principal executive offices is (650) 472-4100, and our main corporate website is [www.ringcentral.com](http://www.ringcentral.com). The information on, or that can be accessed through, our website is not part of this prospectus.

We have rights to a number of marks used in this prospectus that are important to our business, including, without limitation, RingCentral, RingCentral Office, RingCentral Professional, RingCentral Meetings, RingCentral Fax and Plug&Ring. This prospectus also contains trademarks and trade names of other businesses that are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks we name in this prospectus.

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**THE OFFERING**

Class A common stock offered by us	2,000,000 shares
Class A common stock offered by selling stockholders	4,000,000 shares
Class A common stock to be outstanding after this offering	15,200,774 shares
Class B common stock to be outstanding after this offering	49,700,132 shares
Total Class A and Class B common stock to be outstanding after this offering	64,900,906 shares
Option to purchase additional shares of Class A common stock from us	900,000 shares
Use of proceeds	We intend to use the net proceeds that we receive from this offering for working capital or other general corporate purposes, including additional marketing expenditures, the expansion of our sales organization, international expansion and further development of our solutions. We may use a portion of the net proceeds to repay in part or in full the outstanding principal and accrued interest on our term loans with our two lenders, the outstanding principal of which totaled \$34.1 million in aggregate as of December 31, 2013. We also may use a portion of the net proceeds for capital expenditures for expansion of our network infrastructure as we grow our customer base in the U.S. and internationally. In addition, we may use a portion of the proceeds for acquisitions of complementary businesses, technologies or other assets. We will not receive any of the proceeds from the sale of shares to be offered by the selling stockholders. See <a href="#">Use of Proceeds</a> beginning on page 49.
Concentration of ownership	Upon completion of this offering, our directors, executive officers and 5% stockholders and their affiliates will beneficially own, in the aggregate, approximately 72.5% of the voting power of our outstanding capital stock.
NYSE symbol	RNG

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The total number of shares of our Class A and Class B common stock to be outstanding after this offering used in this prospectus is based on 9,200,774 shares of our Class A common stock and 53,043,295 shares of our Class B common stock outstanding as of December 31, 2013, excluding:

3,434,618 shares of Class B common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2003 Equity Incentive Plan at a weighted-average exercise price of \$0.96 per share;

7,533,375 shares of Class B common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2010 Equity Incentive Plan at a weighted-average exercise price of \$7.84 per share;

187,750 shares of Class A common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2013 Equity Incentive Plan at a weighted-average exercise price of \$16.44 per share;

68,100 shares of Class A common stock issuable upon the vesting of restricted stock units outstanding as of December 31, 2013;

216,000 shares of Class A common stock issuable upon the exercise of stock options granted after December 31, 2013, with a weighted-average exercise price of \$20.81 per share;

185,800 shares of Class A common stock issuable upon the vesting of restricted stock units granted after December 31, 2013;

6,013,523 shares of Class A common stock reserved for future issuance under our 2013 Equity Incentive Plan as of December 31, 2013, plus an additional 3,112,203 shares of Class A common stock that became available for future grants under our 2013 Equity Incentive Plan as of January 1, 2014 pursuant to provisions thereof that automatically increase the share reserve under such plan each year, as more fully described in Executive Compensation Employee Benefit and Equity Incentive Plans ;

1,250,000 shares of Class A common stock reserved for future issuance under our 2013 Employee Stock Purchase Plan as of December 31, 2013, plus an additional 622,441 shares of Class A common stock that became available for future grants under our 2013 Employee Stock Purchase Plan as of January 1, 2014 pursuant to provisions thereof that automatically increase the share reserve under such plan each year, as more fully described in Executive Compensation Employee Benefit and Equity Incentive Plans ; and

502,097 shares of Class B common stock issuable upon exercise of outstanding warrants with a weighted-average exercise price of \$5.05 per share.

Unless otherwise expressly stated or the context otherwise requires, all information contained in this prospectus (except for our historical financial statements) assumes (i) the issuance of 656,837 shares of Class A common stock expected to be sold by certain selling stockholders upon the exercise of vested options and warrants at the closing of this offering; (ii) no exercise of outstanding options or warrants or settlement of outstanding restricted stock units subsequent to December 31, 2013, except for the options and warrants described above; and (iii) no exercise of the underwriters' option to purchase up to an additional 900,000 shares of our Class A common stock from us in this offering.





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You should read the summary consolidated financial data set forth below in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

We have derived the following summary consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013 and the summary consolidated balance sheet data as of December 31, 2013 from our audited consolidated financial statements included elsewhere in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except per share amounts)		
<b>Consolidated Statement of Operations Data:</b>			
<b>Revenues:</b>			
Services	\$ 71,915	\$ 105,693	\$ 145,995
Product	6,962	8,833	14,510
<b>Total revenues</b>	<b>78,877</b>	<b>114,526</b>	<b>160,505</b>
<b>Cost of revenues:</b>			
Services <sup>(1)</sup>	26,475	36,215	47,230
Product	6,523	8,688	14,289
<b>Total cost of revenues</b>	<b>32,998</b>	<b>44,903</b>	<b>61,519</b>
Gross profit	45,879	69,623	98,986
<b>Operating expenses:</b>			
Research and development <sup>(1)</sup>	12,199	24,450	33,399
Sales and marketing <sup>(1)</sup>	34,550	54,566	72,336
General and administrative <sup>(1)</sup>	12,969	24,434	34,284
<b>Total operating expenses</b>	<b>59,718</b>	<b>103,450</b>	<b>140,019</b>
<b>Loss from operations</b>	<b>(13,839)</b>	<b>(33,827)</b>	<b>(41,033)</b>
<b>Other income (expense), net:</b>			
Interest expense	(158)	(1,503)	(5,384)
Other income (expense), net	109	32	274
<b>Other income (expense), net</b>	<b>(49)</b>	<b>(1,471)</b>	<b>(5,110)</b>
Loss before provision (benefit) for income taxes	(13,888)	(35,298)	(46,143)
Provision (benefit) for income taxes	15	92	(45)
<b>Net loss</b>	<b>\$ (13,903)</b>	<b>\$ (35,390)</b>	<b>\$ (46,098)</b>
<b>Net loss per common share:</b>			
Basic and diluted	\$ (0.64)	\$ (1.58)	\$ (1.39)
<b>Weighted-average number of shares used in computing net loss per share:</b>			
Basic and diluted	21,678	22,353	33,155



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- (1) Share-based compensation expense is included in our results of operations as follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of services revenues	\$ 141	\$ 235	\$ 539
Research and development	260	837	1,495
Sales and marketing	297	651	1,313
General and administrative	490	1,379	4,193
<b>Total share-based compensation expense</b>	<b>\$ 1,188</b>	<b>\$ 3,102</b>	<b>\$ 7,540</b>

**Consolidated Balance Sheet Data:**

	As of December 31, 2013	
	Actual	As Adjusted <sup>(1)</sup>
(in thousands)		
Cash and cash equivalents	\$ 116,378	\$ 163,888
Working capital	75,005	122,515
Total assets	145,185	192,695
Deferred revenue	16,552	16,552
Debt and capital lease obligations	34,821	34,821
Preferred stock		
Stockholders' equity	63,515	111,025

- (1) The as adjusted column gives effect to the sale by us of 2,000,000 shares of Class A common stock in this offering, at an assumed public offering price of \$23.52 per share, the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27, 2014, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the sale of 4,000,000 shares of Class A common stock by the selling stockholders.

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**RISK FACTORS**

*Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus, including our consolidated financial statements and the related notes, before making a decision to invest in our Class A common stock. The risks and uncertainties described below are not the only ones we face and include risks we consider material of which we are currently aware. If any of the following risks materialize, our business, financial condition, results of operations, and prospects could be materially harmed. In that event, the trading price of our Class A common stock could decline, and you could lose all or part of your investment.*

**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 and negative cash flows for 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, including net losses of \$13.9 million for fiscal 2011, \$35.4 million for fiscal 2012 and \$46.1 million for fiscal 2013, and had an accumulated deficit of \$129.8 million as of December 31, 2013. Over the past two 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.

As a result of our increased expenditures, we will have negative operating cash flows for 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, 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 limited operating history makes it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock.*

Although we were incorporated in 1999, we did not formally introduce RingCentral Office, our current flagship service, until 2009. 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. Any success that we may experience in the future will depend, in large part, on our ability to, among other things:

retain and expand our customer base;

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increase revenues from existing customers as they add users and, in the future, purchase additional functionalities and premium service editions;

successfully acquire customers on a cost-effective basis;

improve the performance and capabilities of our services and applications through research and development;

successfully expand our business domestically and internationally;

successfully compete in our markets;

continue to innovate and expand our service offerings;

continue our relationship with AT&T and Zoom and successfully launch with TELUS Communications Company, or TELUS;

successfully protect our intellectual property and defend against intellectual property infringement claims;

generate leads and convert potential customers into paying customers;

maintain and enhance our third-party data center hosting facilities to minimize interruptions in the use of our services; and

hire, integrate, and retain professional and technical talent.

***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, 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;

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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;

service outages or 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;

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the timing and cost of developing or acquiring technologies, services or businesses and our ability to successfully manage any such acquisitions; and

the impact of worldwide economic, 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 internal operating plan 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.

*To deliver our services, we rely on third parties for our network connectivity and co-location facilities, and for certain of the features in our services.*

We currently use the infrastructure of third-party network service providers, in particular, the services of Level 3 Communications, Inc. and Bandwidth.com, Inc., to deliver our services over their networks. Our third-party network service providers provide access to their Internet protocol, or IP, networks, and public switched telephone networks, or PSTN, and provide call termination and origination services, including 911 emergency calling in the U.S. and equivalent services in Canada and the United Kingdom, or UK, 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 services for the foreseeable future. Recently, we have begun obtaining certain connectivity and network services from our wholly owned subsidiary, RCLEC, Inc., in certain geographic markets; however, RCLEC also uses the infrastructure of third-party network service providers to deliver its services. 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 services. For example, we rely on Free Conference Call Global, LLC for some conference calling features, Zoom Video Communications for our HD video and web conferencing and screen sharing features, and Layered Communications for our texting capabilities. 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 service, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or poor call quality in our service, 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 services, termination of our relationships and agreements with our resellers or liability for failure to meet service level agreements, and may seriously harm our business and results of operations.



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***Interruptions or delays in service from our third-party data center hosting facilities and co-location facilities could impair the delivery of our services and harm our business.***

We currently serve our North American customers from two data center hosting facilities located in northern California and northern Virginia, where we lease space from Equinix, Inc. We also serve customers in the UK, and expect to serve customers in other European countries, from two third-party data center hosting facilities in Amsterdam, the Netherlands, and Zurich, Switzerland. In addition, RCLEC uses two third-party co-location facilities to provide us with network services, and we expect RCLEC to use additional third-party co-location facilities in the future. Any 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, could result in interruptions in our service. Additionally, in connection with the 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 service. Interruptions in our service 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. Because our ability to attract and retain customers depends on our ability to provide customers with a highly reliable service, even minor interruptions in our service 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 infrastructure and all of our North American customers' data is currently replicated in near real-time at our two data center facilities in the U.S., and our European production environment and all of our UK and other European customers' data will be replicated in near real-time at our two European data center facilities. We do not control the operation of these facilities or of 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 break-ins, sabotage, acts of vandalism, and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements in place, our service 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 service 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, leading our customers to switch to our competitors or to avoid using our services.***

Unlike traditional communications services, our services depend on our customers' high-speed broadband access to the Internet, usually provided through a cable or digital subscriber line, or DSL, connection. 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 communications capacity 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

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increases, our network may be unable to achieve or maintain sufficiently high data transmission capacity, reliability or performance. In addition, if Internet service providers and other third parties providing Internet services have outages or deteriorations in their quality of service, our customers will not have access to our services or may experience a decrease in the quality of our services. Furthermore, as the rate of adoption of new technologies increases, the networks on which our services and applications rely may not be able to sufficiently adapt to the increased demand for these services, including ours. 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 services, and could permanently harm our reputation and brands.

In addition, users who access our services and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi, 3G, 4G 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 products and services 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 services, 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 services less attractive to users, and reduce our revenues.

In the U.S., there is some uncertainty regarding whether suppliers of broadband Internet access have a legal obligation to allow their customers to access and use our services without interference. In December 2010, the Federal Communications Commission, or FCC, adopted net neutrality rules that make it more difficult for broadband Internet access service providers to block, degrade or discriminate against our services. These rules apply to wired broadband Internet providers, but not all of the rules apply to wireless broadband service. In January 2014, the U.S. Court of Appeals for the District of Columbia Circuit vacated portions of the FCC's net neutrality rules relating to anti-discrimination and anti-blocking. On February 19, 2014, the FCC announced that it was opening a new docket in which to accept public comments, and to consider the court's decision and what actions the FCC should take in response. Any instances of broadband interference could result in a loss of existing users and increased costs, which could impair our ability to attract new users, and materially and adversely affect our business and opportunities for growth.

***Most of our customers may terminate their subscriptions for our service at any time without penalty, and increased customer turnover, or costs we incur to retain our customers and encourage them to add users and, in the future, to purchase additional functionalities and premium service editions, could materially and adversely affect our financial performance.***

Our customers generally do not have long-term contracts with us and these customers may terminate their subscription for our service at any time without penalty or early termination charges. We cannot accurately predict the rate of customer terminations or average monthly service 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 service 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 have a significant impact on our results of operations, as does the cost we incur in our efforts to

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retain our customers and encourage them to upgrade their services and increase their number of users. Our turnover rate could increase in the future if customers are not satisfied with our service, the value proposition of our services 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. Because of turnover and reductions in the number of users for whom a customer subscribes, we have to 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 also 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 services 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 our existing customer base on a cost-effective basis. We use and periodically adjust the mix of advertising and marketing programs to promote our services. 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 services. 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.

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***We market our products and services principally to small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.***

We market our products and services principally to 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. Because the vast majority of our customers pay for our services 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 customers. If small and medium-sized businesses experience financial hardship as a result of a weak economy, industry consolidation or the overall demand for our services could be materially and adversely affected.

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

We currently derive only a small portion of our revenues from sales to medium-sized and larger businesses. As we 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 this market segment, the decision to purchase our services may require the approval of more technical personnel and management levels within a potential customer's organization than we have historically encountered, and if so, these types of sales would require us to invest more time educating these potential customers about the benefits of our services. In addition, larger customers may demand more features, integration services and customization. Also, we have only limited experience in developing and managing sales channels and distribution arrangements for larger businesses. As a result of these factors, these sales opportunities may require us to devote greater research and development resources and sales, support and professional services resources to individual customers, resulting in increased costs and would likely lengthen our typical sales cycle, which could strain our limited sales and professional services 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. Furthermore, because we have limited experience selling to larger businesses, our investment in marketing our services to these potential customers may not be successful, which could materially and adversely affect our results of operations and our overall ability to grow our customer base. Following sales to medium-sized or larger customers, we may experience fewer opportunities to expand these customers' user base or sell them additional functionalities, or experience increased subscription terminations as compared to our experience with smaller businesses, any of which could materially and adversely impact our results of operations.

***We rely significantly on a network of resellers to sell our services; 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 maintain and expand our network as we sell to larger customers and expand into international markets. An increasing portion of our revenues is derived from our network of over 1,500 sales agents and resellers, including AT&T, 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 cloud-based 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

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resellers or potential resellers to favor their services or prevent or reduce sales of our services. If we fail to maintain relationships with our resellers, fail to develop relationships with new resellers in new markets or expand the number of resellers in our network in existing markets, or if we fail to manage, train, or provide appropriate incentives to our existing resellers, or if our resellers are not successful in their sales efforts, sales of our services may decrease and our results of operations would suffer. In this regard, we recently entered into an agreement with TELUS under which TELUS will market and resell services in Canada that incorporate our cloud platform. If we are unable to implement our service with TELUS or maintain our relationship with TELUS or other carrier resellers, or if TELUS reduces resources committed to reselling the service, our results of operations may suffer.

Recruiting and retaining qualified resellers in our network and training them in our technology and service 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 may not be willing to invest the time and resources required to train their staff to effectively market our services.

***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 Google Inc., our future growth and our results of operations could suffer.

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

The cloud-based business communications industry is competitive, and we expect it to become increasingly competitive in the future. We face intense competition from other providers of business communications systems and solutions. Our competitors include traditional on-premise, hardware business communications providers such as Alcatel-Lucent, S.A., Avaya Inc., Cisco Systems, Inc., Mitel Networks Corporation, ShoreTel, Inc., Siemens Enterprise Networks, LLC, their resellers and others, as well as companies such as Microsoft Corporation and Broadsoft, Inc. that generally license their software, and their resellers. In addition, certain of our resellers are also our competitors. For example, AT&T serves, and we expect that TELUS will serve, as a reseller to us but they are also competitors for business communications. All of these companies do now or may in the future also host their solutions through the cloud. We also face competition from other cloud companies such as j2 Global, Inc., 8x8, Inc., Vonage Holdings Corp., Nextiva, Inc. and Jive Communications, Inc. as well as from established communications providers, such as AT&T Inc., Verizon Communications Inc. and Comcast Corporation in the United States, and TELUS and others in Canada, that resell on-premise hardware, software and hosted solutions. We may also face competition from other large Internet companies, such as Google Inc., Yahoo! Inc. and Amazon.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.

Many of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, more diversified service offerings and larger customer bases than we have. As a result, these competitors may have greater credibility with our existing and

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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 materially and adversely affect our results of operations. They also 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. Our competitors may also offer bundled service arrangements offering a more complete service offering, despite the technical merits or advantages of our services. Competition could force us to decrease our prices, slow our growth, increase our customer turnover, reduce our sales or decrease our market share. The adverse impact of a shortfall in our revenues may be magnified if we are unable to adjust spending adequately to compensate for such shortfall.

***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 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. 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 voice, fax and text communications services 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 services, 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 services, 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

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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.

*A security breach 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 network from interruption by damage from unauthorized entry, computer viruses or other events beyond our control. In the past, we may have been subject to denial or disruption of service, or DDOS, attacks by hackers intent on bringing down our services, and we may be subject to DDOS attacks in the future. We cannot assure you that our backup systems, regular data backups, security protocols and other procedures are currently in place, or that may be in place in the future, will be adequate to prevent significant damage, system failure or data loss. Also, our services are web-based, and the amount of data we store for our users on our servers has been increasing as our business has grown. Despite the implementation of security measures, our infrastructure may be vulnerable to hackers, computer viruses, worms, other malicious software programs or similar disruptive problems caused by our customers, employees, consultants or other Internet users who attempt to invade public and private data networks. Further, in some cases we do not have in place disaster recovery facilities for certain ancillary services, such as email delivery of messages. Currently, nearly all of our customers authorize us to bill their credit or debit card accounts directly for all transaction fees that we charge. We rely on encryption and authentication technology to ensure secure transmission of confidential information, including customer credit and debit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology we use to protect transaction data.

Additionally, third parties may have attempted in the past, and may attempt in the future, to fraudulently induce domestic and international employees, consultants or customers into disclosing sensitive information, such as user names, passwords or customer proprietary network information, or CPNI, or other information in order to gain access to our customers' data or to our data. CPNI includes information such as the phone numbers called by a consumer, 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 consumer's bill. Third parties may also attempt to fraudulently induce employees, consultants or customers into disclosing sensitive information regarding our intellectual property and other confidential business information, or our information technology systems. In addition, because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. 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, or CPNI, could result in significant liability to us, cause our service 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 services. Any of these events could have a material adverse effect on our business, results of operations, and financial condition.

*We rely on third parties 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 and Odessa, Ukraine. In

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addition, we outsource a significant portion of our customer support, inside sales and network operation control functions to a third-party contractor 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.

Our agreements with these third-party contractors are either not terminable by them (other than at the end of the term or upon an uncured breach by us) or require at least 60 days prior written notice of termination. If we experience problems with our third-party contractors, the costs charged by our third-party contractors increase or our agreements with our third-party contractors are terminated, we may not be able to develop new solutions, enhance or operate existing solutions or provide customer support in an alternate manner that is equally or more efficient and cost-effective.

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.

### ***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 and resellers, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train and retain highly skilled personnel. In addition, given our expected growth, we expect to move our headquarters offices and our Denver offices, or secure additional space in our current buildings or other buildings, within the next 12 months. 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.

### ***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. In the past, we have 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. 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 infringe their intellectual property rights. In this regard, in June 2011, j2 Global, Inc. and Advanced Messaging Technologies, Inc. named us in a patent infringement lawsuit seeking a permanent injunction, damages and attorneys fees. In April 2013, we entered into a license and settlement agreement with j2 Global, Inc. and one of its affiliates to settle the matter. Under the



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terms of the settlement agreement, the parties granted each other certain patent cross licenses for over 10 years and the parties have dismissed all claims in these matters without prejudice. In addition, in December 2012, we were named as a defendant in a patent infringement lawsuit by CallWave Communications, LLC, or CallWave, which we believe to be a non-practicing entity. In September 2013, we entered into a license and settlement agreement with Callwave to settle the matter. Under the terms of the settlement agreement, CallWave granted us a non-exclusive license and agreed to dismiss all claims in these matters without prejudice.

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 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 services 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 services incorporating the technology, which could materially and adversely affect our business and results of operations.

If we 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 services, prohibited from using certain processes, or required to redesign certain services, 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 services;

cause our cost of goods sold to increase;

cause us to accelerate expenditures to preserve existing revenues;

cause existing or new vendors to require prepayments 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 services;

require us to cease certain business operations or offering certain services 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

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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 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 28 issued U.S. patents, which expire between 2026 and 2032. We also have 45 patent applications pending for examination in the U.S. and 22 patent applications pending for 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 reexamination, 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 products with any or all patents they embody. As a result, we may be prevented from seeking 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 products and services. 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 St. Petersburg, Russia and Odessa, Ukraine. We have also entered into an agreement containing a confidentiality provision with a third-party contractor located in Manila, 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

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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 success depends on the public acceptance of our services and applications.***

Our future success depends on our ability to significantly increase revenues generated from our cloud-based business communications solutions. The market for cloud-based business communications is evolving rapidly and is characterized by an increasing number of market entrants. As is typical of a rapidly evolving industry, the demand for, and market acceptance of, these applications is uncertain. If the market for cloud-based business communications fails to develop, develops more slowly than we anticipate or develops in a manner different than we expect, our services could fail to achieve market acceptance, which in turn could materially and adversely affect our business.

Our growth depends on the continued use of voice communications by businesses, as compared to email and other data-based methods. A decline in the overall rate of voice communications by businesses would harm our business. Furthermore, our continued growth depends on future demand for and adoption of Internet voice communications systems and services. Although the number of broadband subscribers worldwide has grown significantly in recent years, a small percentage of businesses have adopted Internet voice communications services to date. For demand and adoption of Internet voice communications services by businesses to increase, Internet voice communications networks must improve the quality of their service for real-time communications by managing the effects of and reducing packet loss, packet delay and packet jitter, as well as unreliable bandwidth, so that toll-quality service can be consistently provided. Additionally, the cost and feature benefits of Internet voice communications must be sufficient to cause customers to switch from traditional phone service providers. We must devote substantial resources to educate customers and their end users about the benefits of Internet voice communications solutions, in general, and our services in particular. If any or all of these factors fail to occur, our business may be materially and adversely affected.

### ***Interruptions in our services could harm our reputation, result in significant costs to us, and impair our ability to sell our services.***

Because our services are complex and we have incorporated a variety of new computer hardware, as well as software that is developed in-house or licensed or acquired from third-party vendors, our services 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 services in complicated, large-scale network environments may increase our exposure to undetected errors, failures or bugs in our services. Although we test our services to detect and correct errors and defects before their general release, we have from time to time experienced significant interruptions in our service 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 services.

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

cause a reduction in revenues or delay in market acceptance of our services;

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require us to issue refunds to our customers 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.

***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 services 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 brands. If we fail to promote and maintain our brand, or if we incur substantial expense in an unsuccessful attempt to promote and maintain our brands, our business could be materially and adversely affected.

Our services, as well as those of our competitors, are regularly reviewed and commented upon by online and social media sources, as well as computer and other business publications. Negative reviews, or reviews in which our competitors' products and services are rated more highly than our solutions, could negatively affect our brand and reputation. From time to time, our customers have expressed dissatisfaction with our services, including dissatisfaction with our customer support, our billing policies and the way our services operate. 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. In addition, many of our customers participate in social media and online blogs about Internet-based services, including our services, 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 actions we take or changes we make to our services upset these customers, their blogging could negatively affect our brand and reputation. Complaints or negative publicity about our services or customer service could materially and adversely impact our ability to attract and retain customers and our business, financial condition and results of operations.

***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.***

Nearly all of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If people pay for our services 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 we refer to as chargebacks, from the credit card companies from claims that the customer did not authorize the credit card transaction to purchase our service, something that we have experienced in the past. If the number of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks and we could lose the right to accept credit cards for payment. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time. We are compliant with the Payment Card Industry Data Security Standard, or PCI, in the United States and Canada. We

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are developing a plan to become PCI-compliant in the UK; however, if we fail to maintain compliance with current merchant standards, such as PCI, 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 services. Our services 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. Although our customers are required to set passwords and Personal Identification Numbers, or PINs, to protect their accounts and may configure in which destinations international calling is enabled from their extensions, third parties have in the past and may in the future be able to access and use their accounts through fraudulent means. In addition, third parties may have attempted in the past, and may attempt in the future, to fraudulently induce domestic and international employees or consultants into disclosing customer credentials and other account information. Communications fraud can result in unauthorized access to customer accounts and customer data, unauthorized use of customers' services, charges to customers for fraudulent usage and expense that we must pay to carriers. We may be required to pay for these charges and expenses with no reimbursement from the customer, and our reputation may be harmed if our services are subject to fraudulent usage. 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, which could cause our paid customer base to significantly decrease, could have a material adverse effect on our results of operations, financial condition and ability to grow our business.

### ***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 services, 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 and telecommunication failures and employee or other theft, as well as third-party provider failures. Any 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 transitioned from a number of disparate systems and implemented NetSuite, a SaaS enterprise resource planning system, to handle various business, operating and financial processes in a prior year. We plan to transition from a spreadsheet-based financial modeling system and implement a third-party corporate performance management system. In addition, in the future we intend to implement a third-party SaaS billing system to replace our current internally developed billing system. We may also 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. Any disruptions relating to our systems enhancements or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business. Even if we do not encounter these material and adverse effects, the implementation of these enhancements may be much more costly than we anticipated. If we are unable to successfully implement the information systems enhancements as planned, our financial position, results of operations and cash flows could be negatively impacted.

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

We use open source software in our platform on which our services 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 services. 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 services, to re-engineer our technology, or to discontinue offering our services in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could cause us to discontinue our services, harm our reputation, result in customer losses or claims, increase our costs or otherwise materially and adversely affect our business and results of operations.

### ***Our services are subject to regulation, and future legislative or regulatory actions could adversely affect our business and expose us to liability.***

#### *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, or USF, contributions, E-911, and other requirements. 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 services. 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 services to customers and could have a materially adverse impact on our revenues.

Through RCLEC, we also provide competitive local exchange carrier services, or 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 permit us to procure facilities and services from incumbent local exchange carriers, or ILECs, that are necessary to provide our services. Over the past several years, the FCC has reduced or eliminated a number of regulations governing ILECs' offerings. If ILECs are not required by law to provide services to us or do not continue to permit us to purchase these services from them under commercial arrangements at reasonable rates, 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.

Our services are also subject to a number of other FCC regulations. Among others, we must comply (in whole or in part) with:

the Communications Assistance for Law Enforcement Act, or CALEA, which requires covered entities to assist law enforcement in undertaking electronic surveillance;

requirements to provide E-911 to our customers;

requirements to safeguard the privacy of certain customer information;

contributions to the USF which requires that we pay a percentage of our revenues to support certain federal programs;

payment of annual FCC regulatory fees based on our interstate and international revenues;

rules pertaining to access to our services by people with disabilities and contributions to the Telecommunications Relay Services fund; and





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FCC rules regarding CPNI, which requires that we not use such information without customer approval, subject to certain exceptions and that we file annual reports regarding CPNI protections.

If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to substantial fines and penalties, we may have to restructure our service offerings, exit certain markets or raise the price of our services, any of which could ultimately harm our business and results of operations.

### *State Regulation*

States currently may not regulate our Internet voice communications services. However, a small number of states have ruled that non-nomadic Internet voice communications services may or do fall within the definition of telecommunications services and therefore those states assert that they have jurisdiction to regulate the service. No states currently require certification for nomadic Internet voice communications service providers. Even if a state does not require Internet voice communications service providers to be certified, a number of states have imposed traditional telecommunications requirements on such services, including assessing state USF or other surcharge requirements, E-911 support and fees and other surcharges on nomadic VoIP providers. A number of states require us to contribute to state USF, contribute to E-911 and pay other surcharges, while others are actively considering extending their public policy programs to include the services we provide. We pass USF, E-911 fees and other surcharges through to our customers, which may result in our services becoming more expensive or require that we absorb these costs. We expect that state public utility commissions will continue their attempts to apply state telecommunications regulations to Internet voice communications services like ours.

Our subsidiary's CLEC 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's services and provide rates for those services. We are also required to comply with state regulations that vary from state to 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, and to conduct arbitration of disputes arising in the negotiation of such agreements.

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

### *International Regulation*

As we expand internationally, we may be subject to telecommunications, consumer protection, data privacy and other laws and regulations in the foreign countries where we offer our services. Internationally, we currently offer our services in Canada and the UK.

We are a provider of Internet voice telecommunications services in Canada. As a provider of Internet voice communications services, we are subject to regulation in Canada by the Canadian Radio-television and Telecommunications Commission, or CRTC. We are registered with the CRTC as a reseller of telecommunications services and have been issued a basic international telecommunications services, or BITS, license by the CRTC. As an Internet voice communications provider, we are subject to obligations imposed by the CRTC, including providing access to emergency calling services, providing access to operator assistance, directory information services, number

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portability, providing minimum customer information, charging customers certain regulatory charges and paying contribution charges. We are also subject to Canadian federal privacy laws and provincial consumer protection legislation. As a holder of a BITS license, we also must comply with various annual reporting requirements.

As a provider of electronic communications services in the UK, we, through our subsidiary, are subject to regulation in the UK by the Office of Communications, or Ofcom. Some of these regulatory obligations include providing access to emergency call services (E999/112); providing access to operator assistance, directories and directory enquiry services, offering contracts with minimum terms, providing and publishing certain information transparently, providing itemized billing, protecting customer information (including personal data); porting phone numbers upon a valid customer request and implementing a code of practice. We are required to comply with laws and matters relating to, among other things, competition law, distance selling, e-commerce and consumer protection. We must also comply with various reporting and recordkeeping requirements.

In addition, our international operations are potentially subject to country-specific governmental regulation and related actions that may increase our costs or impact our product and service offerings or prevent us from offering or providing our products and services in certain countries. Certain of our services 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 products 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 products and services in those countries notwithstanding the illegality or embargo. We may be subject to penalties or governmental action if consumers continue to use our products and services 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 services if required by law or if we cannot or will not meet those requirements.

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

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. 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. Within the European Union, or EU, strict laws already apply in connection with the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure and protection of personal information and other customer data. The EU model has been replicated in many jurisdictions outside the U.S., including Asia-Pacific Economic Cooperation countries. Regulators have the power to fine non-compliant organizations significant amounts. There are proposals to increase the maximum level of fines that EU regulators may impose to the greater of 100 million or 5% of worldwide annual sales. As Internet commerce and communication technologies continue to evolve, 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. For example, a variety of regulations that would increase restrictions on online service providers in the area of data privacy are currently being proposed, both in the U.S. and in other

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jurisdictions, and we believe that the adoption of increasingly restrictive regulation in the field of data privacy and security is likely, possibly as restrictive as the EU model. In Canada, new anti-spam legislation that prescribes certain rules regarding the use of electronic messages for commercial purposes will take effect on July 1, 2014. This new law also contains provisions that will take effect in January 2015, imposing certain restrictions on a service provider's ability to electronically automatically update or change software used in a customer's service without the customer's consent. Penalties for non-compliance with the new Canadian anti-spam legislation are considerable, including administrative monetary penalties of up to \$10 million and a private right of action. Obligations and restrictions imposed by current and future applicable laws, regulations, contracts and industry standards may affect our ability to provide all the current features of our products and services and our customers' ability to use our products and services, and could require us to modify the features and functionality of our products and services. Such obligations and restrictions may limit our ability to collect, store, process, use, transmit and share data with our customers, and to allow our customer to collect, store, retain, protect, use, process, transmit, share and disclose data with others through our products and services. Compliance with, and other burdens imposed by, such obligations and restrictions could increase the cost of our operations. Failure to comply with obligations and restrictions related to data privacy and security could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity and other losses that could harm our business.

Our customers can use our services 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. In addition, customers may use our services to transmit protected health information, or PHI, that is protected under the Health Insurance Portability and Accountability Act, or HIPAA; further, some customers also may use our services to store protected HIPAA information, notwithstanding that we inform customers that our services should not be used for such storage purposes. Noncompliance with laws and regulations relating to privacy and HIPAA may lead to significant fines, penalties or liabilities. Our actual compliance, our customers' perception of our compliance, costs of compliance with such regulations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our service and reduce overall demand. Furthermore, privacy concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our services, may cause our customers' customers to resist providing the personal data necessary to allow our customers to use our services effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our service in certain industries.

In addition to government activity, privacy advocacy groups and industry groups have adopted and are considering the adoption of various self-regulatory standards and codes of conduct that may place additional burdens on us and our customers, which may further reduce demand for our services and harm our business.

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 failure by us 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 services and ultimately in a loss of users, which could materially and adversely affect our business. Our customers may also 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.

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### ***Use or delivery of our services may become subject to new or increased regulatory requirements, taxes or fees.***

The increasing growth and popularity of Internet voice communications heighten the risk that governments will regulate or impose new or increased fees or taxes on Internet voice communications services. To the extent that the use of our services continues to grow, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our services. Similarly, advances in technology, such as improvements in locating the geographic origin of Internet voice communications, could cause our services to become subject to additional regulations, fees or taxes, or could require us to invest in or develop new technologies, which may be costly. In addition, as we continue to expand our user base and offer more services, we may become subject to new regulations, taxes, surcharges or fees. Increased regulatory requirements, taxes, surcharges or fees on Internet voice communications services, which could be assessed by governments retroactively or prospectively, would substantially increase our costs, and, as a result, our business would suffer. In addition, the tax status of our services could subject us to conflicting taxation requirements and complexity with regard to the collection and remittance of applicable taxes. Any such additional taxes could harm our results of operations.

### ***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, or 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.

In Canada, the Canadian Radio-television and Telecommunications Commission, or the CRTC, has imposed similar requirements related to the provision of E-911 services in all areas of Canada where the wireline incumbent carrier offers such 911 services. The CRTC also mandates certain customer notification requirements pursuant to which new customers are required to be notified of 911 service limitations and to consent to the same before their service with us commences and we are required to provide annual update notifications to our customers of the 911 limitations of our service. The CRTC has recently concluded a proceeding that canvassed issues in relation to the provision of 911 services in Canada and the decision rendered by the CRTC in this proceeding may result in changes to how 911 services are to be offered by service providers in Canada such as us.

Additionally, as a provider of electronic communications services in the UK, we are subject to regulation in the UK by Ofcom. Similar to the position in the U.S., Ofcom requires electronic communications providers, such as our company, to provide all users access to both 112 (EU-mandated) and 999 (UK-mandated) emergency service numbers at no charge. Ofcom also requires us to clearly and transparently inform our users of any emergency service limitations on their device including by way of labels and network announcements.

We provide E-911/999/112 service in compliance with the Ofcom, the CRTC and the FCC's rules, as applicable, to substantially all of our customers' interconnected VoIP lines. In some circumstances, 911/999/112 calls may be routed to a national emergency call center that routes the call to the appropriate PSAP. In addition, certain of our Internet voice communications services that work with mobile devices and are accessed through Wi-Fi networks may not be able to complete 911/999/112 calls. The FCC is considering requiring providers of Internet voice communications services on mobile devices and softphones to provide E-911 service, if such service may be used to make calls to the public telephone network. The adoption of such a requirement could increase our costs and make our service more expensive, which could adversely affect our results of operations.

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In May 2013, the FCC issued an order requiring all providers of interconnected text messaging services to provide, by September 30, 2013, an automatic bounce-back text message in situations where a consumer attempts to text message to 911 and text-to-911 is not available. We believe we are in compliance with this order. The FCC is considering requiring, by December 31, 2014, providers of interconnected text messaging services to route text messages to PSAPs that are capable of receiving text messages.

In connection with the regulatory requirements that we provide E-911/999/112 to all of 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 services 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 do not validate the physical address at each location where the services may be used by our customers, and because customers may use the services in locations that differ from the registered location without providing us with the updated information, it is possible that E-911/999/112 calls may get routed to the wrong public safety answering point, or PSAP. We are also aware that certain customer registered addresses are incorrect, or may not have been updated. If E-911/999/112 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 services are used. The FCC is also considering requiring interconnected VoIP providers to automatically update subscriber location information, for purposes of routing 911 calls.

We could be subject to enforcement action by the FCC, the CRTC or Ofcom for our customer lines that do not have E-911/999/112 service. This enforcement action could result in significant monetary penalties and restrictions on our ability to offer non-compliant services.

Customers may in the future 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. The New and Emerging Technologies 911 Improvement Act of 2008 provides that Internet voice communications providers have the same protections from liability for the operation of 911 service as traditional wire-line and wireless providers. Limitations on liability for the provision of 911 service are normally governed by state law, and these limitations typically are not absolute. It is also unclear under the FCC's rules whether the limitations on liability would apply to those customer lines for which we do not provide E-911 service. In the UK, by law we cannot limit our liability for any death or injury arising out of our negligence, including as a result of emergency service calls that are delayed, misrouted or uncompleted due to our negligence. In Canada, the CRTC does not permit any limitation of liability related to the provision of E-911 services that is due to our gross negligence or where negligence on the part of a service provider results in physical injury, death or damage to the customer's property or premises. In addition, Canadian provincial consumer protection laws may constrain our ability to limit liability to our non-business customers for any liability caused due to the 911 shortfalls inherent in Internet voice communications services. In the UK, by law we cannot limit our liability for any death or injury arising out of our negligence, including as a result of emergency service calls that are delayed, misrouted or uncompleted due to our negligence.

***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. Our customer support is currently provided via a third-party provider located in the Philippines, as well as our employees in the U.S. We currently offer support almost exclusively in

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English. 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 multiple foreign languages.

We also contract with third parties to provide E-911 services, including assistance in routing emergency calls and terminating E-911 calls. Our 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. On mobile devices, we generally rely on the underlying cellular or wireless carrier to provide E-911 services. Interruptions in service from our vendors could cause failures in our customers' access to E-911 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.

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

To date, we have not generated significant revenues from outside of the U.S. and Canada. However, we already have significant operations outside the U.S. and Canada, including expansion into the UK in the fourth quarter of 2013, and we expect to grow our international revenues 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. Because of 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 technical and environmental standards, data privacy and telecommunications regulations and certification requirements outside the U.S.;

difficulties and costs associated with staffing and managing foreign operations;

potentially greater difficulty collecting accounts receivable and longer payment cycles;

the need to adapt and localize our services for specific countries;

the need to offer customer care in various native languages;

reliance on third parties over which we have limited control, including TELUS and other international resellers, for marketing and reselling our services;

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 privacy requirements;

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difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions;

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export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control;

tariffs and other non-tariff barriers, such as quotas and local content rules;

compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and United Kingdom Bribery Act of 2010;

more limited protection for intellectual property rights in some countries;

adverse tax consequences;

fluctuations in currency exchange rates, which could increase the price of our services outside of the U.S., increase the expenses of our international operations, including expenses related to foreign contractors, and expose us to foreign currency exchange rate risk;

exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars;

restrictions on the transfer of funds;

our ability to effectively price our services in competitive international markets;

new and different sources of competition;

deterioration of political relations between the U.S. and other countries, particularly Russia, Ukraine, China and the Philippines; and

political or social unrest or economic instability in a specific country or region, such as the political demonstrations and unrest in the Ukraine, which could have an adverse impact on our third-party software development and quality assurance operations there.

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

***We depend largely on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, results of operations and financial condition.***

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. In addition, certain members of our senior management team, including our President, who joined us in June 2013, and our Chief Financial Officer, who joined us in August 2013, have worked together for only a relatively short period of time and it may be difficult to evaluate their effectiveness, on an individual or collective basis, and ability to address future challenges to our business. The loss of the services of our senior



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management or other key employees for any reason could adversely affect our business, financial condition or results of operations.

***If we are unable to hire, retain and motivate qualified personnel, our business will suffer.***

Our future success depends, in part, 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

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technical and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, and in other locations where we maintain offices. 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 services, 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. Many of our key personnel are, or will soon be, vested in a substantial amount of shares of common stock, stock options or restricted stock units. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our Class A common stock. If we are unable to retain our employees, our business, results of operations, and financial condition will be harmed.

***We may expand through acquisitions of, or investments in, 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. We cannot assure you that we will successfully identify suitable acquisition candidates, 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 or investment could materially and adversely affect our results of operations. Acquisitions and other strategic investments involve significant risks and uncertainties, including:

the potential failure to achieve the expected benefits of the combination or acquisition;

unanticipated costs and liabilities;

difficulties in integrating new products and services, software, businesses, operations and technology infrastructure in an efficient and effective manner;

difficulties in maintaining customer relations;

the potential loss of key employees of the 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 purchase price;

the potential significant increase of our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition;

the potential issuance of securities that would dilute our stockholders' percentage ownership;

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the potential to incur large and immediate write-offs and restructuring and other related expenses; and

the inability to maintain uniform standards, controls, policies and procedures.

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Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that we will realize the anticipated benefits of any acquisition or investment. In addition, our inability to successfully operate and integrate newly acquired businesses 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.

*We may be subject to liabilities on past sales for taxes, surcharges and fees.*

Prior to 2012, we did not collect or remit U.S. state or municipal sales, use, excise, utility user and ad valorem taxes, fees or surcharges on the charges to our customers for our services or goods, except that we have historically complied with the collection of certain California sales/use taxes and financial contributions to the California 9-1-1 system (the Emergency Telephone Users Surcharge) and federal USF. For periods prior to 2012, with limited exception, we believe that we were generally not subject to taxes, fees, or surcharges imposed by other U.S. state and municipal jurisdictions or that such taxes, fees, or surcharges did not apply to our service. 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. Therefore, taxing authorities may challenge our position and may decide to audit our business and operations with respect to sales, use, telecommunications and other taxes, which could result in increased tax liabilities for us or our customers, which could materially and adversely affect our results of operations and our relationships with our customers.

In 2012, we voluntarily began collecting and remitting U.S. state sales, use or other taxes, surcharges, and fees. The collection of these taxes, fees, or surcharges could have the effect of decreasing or eliminating price advantages we may have had over other providers. We may not accurately calculate these taxes, particularly in foreign jurisdictions. In addition, we have recorded a contingent sales tax liability for sales prior to 2012. If our ultimate liability exceeds the collected and accrued amount, it could result in significant charges to our earnings.

Finally, the application of other indirect taxes (such as sales and use tax, value added tax, or VAT, goods and services tax, business tax, and gross receipt tax) to e-commerce businesses, such as ours, is a complex and evolving area. In November 2007, the U.S. federal government enacted legislation extending the moratorium on states and other local authorities imposing access or discriminatory taxes on the Internet through November 2014. This moratorium does not prohibit federal, state, or local authorities from collecting taxes on our income or from collecting taxes that are due under existing tax rules. The application of existing, new, or future laws, whether in the U.S. or internationally, could have adverse effects on our business, prospects, and results of operations. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

*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;

certain non-deductible expenses as a result of acquisitions;

expansion into new jurisdictions;



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potential challenges to and costs related to implementation and ongoing operation of our intercompany arrangements; and

changes in tax laws and regulations and accounting principles, or interpretations or applications thereof.

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

***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, 2013, we had federal and state net operating loss carryforwards, or NOLs, of \$94.7 million and \$77.9 million, respectively, available to offset future taxable income, due to prior period losses, which, if not utilized, will begin to expire in 2023 and 2014 for federal and state purposes, respectively. 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, or the Code, 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 own at least 5% of our stock, increase their 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 deferred tax assets have been recognized on our balance sheet related to these NOLs, as they are fully reserved 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 this 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.

***As a result of being a public company, we need to further develop and maintain our internal control over financial reporting. If our internal control over financial reporting is not effective, it may adversely affect investor confidence in our company.***

We will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of December 31, 2014. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. 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. For example, in connection with the audit of our consolidated financial statements for fiscal 2011, our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. 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. The

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material weakness that our independent registered public accounting firm identified related to our lack of sufficient, qualified personnel in accounting and financial reporting matters to perform process level controls and other controls. We believe that we remediated this material weakness in 2012.

However, in connection with the audit of our consolidated financial statements for fiscal 2012, our independent registered public accounting firm identified two significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of our financial reporting. The significant deficiencies that our independent registered public accounting firm identified in connection with our fiscal 2012 audit related to our lack of sufficient controls to enable our timely remittance of sales tax liabilities and inadequate controls related to the accounting process and incomplete documentation of accounting and financial period close procedures. While we believe that we remediated the first of these two significant deficiencies in 2013, in connection with the audit of our consolidated financial statements for fiscal 2013, our independent registered public accounting firm determined that the second significant deficiency still remained as of December 31, 2013.

If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls when it is required to do so by the applicable rules, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our Class A common stock to decline, and we may be subject to investigation or sanctions by the Securities and Exchange Commission, or the SEC.

We will be required to disclose changes made in our internal control and procedures on a quarterly basis. However, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an emerging growth company as defined in the recently enacted Jumpstart our Business Startups Act of 2012, or JOBS Act, if we take advantage of the exemptions contained in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. 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.

***We may not be successful in obtaining local access services through our newly-created CLEC.***

We have formed a competitive local exchange carrier subsidiary, RCLEC, to allow us to purchase network services directly from ILECs and from other CLECs in certain geographic markets, at lower prices than we pay for such services through third-party network service providers, such as Level 3 Communications, Inc. and Bandwidth.com, Inc., and to help us improve our quality of service. However, the ILECs may favor themselves and their affiliates and may not provide network services to us at lower prices than we could obtain through Level 3 Communications, Inc., Bandwidth.com, Inc., other third-party CLECs, or at all. If we are unable 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. Further, creation and maintenance of a CLEC requires significant expenditures, and we may not realize much or any benefit from our investment in our subsidiary if we do not reduce our costs of network service through our subsidiary. In addition, if ILECs or other CLECs do not provide us with any access, we will not be able to use our RCLEC subsidiary as intended to improve the quality of our services or lower the cost of our services.

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*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 services must maintain both our service 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, which are companies like us that provide services similar to traditional phone companies, including the ability to make calls to and receive calls from the public phone network, to comply with specified number porting timeframes when customers leave our service for the services of another provider. In Canada, the CRTC has imposed a similar number portability requirement on service providers like us. Similarly in the UK, Ofcom requires providers of electronic communications services, like us, to provide number portability as soon as practicable and on reasonable terms. 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, including, in the UK, compensation payable to our customers. 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 DIDs, are prohibited from obtaining local or toll-free numbers, or 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 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 services 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 rely on third-party hardware and software that may be difficult to replace or which could cause errors or failures of our service.*

We rely on purchased or leased hardware and software licensed from third parties in order to offer our service. In some cases, we integrate third-party licensed software components into our platform. This hardware and 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 hardware or software could significantly increase our expenses and otherwise result in delays in the provisioning of our service until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated. Any errors or defects in third-party hardware or software could result in errors or a failure of our service which could harm our business.



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***We depend on two vendors and one fulfillment agent 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 Cisco Systems, Inc. and Polycom, Inc. for phones that we offer for sale to our customers that use our services. In addition, we rely on one fulfillment agent to configure and deliver our phones to our customers. We currently do not have long-term contracts with these vendors or with the fulfillment agent. As a result, these third parties are not obligated to provide products to or perform services for us for any specific period, in any specific quantities or at any specific price, except as may be provided in a particular purchase order. If these third parties are unable to deliver phones of acceptable quality or in a timely manner, our ability to bring services to market, the reliability of our services and our reputation could suffer. 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 service, 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 we sell are manufactured by only two third-party providers, Cisco Systems, Inc. and Polycom, Inc. If either 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. 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 services could be delayed or orders for our services could be cancelled, which would harm our business, financial condition and results of operations.

***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 20 weeks for delivery 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 services could result in loss of customers or harm to our ability to attract new customers. Any of these factors could have a material adverse effect on our business, financial condition or 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

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that are acceptable to us, or at all. Any debt financing that we secure in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

During 2013, we were temporarily out of compliance with the covenant in our credit agreement with Silicon Valley Bank regarding maintaining a minimum cash balance. Silicon Valley Bank waived this non-compliance effective August 14, 2013. We cannot assure you that we will be able to comply with this covenant or any other affirmative or negative covenants in future quarters, as required by our credit agreement. 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. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our 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.

***Our corporate headquarters, one of our data centers and co-location facilities, our sole third-party customer service and support facility, 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, one of our data centers and one of our subsidiary's co-location facilities are located in northern California, our customer service call center operated by our contractor is located in the Philippines, and one of our research and development facilities is located on the coast of China. All of these locations are on the Pacific Rim near known earthquake fault zones and, therefore, are vulnerable to damage from earthquakes and tsunamis. Additionally, our China facility, our sole third-party customer service and support facility in the Philippines, and our CLEC subsidiary's co-location facility in Florida are located in areas subject to hurricanes. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics, 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 services 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.

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

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act,

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the listing requirements of the New York Stock Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations may increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and results of operations. Although we have already hired additional employees to comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which will increase our costs and expenses.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. Our failure to comply with these laws, regulations and standards could materially and adversely affect our business and results of operations.

However, for as long as we remain an emerging growth company as defined in the JOBS Act we will take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, exemption from the requirement to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will take advantage of these reporting exemptions until we are no longer an emerging growth company.

We will cease to be an emerging growth company upon the earliest of (i) January 1, 2019, (ii) the first fiscal year after our annual gross revenues are \$1.0 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities or (iv) as of the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded \$700 million as of the end of the second quarter of that fiscal year.

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

***We are an emerging growth company, and the reduced disclosure requirements applicable to emerging growth companies may make our Class A common stock less attractive to investors.***

We are an emerging growth company, as defined in the JOBS Act, and we will take advantage of certain exemptions from various reporting requirements that apply to other public companies that are

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not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of this extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

**Risks Related to Owning Our Class A Common Stock and this Offering**

*The market price of our Class A common stock is likely to be volatile and could decline following this offering, resulting in a substantial loss of your investment.*

The stock market in general, and the market for technology-related stocks in particular, has been highly volatile. As a result, the market price and trading volume for our Class A common stock may also 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 services;

the public's reaction to our press releases, financial guidance, and other public announcements, and filings with the Securities and Exchange Commission, or 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;

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arrival and departure of key personnel;

the number of shares to be publicly traded after this offering;

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

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failure, cyber attack, 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 you from being able to sell your shares at or above the price you paid for your 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.

***Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that these sales might occur, could cause our share price to decline.***

Sales of a substantial number of shares of our Class A common stock in the public market after this offering, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Based upon the total number of outstanding shares of our common stock as of December 31, 2013, upon completion of this offering, we will have 49,043,295 shares of Class B common stock and 15,200,774 shares of Class A common stock outstanding, assuming no exercise of our outstanding options or outstanding warrants and the sale of 4,000,000 shares of Class A common stock by the selling stockholders.

All of the shares of our Class A common stock sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act. Of the 64,244,069 shares of Class A and Class B common stock outstanding after this offering, based on shares outstanding as of December 31, 2013 and the foregoing assumptions in the preceding paragraph, 35,371,410 shares will be restricted as a result of securities laws, lock-up agreements, or other contractual restrictions that restrict transfers for at least 88 days after the date of this prospectus, and 50,275,906 shares will be restricted as a result of securities laws, lock-up agreements, or other contractual restrictions until at least March 26, 2014, subject in each case to certain exceptions.

After completion of this offering, the holders of an aggregate of 29,749,235 shares of Class B common stock, or 45.8% of the total number of outstanding shares of our Class A and Class B common stock, based on shares outstanding as of December 31, 2013 and giving effect to the sale of shares by the selling stockholders, including holders of warrants exercisable for 402,097 shares of Class B common stock, in each case calculated on a fully diluted basis, or their permitted transferees, will be entitled to rights with respect to registration of these shares under the Securities Act pursuant to an investors' rights agreement. Shares of our Class B common stock automatically will convert into shares of our Class A common stock upon any sale or transfer, whether or not for value, except for certain transfers described in our amended and restated certificate of incorporation to become effective upon completion of this offering. If these holders of our Class B common stock, by exercising their registration rights, sell a large number of shares, they could materially and adversely affect the market price for our Class A common stock. If we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired. In addition, as of December 31, 2013, there were outstanding options to purchase 11,155,743 shares of our Class A common stock and Class B common stock, 5,023,406 shares of which were exercisable as of December 31, 2013. These shares are freely tradable, although they are subject to the lock-up arrangements we describe below and elsewhere in this prospectus and vesting limitations.

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In connection with our initial public offering, we, our directors and officers, and substantially all of our stockholders and holders of options to purchase our stock who held such shares or options prior to the offering, agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, or enter into, any transaction that is designed to, or could be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock until March 26, 2014 without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC. In the case of releases with respect to our officers or directors, the representatives of the underwriters will, at least three business days before the effective date of such release, notify us of the impending release. We have agreed to announce such release by press release through a major news service at least two business days before the effective date of the release.

In connection with this offering, Goldman, Sachs & Co. and J.P. Morgan Securities LLC intend to release the lock-up restrictions with respect to up to 4,000,000 shares to be sold by the selling stockholders in this offering, which include certain of our employees, officers and directors or their affiliated entities. In addition, subject to certain customary exceptions, we, our executive officers and directors and the selling stockholders and their affiliated entities have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of common stock without the permission of Goldman, Sachs & Co. and J.P. Morgan Securities LLC for a period of 88 days from the date of this prospectus.

We cannot predict what effect, if any, market sales of securities held by our stockholders or the availability of these securities for future sale will have on the market price of our Class A common stock. See [Underwriting](#) and [Shares Eligible for Future Sale](#) for a more detailed description of the restrictions on selling our securities after this offering.

We may also issue shares of our Class A common stock or other securities from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares of our Class A common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial. We may also grant registration rights covering those shares of our Class A common stock or other securities in connection with any such acquisitions and investments.

***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 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 98.3% of the voting power of our outstanding capital stock. As a result, for the foreseeable future, our pre-offering stockholders will have significant influence over the management and affairs of our company and over the outcome of all 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 all matters submitted to our stockholders for approval even if their stock holdings represent less than 50% of the outstanding shares of our common stock. Because of the 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

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stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. 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 a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Shmunis is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally. For a description of the dual class structure, see [Description of Capital Stock Provisions of Our Certificate of Incorporation and Bylaws and Delaware Anti-Takeover Law](#).

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

We intend to use the net proceeds from our offering for working capital or other general corporate purposes. We may also repay in part or in full the outstanding principal and accrued interest on our term loans. In addition, we may use a portion of the net proceeds for capital expenditures and for possible acquisitions of complementary businesses, technologies or other assets. Our management will have considerable discretion in the application of the net proceeds that we receive in this offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. Therefore, you must rely on the judgment of our management regarding the application of the net proceeds of this offering. The failure by our management to apply these proceeds effectively could materially and adversely affect our business and financial condition. The net proceeds may be used for corporate purposes that do not improve our results of operations or market value. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

***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 share 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 your investment in our company will be if the market price of our Class A common stock appreciates and you sell your shares at a profit. There is no guarantee that the price of our Class A common stock that will prevail in the market after this offering will ever exceed the price that you pay.

***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 establish and 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.



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***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 Chair 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;

establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;

prohibit cumulative voting in the election of directors;

provide that our directors may be removed only for cause;

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.

***Because the public offering price of our common stock will be substantially higher than the net tangible book value per share of our outstanding common stock following this offering, new investors will experience immediate and substantial dilution.***

The public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our common stock in this offering, you will experience immediate dilution of \$21.85 per share, the difference between the assumed public

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offering price of \$23.52 per share, the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27, 2014, and the net tangible book value per share of our common stock as of December 31, 2013, after giving effect to the issuance of shares of our common stock in this offering. See the section entitled "Dilution."

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available to our management at the date of this prospectus and our management's good faith belief as of such date with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

our financial performance, including our revenues, margins, costs, expenditures, growth rates, operating expenses, the ability to generate positive cash flow and to become profitable;

our ability to effectively manage our growth;

our ability to successfully maintain our relationships with our resellers;

our ability to attract and retain customers, including large customers;

our ability to adapt to changing market conditions;

the effects of increased competition in our markets;

our ability to successfully enter new markets and manage our international expansion;

our ability to maintain, protect and enhance our brand and intellectual property;

costs associated with defending intellectual property infringement and other claims;

our ability to attract and retain qualified employees and key personnel;

our ability to develop and launch new services and features; and

other factors discussed in this prospectus under **Risk Factors** and **Management's Discussion and Analysis of Financial Condition and Results of Operations**.

In addition, in this prospectus, the words **anticipate, believe, continue, could, seek, might, estimate, expect, intend, may, plan, approximately, project, should, will, would** or the negative or plural of these words or similar expressions, as they relate to our company, business and management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the future events and circumstances discussed in this prospectus may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements.

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Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in **Risk Factors** and elsewhere in this prospectus. We derive many of our forward-looking statements from our operating budgets and forecasts, which we base on many assumptions. While we believe that our assumptions are reasonable, we caution that it is difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus and the documents that we have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

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Forward-looking statements speak only as of the date of this prospectus. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. Except as required by law, we assume no obligation to publicly update or revise any forward-looking statement to reflect actual results, changes in assumptions based on new information, future events or otherwise. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

**INDUSTRY AND MARKET DATA**

This prospectus contains estimates and other statistical data that we have obtained or derived from industry publications and reports, including reports from Infonetics Research, Gartner, Inc., or Gartner, and International Data Corporation, or IDC. These industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. This information involves a number of assumptions, limitations and estimates, and we cannot assure you that any of them will prove to be accurate. Based on our industry experience, we believe that these publications and reports are reliable and that the conclusions contained in the publications and reports are reasonable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors. These and other factors could cause our actual results to differ materially from those expressed in the industry publications and reports.

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

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**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of 2,000,000 shares of Class A common stock that we are offering at the assumed public offering price of \$23.52 per share, the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27, 2014, will be approximately \$43.7 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares sold by the selling stockholders.

We intend to use the net proceeds that we receive from this offering for working capital or other general corporate purposes, including additional marketing expenditures, the expansion of our sales organization, international expansion, and further development of our solutions. We also intend to use a portion of the net proceeds for capital expenditures for expansion of our network infrastructure as we grow our customer base in the U.S. and internationally.

We may also use a portion of the net proceeds from this offering to repay the outstanding principal and accrued interest on our existing loans with TriplePoint Capital LLC. As of December 31, 2013, the outstanding balance of our equipment line was approximately \$5.0 million and bore interest at a fixed rate of 5.75%.

We may also use a portion of the net proceeds from this offering to repay the outstanding principal and accrued interest on our existing loan with Silicon Valley Bank. As of December 31, 2013, the outstanding balance of this loan was approximately \$29.1 million and bore interest at a weighted-average floating rate of 4.05% above the prime rate per annum.

In addition, we may use a portion of the proceeds that we receive from this offering for acquisitions of complementary businesses, technologies or other assets.

The amount and timing of our actual expenditures will depend on numerous factors, including the cash used in or generated by our operations, the status of our development, the level of our sales and marketing activities, and our technology investments and acquisitions. Our management has discretion over many of these factors. Therefore, we are unable to estimate the amount or timing of net proceeds from this offering that will be used for any of the purposes described above. Pending the use of the proceeds from this offering as described above, we plan to invest the net proceeds in short-term, investment-grade, interest-bearing securities, such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government. We cannot predict whether the invested proceeds will yield a favorable return.

**Table of Contents****MARKET PRICE OF COMMON STOCK**

Our Class A common stock has been listed on the New York Stock Exchange under the symbol **RNG** since September 27, 2013. Prior to that date, there was no public trading market for our Class A common stock. The following table sets forth for the periods indicated the high and low sale prices per share of our Class A common stock as reported on the New York Stock Exchange:

	<b>High</b>	<b>Low</b>
<b>Fiscal 2013</b>		
Third quarter (from September 27, 2013)	\$ 19.40	\$ 17.10
Fourth quarter	\$ 19.80	\$ 15.75
<b>Fiscal 2014</b>		
First quarter (through February 27, 2014)	\$ 23.65	\$ 17.25

On February 27, 2014, the last reported sale price of our Class A common stock on the New York Stock Exchange was \$23.52 per share. As of February 21, 2014, we had 31 stockholders of record of our Class A common stock, as well as 166 stockholders of record of our Class B common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

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

**DIVIDEND POLICY**

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings to fund business development and growth, and we do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. In addition, under the terms of our current credit facilities, we are prohibited from declaring or paying cash dividends without the prior consent of Silicon Valley Bank and TriplePoint Capital LLC.

**Table of Contents****CAPITALIZATION**

The following table shows our cash and cash equivalents and our capitalization as of December 31, 2013 on:

an actual basis; and

an as adjusted basis, giving effect to the sale by us of 2,000,000 shares of Class A common stock in this offering, at an assumed public offering price of \$23.52 per share, which was the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27, 2014, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the sale of 4,000,000 shares of Class A common stock by the selling stockholders.

You should read this table together with Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the related notes appearing elsewhere in this prospectus.

	<b>As of December 31, 2013</b>	
	<b>Actual (in thousands, except per share data)</b>	<b>As Adjusted</b>
Cash and cash equivalents	\$ 116,378	\$ 163,888
Debt and capital lease obligations	34,821	34,821
Stockholder's equity:		
Preferred stock, \$0.0001 par value; 100,000 shares authorized actual and as adjusted; and no shares issued and outstanding, actual and as adjusted		
Class A common stock, \$0.0001 par value; 1,000,000 shares authorized actual and as adjusted; and 9,201 shares issued and outstanding, actual and as adjusted	1	1
Class B common stock, \$0.0001 par value; 250,000 shares authorized actual and as adjusted; and 53,043 shares issued and outstanding, actual and as adjusted	5	5
Additional paid-in capital	193,574	241,084
Accumulated other comprehensive loss	(310)	(310)
Accumulated deficit	(129,755)	(129,755)
Total stockholders' equity	63,515	111,025
<b>Total capitalization</b>	<b>\$ 98,336</b>	<b>\$ 145,896</b>

The total number of shares of our Class A and Class B common stock reflected in the discussion and table above is based on 9,200,774 shares of Class A common stock and 53,043,295 shares of our Class B common stock outstanding as of December 31, 2013, and excludes, as of December 31, 2013:

3,434,618 shares of Class B common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2003 Equity Incentive Plan at a weighted-average exercise price of \$0.96 per share;

7,533,375 shares of Class B common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2010 Equity Incentive Plan at a weighted-average exercise price of \$7.84 per share;



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187,750 shares of Class A common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2013 Equity Incentive Plan at a weighted-average exercise price of \$16.44 per share;

68,100 shares of Class A common stock issuable upon the vesting of restricted stock units outstanding as of December 31, 2013;

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216,000 shares of Class A common stock issuable upon the exercise of stock options granted after December 31, 2013, with a weighted-average exercise price of \$20.81 per share;

185,800 shares of Class A common stock issuable upon the vesting of restricted stock units granted after December 31, 2013;

6,013,523 shares of Class A common stock reserved for future issuance under our 2013 Equity Incentive Plan as of December 31, 2013, plus an additional 3,112,203 shares of Class A common stock that became available for future grants under our 2013 Equity Incentive Plan as of January 1, 2014 pursuant to provisions thereof that automatically increase the share reserve under such plan each year, as more fully described in Executive Compensation Employee Benefit and Equity Incentive Plans ;

1,250,000 shares of Class A common stock reserved for future issuance under our 2013 Employee Stock Purchase Plan as of December 31, 2013, plus an additional 622,441 shares of Class A common stock that became available for future grants under our 2013 Employee Stock Purchase Plan as of January 1, 2014 pursuant to provisions thereof that automatically increase the share reserve under such plan each year, as more fully described in Executive Compensation Employee Benefit and Equity Incentive Plans ; and

502,097 shares of Class B common stock issuable upon exercise of outstanding warrants with a weighted-average exercise price of \$5.05 per share.

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If you invest in our Class A common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our Class A common stock and the as adjusted net tangible book value per share of our Class A common stock immediately after this offering. The historical net tangible book value of our common stock as of December 31, 2013 was \$63.5 million, or \$1.02 per share. Historical net tangible book value per share represents our total tangible assets less our total liabilities, divided by the number of shares of outstanding common stock.

After giving effect to the receipt of the net proceeds from our sale of 2,000,000 shares of Class A common stock in this offering at an assumed offering price of \$23.52 per share, which was the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27, 2014, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2013 would have been \$111.0 million, or \$1.71 per share. This represents an immediate increase in as adjusted net tangible book value of \$0.69 per share to existing stockholders and an immediate dilution of \$21.81 per share to new investors purchasing Class A common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed public offering price per share	\$ 23.52
Net tangible book value per share as of December 31, 2013	\$ 1.02
Increase per share attributable to this offering	0.69
Net tangible book value per share, as adjusted to give effect to this offering	1.71
Dilution in as adjusted net tangible book value per share to new investors in this offering	21.81

If the underwriters exercise their option to purchase additional shares from us in full, the net tangible book value per share of our Class A and Class B common stock, as adjusted to give effect to this offering, would be \$1.99 per share, and the dilution in net tangible book value per share to investors in this offering would be \$21.53 per share of Class A common stock.

After giving effect to the receipt of the net proceeds from our sale of 2,000,000 shares of Class A common stock in this offering at an assumed offering price of \$23.52 per share, which was the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27 2014, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2013 would have been \$131.2 million, or \$1.99 per share. This represents an immediate increase in as adjusted net tangible book value of \$0.97 per share to existing stockholders and an immediate dilution of \$21.53 per share to new investors purchasing Class A common stock in this offering.

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The following table summarizes, on a pro forma basis as of December 31, 2013 after giving effect to the completion of this offering at an assumed public offering price of \$23.52 per share, the last reported sale price of our Class A common stock on the New York Stock Exchange on February 27, 2014, the difference between existing stockholders and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid, before deducting underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders	62,244	96.9%	\$ 188,331	80.0%	\$ 3.03
New investors	2,000	3.1%	47,040	20.0%	23.52
<b>Total</b>	<b>64,244</b>	<b>100.0%</b>	<b>\$ 235,371</b>	<b>100.0%</b>	<b>\$ 3.66</b>

The total number of shares of our Class A and Class B common stock reflected in the discussion and tables above is based on 9,200,774 shares of Class A common stock and 53,043,295 shares of our Class B common stock (including preferred stock on an as converted basis) outstanding, as of December 31, 2013, and excludes:

3,434,618 shares of Class B common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2003 Equity Incentive Plan at a weighted-average exercise price of \$0.96 per share;

7,533,375 shares of Class B common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2010 Equity Incentive Plan at a weighted-average exercise price of \$7.84 per share;

187,750 shares of Class A common stock issuable upon the exercise of outstanding options as of December 31, 2013 granted pursuant to our 2013 Equity Incentive Plan at a weighted-average exercise price of \$16.44 per share;

68,100 shares of Class A common stock issuable upon the vesting of restricted stock units outstanding as of December 31, 2013;

216,000 shares of Class A common stock issuable upon the exercise of stock options granted after December 31, 2013, with a weighted-average exercise price of \$20.81 per share;

185,800 shares of Class A common stock issuable upon the vesting of restricted stock units granted after December 31, 2013;

6,013,523 shares of Class A common stock reserved for future issuance under our 2013 Equity Incentive Plan as of December 31, 2013, plus an additional 3,112,203 shares of Class A common stock that became available for future grants under our 2013 Equity Incentive Plan as of January 1, 2014 pursuant to provisions thereof that automatically increase the share reserve under such plan each year, as more fully described in Executive Compensation Employee Benefit and Equity Incentive Plans ;

1,250,000 shares of Class A common stock reserved for future issuance under our 2013 Employee Stock Purchase Plan as of December 31, 2013, plus an additional 622,441 shares of Class A common stock that became available for future grants under our 2013 Employee Stock Purchase Plan as of January 1, 2014 pursuant to provisions thereof that automatically increase the share reserve under such plan each year, as more fully described in Executive Compensation Employee Benefit and Equity Incentive Plans ; and

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502,097 shares of Class B common stock issuable upon exercise of outstanding warrants with a weighted-average exercise price of \$5.05 per share.

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Sales by the selling stockholders in this offering will cause the number of shares of our Class B common stock held by existing stockholders as of December 31, 2013 to be reduced to 49,043,295 shares, or 76.3% of the total number of shares of our Class A and Class B common stock outstanding after this offering, and will increase the number of shares of our Class A common stock held by investors as of December 31, 2013 to 15,200,774 shares, or 23.7% of the total number of shares of our Class A common stock and Class B common stock outstanding after this offering.

To the extent that any outstanding options are exercised, new options are issued under our share-based compensation plans or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering. If all outstanding options under our 2003 Equity Incentive Plan, 2010 Equity Incentive Plan and 2013 Equity Incentive Plan as of December 31, 2013 were exercised, then our existing stockholders, including the holders of these options, would own 97.3% and investors purchasing shares in this offering would own 2.7% of the total number of shares of our Class A and Class B common stock outstanding upon the completion of this offering. In such event, the total consideration paid by our existing stockholders, including the holders of these options, would be approximately \$253.8 million, or 84.4%, the total consideration paid by our new investors would be \$47.0 million, or 15.6%, the average price per share paid by our existing stockholders would be \$3.46 and the average price per share paid by our new investors would be \$23.52.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

You should read the following selected consolidated financial and other data in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

We have derived the following selected consolidated statements of operations data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated balance sheet data as of December 31, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2011 has been derived from our audited financial statements not included in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,		
	2011	2012	2013
	(in thousands, except per share amounts)		
<b>Consolidated Statements of Operations Data:</b>			
<b>Revenues:</b>			
Services	\$ 71,915	\$ 105,693	\$ 145,995
Product	6,962	8,833	14,510
Total revenues	78,877	114,526	160,505
<b>Cost of revenues:</b>			
Services <sup>(1)</sup>	26,475	36,215	47,230
Product	6,523	8,688	14,289
Total cost of revenues	32,998	44,903	61,519
Gross profit	45,879	69,623	98,986
<b>Operating expenses:</b>			
Research and development <sup>(1)</sup>	12,199	24,450	33,399
Sales and marketing <sup>(1)</sup>	34,550	54,566	72,336
General and administrative <sup>(1)</sup>	12,969	24,434	34,284
Total operating expenses	59,718	103,450	140,019
Loss from operations	(13,839)	(33,827)	(41,033)
<b>Other income (expense), net:</b>			
Interest expense	(158)	(1,503)	(5,384)
Other income (expense), net	109	32	274
Other income (expense), net	(49)	(1,471)	(5,110)
Loss before provision (benefit) for income taxes	(13,888)	(35,298)	(46,143)
Provision (benefit) for income taxes	15	92	(45)
<b>Net loss</b>	<b>\$ (13,903)</b>	<b>\$ (35,390)</b>	<b>\$ (46,098)</b>
<b>Net loss per common share:</b>			
Basic and diluted	\$ (0.64)	\$ (1.58)	\$ (1.39)
<b>Weighted-average number of shares used in computing net loss per share:</b>			
Basic and diluted	21,678	22,353	33,155

(1) Share-based compensation expense is included in our results of operations as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
Cost of services revenues	\$ 141	\$ 235	\$ 539
Research and development	260	837	1,495
Sales and marketing	297	651	1,313
General and administrative	490	1,379	4,193
<b>Total share-based compensation expense</b>	<b>\$ 1,188</b>	<b>\$ 3,102</b>	<b>\$ 7,540</b>



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	2011	As of December 31, 2012	2013
<b>Consolidated Balance Sheet Data (in thousands):</b>			
Cash and cash equivalents	\$ 13,577	\$ 37,864	\$ 116,378
Working capital (deficit)	(5,147)	(484)	75,005
Total assets	27,362	63,354	145,185
Deferred revenue	9,042	11,291	16,552
Debt and capital lease obligations	979	21,079	34,821
Convertible preferred stock	44,109	74,020	
Total stockholders' equity	1,452	71	63,515

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in Risk Factors. Our fiscal year end is December 31 and our fiscal quarters end on March 31, June 30, September 30, and December 31. Our fiscal years ended December 31, 2011, 2012 and 2013 are referred to as fiscal 2011, fiscal 2012 and fiscal 2013, respectively.*

**Overview**

We are a leading provider of software-as-a-service, or SaaS, solutions for business communications. We believe that our innovative, cloud-based approach disrupts the large market for business communications solutions by providing flexible and cost-effective services that support distributed workforces, mobile employees and the proliferation of bring-your-own communications devices. We enable convenient and effective communications for our customers, across all their locations, all their employees, all the time, thus enabling a more productive and dynamic workforce. RingCentral Office, our flagship service, is a multi-user, enterprise-grade communications solution that enables our customers and their employees to communicate via different channels and on multiple devices, including smartphones, tablets, PCs and desk phones. We sell RingCentral Office in three editions: Standard, Premium and Enterprise. Our Standard Edition of RingCentral Office includes call management, mobile applications, voice, business SMS, integration with Dropbox, Box, Google Drive and Microsoft Office and Outlook, and conferencing capabilities. Our Premium Edition includes the Standard Edition functionality together with Salesforce CRM integration, automatic call recording and premium support. Our Enterprise Edition, which we launched in January 2014, adds multipoint HD video and web conferencing and online meetings.

We founded our business in 1999 and currently offer three services: RingCentral Office, RingCentral Professional, and RingCentral Fax. Prior to 2009, substantially all of our revenues were derived from RingCentral Professional, which we previously sold as RingCentral Mobile, from RingCentral Fax and from Extreme Fax, a discontinued service. In 2009, we began selling RingCentral Office, our current flagship service, to deliver an enterprise-grade SaaS multi-user communications solution, with advanced inbound and outbound voice, text, fax and HD video and web conferencing capabilities, delivered as a scalable solution.

We primarily generate revenues by selling subscriptions for our RingCentral Office, RingCentral Professional, and RingCentral Fax offerings. RingCentral Office is offered at monthly subscription rates, varying with the specific functionalities and services and the number of users. RingCentral Office customers generally pay higher monthly subscription rates than customers of our other service offerings. RingCentral Professional is offered at monthly subscription rates that vary based on the desired number of minutes usage and extensions allotted to the plan. RingCentral Fax is offered at monthly subscription rates that vary based on the desired number of pages and phone numbers allotted to the plan.

Our subscription plans have historically had monthly or annual contractual terms and over 90% of our current customers are on monthly contractual terms, although we also have subscription plans with multi-year contractual terms, generally with larger customers. We believe that this flexibility in contract duration is important to meet the different needs of our customers. Generally, our fees for subscription

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plans have been billed in advance via credit card. However, as the number of RingCentral Office customers grows, we expect to bill more customers through commercial invoices with customary payment terms and, accordingly, our levels of accounts receivable may increase. For fiscal 2011, 2012 and 2013, services revenues accounted for more than 90% of our total revenues. The remainder of our revenues are primarily comprised of product revenues from the sale of pre-configured office phones, which we offer as a convenience to our customers in connection with subscriptions to our services.

We make significant upfront investments to acquire customers. Until 2009, we acquired most of our customer subscriptions through e-commerce transactions on our website driven by online marketing channels. Beginning in 2009, in connection with our introduction of RingCentral Office, we established a direct, inside sales force. Since then, we have continued investing in our direct, inside sales force while also developing indirect sales channels to market our brand and our service offerings. Our indirect sales channel consists of a network of over 1,500 sales agents and resellers, including AT&T, which we refer to collectively as resellers. We intend to continue to foster this network and to expand our network with other resellers. Beginning in 2011, we also began expanding into 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 service offering, which has resulted in an increased number of customers, increased average subscription revenues 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. We define a user as one person within a customer who has been granted a subscription license to use our services, such that the number of users per customer generally correlates closely to the number of employees within a customer account. For fiscal 2011, 2012 and 2013, no single customer accounted for more than 10% of our total revenues, and our 10 largest non-reseller customers accounted for less than 10% of our total revenues. As of December 31, 2013, we had over 300,000 customers from industries including advertising, finance, healthcare, legal services, non-profit organizations, real estate, retail and technology, and ranging in size from businesses with fewer than 10 users to more than 900 users. In October of 2013, we launched our United Kingdom operations; however, for fiscal 2011, 2012 and 2013, 99% 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 expand internationally in the United Kingdom and beyond.

The growth of our business and our future success depend on many factors, including our ability to expand our customer base to medium-sized and larger customers, continue to innovate, grow revenues from our existing customer base, expand our distribution channels and scale internationally. For example, as a result of our efforts to expand our customer base to target medium-sized and larger businesses, we expect to incur additional research and development and support and professional services costs and may experience longer sales cycles that may delay revenues associated with these costs. Furthermore, because we have limited experience selling to larger businesses and international customers, our investment in marketing our services to these potential customers may not be successful, which could materially and adversely affect our results of operations and our overall ability to grow our customer base. While these areas represent significant opportunities for us, they also pose risks and challenges that we must successfully address in order to sustain the growth of our business and improve our operating results. In addition, there has been substantial litigation in the areas in which we operate regarding intellectual property rights, including third parties claiming patent infringement which we have been subjected to and is further described under Business Legal Proceedings and Note 5 to our consolidated financial statements. We cannot assure you that we will be successful in defending against any such claims or that we will be able to settle any ongoing or future claims or that any such settlement would be on terms that are favorable to us.

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We have experienced significant growth in recent periods, with total revenues of \$78.9 million, \$114.5 million and \$160.5 million in fiscal 2011, 2012 and 2013, respectively, generating year-over-year increases of 45% and 40%, respectively. We have continued to make significant expenditures and investments, including those in sales and marketing, research and development, infrastructure and operations and incurred net losses of \$13.9 million, \$35.4 million and \$46.1 million, in fiscal 2011, 2012 and 2013, respectively.

### **Our Business Model**

Our business model focuses on acquiring and retaining our customers, as well as increasing the number of users within our customer base and, in the future, encouraging our customers to purchase additional functionalities, both of which we refer to as upselling. We evaluate the value of a customer relationship over its anticipated lifecycle. While we generally incur customer acquisition costs in advance of, or at the time of, the acquisition of a customer, we recognize services revenues ratably over the subscription period. As a result, a customer relationship is typically not profitable at the beginning of the subscription period, even though we expect it to have value to us over the lifetime of that customer relationship.

In connection with our acquisition of new customers, we typically incur and recognize significant upfront costs. These costs include sales and marketing costs, including sales commission expenses associated with the acquisition of new customer contracts that we recognize fully in the period in which we execute a customer contract. We recognize cost of services revenues, including our data center and communications costs, in the period in which they are incurred.

When a customer renews its subscription or purchases additional services in subsequent periods, the value realized from that customer increases because we generally do not incur significant incremental acquisition costs for the renewal or expansion of services. We also benefit from decreasing phone fulfillment costs, as well as economies of scale in our capital, operating, and other support expenditures. As we support more and larger customers with an increasing number of users over time, our support costs per user decline due to economies of scale and increased customer familiarity with our services, as well as reduced phone fulfillment costs.

### **Key Business Metrics**

In addition to generally accepted accounting principles, or U.S. GAAP, 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 *Key Components of Our 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 is a leading indicator of our anticipated services revenues. Our Annualized Exit Monthly Recurring Subscriptions equals our Monthly Recurring Subscriptions multiplied by 12. Our Monthly Recurring Subscriptions equals the monthly value of all customer subscriptions in effect at the end of a given month. For example, our Monthly Recurring Subscriptions at December 31, 2013 was \$14.4 million. As such, our Annualized Exit Monthly Recurring Subscriptions at December 31, 2013 were \$173.2 million. Our Annualized Exit Monthly Recurring Subscriptions at December 31, 2011, 2012 and 2013 were \$86.1 million, \$124.2 million and \$173.2 million, respectively.

**Table of Contents*****RingCentral Office Annualized Exit Monthly Recurring Subscriptions***

We calculate our RingCentral Office Annualized Exit Monthly Recurring Subscriptions in the same manner as we calculate our Annualized Exit Monthly Recurring Subscriptions, except that only customer subscriptions from RingCentral Office customers are included when determining Monthly Recurring Subscriptions for the purposes of calculating this key business metric. Our RingCentral Office Annualized Exit Monthly Recurring Subscriptions at December 31, 2011, 2012 and 2013 were \$37.5 million, \$67.1 million and \$112.3 million, respectively.

***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 services revenues, as well as our customers' potential long-term value to us. We define our Net Monthly Subscription Dollar Retention Rate as (i) one plus (ii) the quotient of Dollar Net Change divided by Average Dollar 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, (ii) all divided by 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.

As an illustrative example, if our Monthly Recurring Subscriptions were \$118 at the end of a quarterly period and \$100 at the beginning of 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 at December 31, 2011, 2012 and 2013 were as follows (dollars in millions):

Metric	As of December 31,		
	2011	2012	2013
Net Monthly Subscription Dollar Retention Rate	~99%	~99%	~99%
Annualized Exit Monthly Recurring Subscriptions	\$ 86.1	\$ 124.2	\$ 173.2
RingCentral Office Annualized Exit Monthly Recurring Subscriptions	\$ 37.5	\$ 67.1	\$ 112.3

**Components of Results of Operations*****Revenues***

Our revenues consist of services revenues and product revenues. Our services revenues include all fees billed in connection with subscriptions to our RingCentral Office, RingCentral Professional, and RingCentral Fax services. 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 services. We provide our services to our customers pursuant to contractual arrangements that range in duration from one month to three years. We provide our services 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. Our multi-year engagements do not typically exceed three years. We offer our services based on the functionalities and

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services selected by a customer, and generally our service arrangements automatically renew for some additional period 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 service fees in advance. We recognize services revenues over the term of the subscription, except for one-time fees, which we recognize ratably on a straight-line basis over the period of the estimated average customer life and for variable usage-based fees, which we recognize over the estimated usage period in a manner that approximates actual usage. Amounts billed in excess of revenues recognized for the period are reported as deferred revenue on our consolidated balance sheet.

Our services revenues are primarily driven by recurring subscription services. Historically, we have acquired more new customers in the first and third quarters of a fiscal year. However, we have seen this trend become less pronounced as our business has grown and sales of RingCentral Office have accounted for a higher percentage of our total revenues.

Our product revenues consist primarily of the sale of pre-configured office phones used in connection with our services and include shipping and handling fees. Product revenues are billed at the time the order is received and recognized when the product has been delivered to the customer.

We also generate services revenues and product revenues through sales of our services and products by resellers. When we assume a majority of the business risks associated with 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 business risks is evidenced when, among other things, we take responsibility for delivery of the service or product, establish pricing of the arrangement, assume credit and inventory risk, and are the primary obligor in the arrangement. When a reseller assumes the majority of the business risks associated with the performance of the contractual obligations, we record the associated revenues at the net amount remitted to us by the reseller. Revenues from resellers have predominantly been recorded on a gross basis for all periods presented.

### ***Cost of Revenues and Gross Margin***

Our cost of services revenues primarily consists of fees that we pay 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 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.

Services gross margin, which we define as services revenues minus cost of services revenues expressed as a percentage of services revenues, can fluctuate based on a number of factors, including the costs we pay to third-party telecommunications providers, the timing of capital expenditures and related depreciation charges and changes in headcount. We expect to continue investing in our network infrastructure and customer support function to maintain high availability, quality of service, and security. As our business grows, we expect to continue to reduce the percentage of our services revenues that we spend on telecommunications origination and termination, driven by increased purchasing leverage and from increased deployment of hardware to carry our own telecommunications traffic in several regional markets. We also expect to realize economies of scale in network infrastructure, personnel, and customer support. We expect our services gross margin to increase modestly over time, although it may fluctuate from period to period depending on all of these factors, including seasonality.

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Cost of product revenues is comprised primarily of the cost associated with purchased phones, as well as personnel costs for contractors, and allocated costs of facilities and information technology related to the procurement, management, and shipment of phones.

We sell our products as a convenience to our customers when they subscribe to our services. We often offer significant product discounts and may sell our products at or below cost as an incentive for customers to subscribe to our services. We therefore expect our product gross margin, which we define as product revenues minus cost of product revenues expressed as a percentage of product revenues, to remain negligible to negative for the foreseeable future.

### ***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 services, 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 services 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 resellers and other third parties, trade shows, travel expenses, credit card fees, marketing and promotional activities 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, and the costs of legal matters and loss contingencies. We incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, and increased expenses for insurance, investor relations, and professional services. 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.

**Table of Contents****Results of Operations**

The following tables set forth selected consolidated statement 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,		
	2011	2012	2013
<b>Revenues:</b>			
Services	\$ 71,915	\$ 105,693	\$ 145,995
Product	6,962	8,833	14,510
Total revenues	78,877	114,526	160,505
<b>Cost of revenues:</b>			
Services	26,475	36,215	47,230
Product	6,523	8,688	14,289
Total cost of revenues	32,998	44,903	61,519
Gross profit	45,879	69,623	98,986
<b>Operating expenses:</b>			
Research and development	12,199	24,450	33,399
Sales and marketing	34,550	54,566	72,336
General and administrative	12,969	24,434	34,284
Total operating expenses	59,718	103,450	140,019
Loss from operations	(13,839)	(33,827)	(41,033)
<b>Other income (expense), net:</b>			
Interest expense	(158)	(1,503)	(5,384)
Other income (expense), net	109	32	274
Other income (expense), net	(49)	(1,471)	(5,110)
Loss before provision (benefit) for income taxes	(13,888)	(35,298)	(46,143)
Provision (benefit) for income taxes	15	92	(45)
<b>Net loss</b>	<b>\$ (13,903)</b>	<b>\$ (35,390)</b>	<b>\$ (46,098)</b>



**Table of Contents****Percentage of Total Revenues**

	2011	Year Ended December 31, 2012	2013
<b>Revenues:</b>			
Services	91%	92%	91%
Product	9	8	9
Total revenues	100	100	100
<b>Cost of revenues:</b>			
Services	34	32	29
Product	8	7	9
Total cost of revenues	42	39	38
Gross profit	58	61	62
<b>Operating expenses:</b>			
Research and development	16	22	21
Sales and marketing	44	48	45
General and administrative	16	21	21
Total operating expenses	76	91	87
Loss from operations	(18)	(30)	(26)
<b>Other income (expense), net:</b>			
Interest expense		(1)	(3)
Other income (expense), net			
Other income (expense), net		(1)	(3)
Loss before provision (benefit) for income taxes	(18)	(31)	(29)
Provision (benefit) for income taxes			
<b>Net loss</b>	<b>(18)%</b>	<b>(31)%</b>	<b>(29)%</b>

**Comparison of Fiscal Years Ended December 31, 2011, 2012 and 2013 (dollars in thousands):****Revenues**

	Year Ended December 31,				Year Ended December 31,			
	2012	2013	\$ Change	% Change	2011	2012	\$ Change	% Change
<b>Revenues:</b>								
Services	\$ 105,693	\$ 145,995	\$ 40,302	38%	\$ 71,915	\$ 105,693	\$ 33,778	47%
Product	8,833	14,510	5,677	64%	6,962	8,833	1,871	27%
Total revenues	\$ 114,526	\$ 160,505	\$ 45,979	40%	\$ 78,877	\$ 114,526	\$ 35,649	45%

Services revenues increased by \$40.3 million and \$33.8 million, or 38% and 47%, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively. The increases were primarily due to the acquisition of new customers and an increase in the number of users within our existing

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customer base. In addition, our services revenues mix contained a higher proportion of RingCentral Office customers in each successive period, which carry a higher monthly subscription rate versus our other service offerings. While the acquisition of new customers and the increase in the number of users within our existing customer base were the primary reasons for the increase, the trends for these factors have varied from period to period as some customers made a small initial user subscription followed by a larger additional user subscription, while other customers made a large initial user

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subscription followed by a smaller additional user subscription. In addition, the period of time between a customer's initial subscription and the purchase of additional subscriptions also varied significantly, ranging from one month to a few years. The overall growth in our customer base was primarily driven by increased brand awareness of our services, driven by increases in our sales and marketing expenditures of 33% and 58% from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively, which include advertising and sales personnel expenditures that we believe helped to facilitate increased customer acceptance of our services.

Product revenues increased by \$5.7 million and \$1.9 million, or 64% and 27%, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively. The increases were primarily due to increased phone sales driven by the growth of new customers of RingCentral Office, to which we sell more phones compared to customers that purchase our other service offerings.

**Cost of Revenues and Gross Margin**

	Year Ended December 31,				Year Ended December 31,			
	2012	2013	\$ Change	% Change	2011	2012	\$ Change	% Change
Cost of revenues:								
Services	\$ 36,215	\$ 47,230	\$ 11,015	30%	\$ 26,475	\$ 36,215	\$ 9,740	37%
Product	8,688	14,289	5,601	64%	6,523	8,688	2,165	33%
Total cost of revenues	\$ 44,903	\$ 61,519	\$ 16,616	37%	\$ 32,998	\$ 44,903	\$ 11,905	36%
Percentage of revenue	39%	38%			42%	39%		
Gross margin %	61%	62%			58%	61%		

Cost of services revenues increased by \$11.0 million and \$9.7 million, or 30% and 37% from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively. The increases from fiscal 2012 to 2013 and from fiscal 2011 to 2012 were primarily due to: increases of \$3.7 million and \$3.9 million in personnel costs for employees and contractors, respectively; increases of \$2.4 million and \$1.7 million in depreciation expense, respectively; and increases of \$3.7 million and \$4.2 million in third-party telecommunications service provider fees, respectively. The higher personnel costs were primarily due to 12% and 27% increases in headcount, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively. The increases in headcount and other expense categories were driven primarily by investments in our infrastructure and capacity to improve the availability of our service offerings, while also supporting the growth in new customers and increased usage of our services by our existing customer base.

Cost of product revenues increased by \$5.6 million and \$2.2 million, or 64% and 33%, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively. The increases were due to increases in phone sales, which were primarily driven by the growth in new RingCentral Office customers.

Our gross margin percentages were 58%, 61% and 62% for fiscal 2011, 2012 and 2013, respectively. The sequential improvements in gross margin were primarily due to a reduction in per usage fees that we paid to third-party telecommunications service providers as a result of increased call traffic, economies of scale obtained in our operations personnel and infrastructure, partially offset by increased product sales, which carry low to negative gross margin percentages.

**Research and Development**

	Year Ended December 31,				Year Ended December 31,			
	2012	2013	\$ Change	% Change	2011	2012	\$ Change	% Change
Research and development	\$ 24,450	\$ 33,399	\$ 8,949	37%	\$ 12,199	\$ 24,450	\$ 12,251	100%
Percentage of total revenues	22%	21%			16%	22%		

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Research and development expenses increased by \$8.9 million and \$12.2 million, or 37% and 100%, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively. The increases from fiscal 2012 to 2013 and from fiscal 2011 to 2012 were primarily due to increases in personnel costs for employees and contractors of \$6.2 million and \$11.2 million, respectively, including increased share-based compensation expenses of \$0.7 million and \$0.6 million, respectively. The higher personnel costs, period over period, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, were primarily due to 24% and 114% increases in headcount, respectively. The increases in research and development headcount were in support of the development of additional software development projects for our cloud-based and mobile applications.

**Sales and Marketing**

	Year Ended December 31,				Year Ended December 31,			
	2012	2013	\$ Change	% Change	2011	2012	\$ Change	% Change
Sales and marketing	\$ 54,566	\$ 72,336	\$ 17,770	33%	\$ 34,550	\$ 54,566	\$ 20,016	58%
Percentage of total revenues	48%	45%			44%	48%		

Sales and marketing expenses increased by \$17.8 million and \$20.0 million, or 33% and 58%, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively, primarily due to: increases in personnel costs for employees and contractors of \$8.7 million and \$7.1 million, respectively, including higher share-based compensation expenses of \$0.7 million and \$0.4 million, respectively; and increases in other sales and marketing related activities of \$6.5 million and \$10.7 million, respectively. The higher personnel costs from fiscal 2012 to 2013 and from fiscal 2011 to 2012 were primarily due to 31% and 62% increases in headcount, respectively, as we hired additional sales personnel to focus on adding new customers and increasing penetration within our existing customer base. The increases in other sales and marketing related activities from fiscal 2012 to 2013 and from fiscal 2011 to 2012 were primarily due to increases in third-party sales commissions of \$3.3 million and \$2.4 million, respectively, and increases in Internet advertising costs of \$1.4 million and \$4.8 million, respectively. The increases in sales and marketing expenses were necessary to support our growth strategy to acquire new customers and establish brand recognition to achieve greater penetration into the North America market.

**General and Administrative**

	Year Ended December 31,				Year Ended December 31,			
	2012	2013	\$ Change	% Change	2011	2012	\$ Change	% Change
General and administrative	\$ 24,434	\$ 34,284	\$ 9,850	40%	\$ 12,969	\$ 24,434	\$ 11,465	88%
Percentage of total revenue	21%	21%			16%	21%		

General and administrative expenses increased by \$9.9 million, or 40%, from fiscal 2012 to 2013. The increase was primarily due to an increase in personnel costs for employees and contractors of \$8.2 million, including higher share-based compensation expenses of \$2.8 million, and an increase of \$2.0 million related to legal settlement costs net of insurance recoveries. The higher personnel costs for fiscal 2013 were driven by a 37% increase in headcount engaged in administrative functions. The increase in legal settlement costs was driven by an intellectual property matter that was settled in 2013 and is described further in Note 5 to our consolidated financial statements.

General and administrative expenses increased by \$11.5 million, or 88%, from fiscal 2011 to 2012. The increase was primarily due to an increase in personnel costs for employees and contractors of \$6.5 million, including share-based compensation expenses of \$0.9 million, and an increase in fees

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for professional services of \$1.2 million. The higher personnel costs for fiscal year 2012 were driven by a 65% increase in headcount engaged in administrative functions. The higher professional fees in fiscal year 2012 primarily related to legal and accounting costs we incurred to improve accounting and legal compliance for public company readiness. In addition, we incurred legal settlement costs of \$1.1 million and the cost of certain taxes on revenue-producing transactions that exceeded amounts collected from customers of \$1.1 million in 2012. As a percentage of our total revenues, general and administrative expenses increased from 16% for fiscal 2011 to 21% for fiscal 2012.

**Other Income and Expense, net**

	Year Ended December 31,		\$ Change	% Change	Year Ended December 31,		\$ Change	% Change
	2012	2013			2011	2012		
Other income (expense), net:								
Interest expense	\$ (1,503)	\$ (5,384)	\$ (3,881)	258%	\$ (158)	\$ (1,503)	\$ (1,345)	851%
Other income (expense), net	32	274	242	756%	109	32	(77)	-71%
Other income (expense), net	\$ (1,471)	\$ (5,110)	\$ (3,639)	247%	\$ (49)	\$ (1,471)	\$ (1,422)	2,902%

The increases in other income (expense), net, from fiscal 2012 to 2013 and from fiscal 2011 to 2012, respectively, were primarily due to higher interest expense. The increases in interest expense were primarily due to higher levels of debt outstanding. At December 31, 2011, 2012 and 2013, there was \$0.6 million, \$20.1 million and \$34.2 million of total debt outstanding, respectively.

**Quarterly Results of Operations**

The following tables set forth unaudited quarterly consolidated statements of operations data for each quarter of fiscal 2012 and 2013. We have prepared the statement of operations for each of these quarters on the same basis as the audited consolidated financial statements included elsewhere in this prospectus, and, in our opinion, it includes all adjustments, consisting solely of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This information should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. These quarterly results of operations are not necessarily indicative of our results of operations for any future period.

**Table of Contents****Consolidated Statement of Operations Data (in thousands):**

	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	Three Months Ended March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
<b>Revenues:</b>								
Services	\$ 22,745	\$ 24,954	\$ 27,290	\$ 30,704	\$ 32,273	\$ 34,471	\$ 37,925	\$ 41,327
Product	2,063	2,051	2,298	2,421	3,252	3,233	4,009	4,016
<b>Total revenues</b>	<b>24,808</b>	<b>27,005</b>	<b>29,588</b>	<b>33,125</b>	<b>35,525</b>	<b>37,704</b>	<b>41,934</b>	<b>45,343</b>
<b>Cost of revenues:</b>								
Services	8,130	8,989	9,191	9,905	10,709	11,389	12,080	13,051
Product	2,109	2,073	2,041	2,465	3,028	3,273	3,888	4,100
<b>Total cost of revenues</b>	<b>10,239</b>	<b>11,062</b>	<b>11,232</b>	<b>12,370</b>	<b>13,737</b>	<b>14,662</b>	<b>15,968</b>	<b>17,151</b>
Gross Profit	14,569	15,943	18,356	20,755	21,788	23,042	25,966	28,192
<b>Operating expenses:</b>								
Research and development	5,023	6,015	6,544	6,868	7,504	8,606	8,150	9,139
Sales and marketing	12,248	13,596	13,781	14,941	17,142	16,324	18,889	19,983
General and administrative	7,021	5,057	7,069	5,287	6,550	11,231	7,078	9,425
<b>Total operating expenses</b>	<b>24,292</b>	<b>24,668</b>	<b>27,394</b>	<b>27,096</b>	<b>31,196</b>	<b>36,161</b>	<b>34,117</b>	<b>38,547</b>
<b>Income (loss) from operations</b>	<b>(9,723)</b>	<b>(8,725)</b>	<b>(9,038)</b>	<b>(6,341)</b>	<b>(9,408)</b>	<b>(13,119)</b>	<b>(8,151)</b>	<b>(10,355)</b>
<b>Other income (expense), net:</b>								
Interest expense	(40)	(191)	(553)	(719)	(639)	(588)	(995)	(3,162)
Other income (expense), net	55	(83)	48	12	(203)	(44)	348	172
<b>Other income (expense), net</b>	<b>15</b>	<b>(274)</b>	<b>(505)</b>	<b>(707)</b>	<b>(842)</b>	<b>(632)</b>	<b>(647)</b>	<b>(2,990)</b>
Loss before provision (benefit) for income taxes	(9,708)	(8,999)	(9,543)	(7,048)	(10,250)	(13,751)	(8,798)	(13,345)
Provision (benefit) for income taxes	21	11	25	35	12	(132)	54	20
<b>Net loss</b>	<b>\$ (9,729)</b>	<b>\$ (9,010)</b>	<b>\$ (9,568)</b>	<b>\$ (7,083)</b>	<b>\$ (10,262)</b>	<b>\$ (13,619)</b>	<b>\$ (8,852)</b>	<b>\$ (13,365)</b>

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The following table presents the unaudited consolidated statement of operations data as a percentage of revenues:

	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	Three Months Ended March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
<b>Revenues:</b>								
Services	92%	92%	92%	93%	91%	91%	90%	91%
Product	8	8	8	7	9	9	9	9
<b>Total revenues</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Cost of revenues:</b>								
Services	33	33	31	30	30	30	29	29
Product	8	8	7	7	9	9	9	9
<b>Total cost of revenues</b>	<b>41</b>	<b>41</b>	<b>38</b>	<b>37</b>	<b>39</b>	<b>39</b>	<b>38</b>	<b>38</b>
Gross Profit	59	59	62	63	61	61	62	62
<b>Operating expenses:</b>								
Research and development	21	22	22	21	21	23	19	20
Sales and marketing	49	50	47	45	48	43	45	44
General and administrative	28	19	24	16	19	30	17	21
<b>Total operating expenses</b>	<b>98</b>	<b>91</b>	<b>93</b>	<b>82</b>	<b>88</b>	<b>96</b>	<b>81</b>	<b>85</b>
Income (loss) from operations	(39)	(32)	(31)	(19)	(27)	(35)	(19)	(23)
<b>Other income (expense), net:</b>								
Interest expense	-	(1)	(1)	(2)	(2)	(1)	(2)	(7)
Other income (expense), net	-	-	-	-	-	-	1	-
<b>Other income (expense), net</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>(2)</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>	<b>(7)</b>
Loss before provision (benefit) for income taxes	(39)	(33)	(32)	(21)	(29)	(36)	(21)	(29)
Provision (benefit) for income taxes	-	-	-	-	-	-	-	-
<b>Net loss</b>	<b>(39)%</b>	<b>(33)%</b>	<b>(32)%</b>	<b>(21)%</b>	<b>(29)%</b>	<b>(36)%</b>	<b>(21)%</b>	<b>(29)%</b>

**Quarterly Revenue Trends**

Our services revenues are primarily driven by recurring subscription services. Historically, we have acquired more new customers in the first and third quarters of a fiscal year. However, we have seen this trend become less pronounced as our business has grown and sales of RingCentral Office have accounted for a higher percentage of our total revenues.

**Quarterly Operating Expenses Trends**

Operating expenses are primarily driven by headcount and headcount-related expenses, including share-based compensation expenses, and by sales and marketing programs, and have been relatively consistent as a percentage of revenues over the last eight quarters. We experience some seasonality in spending on sales and marketing as we spend relatively less on marketing programs in the third and fourth quarters because of the summer vacation periods and November and December holidays. However, we cannot assure you that this trend will continue.





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Our research and development expenses increased in the second quarter of 2012 as a percentage of our total revenues due to increased headcount in development and quality assurance. Our sales and marketing expenses increased in the second quarter of 2012 as a percentage of our total revenues due to increased marketing headcount and increased advertising expenses due to our expansion of our San Francisco Bay Area advertising campaign. Our general and administrative expenses have fluctuated significantly as a percentage of our total revenues from quarter to quarter, primarily due to the increase in finance and accounting headcount and consultants, costs related to transaction tax compliance and legal costs related to current and past litigation matters.

### **Liquidity and Capital Resources**

As of December 31, 2013, our principal sources of liquidity were cash and cash equivalents totaling \$116.4 million, which were held for working capital purposes. Our cash and cash equivalents are comprised primarily of money market funds. To date, we have financed our operations primarily through private placements of our preferred stock, proceeds from issuance of debt, proceeds from our initial public offering of our Class A common stock, which we completed in October 2013, and sales to our customers. We believe that our existing liquidity sources will satisfy our cash requirements for at least the next 12 months.

On October 2, 2013, we closed our initial public offering, in which 8,625,000 shares of Class A common stock, which included 8,545,000 shares of Class A common stock sold by us and 80,000 shares of Class A common stock sold by the selling stockholders, were sold at a price of \$13.00 per share. We did not receive any proceeds from the sales of shares by the selling stockholders. The total gross proceeds from the offering to us after deducting underwriting discounts and commissions of \$7.8 million and offering expenses payable by us of \$4.0 million, were \$99.3 million.

A significant majority of our customers are on 30-day subscription periods and billed at the beginning of each subscription period via credit card. Some of our customers enter into subscription periods longer than 30 days. A small number of our customers are invoiced net 30 days. Therefore, a substantial source of our cash provided by operating activities is our deferred revenue, which is included on our consolidated balance sheets as a liability. Deferred revenue consists of the unearned portion of billed fees for our software subscriptions, which we recognize as revenue in accordance with our revenue recognition policy. As of December 31, 2012 and 2013, we had deferred revenue of \$11.3 million and \$16.6 million, respectively. We will recognize this deferred revenue when all of the revenue recognition criteria are met.

As of December 31, 2013, the carrying value of notes payable totaled \$34.2 million. The balance consists of \$15.0 million under a Loan and Security Agreement with Silicon Valley Bank, or SVB, \$10.4 million under a revolving line of credit pursuant to an amended loan and security agreement with SVB dated August 14, 2013, or Amended SVB Credit Agreement, \$5.0 million from TriplePoint Capital LLC, or TriplePoint, under an equipment loan, \$3.3 million from SVB under a capital growth loan, and \$0.5 million from Somerset Capital to finance the purchase of software.

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

	Year Ended December 31,		
	2011	2012	2013
<b>Net cash flows provided by (used in):</b>			
Operating activities	\$ (779)	\$ (15,015)	\$ (23,771)
Investing activities	(6,664)	(10,172)	(10,919)
Financing activities	9,887	49,475	113,233
Effect of exchange rate changes	(4)	(1)	(29)
Net increase in cash and cash equivalents	\$ 2,440	\$ 24,287	\$ 78,514

***Net Cash Used in Operating Activities***

Cash used in operating activities is significantly influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business, the increase in the number of customers using our cloud-based software, and the amount and timing of customer payments. For all of the periods presented, we have experienced increases in customer acquisition costs combined with increases in investments in personnel and infrastructure, all of which have significantly exceeded the growth in our customer base, driving net losses from operations. Cash used in operating activities has historically come from net losses offset by non-cash expense items, such as depreciation and amortization of property and equipment, and share-based compensation, as well as working capital sources of cash driven by increases in accounts payable, accrued liabilities and deferred revenue. As we continue to invest in personnel and infrastructure to support the anticipated growth of our business, we expect to continue to use cash in our operating activities.

Net cash used in operating activities increased by \$8.8 million from fiscal 2012 to 2013, primarily due to: a \$11.5 million decrease in source of cash from accrued liabilities; an increase in net loss from operations of \$10.7 million; and an increase in use of cash of \$2.0 million in inventory. These uses of cash were offset by: a \$9.3 million increase in non-cash charges, including depreciation, amortization, share-based compensation expense, non-cash interest and other expense related to debt; a \$3.0 million increase in source of cash from deferred revenue; and a decrease in use of cash of \$1.9 million in accounts receivable. The increases in accrued liabilities, net loss, inventory, and depreciation and amortization expense reflect the additional investments necessary to support the growing requirements of our research and development, sales and marketing, data center, and customer support operations functions.

Net cash used in operating activities increased by \$14.2 million from fiscal 2011 to 2012, primarily due to an increase in net loss from operations of \$21.5 million, an increase of \$2.0 million in accounts receivable, an increase of \$2.2 million in prepaid expenses and other current assets and a decrease of \$3.6 million in accounts payable. These uses were offset by an increase of \$10.3 million in accrued liabilities and an increase of \$4.6 million in non-cash charges, including depreciation, amortization and share-based compensation expense. The increases in net loss, accounts receivable, prepaid expenses, accrued liabilities and depreciation and amortization expense reflect the additional investments necessary to support the growing requirements of our research and development, sales and marketing, data center, and customer support operations functions.

***Net Cash Used in Investing Activities***

Our primary investing activities have consisted of capital expenditures to purchase equipment necessary to support our data center facilities and our network and other operations. As our business grows, we expect our capital expenditures to continue to increase.

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The increases in net cash used in investing activities, period over period, from fiscal years 2012 to 2013 and from 2011 to 2012, respectively, were primarily due to increases of \$0.6 million and \$3.5 million in purchase volumes of property and equipment, respectively. Additional investments in capital equipment were necessary to support additional capacity in our platform to support our increasing customer base, as well as to support the increase in headcount levels in all functions of our business.

**Net Cash Provided by Financing Activities**

Our primary financing activities have consisted of private placements of our preferred stock, proceeds from issuance of debt and capital lease obligations, as well as proceeds from our initial public offering.

Net cash provided by financing activities increased during fiscal 2013 by \$63.8 million from fiscal 2012 to 2013, primarily due to \$99.3 million in proceeds from our initial public offering in October 2013, and a \$13.3 million increase in proceeds from term loans entered into in 2013, offset by a \$29.9 million decrease in proceeds from issuance of preferred stock and a \$21.0 million increase in principal repayments of term loans and capital lease obligations.

Net cash provided by financing activities increased by \$39.6 million from fiscal 2011 to 2012, primarily due to a \$19.5 million increase in proceeds from the sale of preferred stock in 2012 and \$24.5 million in proceeds from the term loans, offset by a \$4.7 million increase in principal repayments of term loans and capital lease obligations.

**Backlog**

We have generally signed monthly and annual subscription contracts for our services. The timing of our invoices to our customers is a negotiated term and thus varies among our service contracts. For multiple-year agreements, it is common for us to invoice an initial amount at contract signing followed by subsequent annual invoices. At any point in the contract term, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, we do not recognize them as revenues, unearned revenue or elsewhere in our consolidated financial statements. The change in backlog that results from changes in the average non-cancelable term of our subscription arrangements may not be an indicator of the likelihood of renewal or expected future revenues, and therefore we do not utilize backlog as a key management metric internally and do not believe that it is a meaningful measurement of our future revenues.

**Contractual Obligations**

The following summarizes our contractual obligations as of December 31, 2013 (in thousands):

	Payments due by period				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Operating lease obligations	\$ 2,724	\$ 3,874	\$ 435	\$	\$ 7,033
Capital lease obligations	388	258			646
Short- and long-term debt obligations	9,910	20,670	4,063		34,643
Purchase obligations	6,092				6,092
<b>Total</b>	<b>\$ 19,114</b>	<b>\$ 24,801</b>	<b>\$ 4,499</b>	<b>\$</b>	<b>\$ 48,414</b>

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Purchase obligations represent an estimate of all 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, 2013. 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.

***Silicon Valley Bank Credit Facility***

In August 2013, we entered into our Amended SVB Credit Agreement, which provides for a revolving line of credit of up to \$15.0 million and a mezzanine term loan of up to \$5.0 million. The revolving line of credit bears interest at a floating annual rate of prime plus 2.0%, which must be paid monthly, and all outstanding principal and unpaid interest must be repaid by August 13, 2015. The mezzanine term loan bears interest at a fixed annual rate of 11.0%, which must be paid monthly, and all principal amounts and unpaid interest must be repaid by August 1, 2016, unless we voluntarily repay the balance at an earlier date without penalty. A final payment of 2.75% of the amount advanced under the mezzanine term loan is due upon repayment of this loan at maturity or prepayment of this loan. On August 14, 2013, we borrowed \$10.8 million under the revolving line of credit, which represented our full available borrowing capacity on that date. The borrowing limit available under the revolving line of credit increases as the principal balance of our capital growth \$8.0 million term loan borrowed from SVB in March 2012 is repaid. The capital growth term loan had an outstanding principal balance of \$4.2 million when we entered into our Amended SVB Credit Agreement. On August 16, 2013, we borrowed the full \$5.0 million available under the mezzanine term loan.

In connection with our Amended SVB Credit Agreement, we issued SVB warrants to purchase 90,324 shares of our Series E preferred stock at an exercise price of \$9.69 per share. As the Series E preferred stock warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$0.9 million being recorded. The fair value of the Series E preferred stock warrants was measured at issuance using the Black-Scholes-Merton option pricing model with the following assumptions: expected volatility of 60%, expected life of 10.0 years, risk free interest rate of 2.7%, dividend yield of 0.00%, and fair value of Series E preferred stock of \$12.86 per share. Upon the filing of our Certificate of Incorporation in Delaware on September 26, 2013 in connection with our initial public offering, the Series E preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. We have pledged all of our assets, excluding intellectual property, as collateral to secure our obligations under our Amended SVB Credit Agreement.

On December 31, 2013, we refinanced some of our outstanding debt as described below, to lower the interest rate on such debt. In connection with such refinancing, on December 31, 2013, we entered into a Second Amendment to our Amended SVB Credit Agreement, or the Amendment, with SVB. The Amendment amends the terms of our existing Amended SVB Credit Agreement and provides for an additional term loan, or the New SVB term loan, in the principal amount of up to \$15.0 million, all of which we borrowed from SVB on December 31, 2013.

The proceeds of the New SVB term loan were used to repay the SVB \$5.0 million mezzanine term loan we borrowed from SVB on August 16, 2013, and all of the outstanding term loans under the Growth Capital Loan and Security Agreement dated June 22, 2012 with TriplePoint, as amended.

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Amounts repaid under the prior term loans cannot be reborrowed and upon repayment, all obligations under the prior term loans have terminated. In connection with the refinancing described above, we recognized a loss on the early extinguishment of previously outstanding debt of \$1,833,000. The loss which has been charged to interest expense in the statement of operations, is composed of \$1,342,000 of non-cash interest expense related to the write-off of unamortized loan discounts and debt issuance costs and \$491,000 of cash interest expense related to unaccrued end of term interest payments due upon pre-payment.

The New SVB term loan bears interest at an annual rate of, at our option, (i) prime rate as reported in The Wall Street Journal plus a margin of 0.75% or 1.00% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.75% or 4.00%, in each case such margin being determined based on the average cash balances maintained with SVB or its affiliates for the preceding month. Interest is due and payable in arrears monthly for prime rate loans and at the end of an interest period for LIBOR rate loans. Principal is required to be repaid in 48 equal monthly installments. The new term loan is subject to substantially the same affirmative and negative covenants and events of default as the Amended SVB Credit Agreement.

The Amendment amends the interest rate of the revolving line of credit under the Amended SVB Credit Agreement to an annual rate of, at our option, (i) prime rate as reported in The Wall Street Journal plus a margin of 0.25% or 0.50% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.25% or 3.50%, in each case such margin being determined based on the average cash balances maintained with SVB or its affiliates for the preceding month.

Our Amended SVB Credit Agreement contains customary negative covenants that limit our ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The Amended SVB Credit Agreement also contains customary affirmative covenants, which were amended by the Amendment in December 2013, including requirements to, among other things, (i) maintain minimum cash balances representing the greater of \$10,000,000 or three times our quarterly cash burn rate, as defined in the Amended SVB Credit Agreement, and (ii) maintain minimum EBITDA levels, as determined in accordance with the Amended SVB Credit Agreement. We were in compliance with all covenants under the Amended SVB Credit Agreement as of December 31, 2013.

***TriplePoint Capital Credit Facility***

In June 2012, we entered into a growth capital loan and security agreement and an equipment loan and security agreement with TriplePoint. Under the growth capital loan and security agreement, we borrowed \$6.0 million in term loans in June 2012, or growth capital loan part I, equal to the full lending commitment available at the time. The growth capital loan part I is required to be repaid in 33 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 8.5% after an interest-only period of three months. In addition, a final terminal payment is due at maturity equal to 4.0% of the original loan principal. In connection with the debt refinancing described above, we fully repaid the growth capital loan part I on December 31, 2013.

Under the equipment loan and security agreement, we borrowed \$9.7 million in term loans in August 2012 from the \$10.0 million lending commitment available at the time. The equipment term loans are required to be repaid in 36 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 5.75%. In addition, a final terminal payment is due at maturity equal to 10% of the original loan principal. The equipment loan was not impacted by the debt refinancing described above and had an outstanding principal balance of \$5.0 million at December 31, 2013.

Under the growth capital loan and security agreement, we were permitted to borrow an additional \$4.0 million on or before June 21, 2013 upon the submission of a Form S-1 registration statement to

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the SEC contemplating an IPO of our common stock with expected total net proceeds of at least \$50.0 million. On June 21, 2013, we achieved the milestone necessary to access the additional \$4.0 million available under the original terms of the growth capital loan and security agreement and borrowed \$4.0 million, or growth capital loan part II. The growth capital loan part II is required to be repaid in 33 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 8.5% after an interest-only period of 3 months, which accrues at a fixed rate of 9.0%. In addition, a final terminal payment is due at maturity equal to 4.0% of the original loan principal. In connection with the debt refinancing described above, we fully repaid the growth capital loan part II on December 31, 2013.

In connection with the growth capital loan part II, we issued to TriplePoint a warrant to purchase 33,192 shares of Series D preferred stock with the exercise price set at the lower of: \$6.03 per share or the lowest price per share in the next round of equity financing. As the Series D preferred stock warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$0.3 million being recorded. As a result of the variable exercise price feature, the Series D preferred stock warrants were recorded at fair value and classified as liabilities at issuance, with changes in fair value recognized in other income and expense for the period the warrants remained classified as liabilities. The fair value of the Series D preferred stock warrants was reclassified to stockholders' equity on September 26, 2013, the date of the effectiveness of the Registration Statement and the filing of our Certificate of Incorporation in Delaware, when the Series D preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the Series D preferred stock warrants was measured at issuance using the Black-Scholes-Merton option pricing model with the following assumptions: expected volatility of 55%; expected life of 7.0 years; risk free interest rate of 1.9%; dividend yield of 0.00%; and fair value of Series D preferred stock of \$11.41 per share.

In August 2013, we amended the growth capital loan and security agreement with TriplePoint to provide an additional \$5.0 million term loan, or growth capital loan part III. In September 2013, we entered into a second amendment to the growth capital loan facility to adjust the repayment terms such that the growth capital loan part III is required to be paid over 36 months as follows: 36 months of interest-only payments at a fixed annual rate of 11.0% and the loan principal at maturity. In addition, a final payment of 2.75% of the original principal amount is due at maturity, which is August 13, 2016, or upon prepayment of this loan. On August 19, 2013, we borrowed the full \$5.0 million available under this term loan. In connection with the debt refinancing described above, we fully repaid the growth capital loan part III on December 31, 2013.

In connection with the growth capital loan part III, we issued to TriplePoint a warrant to purchase 51,614 shares of Series E preferred stock at an exercise price set at the lower of: \$9.69 per share or the lowest price per share in the next round of equity financing. As the Series E preferred stock warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$0.5 million being recorded. As a result of the variable exercise price feature, the Series E preferred stock warrants were recorded at fair value and classified as liabilities at issuance, with changes in fair value recognized in other income and expense for the period the warrants remained classified as liabilities. The fair value of the Series E preferred stock warrants was reclassified to stockholders' equity on September 26, 2013, the date of the effectiveness of the registration statement and the filing of our Certificate of Incorporation in Delaware, when the Series E preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the Series E preferred stock warrants was measured at issuance using the Black-Scholes-Merton option pricing model with the following assumptions: expected volatility of 60%; expected life of 10.0 years; risk free interest rate of 2.7%; dividend yield of 0.00%; and fair value of Series E preferred stock of \$12.86 per share.

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The TriplePoint equipment loan and security agreement contains customary negative covenants that limit our ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The TriplePoint equipment loan and security agreement also contains customary affirmative covenants, including requirements to, among other things, deliver audited financial statements. We were in compliance with all covenants under our credit agreements with TriplePoint as of December 31, 2013.

### ***Indemnification Obligations***

Certain of our agreements with sales agents, resellers and customers include provisions for indemnification against liabilities if our services 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, 2013.

### ***Contingencies***

#### ***Legal Proceedings***

We are subject to certain legal proceedings from time to time and 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. We determine whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. We assess our potential liability by analyzing specific litigation and regulatory matters using reasonably available information. We develop our 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. Legal fees are expensed in the period in which they are incurred. As of December 31, 2013, we did not have any accrued liabilities recorded for such loss contingencies. At December 31, 2012 we recorded accrued liabilities of \$1.1 million for the probable and estimable amount of all loss contingencies related to legal matters. See *Business Legal Proceedings* and Note 5 to our consolidated financial statements for additional information about our recent legal proceedings.

#### ***Sales Tax Liability***

During 2010 and 2011, we increased our sales and marketing activities in the U.S., which may be asserted by a number of states to create an obligation under nexus regulations to collect sales taxes on sales to customers in such state. Prior to 2012, we did not collect sales taxes from our customers on sales in all states. In the second quarter of 2012, we commenced collecting and remitting sales taxes on sales in all states. As of December 31, 2012 and 2013, we recorded a long-term sales tax liability of \$3.9 million and \$4.0 million, respectively, based on our best estimate of the probable liability for the loss contingency incurred prior to the second quarter of 2012. Our estimate of a probable outcome under the loss contingency is based on analysis of our sales and marketing activities, revenues subject to sales tax, and applicable regulations in each state in each period. No significant adjustments to the long-term sales tax liability have been recognized in the accompanying consolidated financial statements for changes to the assumptions underlying the estimate.

### ***Employee Agreements***

We have signed various employment agreements with executives and key employees pursuant to which if we terminate their employment without cause or if the employee does so for good reason following a change of control of our company, the employees are entitled to receive certain benefits, including severance payments, accelerated vesting of stock options and continued COBRA coverage.

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As of December 31, 2013, 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.

### **Off-Balance Sheet Arrangements**

Through December 31, 2013, 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 generally accepted accounting principles in the U.S., or 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 two sources: services revenues, which are generated from the sale of subscriptions to our SaaS applications and related services, which have contractual terms typically ranging from one month to three years, and include recurring fixed plan subscription fees, recurring administrative cost recovery fees, variable usage-based fees for blocks of additional minutes systematically purchased in advance and one-time upfront fees; and product revenues, which are generated from the sale of pre-configured office phones used in connection with our services and include shipping and handling fees.

We recognize revenues when the following criteria are met:

there is persuasive evidence of an arrangement;

the service is being provided to the customer or the product has been delivered;

the collection of the fees is reasonably assured; and

the amount of fees to be paid by the customer is fixed or determinable.

Revenues under service subscription plans are recognized as follows:

fixed plan subscription and administrative cost recovery fees are recognized on a straight-line basis over their contractual service term;



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fees for additional minutes of usage in excess of plan limits are recognized over the estimated usage period in a manner which approximates actual usage; and

one-time upfront fees are initially deferred and recognized on a straight-line basis over the estimated average customer life. Product revenues are billed at the time the order is received and recognized when the product has been delivered to the customer.

We frequently enter into arrangements with multiple deliverables that generally include services to be provided under the subscription plan and the sale of products used in connection with our services. We allocate the consideration to each deliverable in a multiple-deliverable arrangement based upon its relative selling prices. We determine the selling price for each deliverable using vendor-specific objective evidence, or VSOE, of selling price or third-party evidence, or TPE, of selling price, if it exists. If neither VSOE nor TPE of selling price exists for a deliverable, we use our best estimated selling price, or BESP, for that deliverable. Consideration allocated to each deliverable, limited to the amount not contingent on future performance, are then recognized to revenue when the basic revenue recognition criteria are met for the respective deliverable.

We determine VSOE of fair value based on historical standalone sales to customers. In determining VSOE, we require that a substantial majority of the selling prices for a product or service fall within a reasonably narrow pricing range of the median selling price. VSOE exists for all of our SaaS service subscription plans. We use BESP as the selling price for product sales because we are not able to determine VSOE or TPE from the observable pricing data of standalone sales. We estimate BESP for a product by considering company-specific factors such as pricing strategies, direct product and other costs, and bundling and discounting practices.

We also generate services revenues and product revenues through sales of our services and products by resellers. When we assume a majority of the business risks associated with 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 business risks is evidenced when, among other things, we take responsibility for delivery of the product or service, establish pricing of the arrangement, assume credit and inventory risk, and are the primary obligor in the arrangement. When a reseller assumes the majority of the business risks associated with the performance of the contractual obligations, we record the associated revenues at the net amount received from the reseller. We recognize revenues from our resellers when the following criteria are met:

persuasive evidence of an arrangement exists through a contract with the customer;

the service is being provided to the customer or the product has been delivered;

the amount of fees to be paid by the customer is fixed or determinable; and

the collection of the fees is reasonably assured.

Our deliverables sold through our reseller agreements consist of our services subscriptions and products. We recognize service subscriptions sold through our resellers on a straight-line basis over the period the underlying services are provided to the end customer. Products sold through resellers are shipped directly to the end customer and are recognized when title transfers to the end customer. Revenues from resellers have predominantly been recorded on a gross basis for all periods presented.

We record reductions to revenues for estimated sales returns and customer credits at the time the related revenues are recognized. Sales returns and customer credits are estimated based on our historical experience, current trends and our expectations regarding future experience. We monitor the accuracy of our sales reserve estimates by reviewing actual returns and credits and adjust them for our

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future expectations to determine the adequacy of our current and future reserve needs. If actual future returns and credits differ from past experience, additional reserves may be required.

***Income Taxes***

Significant judgment is required in determining our provision for income taxes and evaluating our tax positions. We record income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactments or changes in the tax law or rates. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

We provide reserves as necessary for uncertain tax positions taken on our tax filings. First, we determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit. Second, based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement, we recognize any such differences as a liability. Because of our full valuation allowance against the net deferred tax assets, any change in our uncertain tax positions would not impact our effective tax rate.

In evaluating our ability to recover our deferred tax assets, in full or in part, we consider the available positive and negative evidence, including our past results of operations, our forecast of future market growth, forecasted earnings, future taxable income and prudent and feasible tax planning strategies. The assumptions utilized in determining future taxable income require significant judgment, in consultation with outside tax advisors, and are consistent with the plans and estimates we use to manage the underlying businesses. Due to the net losses we have incurred and the uncertainty of realizing our deferred tax assets, for all the periods presented, we have a full valuation allowance against our deferred tax assets.

As of December 31, 2013, we had federal and state net operating loss carry-forwards of \$94.7 million and \$77.9 million, respectively, and federal and state research and development tax credit carry-forwards in the amount of \$1.9 million and \$1.9 million, respectively. As of December 31, 2012, we had federal and state net operating loss carry-forwards of \$61.9 million and \$60.4 million, respectively, and federal and state research and development tax credit carry-forwards in the amount of \$0.5 million and \$1.0 million, respectively. A limited amount of these carry-forwards may be subject to annual limitations that may result in their expiration before some portion of them has been fully utilized.

***Capitalized Internal-Use Software Development Costs***

We use significant judgment in determining whether certain internal-use software development costs are capitalized or expensed and over what period the amounts capitalized should be amortized to expense. We capitalize internal-use software development costs related to our SaaS applications that are incurred during the application development stage provided that it is probable the project will be successfully completed and such costs will be recovered from future revenues. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life starting when the underlying project is ready for its intended use, generally three to four years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. We capitalized \$1.5 million and \$1.3 million of internal-use software development costs during fiscal 2012 and 2013, respectively. The carrying value of internal-use software development costs, net of amortization, was \$2.1 million and \$2.3 million at December 31, 2012 and 2013, respectively.

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### ***Share-Based Compensation***

We measure and recognize compensation expense for all stock options, restricted stock unit awards and purchase rights under our employee stock purchase plan granted to our employees and directors, based on the estimated fair value of the award on the grant date. We use the Black-Scholes-Merton valuation model to estimate the fair value of stock option awards. The fair value is recognized as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award on a straight-line basis. We believe that the fair value of stock options granted to non-employees is more reliably measured than the fair value of the services received. As such, the fair value of the unvested portion of the options granted to non-employees is re-measured each period. The resulting increase in value, if any, is recognized as expense during the period the related services are rendered. For restricted stock unit awards and purchase rights under our employee stock purchase plan (both of which were granted after we became a public company), fair value is based on the closing price of our Class A common stock on the New York Stock Exchange at the grant date.

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

These assumptions are estimated as follows:

*Fair Value of Common Stock.* Prior to our initial public offering which was completed on October 2 2013, our board of directors considered numerous objective and subjective factors to determine the fair value of our common stock at each meeting at which awards were approved. The factors included, but were not limited to: contemporaneous third-party valuations of our common stock; the prices, rights, preferences and privileges of our Preferred Stock relative to those of our common stock; the lack of marketability of our common stock; our operational and financial performance; the nature of our services and our competitive position in the marketplace; our assessment of current and future economic and business conditions; the value of companies that we consider peers based on a number of factors, including similarity to us with respect to industry and business model; and the likelihood of achieving a liquidity event, such as an IPO or sale of our company, given prevailing market conditions. Since our initial public offering, we have used the market closing price for our Class A common stock as reported on the New York Stock Exchange.

*Risk-Free Interest Rate.* The risk-free interest rate was based on the yield available on U.S. Treasury zero-coupon issues with a term that approximates the expected term of the option or the purchase rights under our employee stock purchase plan.

*Expected Term.* The expected term represents the period that share-based awards are expected to be outstanding. Since we did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the expected term for options issued to employees was calculated as the mean of the option vesting period and contractual term. The expected term for options issued to non-employees is the contractual term. The expected term for purchase rights under our employee stock purchase plan is equal to the length of the offering period the purchase rights are outstanding.

*Volatility.* The expected stock price volatility of common stock was derived from the historical volatilities of a peer group of similar publicly traded companies over a period that approximates

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the expected term of the option and the expected term of the purchase rights under our employee stock purchase plan.

*Dividend Yield.* The expected dividend yield was 0% as we have not paid, and do not expect to pay, cash dividends. The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the periods presented:

	Year Ended December 31,		
	2011	2012	2013
Expected volatility	67%	61%	54%
Expected term for employees (in years)	6.2	6.1	6.1
Expected term for non-employees (in years)	10	10	10
Risk-free interest rate	2.08%	0.97%	1.68%
Dividend yield			

In addition to assumptions used in the Black-Scholes-Merton option-pricing model, we must also estimate a forfeiture rate to calculate the share-based compensation for our option awards. Our forfeiture rate is based on an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Quarterly changes in the estimated forfeiture rate can have a significant impact on our share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the share-based compensation expense recognized in the consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the share-based compensation expense recognized in the financial statements.

**Common Stock Valuation for Pre-IPO Grants**

We were required to estimate the fair value of the common stock underlying our share-based awards when performing fair-value calculations with the Black-Scholes-Merton valuation model. The fair values of the shares of common stock underlying our share-based awards were estimated on each grant date by our board of directors. In order to determine the fair value of our common stock underlying option grants, our board of directors considered contemporaneous valuations of our common stock prepared by an unrelated third-party valuation firm in accordance with the guidance provide by the American Institute of Certified Public Accountants 2004 Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Given the absence of a public trading market of our common stock, our board of directors exercised reasonable judgment and considered a number of objective and subjective factors to determine the best estimate of the fair value of our common stock, including:

contemporaneous valuations of our common stock performed by unrelated third-party valuation firms;

our stage of development;

our operational and financial performance;

the nature of our services and our competitive position in the marketplace;

the value of companies that we consider peers based on a number of factors, including similarity to us with respect to industry and business model;

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the likelihood of achieving a liquidity event, such as an initial public offering or sale given prevailing market conditions, and the nature and history of our business;

issuances of preferred stock and the rights, preferences and privileges of our preferred stock relative to those of our common stock;

current business conditions and projections;

the history of our company and our introduction of new products; and

the lack of marketability of our common stock.

To determine the fair value of our common stock and underlying option grants, we considered contemporaneous valuations of our stock from an independent third-party valuation firm that provided us with its estimation of our enterprise value and the allocation of that value to each element of our capital structure (preferred stock, common stock, warrants and options). Management provides the independent third-party valuation firm with our historical financial statements, forecast and capitalization information, in addition to other qualitative factors which could impact our enterprise value.

In connection with these valuations, the equity value of our company was determined by applying either or both the market approach and the income approach. The income approach estimates value based on the expectation of future cash flows that we will generate over the forecast horizon and a terminal value at the end of the forecast horizon. These future cash flows and terminal value are discounted to their present values using a discount rate derived from an analysis of the cost of capital for other companies in a similar stage of development as of each valuation date. The market comparable approach estimates value based on a comparison of our company to comparable public companies in a similar line of business. From the comparable companies, a representative market value multiple is determined which is applied to our historical and projected results of operations to estimate the value of our company. In our valuations, the multiples of the comparable companies was determined using a ratio of the market value of invested capital less cash to the last 12 month revenues, or the historical multiple, and the estimated future revenues for the each company's next fiscal year and the fiscal year subsequent to next fiscal year, or the forward multiple. The estimated equity value is then allocated to determine the estimated value of common stock. In addition, we also considered an appropriate discount adjustment to the value of common stock to reflect the lack of marketability of the common stock of a privately-held entity.

For this allocation, the option pricing method, or OPM, was used for grants made prior to November 20, 2012, which treats each class of stock as a call option on all or part of the enterprise's value, with exercise prices based on the liquidation preference of the preferred stock. Under this method, the common stock has value only if funds available for distribution to stockholders exceed the value of the liquidation preference at the time of a liquidity event. The common stock is treated as a call option that gives the owner the right but not the obligation to buy the underlying enterprise value at an exercise price that is priced using the Black-Scholes-Merton option pricing model. For options granted on or after December 31, 2012, the probability weighted expected return method, or PWERM, was used. The change to PWERM was made because it was deemed a more appropriate method when the time to our potential initial public offering was expected to be short. Under the PWERM, the value of equity is estimated based on analyses of future values for the enterprise assuming various possible outcomes. Share value is based on the probability-weighted present value of expected future returns to the equity investor, considering the likely future scenarios available to the enterprise and the rights and preferences of each share class. After the enterprise value is determined and allocated to the various classes of stock using either the OPM or PWERM allocation methodologies, a discount for lack of marketability, or DLOM, is applied to arrive at the fair value of our common stock. DLOM is applied based on the premise that a private company valuation analysis relies on data from publicly traded companies, which may have substantially different characteristics; thus, discount adjustment is needed to accurately estimate the fair value of the private company common stock.

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The following discussion relates primarily to our determination of the fair value per share of our common stock for purposes of calculating share-based compensation costs. In certain cases, when warranted, we considered the amount of time between the valuation date and the grant date to determine whether to use the latest common stock valuation determined pursuant to one of the methods described below or a straight-line calculation between the two valuation dates. This determination included an evaluation of whether the subsequent valuation indicated that any significant change in valuation had occurred between the previous valuation and the grant date. No noted single event caused the valuation of our common stock to increase or decrease through June 2013. Instead, a combination of the factors described below in each period led to the changes in the fair value of our common stock. We granted stock options with the following exercise prices between January 1, 2012 and September 26, 2013:

<b>Grant Date</b>	<b>Number of Shares Granted</b>	<b>Exercise Price</b>	<b>Fair Value Per Share of Common Stock</b>
February 1, 2012	731,834	\$ 2.73	\$ 3.35
March 2, 2012	1,039,712	2.73	3.92
March 7, 2012	30,000	2.73	4.02
May 9, 2012	305,000	4.48	5.16
August 2, 2012	825,712	6.78	6.78
August 23, 2012	164,000	6.78	6.78
September 26, 2012	982,500	6.78	6.78
November 20, 2012	190,000	6.94	6.94
January 30, 2013	211,500	7.62	7.92
February 20, 2013	192,300	7.62	8.14
June 12, 2013	1,367,300	10.42	10.82
June 20, 2013	63,402	10.42	11.08
July 30, 2013	117,500	11.41	12.86
August 22, 2013	924,500	12.86	12.86
August 24, 2013	545,250	12.86	12.86
September 13, 2013	246,000	12.86	12.86
September 26, 2013	33,500	13.00	13.00

**Recent Accounting Pronouncements**

In February 2013, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update, or ASU, No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The new guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The Company has adopted this standard during the first quarter of 2013. The adoption of this standard expanded the consolidated financial statement footnote disclosures, however there were no amounts reclassified out of accumulated other comprehensive income in any period presented.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists*. The new guidance requires the netting of unrecognized tax benefits, or UTBs, against a deferred tax asset for a loss or other carry-forward that would apply in settlement of the uncertain tax positions. Under the new standard, UTBs will be netted against all available same-jurisdiction loss or other tax carry-forwards that would be utilized, rather than only against carry-forwards that are created by the UTBs. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The ASU should be applied prospectively to all UTBs that exist at the effective date. Retrospective application is permitted. We do not expect the adoption of this guidance to have any significant impact on our consolidated financial statements.

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We periodically review new accounting standards. Although some of the accounting standards that have been issued may be applicable to us, we have not identified any other new accounting standards that would have a significant impact on our consolidated financial statements.

### **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***

Our functional currency of our foreign subsidiaries is generally the local currency. Most of our sales are denominated in U.S. dollars, and therefore our net revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., Canada, the Philippines, Russia, Ukraine, UK and China. In the first quarter of 2013, we formed a wholly owned subsidiary in the Netherlands and in the second quarter of 2013, we formed a wholly owned subsidiary in Switzerland. 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 exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During fiscal 2013 and 2012, the effect of 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, respectively.

#### ***Interest Rate Sensitivity***

We had cash and cash equivalents of \$116.4 million and \$37.9 million as of December 31, 2013 and December 31, 2012, respectively. We hold our cash and cash equivalents for working capital purposes. Our cash and cash equivalents are held in cash and short-term money market funds. Due to the short-term nature of these instruments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income. During fiscal 2013 and 2012, the effect of a hypothetical 10% increase or decrease in overall interest rates would not have had a material impact on our interest income for either period. In addition, as of December 31, 2013 and December 31, 2012, we had approximately \$29.1 million and \$6.0 million in short and long-term debt with variable interest rate components, respectively. During fiscal 2013 and 2012, a hypothetical 10% increase or decrease in interest rates would have had a \$2.9 million and \$0.6 million impact on our interest expense, respectively.

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**BUSINESS**

**Overview**

We are a leading provider of software-as-a-service, or SaaS, solutions for business communications. We believe that our innovative, cloud-based approach disrupts the large market for business communications solutions by providing flexible and cost-effective services that support distributed workforces, mobile employees and the proliferation of bring-your-own communications devices. We enable convenient and effective communications for our customers across all their locations, all their employees, all the time, thus enabling a more productive and dynamic workforce. RingCentral Office, our flagship service, is a multi-user, enterprise-grade communications solution that enables our customers and their employees to communicate via voice, text, HD video and web conferencing and fax, on multiple devices, including smartphones, tablets, PCs and desk phones.

Traditionally, businesses have used on-premise hardware-based communications systems, commonly referred to as private branch exchanges, or PBXs. These systems generally require specialized and expensive hardware that must be deployed at every business location and are primarily designed for employees working only at that location and using only their desk phones. In addition, these systems generally require significant upfront investment and ongoing maintenance and support costs. Furthermore, according to Gartner's April 2013 report entitled "Bring Your Own Device: The Facts and the Future," by 2017, half of employers will require their employees to supply their own devices for work purposes. We believe that this trend will create additional challenges for businesses using legacy communications solutions.

Our solutions have been developed with a mobile-centric approach and can be configured, managed and used from a smartphone or tablet. We have designed our user interfaces to be intuitive and easy to use for both administrators and end-users. We believe that we can provide substantial savings to our customers because our services do not require the significant upfront investment in on-premise infrastructure hardware or ongoing maintenance costs commonly associated with on-premise systems. Our solutions generally use existing broadband connections. We design our solutions to be delivered to our customers with high reliability and quality of service using our proprietary high-availability and scalable infrastructure.

The market for business communications solutions is large. According to Infonetics Research, from 2008 through 2012, there were 61 million PBX lines sold in North America. Assuming our current base selling price of approximately \$20 per user per month, we believe that the potential replacement market is approximately \$15 billion in North America. We also believe that this estimate significantly understates the potential market opportunity for our cloud-based solutions because a significant number of businesses today have not historically deployed a business communications system due to functionality limitations, cost and other factors.

We primarily generate revenues by selling subscriptions for our cloud-based services. We focus on acquiring and retaining our customers and increasing their spending with us through adding additional users, upselling current customers to premium service editions, and providing additional features and functionality. We market and sell our services directly, through both our website and inside sales teams, as well as indirectly through a network of over 1,500 sales agents and resellers, including AT&T, which we refer to collectively as resellers. We have a differentiated business model that reduces the time and cost to purchase, activate and begin using our services. We generally offer free trials to prospective customers, allowing them to evaluate our solutions before making a purchasing decision.

We have a diverse and growing customer base comprised of over 300,000 businesses across a wide range of industries, including advertising, consulting, finance, healthcare, legal, real estate, retail



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and technology. To date, we have focused our principal efforts on the market for small- and medium-sized businesses, defined by IDC as less than 1,000 employees, in the U.S., Canada and the United Kingdom. We are making investments in an effort to address larger customers. We also believe that there is an additional growth opportunity in international markets.

We have experienced significant growth in recent periods, with total revenues of \$78.9 million, \$114.5 million and \$160.5 million in 2011, 2012 and 2013, respectively, generating year-over-year increases of 45% and 40%, respectively. We have continued to make significant expenditures and investments, including in research and development, brand marketing and channel development, infrastructure and operations, and incurred net losses of \$13.9 million, \$35.4 million and \$46.1 million, in 2011, 2012 and 2013, respectively.

### **Industry Background**

#### ***The Market for Business Communications Solutions is Large***

According to Infonetics Research, from 2008 through 2012, there were 61 million PBX lines sold in North America. Assuming our current base selling price of approximately \$20 per user per month, we believe that the potential replacement market is approximately \$15 billion in North America. We also believe that this estimate significantly understates the potential market opportunity for our cloud-based solutions, because a significant number of businesses today have not historically deployed a business communications system due to functionality limitations, cost and other factors.

#### ***Evolution in the Way People Work and Communicate***

In recent years, there have been significant changes in how people work and communicate with customers, co-workers and other third parties. Traditionally, business personnel worked primarily at a single office, during business hours, and utilized desk phones as their primary communications devices connected through a PBX. With the proliferation of smartphones and tablets that offer much of the functionality of PCs, combined with the pervasiveness of inexpensive broadband Internet access, businesses are increasingly working around the clock across geographically dispersed locations, and their employees are using a broad array of communications devices and utilizing text, along with voice, fax, and video conferencing, for business communications.

These changes have created new challenges for business communications. Traditional on-premise systems are generally not designed for workforce mobility, bring-your-own communications device environments, or the use of multiple communication channels, including text and video conferencing. Today, businesses require flexible, location- and device-agnostic communications solutions that provide users with a single identity across multiple locations and devices.

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*Limitations of Existing Business Communications Systems*

We believe that legacy on-premise systems have several limiting characteristics, including being:

***Location-Specific.*** On-premise systems are typically hardware-based and primarily manage desk phones at a single office location. These systems are complex to use for businesses with multiple office locations and employees working remotely or largely outside an office.

***Device-Specific.*** On-premise systems are generally designed to work with a specific fixed-line phone provisioned to work only with a certain type of system. As a result, on-premise systems do not work well with smartphones, tablets and PCs and can have difficulty supporting a bring-your-own communications device business environment.

***Difficult to Deploy, Use and Manage.*** On-premise systems can be difficult and time-consuming to set up, deploy, manage and support. They generally require the installation and configuration of complex hardware infrastructure, a connection to phone networks, time-consuming set up and activation and training for administrators and end-users. They also generally lack simple and intuitive user interfaces for easy configuration and use. As a result, on-premise systems generally are not user-friendly, have long deployment cycles and require technical expertise to set up, manage and use.

***Challenging to Scale.*** On-premise systems do not efficiently scale with business growth, as additional hardware and software upgrades are often required to support additional employees and offices. Costly upgrades are also typically required to support additional features and functionality.

***Expensive.*** On-premise systems are typically expensive to deploy and manage. They not only require upfront costs on hardware and software, but also ongoing maintenance and

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upgrade costs. These legacy systems also often require trained and dedicated IT personnel to support ongoing use of the system.

***Difficult to Integrate.*** On-premise systems are relatively inflexible and often require extensive investments of time and IT personnel to integrate with other commonly used business applications, such as content management, email and collaboration applications, as well as HD video and web conferencing and mobile devices.

### ***Opportunity for Next-Generation, Cloud-Based Business Communications Platform***

Fundamental advances in cloud technologies have enabled a new generation of business software to be delivered as a service over the Internet. Today, mission-critical applications such as customer relationship management, human capital management, enterprise resource planning and information technology, or IT, support are being delivered securely and reliably to businesses through cloud-based platforms. While on-premise systems typically require significant upfront and ongoing costs, as well as trained and dedicated IT personnel, cloud-based services enable cost-effective and easy delivery of business applications to users regardless of location or access device.

We believe that there is a significant opportunity to leverage the benefits of cloud computing to provide next-generation, cloud-based business communications solutions that address the new realities of workforce mobility, multi-device environments and multi-channel communications, thereby enabling people to communicate the way they do business. In addition to location and device independence, these next-generation solutions should also provide the scalability, ease of use and affordability that are lacking in legacy on-premise business communications systems today.

We believe both large and small businesses currently served by on-premise systems may embrace this opportunity to replace those systems. We also believe that businesses not currently served by on-premise business communications systems, due to functionality and cost limitations, may embrace the opportunity to use cloud-based business communications solutions.

### **Our Solutions**

Our cloud-based business communications solutions provide a single user identity across multiple locations and devices, including smartphones, tablets, PCs and desk phones, and allow for communication across multiple channels, including voice, text, HD video and web conferencing and fax. Our proprietary solutions enable a more productive and dynamic workforce, and have been architected using industry standards to meet modern business communications requirements, including workforce mobility, bring-your-own communications device environments and multiple communications channels.

Our solutions are delivered using a high-availability and, scalable infrastructure and are designed for easy self-service activation, provisioning and management with minimal technical expertise or training required. Our solutions scale easily and rapidly, allowing our customers to add new users regardless of where they are located. They are generally affordable, requiring little to no upfront infrastructure hardware costs or ongoing maintenance and upgrade costs commonly associated with on-premise systems. RingCentral Office, our flagship offering, is a multi-user, enterprise-grade communications solution. We sell RingCentral Office in three editions: Standard, Premium and Enterprise. We also offer RingCentral Professional, primarily an inbound call routing service with additional text and fax capabilities targeting smaller deployments, and RingCentral Fax, an Internet fax service that permits sending and receiving faxes over the Internet.

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**RingCentral Solutions**

We believe that our solutions provide not only the core functionality of existing on-premise communications solutions, but also additional key benefits that address the changing requirements of business to allow business communications using voice, SMS, fax and HD video and web conferencing. The key benefits of our solutions include:

***Location Independence.*** Our cloud-based solution is 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.

***Device Independence.*** Our solution is 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; Easy Account Management.*** Our solutions are designed for rapid deployment and ease of management. Our simple and intuitive graphical user interfaces allow administrators and users to set up and manage their business communications system with

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little or no IT expertise, training or dedicated staffing. Our solutions work with users' existing smartphones, tablets, PCs and desk phones. Additionally, if a customer desires new desk phones, we also sell pre-configured, Plug&Ring-ready phones that can be easily connected to the customer's existing broadband service.

**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.

**Seamless and Intuitive Integration with Other Cloud-Based Applications.** Cloud-based applications are proliferating within businesses of all sizes. Integration of these cloud-based 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 salesforce.com, Google Drive, Box and Dropbox.

### **Our Competitive Strengths**

Our competitive strengths include:

**Proprietary Core Technology Platform.** We have developed our core multi-tenant, cloud-based, high-availability, scalable platform in-house over several years using industry standards. Our platform incorporates our communications and messaging services, delivery and billing infrastructure and application programming interfaces, or APIs, for integration with third parties. We believe that owning our own technology allows us to regularly improve our platform to meet new customer needs and to seamlessly and rapidly deliver new features and functionality to our customers via our SaaS platform.

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***Mobile-Centric Approach.*** Our platform was developed with a mobile-centric approach and can be provisioned, configured, managed and used from a smartphone or tablet as well as from PCs and the Web. 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.

***Rapid Innovation and Release Cycle.*** We strive to continuously innovate in an effort to regularly release new features and functionality to our customers. We intend to continue to invest significantly in research and development to increase the quality of our services and develop and deliver new services quickly to meet evolving customer demand. We believe that our ability to rapidly innovate and enhance our communications solutions is an important competitive advantage.

***Quality and Reliability of Service.*** Our platform employs a number of technologies and tools to provide the quality of service that our customers expect while using their existing broadband connections. We can optimize for quality of end-user broadband connectivity as well as the type of devices used. We operate our multi-tenant platform on a high-availability, scalable-on-demand, redundant infrastructure.

***Effective Go-to-Market Strategy.*** We employ a broad range of direct and indirect marketing channels to target potential customers, including search-engine marketing, search-engine optimization, referral, affiliate, radio and billboard advertising. We also have a network of over 1,500 sales agents and resellers, including AT&T. We offer simple, easy-to-understand pricing plans. We generally offer customers a free trial and provide post-sale implementation assistance for larger customers to help them configure their communications solutions and to familiarize them with the benefits of our services. In addition, we offer ongoing customer support to help retain our customers and encourage them to add more users and functionality.

### **Our Growth Strategy**

Key elements of our growth strategy include:

***Focus on Larger RingCentral Office Customers.*** We intend to broaden our focus to larger potential RingCentral Office customers. We believe that these customers are more likely to have employees working in distributed locations or multiple offices and thus will derive additional benefits from deploying our solution. We believe that these customers are more likely to require additional services, purchase premium service editions, have higher retention rates and enter into longer-term contracts.

***Continue to Innovate.*** Our ability to develop new features and functionality is central to our success. We recently added RingCentral Office Enterprise Edition with RingCentral Meetings and intend to continue to invest in development efforts to introduce new features and functionality to our customers. We plan to further invest in research and development, including continuing to hire top available technical talent, to expand our core cloud-based business communications solution and launch new services.

***Grow Revenues from Existing Customers.*** We intend to grow our revenues from our existing customers as they add new users and as we provide them with new features and functionality.

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***Expand Our Distribution Channels.*** Our indirect sales channel currently consists of a network of over 1,500 resellers, including AT&T. We intend to continue to foster these relationships and develop additional relationships with other resellers.

***Scale Internationally.*** To date, we have derived most of our revenues from the North American market. We believe that there is an additional growth opportunity for our cloud-based business communications solutions in international markets, and we launched our RingCentral Office service in the United Kingdom in the fourth quarter of 2013.

### **Our Services**

Our services are RingCentral Office, RingCentral Professional and RingCentral Fax. RingCentral Office is our most comprehensive solution and provides our full suite of features and functionality for businesses, while RingCentral Professional and RingCentral Fax deliver subsets of RingCentral Office's features and functionality.

***RingCentral Office.*** RingCentral Office, our flagship service, is a multi-location, multi-user, enterprise-grade communications solution that enables employees to communicate via different channels and on multiple devices. This service 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 three editions: Standard, Premium and Enterprise. Our Standard Edition of RingCentral Office includes call management, mobile applications, voice, business SMS, integration with Dropbox, Box, Google Drive and Microsoft Office & Outlook, and conferencing capabilities. Our Premium Edition includes the Standard Edition functionality together with Salesforce CRM integration, automatic call recording and premium support. Our Enterprise Edition adds multipoint HD video and web conferencing and online meetings.

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 services are instantly activated, and deliver a rich set of functionality across multiple locations and devices.

***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, 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.

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***Easy Set-Up and Control.*** Our user interfaces have a familiar smartphone touch-screen look and feel and 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, and 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, and call queuing, and sophisticated routing rules for complex call handling for the company, departments, groups and individual employees.

***Integrated Voice, Text, HD Video and Web Conferencing 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.

***Cloud-based Business Application Integrations.*** Our solution seamlessly integrates with other cloud-based business applications such as salesforce.com, Google Drive, Box and Dropbox. For example, integration with salesforce.com brings up customer records immediately based on inbound caller IDs, resulting in increased productivity and efficiency. Additionally, users can easily fax documents directly from their cloud-based storage accounts.



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***Enterprise Edition HD video and web conferencing and screen sharing.*** RingCentral Office Enterprise Edition comes with RingCentral Meetings, a multipoint HD video and web conferencing and screen sharing technology built for smartphones, tablets and computers. Users can hold HD video conferences with up to 25 participants and active speaker spotlight, and are able to share presentations, applications, content and websites.

***RingCentral Professional.*** Our RingCentral Professional solution provides a subset of our RingCentral Office solution capabilities designed primarily for smaller businesses. RingCentral Professional is principally used as an inbound call routing service with text and fax capabilities.

***RingCentral Fax.*** Our RingCentral Fax solution provides Internet fax capabilities that allow businesses to send and receive fax documents without the need for a fax machine.

### **Our Customers**

We have a diverse and growing customer base comprised of over 300,000 businesses across a wide range of industries, including advertising, consulting, finance, healthcare, legal, real estate, retail and technology. Our revenues are highly diversified across our customer base, with no single non-reseller customer accounting for more than 1% of our total revenues in fiscal 2011, 2012 or 2013. No single reseller accounted for more than 10% of our total revenues during any period presented in this prospectus. To date, we have focused our principal efforts on the market for small- and medium-sized businesses, defined by IDC as less than 1,000 employees, in the U.S., Canada and the UK. We believe that there is an additional growth opportunity in international markets. We are also making investments that will allow us to address larger enterprise customers. The following are examples of our current RingCentral Office customers across industry, acquisition channel, size and business needs.

**DME Automotive** handles marketing for the largest automotive organizations in the U.S., with over 300 employees in two offices in Florida. Their business requires significant collaboration with their customers and employees across both offices on a daily basis. To increase productivity, DME Automotive, LLC, or DME, needed a communications solution that would allow their employees to connect with customers and with each other as efficiently as possible, whether in or out of the office, without having to manage multiple phone numbers or devices across many locations. In just one weekend, DME set up RingCentral Office across their entire organization, displacing their existing approximately \$300,000 on-premise system, which had also required them to engage a specialized technical team any time they needed to make changes or conduct maintenance.

**TRUSTe** is an online privacy provider for online sites, headquartered in San Francisco with over 100 employees and offices in Los Angeles, Chicago and Miami. Over 25% of True Ultimate Standards

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Everywhere, Inc's, or, TRUSTe's employees are in the field. Their legacy, on-premise communications system did not meet the needs of the workforce because mobile employees were not connected to the communications system like in-house employees, and hence lacked the functionality needed to manage their business. In addition, TRUSTe was spending significant time and resources managing their communications system. After starting with a free trial, TRUSTe purchased RingCentral Office and can now connect their field employees as if they were in an office, giving them better access to greater functionality. In addition, with RingCentral Office's capability to configure and manage the entire businesses communications solution using smartphone apps, TRUSTe is able to reduce time and money spent on technical experts.

**Motion Recruitment** is a national recruitment firm with over 700 employees across three operating units and 22 locations. They provide national recruiting for technology-related jobs as well as outsourced recruiting solutions. Their previous communications system required 19 different on-premise systems to support their different operating units and locations. Motion Recruitment Partners, or Motion Recruitment, wanted a communications solution that could support their business communications needs and increase efficiency across their entire company. Using RingCentral Office, Motion Recruitment has one complete communications solution servicing all three operating units and locations. Further, leveraging RingCentral Office's enhanced, modern functionality, they have empowered their sales agents with greater control over their customer communication, and have improved their ability to manage their quality of service.

**Amerivest Realty** is a full-service brokerage firm in Florida with over 200 Realtor Associates. Prior to subscribing to RingCentral Office, they had an on-premise communications system that required technical expertise and was managed and maintained by an external consulting company. With 90% of their Realtors working remotely with flexible hours, Associates were disconnected from their business communications system, and had to juggle business and personal devices to communicate with customers. When Amerivest Realty needed to scale their firm, the associated ongoing resources, expertise, and costs along with the lack of mobile integration forced them to look at other options. With RingCentral Office, Amerivest Realty was able to minimize the ongoing maintenance costs and manage the entire communications system with their in-house, non-technical, administrative staff. They were also able to connect their Associates with customers using one business number for voice, text and fax, regardless of what device the Realtor was using or where they were located. Associates and staff now have the power to customize their own settings on their smartphones, further reducing the resources and time required by Amerivest Realty to manage their business communications.

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

We use a variety of marketing, sales and support activities to generate and cultivate ongoing customer demand for our services, acquire new customers, and engage with our existing customers. We sell through both direct and indirect channels. We provide on-boarding implementation support to help our customers set up and configure their newly purchased communications system, as well as ongoing self-service, phone 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 SEM, SEO, radio advertising, online display advertising and billboard advertising. 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 products and services through direct inbound and outbound sales efforts. We have direct sales representatives located in the U.S. and internationally.

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**Indirect Sales.** Our indirect sales channel consists of a network of over 1,500 resellers, including AT&T, which help broaden the adoption of our services without the need for a large direct field sales force.

**Customer Support.** While our intuitive and easy-to-use user interface serves to reduce our customers' need for support, we provide online and phone customer support, as well as post-sale implementation support, 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.

### **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, video and fax processing, mobile application development, IP networking and infrastructure, 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.

Our research and development expenses were \$12.2 million, \$24.5 million and \$33.4 million in fiscal 2011, 2012 and 2013, respectively.

### **Technology and Operations**

Our platform is 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.

We host our services and serve our customers in North America from two third-party data center facilities in San Jose, California and Vienna, Virginia, and we host our services and serve our customers in the United Kingdom from two third-party data center facilities in Amsterdam, the Netherlands and Zurich, Switzerland. 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

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our customers' data. We limit access to on-demand servers and networks at our production and remote backup facilities.

We serve North American customers out of two Points of Presence, known as POPs, one in San Jose, California and the other in Vienna, Virginia. RingCentral subscribers are divided into Parts of Data, or PODs, each comprised of two symmetrical, synchronized units, one per POP. POPs and PODs are redundant with switchover and failover capabilities between POPs. This architecture enables us to deliver our services in a scalable and reliable manner. We can manage our customer growth by adding additional PODs and POPs into our delivery infrastructure as required. We leverage third-party network service providers, including Level 3 Communications, Inc., Bandwidth.com, Inc., Novatel Wireless, Inc. and AT&T, for network connectivity. We also obtain connectivity and network services in certain regions from our subsidiary, RCLEC, Inc.

**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 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 28 issued U.S. patents, which expire between 2026 and 2032. We also have 45 patent applications pending for examination in the U.S. and 22 patent applications pending for 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

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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 products and services.

### **Competition**

The market for business communications solutions is 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:

service features and capabilities;

system reliability, availability and performance;

speed and ease of activation, setup and configuration;

ownership and control of the underlying technology;

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, S.A., Avaya Inc., Cisco Systems, Inc., Mitel Networks Corporation, ShoreTel, Inc. and Siemens Enterprise Networks, LLC, any of which may now or in the future also host their solutions through the cloud, and their resellers;

software providers such as Microsoft Corporation and Broadsoft, Inc. that generally license their software and may now or in the future also host their solutions through the cloud, and their resellers including major carriers and cable companies;

established communications providers, such as AT&T Inc., Verizon Communications Inc. and Comcast Corporation in the United States, and TELUS and others in Canada, that resell on-premise hardware, software and hosted solutions;

other cloud companies such as j2 Global, Inc., 8x8, Inc., Vonage, Nextiva, Inc. and Jive Communications, Inc.; and

other large, Internet companies, such as Google Inc., Yahoo! Inc. and Amazon.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.

**Employees and Contractors**

As of December 31, 2013, we had 445 full-time employees, including 133 in research and development, 186 in sales and marketing, 27 in operations, 29 in customer technical support, and 70 in general and administrative. As of such date, we had 349 employees located in the U.S. and 96 internationally, including 86 in China. None of our employees are covered by collective bargaining agreements. We believe that our employee relations are good and we have never experienced any work stoppages.

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We also contract with third-party contractors whose employees or subcontractors employees perform services for us. We refer to our third-party contractors employees and subcontractors employees as our contractors. As of December 31, 2013, we had 1,106 of these contractors, including 271 in research and development, 92 in operations, 289 in sales and marketing, 326 in customer technical support and 128 in general and administrative. As of such date, we had 32 contractors located in the U.S. and 1,074 internationally, including 701 in the Philippines, 359 in Russia and Ukraine and 14 in other countries.

### **Regulatory**

As a provider of Internet communications services, 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 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 Internet voice communications services. In addition, we have certified a wholly owned subsidiary as a competitive local exchange carrier in six states and currently intend to obtain certificates for our subsidiary in six additional 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 services. Regulatory treatment of Internet communications services outside the U.S. varies from country to country, is often unclear, and may be more onerous than imposed on our services in the U.S. In the United Kingdom, for example, our service is regulated by Ofcom, which, among other things, requires electronic communications providers such as our company to provide all users access to both 112 (EU-mandated) and 999 (UK-mandated) emergency service numbers at no charge. Similarly in Canada, our service is regulated by the CRTC, which, among other things, imposes requirements similar to 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 services in international locations. See the section entitled Risk Factors for more information.

### **Facilities**

Our principal executive offices are located in San Mateo, California, where we occupy approximately 31,000 square feet of office space under a lease expiring on May 31, 2017. We also lease offices in Denver, Colorado; London, England; and Xiamen, China. 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, Virginia; San Jose, California; Amsterdam, the Netherlands; and Zurich, Switzerland. We expect to expand our facilities and datacenter capacity, including at our corporate headquarters and in certain field locations, during the year ended December 31, 2014. We believe that we will be able to obtain additional space at other locations at commercially reasonable terms to support our continuing expansion.

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**Legal Proceedings**

In June 2011, j2 Global, Inc., or j2, and Advanced Messaging Technologies, Inc., or Advanced Messaging, filed a joint complaint against us in the U.S. District Court for the Central District of California, Case No. 2:11-cv-04686-DDP-AJW, alleging infringement of U.S. Patent Nos. 6,208,638, 6,350,066, and 7,020,132, and seeking a permanent injunction, damages, and attorneys' fees should judgment be found against us. On March 4, 2013, Advanced Messaging filed a second complaint against us in the U.S. District Court for the Central District of California, Case No. 2:13-CV-01526, alleging infringement of U.S. Patent No. 7,975,368. On April 26, 2013, we entered into a license and settlement agreement with j2 and one of its affiliates to settle the matters. Under the terms of the settlement, the parties granted each other certain patent cross-licenses for over 10 years and the parties have dismissed all claims in these matters with prejudice.

On December 21, 2012, CallWave Communications, LLC, or CallWave, which we believe is a non-practicing entity, filed a lawsuit against us in the U.S. District Court for the District of Delaware, *CallWave Communications, LLC v. RingCentral, Inc.*, Case No. 1:12-cv-01748-RGA alleging patent infringement by us and AT&T, a reseller of our products and services. CallWave has asserted similar claims against other companies, including Google Inc., AT&T Inc., AT&T Mobility LLC, Sprint Nextel Corp., T-Mobile US, Inc., Verizon Communications, Inc., Research in Motion Limited and Telovations, Inc. Since then, CallWave amended its complaint twice such that they asserted U.S. Patents Nos. 7,397,910 (the 910 patent), 7,555,110 (the 110 patent), 7,822,188 (the 188 patent), 8,325,901 (the 901 patent), 7,636,428 (the 428 patent), 8,351,591 (the 591 patent), 8,064,588 (the 588 patent), and 7,839,987 (the 987 patent) against our products and services and AT&T's Office@Hand products and services, seeking damages but no injunction. On April 1, 2013, we filed an Answer and Counterclaims denying all claims by CallWave in its first amended complaint. On June 3, 2013, we filed an Answer and Counterclaims denying all claims by CallWave in its second amended complaint. In September 2013, we entered into a license and settlement agreement with CallWave to settle the matter. Under the terms of the settlement, CallWave granted us a non-exclusive license and agreed to dismiss all claims in these matters with prejudice, including any claims for which we were required to indemnify and defend AT&T. As part of the settlement, we agreed to pay CallWave cash consideration which it recognized as general and administrative expense during the second quarter as it determined the payment to be a cost to settle a loss contingency, and the amount was probable and estimable. During the third quarter of 2013, we paid substantially all of the cash consideration due under the settlement agreement.

On September 6, 2013, we received a letter from Capital Legal Group, LLC on behalf of Cronos Technologies LLC, which we believe is a non-practicing entity, asserting that we should consider engaging in licensing discussions regarding U.S. Patent No. 5,664,110. In October 2013, we obtained non-exclusive rights to this patent through August 19, 2016. No complaint or other action has been filed, no specific demand for a license has been made, and the letter does not allege any infringement by us of the referenced patent.

In addition to the matters described above, we may, from time to time, be a party to litigation and subject to claims incident to the ordinary course of business. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially affect our future results of operations, cash flows and financial condition.



**Table of Contents****MANAGEMENT****Executive Officers, Directors and Key Employees**

The following table sets forth the names, ages and positions of our executive officers, key employees and directors as of January 31, 2014:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b>Executive Officers</b>		
Vladimir Shmunis	53	Chief Executive Officer and Chairman
Clyde Hosein	54	Executive Vice President and Chief Financial Officer
David Berman	42	President
Kira Makagon	50	Executive Vice President, Innovation
Praful Shah	58	Senior Vice President, Strategy
John Marlow	45	Senior Vice President, Corporate Development, General Counsel and Secretary
<b>Non-Employee Directors</b>		
Douglas Leone(2)(3)	56	Director
Robert Theis(1)(2)	52	Director
David Weiden(3)	41	Director
Neil Williams(1)	61	Director
Bobby Yerramilli-Rao(1)	47	Director

- (1) Member of the Audit Committee  
(2) Member of the Compensation Committee  
(3) Member of the Nominating and Corporate Governance Committee

**Executive Officers**

**Vladimir Shmunis** is one of our co-founders and has served as our Chief Executive Officer and Chairman since our inception in 1999. Prior to RingCentral, from 1992 to 1998, Mr. Shmunis served as President and Chief Executive Officer of Ring Zero Systems, Inc., a desktop communications software provider founded by Mr. Shmunis and acquired by Motorola, Inc. From 1982 to 1992, Mr. Shmunis held various software development and management roles with a number of Silicon Valley companies, including Convergent Technologies, Inc. and Ampex Corporation. Mr. Shmunis holds a B.S. in Computer Science and an M.S. in Computer Science from San Francisco State University.

Our board of directors believes that Mr. Shmunis possesses specific attributes that qualify him to serve as a director, including the perspective and experience he brings as our Chief Executive Officer and his experience as an executive in the technology industry. Our board of directors also believes that he brings historical knowledge, operational expertise and continuity to the board of directors.

**Clyde R. Hosein** has served as our Executive Vice President and Chief Financial Officer since August 2013 and served as a consultant to us from June 2013 to August 2013. Prior to joining us, from October 2012 to June 2013, Mr. Hosein served as an independent business consultant. From June 2008 to October 2012, Mr. Hosein served as the Chief Financial Officer of Marvell Technology Group Ltd., a publicly traded fabless semiconductor provider of high-performance, application-specific standard products, and he also served as the Interim Chief Operating Officer and Secretary of Marvell from October 2008 to March 2010. From March 2003 until June 2008, Mr. Hosein served as Chief Financial Officer for Integrated Device Technologies, a publicly traded company that develops and delivers mixed-signal semiconductor solutions to the communications, computing and consumer end

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markets. From 2001 until 2003, Mr. Hosein served as Chief Financial Officer of Advanced Interconnect Technologies. From 1997 to 2001, Mr. Hosein was the Chief Financial Officer and senior director of corporate planning of Candescent Technologies Corporation. Previous to Candescent, Mr. Hosein spent over 14 years with IBM Corporation, where he held several engineering and financial positions within their storage, microelectronics, data systems and corporate divisions. Mr. Hosein serves on the board of directors of Cree Inc., a publicly traded company that develops and manufactures LED products. Mr. Hosein holds a B.S. in Industrial Engineering from Polytechnic University in New York and an M.B.A. from New York University Stern School of Business.

**David Berman** has served as our President since June 2013 and has been an advisor to us since March 2009. Prior to joining us, from January 2010 to June 2013, Mr. Berman served as the Chief Executive Officer and President of Affectiva, Inc., an emotion measurement technology company. From June 2008 to January 2010, Mr. Berman served as an advisor to numerous startup companies, and from June 1999 to May 2008, Mr. Berman served in various roles at WebEx Communications Inc. He was most recently WebEx's President, Worldwide Sales and Services, and before that he served as Vice President of Worldwide Sales and Services and Vice President of Worldwide Corporate Sales and Services and Vice President of Worldwide Corporate Sales. Mr. Berman holds a Bachelor of Business Administration from the University of San Diego.

**Kira Makagon** has served as our Executive Vice President, Innovation, since August 2012. Prior to joining us, from January 2012 to July 2012, Ms. Makagon served as the Chief Product Officer of Red Aril, Inc. a provider of media optimization solutions that was acquired by Hearst Corporation in December 2011. From April 2010 to December 2011, she served as the President of Red Aril, and from June 2009 to April 2010, she founded and served as the Chief Executive Officer of Red Aril. From January 2009 to May 2009, Ms. Makagon served as a consultant and board member of NebuAd, Inc., a developer of data capture and analysis systems. From August 2008 to December 2008, she served as Chief Executive Officer of NebuAd, and from September 2006 to July 2008, she co-founded and served as President of NebuAd. Prior to that, from 2001 to August 2006, Ms. Makagon served in various roles at Exigen Group, a provider of SaaS workflow platforms and call center solutions, including President, Ventures and Alliances, and Executive Vice President, Marketing and Business Development. From 1998 to 2000, Ms. Makagon co-founded and served as Senior Vice President, Products of Octane Software, a provider of web-based customer relationship management applications, that was acquired by Epiphany, Inc., and from 1993 to 1998, she served as Vice President of Product Development of Scopus Technology, a provider of customer relationship management solutions, that was acquired by Siebel Systems. Ms. Makagon holds a B.A. in Computer Science from the University of California, Berkeley and an M.B.A. from the University of California, Berkeley, Haas School of Business.

**Praful Shah** has served as our Senior Vice President, Strategy since 2010 and served as our Vice President, Strategy from April 2008 to 2010. Prior to joining us, from July 2007 to March 2008, Mr. Shah was engaged in reviewing and investing in YouWeb, LLC, an early stage technology incubator. From 1997 to June 2007, Mr. Shah served in various roles at WebEx Communications, Inc., a provider of cloud collaboration services. He was most recently WebEx's Vice President, Strategic Communications, and before that he served as Vice President of Online Products, Vice President of Strategic Marketing, Vice President of Business Development and Vice President of Marketing. Prior to WebEx, from 1995 to 1997, Mr. Shah served at Oracle Corporation as Senior Director of Marketing for Oracle's Internet Products and Database Products Divisions. Mr. Shah holds a bachelors degree in Electronics and Communications Engineering from Manipal Institute of Technology in India, and an M.S. in Computer Science from Pennsylvania State University.

**John Marlow** has served as a Senior Vice President since June 2013, and as our General Counsel and Secretary since April 2009. He was appointed as Vice President of Corporate

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Development in November 2008. Mr. Marlow also served on our board of directors from August 2005 until August 2011. Prior to joining us, from November 2003 to December 2008, Mr. Marlow was a founding partner at Entrepreneurs Law Group, LLP, a law firm. From January 2003 to October 2003, Mr. Marlow was a partner at Reed Smith LLP, an international law firm. From January 2002 to December 2002, he was a partner at Crosby, Heafey, Roach & May, LLP, a law firm acquired by Reed Smith. Mr. Marlow holds a B.A. in Sociology from Colgate University and a J.D. from the University of California, Berkeley, Boalt Hall School of Law.

### **Non-Employee Directors**

**Douglas Leone** has served on our board of directors since December 2006. Mr. Leone has been at Sequoia Capital, a venture capital firm, since 1988 and has been a managing member since 1993. Mr. Leone also serves on the boards of directors of ServiceNow, Inc., a cloud-based service provider, and CafePress Inc., an online retailer. Mr. Leone holds a B.S. in Mechanical Engineering from Cornell University, an M.S. in Industrial Engineering from Columbia University and an M.S. in Management from the Massachusetts Institute of Technology.

Our board of directors believes that Mr. Leone possesses specific attributes that qualify him to serve as a director, including his substantial experience as a venture capitalist and as a director of technology companies focusing on Internet and software and communications companies. Our board of directors also believes that Mr. Leone brings historical knowledge and continuity to the board of directors.

**Robert Theis** has served on our board of directors since August 2011. Mr. Theis has served as a managing director at Scale Venture Partners, a venture capital firm, since May 2008. Mr. Theis also serves on the board of directors at BrightRoll, Inc., a provider of digital video advertising, HubSpot, Inc., a provider of inbound marketing software, and PeopleMatter, Inc., a provider of human capital management software. Prior to joining Scale Ventures, from July 2000 to April 2008, Mr. Theis served as a general partner with Doll Capital Management, a venture capital firm. From July 1996 to June 2000, Mr. Theis served as executive vice president and served on the board of directors of New Era of Networks, Inc., a supplier of Internet infrastructure software and services. From April 1986 to June 1996, Mr. Theis served as a Managing Director at Sun Microsystems, Inc., a provider of computers and computer components acquired by Oracle Corporation, and from January 1984 to March 1986, as Marketing Manager at Silicon Graphics, Inc., a provider of high-performance computing solutions. Mr. Theis holds a B.A. in Economics from the University of Pittsburgh, Pennsylvania.

Our board of directors believes that Mr. Theis possesses specific attributes that qualify him to serve as a director, including his substantial experience as a venture capitalist investment professional and as a director of technology infrastructure and applications companies.

**David Weiden** has served on our board of directors since December 2006. Mr. Weiden has served as a General Partner at Khosla Ventures, a venture capital firm, since 2006. Prior to joining Khosla Ventures, Mr. Weiden worked as an entrepreneur at companies acquired by AT&T, Inc., Time Warner Inc. and Microsoft Corporation. Mr. Weiden holds an A.B. in Organizational Behavior from Harvard University.

Our board of directors believes that Mr. Weiden possesses specific attributes that qualify him to serve as a director, including his experience as venture capitalist focusing on the technology sector and his professional experience as an executive of other telecommunications and technology companies. Our board of directors also believes that Mr. Weiden brings historical knowledge and continuity to the board of directors.

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**Neil Williams** has served on our board of directors since March 2012. Mr. Williams has served as Senior Vice President and Chief Financial Officer at Intuit since January 2008. Prior to joining Intuit, from April 2001 to September 2007, Mr. Williams served as Executive Vice President of Visa U.S.A., Inc., a wholly owned subsidiary of Visa, Inc., a credit and debit card payment network. From November 2004 to September 2007, he served as Chief Financial Officer. During the same period, Mr. Williams held the dual role of Chief Financial Officer for Inovant LLC, Visa's global IT organization. Mr. Williams holds a B.A. in Business Administration from the University of Southern Mississippi and is a certified public accountant.

Our board of directors believes that Mr. Williams possesses specific attributes that qualify him to serve as a director, including his professional experience in the areas of finance, accounting and audit oversight.

**Bobby Yerramilli-Rao** has served on our board of directors since November 2012. Since April 2012, Dr. Yerramilli-Rao has served as a Director with Hermes Growth Partners, Ltd., a private equity firm focused on growth stage companies in the telecom, media and technology sectors. From August 2010 to April 2012, he was served as a founder of Hermes Growth Partners, Ltd. From January 2006 to July 2010, he served as Corporate Strategy Director and Internet Services Marketing Director of Vodafone Group PLC, a provider of mobile communications products and services. From 1994 to January 2006, Dr. Yerramilli-Rao served as a partner at McKinsey & Company, a management consulting company. He holds an M.A. in Electrical Engineering from the University of Cambridge and a D.Phil in Robotics from the University of Oxford.

Our board of directors believes that Dr. Yerramilli-Rao possesses specific attributes that qualify him to serve as a director, including his experience as a private equity investor focusing on growth stage companies in the telecommunications and technology sectors and his professional experience as an executive of a telecommunications services provider.

### **Board Composition**

Our business affairs are managed under the direction of our board of directors, which is currently composed of six members. Five of our directors are independent within the meaning of the independent director guidelines of the New York Stock Exchange, or the NYSE. All directors are elected to hold office until their successors have been elected and qualified. Officers are elected and serve at the discretion of the board of directors.

### **Staggered Board**

Pursuant to our amended and restated certificate of incorporation, our board of directors is divided into three classes. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, a director in that class will be eligible to be elected for a new three-year term at the annual meeting of stockholders in the year in which their term expires. Our board of directors is designated as follows:

Vladimir Shmunis and Neil Williams are Class I directors, and their terms will expire at the annual meeting of stockholders to be held in 2014;

Douglas Leone and David Weiden are Class II directors, and their terms will expire at the annual meeting of stockholders to be held in 2015; and

Robert Theis and Bobby Yerramilli-Rao are Class III directors, and their terms will expire at the annual meeting of stockholders to be held in 2016.

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Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control. See Description of Capital Stock Provisions of Our Certificate of Incorporation and Bylaws and Delaware Anti-Takeover Law for a discussion of other anti-takeover provisions found in our amended and restated certificate of incorporation.

### **Director Independence**

Under the rules of the NYSE, independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of its initial public offering. In addition, the rules of the NYSE require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Under the rules of the NYSE, a director is independent only if our board of directors makes an affirmative determination that the director has no material relationship with us.

Our board of directors undertook a review of its composition, the composition of its committees and the independence of each director. The determination of our board of directors was based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships. In making this determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. Our board of directors has determined that all of the members of our board of directors, except our chief executive officer, Vladimir Shmunis, are independent directors as defined in applicable rules of the Securities and Exchange Commission, or SEC, and the NYSE rules.

### **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our board of directors may establish other committees from time to time. The charters for each of our committees are available on our website at [www.ringcentral.com](http://www.ringcentral.com).

#### ***Audit Committee***

Our audit committee oversees our accounting and financial reporting process and the audit of our financial statements and assists our board of directors in monitoring our financial systems and our legal and regulatory compliance. Our audit committee is responsible for, among other things:

appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;

pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;

reviewing annually a report by the independent registered public accounting firm regarding the independent registered public accounting firm's internal quality control procedures and various issues relating thereto;

reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;

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coordinating the oversight and reviewing the adequacy of our internal control over financial reporting with both management and the independent registered public accounting firm;

establishing policies and procedures for the receipt and retention of accounting related complaints and concerns, including a confidential, anonymous mechanism for the submission of concerns by employees;

periodically reviewing legal compliance matters, including securities trading policies, periodically reviewing significant accounting and other financial risks or exposures to our company and reviewing and, if appropriate, approving all transactions between our company or its subsidiaries and any related party (as described in Item 404 of Regulation S-K);

periodically reviewing our code of business conduct and ethics;

establishing policies for the hiring of employees and former employees of the independent registered public accounting firm; and

reviewing the audit committee report required by Securities and Exchange Commission rules to be included in our annual proxy statement.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties and the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Our audit committee is comprised of Robert Theis, Bobby Yerramilli-Rao and Neil Williams, who is the chairperson of the committee. Our board of directors has designated Neil Williams as an audit committee financial expert, as defined under the rules of the SEC implementing Section 407 of the Sarbanes Oxley Act of 2002.

Our board of directors has considered the independence and other characteristics of each member of our audit committee and has concluded that the composition of our audit committee meets the requirements for independence under the current requirements of the NYSE and SEC rules and regulations. Audit committee members must satisfy additional independence criteria set forth under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. In order to be considered independent for purposes of the Rule 10A-3, an audit committee member may not, other than in his capacity as a member of the audit committee, accept consulting, advisory or other fees from us or be an affiliated person of us. Each of the members of our audit committee qualifies as an independent director pursuant to Rule 10A-3.

***Compensation Committee***

Our compensation committee oversees our compensation policies, plans and programs. The compensation committee is responsible for, among other things:

reviewing and recommending policies, plans and programs relating to compensation and benefits of our directors, officers and employees;

annually reviewing and approving corporate goals and objectives relevant to compensation of our chief executive officer;

annually evaluating the performance of our chief executive officer in light of such corporate goals and objectives and recommending the compensation of our chief executive officer to the board of directors for its approval;

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administering our equity compensations plans for our employees and directors; and

reviewing for inclusion in our proxy statement the report of the compensation committee required by the Securities and Exchange Commission.

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The compensation committee also has the power to investigate any matter brought to its attention within the scope of its duties and the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Our compensation committee is comprised of Douglas Leone and Robert Theis, who is the chairperson of the committee. Our board of directors has determined that each member of the compensation committee is an independent director for compensation committee purposes as that term is defined in the applicable rules of the NYSE, is a non-employee director within the meaning of Rule 16b-3(d)(3) promulgated under the Securities Exchange Act of 1934, as amended, and is an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code.

### ***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee, or nominating committee, oversees and assists our board of directors in reviewing and recommending corporate governance policies and nominees for election to our board of directors and its committees. The nominating committee is responsible for, among other things:

evaluating and making recommendations regarding the organization and governance of our board of directors and its committees and changes to our certificate of incorporation and bylaws and stockholder communications;

reviewing succession planning for our chief executive officer and other executive officers and evaluating potential successors;

assessing the performance of board members and making recommendations regarding committee and chair assignments and composition and size of our board of directors and its committees;

recommending desired qualifications for board and committee membership and conducting searches for potential members of our board of directors;

evaluating and making recommendations regarding the creation of additional committees or the change in mandate or dissolution of committees;

reviewing and making recommendations with regard to our corporate governance guidelines and compliance with laws and regulations; and

reviewing and approving conflicts of interest of our directors and corporate officers, other than related party transactions reviewed by the audit committee.

The nominating committee also has the power to investigate any matter brought to its attention within the scope of its duties. It also has the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Our nominating committee is comprised of David Weiden and Douglas Leone, who is the chairperson of the committee. Each of the nominating committee members is an independent director for nominating committee purposes as that term is defined in the applicable rules of the NYSE.

### **Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that is applicable to all of our employees, officers and directors, including our chief executive and senior financial officers. The code of business conduct and ethics is available on our website at [www.ringcentral.com](http://www.ringcentral.com). We expect that any amendment to the code, or any waivers of its requirements, will be disclosed on our website. The





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inclusion of our website in this prospectus does not include or incorporate by reference the information on our website into this prospectus.

### **Compensation Committee Interlocks and Insider Participation**

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

### **Non-Employee Director Compensation**

Prior to the effective date of our registration statement filed in connection with our initial public offering on September 26, 2013, we did not have a formal policy with respect to compensation payable to our non-employee directors for service as directors. From time to time, we paid cash compensation or granted stock options to certain non-employee directors for their service on our board of directors. We also have reimbursed our directors for expenses associated with attending meetings of our board of directors and committees of our board of directors.

In September 2013, our board of directors, after reviewing data provided by our independent compensation consulting firm, Compensia, regarding practices at comparable companies, adopted a compensation program for non-employee directors to attract, retain and reward its qualified directors and align the financial interests of the non-employee directors with those of our stockholders. Pursuant to this compensation program, each member of our board of directors who is not our employee will receive cash and equity compensation for board services as described below. We also will continue to reimburse our non-employee directors for expenses incurred in connection with attending board and committee meetings as well as continuing director education.

#### ***Cash Compensation***

Our non-employee directors are entitled to receive the following cash compensation for their services:

\$25,000 per year for service as a board member;

\$20,000 per year for service as chair of the audit committee;

\$10,000 per year for service as chair of the compensation committee;

\$5,000 per year for service as chair of the nominating and governance committee;

\$8,000 per year for service as member of the audit committee;

\$4,000 per year for service as member of the compensation committee;

\$2,000 per year for service as member of the nominating and governance committee.

All cash payments to non-employee directors are paid quarterly in arrears.

#### ***Equity Compensation***

On the date of each annual meeting of stockholders beginning with the first annual meeting following our initial public offering, each non-employee director will be granted an award of options or restricted stock units having an award value of \$175,000 (as determined based on

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the fair value of the award on the date of grant), which award will vest in twelve equal monthly installments beginning on the first monthly anniversary after the grant date, but will vest fully on the date of the next annual meeting held after the date of grant if not fully vested on such date, in each case, subject to the non-

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employee director continuing to be a service provider through each vesting date. In the event of a change in control, 100% of the non-employee director's outstanding and unvested equity awards will immediately vest and, if applicable, become exercisable. In no event will the award granted under the policy be greater than the non-employee director limits set forth in our 2013 Plan.

The following table shows, for the fiscal year ended December 31, 2013, certain information with respect to the compensation of all of our non-employee directors.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards \$( <sup>1</sup> / <sub>2</sub> )	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Doug Leone <sup>(3)</sup>	8,962		45,283			54,245
Rob Theis <sup>(4)</sup>	11,334		45,283			56,617
David Weiden <sup>(5)</sup>	7,117		45,283			52,400
Neil Williams <sup>(6)</sup>	11,861		45,283			57,144
Bobby Yerramilli-Rao <sup>(7)</sup>	8,698		45,283			53,981
Joseph Kennedy <sup>(8)</sup>						

- (1) Amounts listed in this column represent the fair value of the awards computed in accordance with FASB ASC Topic 718 as of the grant date multiplied by the number of shares. See note 7 to the notes to our consolidated financial statements for a discussion of assumptions made in determining the grant date fair value.
- (2) Our board of directors approved, effective on the effective date of the registration statement filed in connection with our initial public offering on September 26, 2013, a grant of stock options to purchase 6,730 shares of Class A common stock to each of our non-employee directors. Each grant vests in six equal monthly installments beginning on the first monthly anniversary after the grant date, but which will vest fully on the date of the first annual meeting following our initial public offering if not fully vested on such date, subject, in either case, to the non-employee director continuing to provide services to us through any vesting date. The options each have an exercise price of \$13.00 per share.
- (3) As of December 31, 2013, Mr. Leone held an option to purchase 6,730 shares of our Class A common stock at an exercise price of \$13.00 per share, which vests and becomes exercisable in six equal monthly installments beginning on the first monthly anniversary after the grant date.
- (4) As of December 31, 2013, Mr. Theis held an option to purchase 6,730 shares of our Class A common stock at an exercise price of \$13.00 per share, which vests and becomes exercisable in six equal monthly installments beginning on the first monthly anniversary after the grant date.
- (5) As of December 31, 2013, Mr. Weiden held an option to purchase 6,730 shares of our Class A common stock at an exercise price of \$13.00 per share, which vests and becomes exercisable in six equal monthly installments beginning on the first monthly anniversary after the grant date.
- (6) As of December 31, 2013, Mr. Williams held (i) an option to purchase 6,730 shares of our Class A common stock at an exercise price of \$13.00 per share, which vests and becomes exercisable in six equal monthly installments beginning on the first monthly anniversary after the grant date and (ii) an early exercise option to purchase 30,000 shares of our Class B common stock at an exercise price of \$2.73 per share, with one-fourth (1/4) of the shares subject to the option vesting on the first anniversary of the date of grant, which was March 7, 2012, and one forty-eighth (1/48) of the shares subject to the option vesting each month thereafter, such that all of the shares subject to the option will have vested on the fourth anniversary of the date of grant.
- (7) As of December 31, 2013, Mr. Yerramilli-Rao held an option to purchase 6,730 shares of our Class A common stock at an exercise price of \$13.00 per share, which vests and becomes exercisable in six equal monthly installments beginning on the first monthly anniversary after the grant date.
- (8) Mr. Kennedy resigned as a member of our board of directors in August 2013.

**Table of Contents****EXECUTIVE COMPENSATION**

*This section describes the material elements of compensation awarded to, earned by or paid to our Chief Executive Officer and the two other most highly compensated individuals who served as our executive officers during the year ending December 31, 2013, or fiscal 2013. These individuals are listed in the 2013 Summary Compensation Table below and are referred to as the named executive officers in this prospectus.*

Our named executive officers for fiscal 2013 were:

Vladimir Shmunis, Chief Executive Officer;

David Berman, President; and

Clyde Hosein, Executive Vice President and Chief Financial Officer.

**2013 Summary Compensation Table**

The following table provides information regarding the compensation of our named executive officers during fiscal 2013.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Option Awards (\$)<sup>(1)</sup></b>	<b>Non-Equity Incentive Plan Compensation (\$)<sup>(2)</sup></b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Vladimir Shmunis Chief Executive Officer	2013	426,000			317,622		743,622
	2012	325,000	20,313 <sup>(8)</sup>	3,166,531 <sup>(3)</sup>	126,140		3,637,984
David Berman <sup>(6)</sup> President	2013	179,487		4,387,584 <sup>(4)</sup>	136,122		4,703,193
Clyde Hosein <sup>(7)</sup> Executive Vice President and Chief Financial Officer	2013	121,231		5,346,961 <sup>(5)</sup>	90,652		5,558,844

- (1) The dollar amounts in this column represent the compensation cost for fiscal 2013 of stock option awards granted in fiscal 2013. These amounts have been calculated in accordance with FASB Statement No. 123 (revised) ASC Topic 718, Share-Based Payment, or SFAS 123R, using the Black-Scholes-Merton option-pricing model. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see the notes to our financial statements included elsewhere in this prospectus.
- (2) Amounts in this column represent amounts earned pursuant to our Bonus Plan and bonuses approved by our board of directors for fiscal 2013. Amounts earned were paid quarterly, with such payments being made for the fiscal year 2013 in the quarter following the quarter in which the amount was earned. For each of Mr. Berman and Mr. Hosein amounts were prorated based on the number of days that each individual was employed with us, during the last three quarters of fiscal 2013 and the last two quarters of fiscal 2013 respectively.
- (3) The shares underlying this option vest over three years as follows: 2.78% of the shares vest on the last day of each month commencing on January 31, 2013.
- (4) The shares underlying this option vest over four years as follows: 1/4th of the total shares shall vest on the one-year anniversary of June 12, 2013, with 1/48th of the total shares vesting monthly thereafter.
- (5) The shares underlying these options vest over four years as follows: 25,000 of the shares are fully vested as of August 22, 2013, and of the 768,000 remaining shares, 1/4th of such shares shall vest on the one-year anniversary of August 22, 2013, with 1/48th of such shares vesting monthly thereafter.
- (6) Mr. Berman joined us in June 2013.
- (7) Mr. Hosein joined us in August 2013.
- (8) Based on our performance in the second quarter of 2012, the board approved a discretionary bonus for Vladimir Shmunis of \$20,313.

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**Compensation of Directors and Executive Officers**

We are committed to providing appropriate cash and equity incentives to our management, our other key employees and our directors and intend to compensate our executive officers and directors in a manner consistent with a group of public companies that our compensation committee determines is appropriate for compensation-setting purposes. Our compensation committee, in consultation with Compensia, the compensation committee's independent compensation advisor, has reviewed the compensation arrangements, including salary, bonus and equity compensation, of our executive officers and directors from time to time, and makes adjustments, as it believes appropriate.

**Non-Equity Incentive Plan Compensation**

In February 2013, our board of directors, in consultation with our CEO and management team, approved a Bonus Plan for making cash performance incentive awards to our executive officers, including our named executive officers. The material terms of the Bonus Plan are described in the Employee Benefit and Equity Incentive Plans section below.

For each quarter of fiscal 2013, the bonus pool under the Bonus Plan would fund based on our achievement against quarterly target levels of the following performance objectives (weighted 50% each): (i) revenues, and (ii) operating income (operating loss). In June 2013, our board of directors amended the Bonus Plan with respect to the last two quarters of fiscal 2013, such that target levels for revenues and operating income (operating loss) for the last two quarters of fiscal 2013 were to be based on the amended operating plan for fiscal 2013 that our board of directors approved in June 2013. The bonus pool under the Bonus Plan funds for each of these quarters based on our achievement against quarterly target levels of the following performance objectives (weighted 50% each): (i) revenues, and (ii) operating income (loss).

For the bonus pool under the Bonus Plan to fund for a given quarter, we had to achieve at least 90% of the quarterly revenue target and no more than 125% of the negative operating income (operating loss) target. The bonus pool would fund at up to 120% of target levels for achievement of 120% of target revenues and 83.3% of target operating loss. If the achievement percentage of any of the performance objectives exceeded these levels, our board of directors reserved the discretion to adjust the bonus pool upwards.

Following the end of the first two quarters, our board of directors reviewed, and following the end of the last two quarters, the compensation committee of our board of directors reviewed, our financial performance against the approved performance objectives under the Bonus Plan and approved cash payments for each of our named executive officers that were equal to the following percentages of his quarterly target incentive compensation amounts: 93.4% (first quarter), 100.3% (second quarter), 102.55% (third quarter) and 101.44% (fourth quarter).

The total cash incentive payments paid to our named executive officers for fiscal 2013 are described in the Non-Equity Incentive Compensation column of the 2013 Summary Compensation Table.

**Perquisites**

Our named executive officers are eligible to participate in the same group insurance and employee benefit plans generally available to our other salaried employees in the U.S. These benefits include medical, dental, vision, and disability benefits and other plans and programs made available to other eligible employees. At this time, we do not provide special plans or programs for our named executive officers.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table presents information concerning equity awards held by our named executive officers at the end of fiscal 2013.

Name	Grant Date	Option Awards Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date
		Exercisable	Unexercisable		
Vladimir Shmunis	1/19/2010	1,000,000 <sup>(1)</sup>		1.10	1/19/2020
	9/26/2012	890,000 <sup>(2)</sup>		6.78	9/26/2022
David Berman	6/12/2013	768,000 <sup>(3)</sup>		10.42	6/12/2023
Clyde Hosein	8/22/2013	768,000 <sup>(4)</sup>		12.86	8/22/2023
	8/22/2013	25,000 <sup>(5)</sup>		12.86	8/22/2023

- (1) The shares underlying this option vest, subject to Mr. Shmunis' continued role as a service provider to us, as to 1/4<sup>th</sup> of the total shares each year, beginning on the one-year anniversary of January 1, 2010.
- (2) The shares underlying this option vest, subject to Mr. Shmunis' continued role as a service provider to us, as to 1/36<sup>th</sup> of the total shares on January 31, 2013 and an additional 1/36<sup>th</sup> of the total shares on the last day of each month thereafter. All of the shares underlying this option were unvested as of December 31, 2012.
- (3) The shares underlying this option vest, subject to Mr. Berman's continued role as a service provider to us, as to 1/4<sup>th</sup> of the total shares on the one-year anniversary of June 12, 2013, with 1/48<sup>th</sup> of the total shares vesting monthly thereafter. All of the shares underlying this option were unvested as of December 31, 2013.
- (4) The shares underlying this option vest, subject to Mr. Hosein's continued role as a service provider to us, as to 1/4<sup>th</sup> of the total shares on the one-year anniversary of August 22, 2013, with 1/48<sup>th</sup> of the total shares vesting monthly thereafter. All of the shares underlying this option were unvested as of December 31, 2013.
- (5) The shares underlying this option are immediately vested as of the grant date.

**Executive Employment Arrangements****Vladimir Shmunis**

We entered into an employment letter with Vladimir G. Shmunis, our Chief Executive Officer, dated September 13, 2013. Mr. Shmunis' current base salary is \$475,000, and he is eligible to earn an annual incentive bonus of up to 75% of his base salary for the current fiscal year. The employment letter with Mr. Shmunis provides for a three-year employment term, and may be extended by mutual agreement at the end of the term, but either we or Mr. Shmunis may terminate the employment relationship with us at any time.

In addition, Mr. Shmunis is entitled under his employment letter to the following severance and change of control benefits upon certain qualifying terminations.

If prior to the period beginning three months prior to and ending 12 months after a change of control (such period, the "Change of Control Period"), Mr. Shmunis' employment is terminated without cause (excluding by reason of death or disability) or he resigns for good reason (as such terms are defined in his change of control and severance agreement), he will be eligible to receive the following benefits if he timely signs and does not revoke a release of claims:

continued payment of base salary for a period of 12 months; and

payment by us for up to 12 months of COBRA premiums to continue health insurance coverage for him and his eligible dependents, or taxable monthly payments for the equivalent period in the event payment for COBRA premiums would violate applicable law.





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If, within the Change of Control Period, his employment is terminated without cause (excluding by reason of death or disability) or he resigns for good reason, he will be entitled to the following benefits if he timely signs a release of claims:

a lump sum payment equal to (x) 18 months of his annual base salary, plus (y) 1.5x the greater of his target annual bonus for the year of the change of control or the year of his termination;

payment by us for up to 18 months of COBRA premiums to continue health insurance coverage for him and his eligible dependents, or taxable monthly payments for the equivalent period in the event payment for COBRA premiums would violate applicable law; and

100% accelerated vesting of all outstanding equity awards.

In the event any of the amounts provided for under this letter or otherwise payable to Mr. Shmunis would constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code and could be subject to the related excise tax, Mr. Shmunis would be entitled to receive either full payment of benefits under this letter or such lesser amount which would result in no portion of the benefits being subject to the excise tax, whichever results in the greater amount of after-tax benefits to Mr. Shmunis. The letter does not require us to provide any tax gross-up payments.

***David Berman***

We entered into an executive employment offer letter with David Berman, our President, dated June 10, 2013. The executive employment offer letter has no specific term and provides for at-will employment. Mr. Berman's current base salary is \$320,000, and he is eligible to earn an annual incentive bonus of up to 75% of his base salary for the current fiscal year.

On June 12, 2013, Mr. Berman was granted an option to purchase 768,000 shares of our Class B common stock at an exercise price of \$10.42 per share, which vests over four years, with 25% vesting on the one-year anniversary of the vesting commencement date, and the remaining shares subject to the option vesting in equal monthly installments thereafter, subject to his continuous service with us through each vesting date.

In addition, under the terms of his offer letter and option agreement, in the event that we terminate Mr. Berman within 60 days prior to a change in control (as such term is defined in his offer letter or option agreement) or he is not hired by the surviving or successor entity or within 12 months after the change in control, Mr. Berman is terminated by the successor or surviving entity without cause, death or disability, or he resigns for good reason (as such terms are defined in his offer letter and option agreement), and subject to his signing and not revoking a release of claims against us, then 50% of the then unvested shares subject to his options and other equity awards will immediately vest in full on the termination date and be exercisable for 90 days after his termination date.

In the event we terminate Mr. Berman's employment without cause or he voluntarily terminates for good reason (as such terms are defined in his offer letter), he is eligible to receive (i) severance equal to his base salary multiplied by the number of full months of his employment from his start date to his termination date up to a maximum of six months, payable in equal semi-monthly installments and (ii) payment by us of COBRA premiums for a number of months equal to the number of full months of his employment from his start date to his termination date up to a maximum of six months, to continue health insurance coverage for him and his eligible dependents, subject to his signing our standard separation and release agreement.

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***Clyde Hosein***

We entered into an executive employment offer letter with Clyde Hosein, our Executive Vice President and Chief Financial Officer, dated August 7, 2013. The executive employment offer letter has no specific term and provides for at-will employment. Mr. Hosein's current base salary is \$320,000, and he is eligible to earn an annual incentive bonus of up to 75% of his base salary.

On August 22, 2013, Mr. Hosein was granted an option to purchase 25,000 shares of our Class B common stock, all of which shares were vested as of the date of the grant. Mr. Hosein was also granted an option to purchase 768,000 shares of our Class B common stock, which vests over four years, with 25% vesting on the one-year anniversary of the vesting commencement date, and the remaining shares subject to the option vesting in equal monthly installments thereafter, subject to his continuous service with us through each vesting date. Both options were granted to Mr. Hosein with an exercise price equal to \$12.86 per share.

In addition, under the terms of his offer letter and option agreement, in the event that we terminate Mr. Hosein within 60 days prior to a change in control (as such term is defined in his offer letter or option agreement) or he is not hired by the surviving or successor entity or within 12 months after the change in control, Mr. Hosein is terminated by the successor or surviving entity without cause, death or disability, or he resigns for good reason (as such terms are defined in his offer letter and option agreement), and subject to his signing and not revoking a release of claims against us, then 50% of the then unvested shares subject to his options and other equity awards will immediately vest in full on the termination date and be exercisable for 90 days after his termination date.

In the event we terminate Mr. Hosein's employment without cause or he voluntarily terminates for good reason (as such terms are defined in his offer letter), he is eligible to receive (i) severance equal to 12 months of his base salary, payable in equal semi-monthly installments and (ii) payment by us for up to nine months of COBRA premiums to continue health insurance coverage for him and his eligible dependents, subject to his signing our standard separation and release agreement.

**Employee Benefit and Equity Incentive Plans**

***2013 Equity Incentive Plan***

Our board of directors adopted the 2013 Equity Incentive Plan, or the 2013 Plan, which was approved by our stockholders in September 2013. The 2013 Plan became effective on September 25, 2013. Our 2013 Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

**Authorized Shares.** A total of 6,200,000 shares of our Class A common stock was initially reserved for issuance pursuant to the 2013 Plan. In addition, the shares to be reserved for issuance under our 2013 Plan will also include those shares returned to our 2010 Plan, as the result of expiration or termination of awards (provided that the maximum number of shares that may be added to the 2013 Plan is 7,800,000 shares). Any such shares returned to our 2010 Plan that had originally covered awards under our 2010 Plan as shares of Class B common stock will, under our 2013 Plan, become issuable instead as Class A common stock on a one-for-one basis. The number of shares available for issuance under the 2013 Plan also includes an annual increase on the first day of each fiscal year beginning in 2014, equal to the least of:

6,200,000 shares of Class A common stock;

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5.0% of the outstanding shares of all classes of common stock as of the last day of our immediately preceding fiscal year; or

such other amount as our board of directors may determine. As a result of this provision, on January 1, 2014, 3,112,203 shares were added to the number of shares available for issuance under the 2013 Plan.

If an award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program, or, with respect to restricted stock, restricted stock units, performance units or performance shares, is forfeited to or repurchased due to failure to vest, the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or repurchased shares) will become available for future grant or sale under the 2013 Plan. With respect to stock appreciation rights, the net shares issued will cease to be available under the 2013 Plan and all remaining shares will remain available for future grant or sale under the 2013 Plan. Shares used to pay the exercise price of an award or satisfy the tax withholding obligations related to an award will become available for future grant or sale under the 2013 Plan. To the extent an award is paid out in cash rather than shares, such cash payment will not result in a reduction in the number of shares available for issuance under the 2013 Plan.

**Plan Administration.** Our board of directors or one or more committees appointed by our board of directors will administer the 2013 Plan. The compensation committee of our board of directors currently administers our 2013 Plan. In the case of awards intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, the committee will consist of two or more outside directors within the meaning of Section 162(m). In addition, if we determine it is desirable to qualify transactions under the 2013 Plan as exempt under Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or Rule 16b-3, such transactions will be structured to satisfy the requirements for exemption under Rule 16b-3. Subject to the provisions of our 2013 Plan, the administrator will have the power to administer the 2013 Plan, including but not limited to, the power to interpret the terms of the 2013 Plan and awards granted under it, to create, amend and revoke rules relating to the 2013 Plan, including creating sub-plans, and to determine the terms of the awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards, and the form of consideration, if any, payable upon exercise. The administrator will also have the authority to amend existing awards to reduce or increase their exercise price, to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator, and to institute an exchange program by which outstanding awards may be surrendered in exchange for awards of the same type which may have a higher or lower exercise price or different terms, awards of a different type or cash.

**Stock Options.** Stock options may be granted under the 2013 Plan. The exercise price of options granted under our 2013 Plan must at least be equal to the fair market value of our Class A common stock on the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term must not exceed 5 years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. After the termination of service of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term. Subject to the provisions of our 2013 Plan, the administrator will determine the other terms of options.

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Stock Appreciation Rights. Stock appreciation rights may be granted under our 2013 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our Class A common stock between the exercise date and the date of grant. Stock appreciation rights may not have a term exceeding 10 years. After the termination of service of an employee, director or consultant, he or she may exercise his or her stock appreciation right for the period of time stated in his or her option agreement. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of our 2013 Plan, the administrator will determine the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of our Class A common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

Restricted Stock. Restricted stock may be granted under our 2013 Plan. Restricted stock awards are grants of shares of our Class A common stock that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any employee, director or consultant and, subject to the provisions of our 2013 Plan, will determine the terms and conditions of such awards. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units. Restricted stock units may be granted under our 2013 Plan. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one share of our Class A common stock. Subject to the provisions of our 2013 Plan, the administrator determines the terms and conditions of restricted stock units, including the vesting criteria (which may include accomplishing specified performance criteria or continued service to us) and the form and timing of payment. Notwithstanding the foregoing, the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed.

Performance Units and Performance Shares. Performance units and performance shares may be granted under our 2013 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals or other vesting criteria in its discretion, which, depending on the extent to which they are met, will determine the number or the value of performance units and performance shares to be paid out to participants. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance criteria or other vesting provisions for such performance units or performance shares. Performance units shall have an initial dollar value established by the administrator prior to the grant date. Performance shares shall have an initial value equal to the fair market value of our Class A common stock on the grant date. The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares or in some combination thereof.

Non-Employee Directors. Our 2013 Plan provides that all non-employee directors are eligible to receive all types of awards (except for incentive stock options) under the 2013 Plan. Our 2013 Plan provides that in any given year, a non-employee director will not receive (i) cash-settled awards having a grant date fair value greater than \$500,000, increased to \$1,000,000 in connection with her or her

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initial service; and (ii) stock-settled awards having a grant date fair value greater than \$500,000, increased to \$1,000,000 in connection with her or her initial service, in each case, as determined under generally accepted accounting procedures.

**Non-Transferability of Awards.** Unless the administrator provides otherwise, our 2013 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

**Certain Adjustments.** In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2013 Plan, the administrator will adjust the number and class of shares that may be delivered under the Plan or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in the 2013 Plan. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

**Merger or Change in Control.** Our 2013 Plan provides that in the event of a merger or change in control, as defined under the 2013 Plan, each outstanding award will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding award, then such award will fully vest, all restrictions on such award will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels and such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time. If the service of an outside director is terminated on or following a change of control, other than pursuant to a voluntary resignation, his or her options, restricted stock units and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock will lapse, and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels, and all other terms and conditions met.

**Amendment, Termination.** The administrator will have the authority to amend, suspend or terminate the 2013 Plan provided such action does not impair the existing rights of any participant. Our 2013 Plan will automatically terminate in 2023, unless we terminate it sooner.

### ***2010 Equity Incentive Plan***

Our 2010 Plan was adopted by our board of directors and approved by our stockholders in September 2010. Following the completion of this offering, no additional awards will be granted under the 2010 Plan. However, the 2010 Plan will continue to govern the terms and conditions of the outstanding stock options previously granted under the 2010 Plan.

As of December 31, 2013, under the 2010 Plan, options to purchase 557,582 shares of our Class B common stock had been exercised and options to purchase 7,533,375 shares of our Class B common stock remained outstanding. The options outstanding as of December 31, 2013 had a weighted-average exercise price of \$7.84 per share.

Our compensation committee currently administers the 2010 Plan. The administrator is authorized to interpret the provisions of the 2010 Plan and individual award agreements, and generally take any other actions that are contemplated by the 2010 Plan or necessary or appropriate in the administration of the 2010 Plan and individual award agreements. All decisions of the administrator are final and binding on all persons. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, check, promissory note, shares or other property

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acceptable to the administrator. Subject to the provisions of the 2010 Plan, the administrator determines the remaining terms of the options.

The maximum permitted term of options granted under the 2010 Plan is 10 years. However, the maximum permitted term of options granted to 10% stockholders under of 2010 Plan is five years. After the termination of service of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her award agreement. Generally, if termination is due to death or disability, the option will remain exercisable for six months. In all other cases, the option will generally remain exercisable for 30 days following the termination of service. However, in no event may an option be exercised later than the expiration of its term.

Unless the administrator provides otherwise, our 2010 Plan generally does not allow for the transfer of options and only the recipient of an option may exercise an option during his or her lifetime.

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2010 Plan, the administrator will make proportionate adjustments to the exercise price or the number or type of shares covered by each option. The administrator may also provide for cash payments, or for the exchange of outstanding options granted under the 2010 Plan for other awards in such circumstances, such as by conversion, assumption, or substitution of an option for another company's options on a ratio corresponding to the terms of a merger or other reorganization.

Our 2010 Plan provides that in the event of a merger or change in control, as defined under the 2010 Plan, each outstanding option will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding option, then such option will fully vest, all restrictions on such option will lapse, all performance goals or other vesting criteria applicable to such option will be deemed achieved at 100% of target levels and such option will become fully exercisable, if applicable, for a specified period prior to the transaction. The option will then terminate upon the expiration of the specified period of time.

Our board of directors has the authority to amend the 2010 Plan, provided such action does not impair the existing rights of any participant.

### ***2003 Equity Incentive Plan***

Our board of directors adopted and our stockholders approved our 2003 Plan in January 2003. In connection with the adoption of our 2010 Plan, our 2003 Plan was terminated in September 2010. Following the termination of our 2003 Plan, we did not grant any additional awards under the 2003 Plan, but the 2003 Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder.

Our compensation committee administers the 2003 Plan. Currently, our board of directors administers the 2003 Plan and has all power of the plan administrator in accordance with the 2003 Plan. Subject to the provisions of our 2003 Plan, the administrator has the power to construe and interpret the 2003 Plan, any award agreement, and any other document executed pursuant to the 2003 Plan. The administrator may make all other determinations necessary or advisable for the administration of the 2003 Plan.

As of December 31, 2013, under the 2003 Plan, options to purchase 3,620,003 shares of our Class B common stock had been exercised, and options to purchase 3,434,618 shares of our Class B common stock remained outstanding. The options outstanding as of December 31, 2013 had a weighted-average exercise price of \$0.96 per share.

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The maximum permitted term of options granted under the 2003 Plan is 10 years. However, the maximum permitted term of options granted to 10% stockholders under of 2003 Plan is five years. The administrator determines the methods of payment of the exercise price of an option, which could include cash, check, cancellation of indebtedness, surrender of other shares, waiver of compensation due or accrued for services rendered, tender of property, same day sale commitment, margin commitment, or any combination of the foregoing. After the termination of service of an employee, director, consultant, or advisor, he or she may exercise his or her option for the period of time stated in his or her award agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term.

Our 2003 Plan generally does not allow for the transfer or assignment of options, and only the recipient of an option may exercise such option during his or her lifetime.

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2003 Plan, the administrator will adjust the number and class of shares that may be delivered under the 2003 Plan and/or the number, class and price of shares covered by each outstanding option.

Our 2003 Plan provides that in the event of a merger or certain other corporate transactions described in the 2003 Plan, each outstanding option will be assumed or substituted for an equivalent option. In the event that options are not assumed or substituted for, then the options will expire on such transaction at such time and on such conditions as our board of directors will determine.

### ***Employee Stock Purchase Plan***

Our board of directors adopted the 2013 Employee Stock Purchase Plan, or the ESPP, which was approved by our stockholders in September 2013. The ESPP became effective in September 2013 immediately prior to the effectiveness of our registration statement filed in connection with our initial public offering.

Authorized Shares. A total of 1,250,000 shares of our Class A Common Stock initially were available for sale under the ESPP. In addition, our 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 lesser of:

1,250,000 shares of Class A common stock;

1% of the outstanding shares of all classes of our common stock as of the last day of our immediately preceding fiscal year; or

such other amount as our board of directors may determine. As a result of this provision, on January 1, 2014, 622,440 shares were added to the number of shares available for issuance under the 2013 Plan.

Plan Administration. Our compensation committee currently administers the ESPP. The administrator has authority to administer the plan, including but not limited to, full and exclusive authority to interpret the terms of the ESPP, determining eligibility to participate subject to the conditions of our ESPP as described below, and to establish procedures for plan administration necessary for the administration of the Plan, including creating sub-plans.

Eligibility. Generally, all of our employees are eligible to participate if they are employed by us, or any participating subsidiary, for at least 20 hours per week and more than five months in any calendar year. However, initially only employees employed with us or any participating subsidiary in the

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U.S. and United Kingdom are eligible to participate in the ESPP. Notwithstanding the foregoing, an employee may not be granted an option to purchase stock under the ESPP if such employee:

immediately after the grant would own stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock; or

hold rights to purchase stock under all of our employee stock purchase plans that accrue at a rate that exceeds \$25,000 worth of stock for each calendar year in which the option is outstanding.

**Offering Periods.** Our ESPP is intended to qualify under Section 423 of the Code, and provides for six-month offering periods. The offering periods will generally start on the first trading day on or after May 11 and November 11 of each year and end on the first trading day on or after November 10 and May 10, respectively, except that the first offering period commenced on September 26, 2013, the first trading day following the effective date of the registration statement filed in connection with our initial public offering, and will end on May 10, 2014. The administrator may, in its discretion, modify the terms of future offering periods.

**Payroll Deductions.** Our ESPP permits participants to purchase Class A Common Stock through payroll deductions of up to 15% of their eligible compensation, which includes a participant's base straight time gross earnings, commissions, overtime and shift premium, but exclusive of payments for incentive compensation, bonuses and other compensation. A participant may purchase a maximum of 3,000 shares during an offering period.

**Exercise of Option.** Amounts deducted and accumulated by the participant will be used to purchase shares of our Class A Common Stock at the end of each six-month offering period. The purchase price of the shares will be 90% of the lower of the fair market value of our Class A Common Stock on the first trading day of each offering period or on the exercise date. Participants may end their participation at any time during an offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of Class A Common Stock. Participation will end automatically upon termination of employment with us.

**Non-Transferability.** A participant may not transfer rights granted under the ESPP other than by will, the laws of descent and distribution, or as otherwise provided under the ESPP.

**Merger or Change in Control.** In the event of our merger or change in control, as defined under the ESPP, a successor corporation may assume or substitute for each outstanding option. If the successor corporation refuses to assume or substitute for the option, the offering period then in progress will be shortened, and a new exercise date will be set. The administrator will notify each participant that the exercise date has been changed and that the participant's option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

**Amendment, Termination.** Our ESPP will automatically terminate in 2033, unless we terminate it sooner. The administrator has the authority to amend, suspend or terminate our ESPP, except that, subject to certain exceptions described in the ESPP, no such action may adversely affect any outstanding rights to purchase shares of our Class A common stock under our ESPP.

***Bonus Plan***

Our Bonus Plan was adopted by our board of directors in May 2012. The Bonus Plan allows our board of directors or its committee to provide cash incentive awards to selected employees, including our named executive officers, based upon performance goals established by our board of directors or its compensation committee.



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Under the Bonus Plan, our board of directors, or its committee, determines the performance goals applicable to any award, which goals may include, without limitation, the attainment of research and development milestones, sales bookings, business divestitures and acquisitions, cash flow, cash position, earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings), earnings per share, net income, net profit, net sales, operating cash flow, operating expenses, operating income, operating margin, overhead and other expense reduction, product defect measures, product release timelines, productivity, profit, return on assets, return on capital, return on equity, return on investment, return on sales, revenues, revenue growth, sales results, sales growth, stock price, time to market, total stockholder return, working capital, and individual objectives such as peer reviews or other subjective or objective criteria. Performance goals that include our financial results may be determined in accordance with U.S. generally accepted accounting principles, or GAAP, or such financial results may consist of non-GAAP financial measures. The performance goals may be on an individual, divisional, business unit or company-wide basis. The performance goals may differ from participant to participant and from award to award.

Our board of directors, or its committee, may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, in the discretion of our board of directors or its committee. Our board of directors, or its committee, may determine the amount of any reduction on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

Actual awards are paid in cash only after they are earned, which usually requires continued employment through the last day of the performance period. Payment of bonuses occurs as soon as administratively practicable after they are earned, but no later than the dates set forth in the Bonus Plan.

Our board of directors has the authority to amend, alter, suspend or terminate the Bonus Plan, provided such action does not impair the existing rights of any participant with respect to any earned bonus.

### ***401(k) Plan***

We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. Eligible employees are able to participate in the 401(k) plan following the date they meet the plan's eligibility requirements, and participants are able to defer a percentage of their eligible compensation subject to applicable annual Code and plan limits. All participants' interests in their deferrals are 100% vested when contributed. The 401(k) plan permits us to make matching contributions and profit sharing contributions to eligible participants, although we have not made any such contributions to date. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan and all contributions are deductible by us when made.

### **Limitation of Officer and Director Liability and Indemnification Arrangements**

Our certificate of incorporation and bylaws each provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the

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Delaware General Corporation Law, which prohibits our certificate of incorporation from limiting the liability of our directors for the following:

any breach of the director's duty of loyalty to us or to our stockholders;

acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

unlawful payment of dividends or unlawful stock repurchases or redemptions; or

any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our certificate of incorporation will not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our certificate of incorporation and bylaws, we plan to enter into indemnification agreements with each of our current directors, officers and some employees before the completion of this offering. These agreements will provide for the indemnification of our directors, officers and some employees for certain expenses and liabilities incurred in connection with any action, suit, proceeding or alternative dispute resolution mechanism, or hearing, inquiry or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that they are or were a director, officer, employee, agent or fiduciary of our company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, agent or fiduciary, or by reason of the fact that they were serving at our request as a director, officer, employee, agent or fiduciary of another entity. Under the indemnification agreements, indemnification will only be provided in situations where the indemnified parties acted in good faith and in a manner they reasonably believed to be in or not opposed to our best interest, and, with respect to any criminal action or proceeding, to situations where they had no reasonable cause to believe the conduct was unlawful. In the case of an action or proceeding by or in the right of our company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

**Table of Contents****CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Other than compensation arrangements, we describe below transactions and series of similar transactions, during our last three fiscal years, to which we were a party or will be a party, in which:

the amounts involved exceeded or will exceed \$120,000 in any one fiscal year; and

any of our directors, executive officers or holders of more than 5% of our common stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Compensation arrangements for our directors and named executive officers are described elsewhere in this prospectus.

**Series D Preferred Stock Financing**

In August and September 2011, we sold an aggregate of 1,736,598 shares of our Series D preferred stock at a purchase price per share of \$6.02551, for an aggregate purchase price of \$10,463,888.61. The following table summarizes purchases of shares of our Series D preferred stock by members of our board of directors and persons who hold more than 5% of our outstanding capital stock:

<b>Name of Stockholder</b>	<b>Shares of Series D Preferred Stock (#)</b>	<b>Total Purchase Price (\$)</b>
Scale Venture Partners III, L.P. <sup>(1)</sup>	1,659,610	9,999,996.65

- (1) Mr. Theis, a member of our board of directors, is a Managing Director of Scale Venture Partners, an affiliate of Scale Venture Partners III, L.P.

**Series E Preferred Stock Financing**

In November 2012, we sold an aggregate of 3,096,837 shares of our Series E preferred stock at a purchase price per share of \$9.687299, for an aggregate purchase price of \$29,999,985.98. The following table summarizes purchases of shares of our Series E preferred stock by members of our board of directors and persons who hold more than 5% of our outstanding capital stock:

<b>Name of Stockholder</b>	<b>Shares of Series E Preferred Stock (#)</b>	<b>Total Purchase Price (\$)</b>
Turl Investments, Ltd. <sup>(1)</sup>	1,548,419	14,999,997.83

- (1) Dr. Yerramilli-Rao, a member of our board of directors, is affiliated with Turl Investments, Ltd.

**Investor Rights Agreement**

We are party to an investor rights agreement which provides, among other things, that holders of our preferred stock, including stockholders affiliated with some of our directors, have the right to request that we file a registration statement or request that their shares be covered by a registration statement that we are otherwise filing. For a more detailed description of these registration rights, see Description of Capital Stock Registration Rights.



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**Business Arrangement with the Law Offices of Daniel Leer**

In April 2010, we entered into a business arrangement with the Law Offices of Daniel Leer for the provision of various legal services by Anna Kogan, Mr. Shmunis' sister. Ms. Kogan served as of counsel to the Law Offices of Daniel Leer. Pursuant to our prior arrangement, we paid the Law Offices of Daniel Leer a consulting fee in the amount of \$12,000 per month, which Ms. Kogan received. This arrangement was terminated effective as of December 31, 2011.

**Policies and Procedures for Related Party Transactions**

We have adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related person transaction with us without the prior consent of our audit committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds \$120,000 and such person would have a direct or indirect interest must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee considers the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction.

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**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth information regarding beneficial ownership of our common stock as of December 31, 2013 and as adjusted to reflect the shares of Class A common stock to be issued and sold in the offering assuming no exercise of the underwriters' option to purchase additional shares from us and the sale of 4,000,000 shares of our Class A common stock by the selling stockholders, by:

each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our Class A common stock or Class B common stock;

each of our named executive officers;

each of our directors;

all executive officers and directors as a group; and

all selling stockholders, which consist of the entities and individuals shown as having shares listed in the column "Number of Shares Being Offered."

We have determined beneficial ownership in accordance with SEC rules. The information does not necessarily indicate beneficial ownership for any other purpose. Under these rules, a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options and warrants held by the respective person or group which may be exercised or converted within 60 days after December 31, 2013. For purposes of calculating each person's or group's percentage ownership, stock options and warrants exercisable within 60 days after December 31, 2013 are included for that person or group but not the stock options or warrants of any other person or group. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all securities that they beneficially own, subject to community property laws where applicable. Unless otherwise indicated, based on the information supplied to us by or on behalf of the selling stockholders, no selling stockholder is a broker-dealer or an affiliate of a broker-dealer.

Our calculation of the percentage of beneficial ownership prior to this offering is based on 9,200,774 shares of our Class A common stock and 53,043,297 shares of Class B common stock outstanding at December 31, 2013. For purposes of the table below, we have assumed that 15,200,774 shares of Class A common stock and 49,700,132 shares of Class B common stock will be outstanding upon completion of this offering.

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Unless otherwise noted below, the address of each person listed on the table is c/o RingCentral, Inc., 1400 Fashion Island Blvd., 7<sup>th</sup> Floor, San Mateo, California 94404.

	Shares Beneficially Owned Prior to the Offering +					Number of Shares Being Offered	Shares Beneficially Owned After the Offering +				
	Class A		Class B		% of Total Voting Power		Class A		Class B		% of Total Voting Power
	Shares	%	Shares	%		Shares	%	Shares	%		
<b>5% Stockholders:</b>											
Entities affiliated with Vladimir Shmunis <sup>(1)</sup>	*		11,056,342	20.1	19.8	620,000	*	10,436,342	20.3	19.7	
Entities affiliated with Sequoia Capital <sup>(2)</sup>	*		9,191,963	17.3	17.0		*	9,191,963	18.5	17.9	
Entities affiliated with Khosla Ventures <sup>(3)</sup>	*		8,961,322	16.9	16.6	275,000	*	8,686,322	17.5	17.0	
Vlad Vendrow <sup>(4)</sup>	*		4,919,673	9.2	9.0	300,000	*	4,619,673	9.2	9.0	
Entities affiliated with DAG Ventures <sup>(5)</sup>	*		4,116,401	7.8	7.6	1,510,312	*	2,606,089	5.2	5.1	
<b>Named Executive Officers and Directors:</b>											
Vladimir Shmunis <sup>(2)</sup>	*		11,056,342	20.1	19.8	620,000	*	10,436,342	20.3	19.7	
Clyde Hosein <sup>(6)</sup>	*		793,000	1.5	1.4		*	793,000	1.6	1.5	
David Berman <sup>(7)</sup>	*		793,000	1.5	1.4		*	793,000	1.6	1.5	
Douglas M. Leone <sup>(8)</sup>	*		9,191,963	17.3	17.0		*	9,191,963	18.5	17.9	
Robert Theis <sup>(9)</sup>	*		1,659,610	3.1	3.1	331,922	*	1,327,688	2.7	2.6	
David Weiden <sup>(10)</sup>	*		8,851,669	16.7	16.4	275,000	*	8,576,669	17.3	16.7	
Neil Williams <sup>(11)</sup>	*		36,730	*	*		*	36,730	*	*	
Bobby Yerramilli-Rao <sup>(12)</sup>	*		6,730	*	*		*	6,730	*	*	
All executive officers and directors as a group (11 persons) <sup>(13)</sup>	*		34,642,379	60.1	59.1	1,456,922	*	33,185,457	61.4	59.7	
<b>Selling Stockholders:</b>											
Turl Investments Ltd. <sup>(14)</sup>	*		1,528,419	2.9	2.9	232,263	*	1,316,156	2.6	2.6	
David Slonimsky <sup>(15)</sup>	*		1,386,501	2.6	2.6	160,000	*	1,226,501	2.5	2.4	
John Marlow <sup>(16)</sup>	*		838,123	1.6	1.5	100,000	*	738,123	1.5	1.4	
Praful Shah <sup>(17)</sup>	*		820,000	1.5	1.5	100,000	*	720,000	1.4	1.4	
Kira Makagon <sup>(18)</sup>	*		595,212	1.1	1.1	30,000	*	565,212	1.1	1.1	
Robert Lawson <sup>(19)</sup>	*		575,212	1.1	1.1	76,316	*	498,896	1.0	1.0	
Ryan Azus <sup>(20)</sup>	*		500,000	*	*	50,000	*	450,000	*	*	
David Sipes <sup>(21)</sup>	*		216,030	*	*	65,000	*	192,030	*	*	
Igor Rusinov <sup>(22)</sup>	*		175,000	*	*	24,000	*	145,000	*	*	
Leon Grinshpun	*		166,667	*	*	30,000	*	136,667	*	*	
Dmitri Velizhanin <sup>(23)</sup>	*		75,000	*	*	10,000	*	65,000	*	*	
All Other Selling Stockholders as a group (9 persons) <sup>(24)</sup>	5,000	*	516,000	*	*	95,187	*	420,813	*	*	

(+) Certain options to purchase shares of our capital stock included in this table are early exercisable, and to the extent such shares are unvested as of a given date, such shares will remain subject to a right of repurchase held by us.

( ) Represents the voting power with respect to all shares of our Class A common stock and Class B common stock, voting as a single class. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to 10 votes per share. The Class A common stock and Class B common stock vote together on all matters (including the election of directors) submitted to a vote of stockholders, except under limited circumstances described in Description of Capital Stock Class A and Class B Common Stock Voting Rights.

(\*) Represents beneficial ownership of less than 1%.

(1) Consists of (i) 8,346,231 shares held of record by ELCA Fund I, L.P.; (ii) 410,000 shares held of record by ELCA Fund II, L.P.; (iii) 410,000 shares held of record by ELCA Fund III, L.P.; (iv) 111 shares held of record by ELCA, LLC (collectively referred to as the ELCA Funds ), (v) 1,000,000 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, all of which are vested and (vi) 890,000 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, of which 346,110 shares are vested. Each of the ELCA Funds may be deemed to be indirectly controlled jointly by Vladimir Shmunis, our CEO and Chairman of the board of directors, and Sandra Shmunis, Mr. Shmunis wife. As a result, and by virtue of the relationships described in this footnote, Mr. and Mrs. Shmunis may be

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- deemed to share voting and dispositive power with respect to the shares held by the ELCA Funds. The address for these entities is c/o RingCentral, Inc., 1400 Fashion Island Boulevard, 7th Floor, San Mateo, CA 94404.
- (2) Consists of (i) 8,032,857 shares held of record by Sequoia Capital XII, L.P.; (ii) 858,529 shares held of record by Sequoia Capital XII Principals Fund, LLC; and (iii) 300,577 shares held of record by Sequoia Technology Partners XII, L.P. SC XII Management, LLC is the general partner of each of Sequoia Capital XII, L.P. and Sequoia Technology Partners XII, L.P. and is the managing member of Sequoia Capital XII Principals Fund, LLC (collectively referred to as the Sequoia Capital Entities ). The managing members of SC XII Management, LLC are Michael Goguen, Douglas Leone, Michael Moritz, James Goetz and Roelof Botha. As a result, and by virtue of the relationships described in this footnote, each of the managing members of SC XII Management, LLC may be deemed to share beneficial ownership of the shares held by the Sequoia Capital Entities. The address for each of the entities identified in this footnote is 3000 Sand Hill Road, Suite 4-250, Menlo Park, CA 94025.
  - (3) Consists of (i) 8,456,181 shares held of record by Khosla Ventures II, L.P.; (ii) 109,653 shares held of record by VK Services, LLC; and (iii) 395,488 shares held by certain current and former employees of Khosla Ventures over which Khosla Ventures Associates II, LLC holds voting and investment control (collectively referred to as the Khosla Affiliated Entities ). Khosla Ventures Associates II, LLC is the general partner of Khosla Ventures II, L.P., VK Services, LLC is the sole manager of Khosla Ventures Associates II, LLC and Vinod Khosla is the managing member of VK Services, LLC. The members, or affiliates of members, of Khosla Ventures Associates II, LLC who directly hold shares of capital stock of the Registrant have granted Khosla Ventures Associates II, LLC voting and investment power with respect to such shares. Mr. Khosla, VK Services, LLC and Khosla Ventures Associates II, LLC may be deemed to have indirect beneficial ownership of the shares held by Khosla Ventures II, L.P. and the shares held by members or affiliates of members of Khosla Ventures Associates II, LLC. The address for Khosla Ventures II, L.P. is 2128 Sand Hill Road, Menlo Park, CA 94025.
  - (4) Consists of (i) 4,296,673 shares held of record by Mr. Vendrow; (ii) 183,000 shares held of record by his children; and (iii) 440,000 shares issuable pursuant to stock options exercisable within 60 days of December 31, 2013, 374,374 of which are vested. Mr. Vendrow may be deemed to hold voting and dispositive power with respect to the shares held by him and by his children.
  - (5) Consists of (i) 2,349,436 shares held of record by DAG Ventures III-QP, L.P.; (ii) 1,543,651 shares held of record by DAG Ventures I-N, LLC; (iii) 220,999 shares held of record by DAG Ventures III, L.P.; and (iv) 2,315 shares held of record by DAG Ventures GP Fund III, LLC. The address for these entities is 251 Lytton Avenue, Suite 200, Palo Alto, CA 94301.
  - (6) Consists of 793,000 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, of which 25,000 shares are vested.
  - (7) Consists of (i) 25,000 shares held of record by Mr. Berman and (ii) 768,000 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, none of which are vested.
  - (8) Consists of the shares listed in footnote (1) above which are held by the Sequoia Capital Entities. Mr. Leone, one of our directors, is a managing member of SC XII Management, LLC and therefore may be deemed to share beneficial ownership of the shares held by the Sequoia Capital Entities.
  - (9) Consists of 1,659,610 shares held by Scale Venture Partners III, LP, or Scale. Mr. Theis, one of our directors, is one of the managing members of Scale Venture Management III, LLC, the ultimate general partner of Scale. Robert Theis, Stacey Bishop, Kate Mitchell and Rory O Driscoll are the managing members of Scale Venture Management III, LLC and share voting and investment authority over such shares, and may be deemed to share beneficial ownership of the shares held by Scale. The address for these entities is 950 Tower Lane, Suite 700, Foster City, CA 94404.
  - (10) Consists of (i) 8,456,181 shares held of record by Khosla Ventures II, L.P. and (ii) 395,488 shares held by certain current and former employees of Khosla Ventures over which Khosla Ventures Associates II, LLC holds voting and investment control, including 97,955 shares held by Mr. Weiden. Mr. Weiden, one of our directors, is a member of Khosla Ventures Associates II, LLC and may be deemed to share voting and dispositive power over the shares held by Khosla Ventures II, L.P. and the shares over which Khosla Ventures Associates II, LLC holds voting and investment control. The address for Mr. Weiden is 2128 Sand Hill Road, Menlo Park, CA 94025.
  - (11) Consists of 36,730 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, of which 19,983 shares are vested.
  - (12) Consists of 6,730 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, of which 5,608 shares are vested.
  - (13) Consists of (i) 34,642,379 shares beneficially owned by our current directors and officers, of which 5,780 shares may be repurchased by us at the original exercise price within 60 days of December 31, 2013; and (ii) 4,627,795 shares subject to stock options exercisable within 60 days of December 31, 2013, of which 1,902,718 shares are vested.
  - (14) Canepa Management GP COOP S.A., or Canepa GP, is the ultimate General Partner of Turl Investments Ltd., or Turl. Sean Patrick Murray and Francisco Felix Rodriguez are the directors of Canepa GP and may be deemed to share voting and investment power with respect to the shares held of record by Turl. The address for Turl is Scotia House, 404 East Bay Street, P.O. Box N-3016, Nassau, The Bahamas.
  - (15) Consists of (i) 1,265,001 shares held of record by Mr. Slonimsky and (ii) 121,500 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, all of which are vested.
  - (16) Consists of (i) 450,000 shares held of record by Mr. Marlow as Trustee of the M&M Double Happiness Revocable Living Trust dated June 9, 2003, (ii) 12,500 shares held of record by Mr. Marlow as Trustee of the CAM Double Happiness Trust dated July 11, 2011, (iii) 12,500 shares held of record by Mr. Marlow as Trustee of the JEM Double Happiness Trust dated



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- July 11, 2011 and (iv) 363,123 shares issuable pursuant to stock options exercisable within 60 days of December 31, 2013, 223,226 of which are vested.
- (17) Consists of (i) 26,008 shares held of record by Mr. Shah of which 5,780 shares may be repurchased by us at the original exercise price within 60 days of December 31, 2013, (ii) 498,514 shares held of record by Mr. Shah as Trustee of the Vandana Shah and Praful Shah Revocable Living Trust dated February 10, 2009, (iii) 50,239 shares held of record by Mr. Shah as Trustee of the Shah Children's 2000 Irrevocable Trust FBO Neil Shah, (iii) 50,239 shares held of record by Mr. Shah as Trustee of the Shah Children's 2000 Irrevocable Trust FBO Reina Shah and (iv) 195,000 shares issuable pursuant to stock options exercisable within 60 days of December 31, 2013, 55,103 of which are vested.
- (18) Consists of (i) 20,000 shares held of record by Ms. Makagon and (ii) 575,212 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, 227,688 of which are vested.
- (19) Consists of 575,212 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, 287,606 of which are vested.
- (20) Consists of (i) 267,709 shares held of record by Mr. Azus and (ii) 232,291 shares issuable pursuant to stock options exercisable within 60 days of December 31, 2013, 126,039 of which are vested.
- (21) Consists of 216,030 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, 156,134 of which are vested.
- (22) Consists of (i) 100,000 shares held of record by Mr. Rusinov and (ii) 75,000 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, 60,625 of which are vested.
- (23) Consists of 75,000 shares issuable pursuant to a stock option exercisable within 60 days of December 31, 2013, 66,250 of which are vested.
- (24) Represents shares beneficially held by 9 selling stockholders, who beneficially own less than 1% of the outstanding Class A common stock and less than 1% of the outstanding Class B common stock prior to this offering, all of whom are current employees of the Company.

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**DESCRIPTION OF CAPITAL STOCK**

**General**

The following descriptions of our capital stock and certain provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to our certificate of incorporation and bylaws. Copies of these documents have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that occurred in connection with this offering.

Our certificate of incorporation provides for two classes of common stock: Class A and Class B common stock. In addition, our 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.

As of December 31, 2013, we had 9,200,774 shares of Class A common stock outstanding held by approximately 12 stockholders of record and 53,043,295 shares of Class B common stock outstanding, held by approximately 143 stockholders of record. We also had (1) outstanding options and restricted stock units to acquire 11,223,843 shares of Class A common stock and Class B common stock held by employees, directors and consultants and (2) outstanding warrants to purchase 502,097 shares of Class B common stock.

**Class A and Class B Common Stock**

Our 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 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 a separate classes in the following circumstances:

if we propose to amend our 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;

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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 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 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 the 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 certificate of incorporation.

### ***Economic Rights***

Except as otherwise expressly provided in our 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.

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### ***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 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 this 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 this offering.

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Once transferred and converted into Class A common stock, the Class B common stock will 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.

### **Preferred Stock**

As of December 31, 2013, there were no shares of our preferred stock outstanding.

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. Upon completion of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

### **Warrants**

As of December 31, 2013, we had the following warrants outstanding:

a warrant to purchase 100,000 shares of our Class B common stock at an exercise price of \$0.05 per share, which expires in January 2015;

a warrant to purchase 71,499 shares of our Class B common stock at an exercise price of \$2.097913 per share, which expires in February 2019;

a warrant to purchase 48,493 shares of our Class B common stock at an exercise price of \$3.29938 per share based upon the amount advanced under the terms of our growth capital loan with Silicon Valley Bank, which expires in October 2020;

a warrant to purchase 49,788 shares of our Class B common stock at an exercise price of \$6.0255 per share;

a warrant to purchase 57,187 shares of our Class B common stock at an exercise price of \$6.0255 per share, which warrant may be exercisable for additional shares based upon the amount advanced under the terms of our equipment financing loan with TriplePoint Capital LLC;

a warrant to purchase 33,192 shares of our Class B common stock at an exercise price of \$6.0255 per share;

a warrant to purchase 51,614 shares of our Class B common stock at an exercise price of \$9.687299 per share;

a warrant to purchase 51,614 shares of our Class B common stock at an exercise price of \$9.687299 per share; and



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a warrant to purchase 38,710 shares of our Class B common stock at an exercise price of \$9.687299 per share. All of these warrants have a net exercise provision under which its holder may, in lieu of payment of the exercise price in cash, surrender the warrant and receive a net amount of shares based on the fair market value of our preferred stock at the time of exercise of the warrant after deduction of the aggregate exercise price. Each warrant contains provisions for the adjustment of the exercise price and the number of shares issuable upon the exercise of the warrant in the event of certain stock dividends, stock splits, reorganizations, reclassifications and consolidations. Certain of the holders of the shares issuable upon exercise of our warrants are entitled to some of the registration rights with respect to such shares as described in greater detail under the heading **Registration Rights**.

### **Registration Rights**

After the completion of this offering, the holders of an aggregate of 29,749,235 shares of our Class B common stock, including certain holders of warrants exercisable for 402,097 shares of our Class B common stock, in each case calculated on a fully diluted basis, or their permitted transferees, will be entitled to rights with respect to the registration of these shares under the Securities Act. These rights are provided under the terms of an investors' rights agreement between us and certain holders of these shares, and include demand registration rights, short form registration rights and piggyback registration rights.

These registration rights will expire on September 26, 2018. We will pay all the registration expenses of the holders of the shares registered (excluding the S-3 registration expenses incurred after the first two S-3 registrations effected) pursuant to the registrations described below. However, with certain exceptions, if the registration request is withdrawn at the request of the holders of a majority of the registrable securities to be registered, we will not pay the registration expenses. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. In connection with the completion of this offering, each stockholder that is selling shares in this offering and has registration rights has agreed not to sell or otherwise dispose of any securities without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC for a period of 88 days after the date of this prospectus, subject to certain terms and conditions. See the section titled **Underwriting** for additional information.

#### ***Demand Registration Rights***

Upon completion of this offering, the holders of 29,557,454 shares of our Class B common stock, including certain holders of warrants exercisable for 210,316 shares of our Class B common stock, in each case calculated on a fully diluted basis, or their permitted transferees, will be entitled to certain demand registration rights. On March 26, 2014, the holders of at least a majority of these shares then outstanding can request that we register, at our expense, the offer and sale of their shares (or a lesser percentage if the anticipated aggregate offering price, net of underwriting discounts and commissions, would exceed \$20 million). We are required to effect only two registrations for these stockholders pursuant to this provision of the investors' rights agreement. If we determine that it would be seriously detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 120 days.

#### ***Piggyback Registration Rights***

The holders of 29,749,235 shares of our Class B common stock, including certain holders of warrants exercisable for 402,097 shares of our Class B common stock, in each case calculated on a fully diluted basis, or their permitted transferees, are entitled to, and the necessary percentage of

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holders waived, rights to notice of this offering and to include their shares of registrable securities in this offering. In the event that we propose to register any of our securities under the Securities Act, either for our own account or for the account of other security holders, the holders of these shares will be entitled to certain piggyback registration rights allowing the holder to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under the Securities Act (other than with respect to a registration relating solely to the sale of securities to participants in a company stock plan, a registration relating to a corporate reorganization or other transaction under Rule 145 of the Act, a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities, or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities that are also being registered), the holders of these shares are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration.

### ***Form S-3 Registration Rights***

The holders of 29,749,235 shares of our Class B common stock, including certain holders of warrants exercisable for 402,097 shares of our Class B common stock, in each case calculated on a fully diluted basis, or their permitted transferees, are also currently entitled to short-form registration rights. The holders of these shares can make a request that we register their shares on Form S-3 if we are qualified to file a registration statement on Form S-3 and if the reasonably anticipated aggregate gross proceeds of the shares offered would equal or exceed \$1 million. These holders may make an unlimited number of requests for registration on Form S-3; however, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the 12-month period preceding the date of the request. Additionally, if we determine that it would be materially detrimental to our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 120 days. The underwriters of any underwritten offering have the right to limit the number of shares registered by these holders for marketing reasons, subject to certain limitations.

### ***Expiration of Registration Rights***

The registration rights described above will survive our initial public offering and will terminate as to any stockholder at such time as all of such stockholders securities (together with any affiliate of the stockholder with whom such stockholder must aggregate its sales) could be sold in a 90-day period without compliance with the registration requirements of the Securities Act pursuant to Rule 144, but in any event no later than the five-year anniversary of our initial public offering.

### **Provisions of Our Certificate of Incorporation and Bylaws and Delaware Anti-Takeover Law**

Our certificate of incorporation provides for a board of directors comprised of three classes of directors, with each class serving a three-year term beginning and ending in different years than those of the other two classes. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. 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 certificate of incorporation and bylaws, to be effective upon completion of this offering, 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.



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***Stockholder Action***

Our 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 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 certificate of incorporation and 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 certificate of incorporation or bylaws by stockholders. Our certificate of incorporation and 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 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

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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  $66\frac{2}{3}\%$  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.

### **Listing**

Our shares of Class A common stock are listed on the New York Stock Exchange under the symbol RNG.

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**SHARES ELIGIBLE FOR FUTURE SALE**

Future sales of our Class A common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our Class A common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Based on the number of shares outstanding as of December 31, 2013, upon completion of this offering, 15,200,774 shares of Class A common stock and 49,043,295 shares of Class B common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares from us, no exercise of outstanding warrants or outstanding options and the conversion of the shares sold by the selling stockholders in this offering into shares of Class A common stock. Of the outstanding shares, all of the shares sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, may only be sold in compliance with the limitations described below.

The remaining shares of Class A and Class B common stock outstanding after this offering will be restricted as a result of securities laws or lock-up agreements as described below. Following the expiration of the lock-up period, all shares will be eligible for resale in compliance with Rule 144 or Rule 701 to the extent such shares have been released from any repurchase option that we may hold. Restricted securities as defined under Rule 144 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act.

**Rule 144**

In general, under Rule 144 under the Securities Act, beginning 90 days after the effective date of the registration statement of which this prospectus is a part, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

A person (or persons whose shares are aggregated) who is deemed to be an affiliate of ours and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the then outstanding shares of our Class A common stock (which will equal approximately 152,008 shares immediately after this offering assuming no exercise of the underwriters' option to purchase additional shares from us, based on the number of shares of our Class A common stock outstanding as of December 31, 2013) or the average weekly trading volume of our Class A common stock reported through the NYSE during the four calendar weeks preceding such sale. Such sales are also subject to certain manner of sale provisions, notice requirements, and the availability of current public information about us.

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**Rule 701**

In general, under Rule 701 of the Securities Act, most of our employees, consultants or advisors who purchased shares from us in connection with a qualified compensatory stock plan or other written agreement are eligible to resell those shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with the holding period or certain other restrictions contained in Rule 144.

**Lock-Up Agreements**

We, our directors and executive officers and the holders of a substantial portion of our common stock and securities convertible into or exchangeable for shares of our common stock, have agreed or will agree that, subject to certain exceptions and under certain conditions, for a period of 88 days after the date of this prospectus, we and they will not dispose of or hedge any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC. Goldman, Sachs & Co. and J.P. Morgan Securities LLC may, in their discretion, release any of the securities subject to these lock-up agreements at any time.

**Registration Rights**

Upon completion of this offering, the holders of 29,749,235 shares of our Class B common stock, including certain holders of warrants exercisable for 402,097 shares of our Class B common stock, or their transferees, will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See [Description of Capital Stock](#) [Registration Rights](#) for additional information.

**Equity Plans**

We intend to file registration statements on Form S-8 under the Securities Act to register shares of common stock issued or reserved for issuance under our 2003 Equity Incentive Plan, our 2010 Equity Incentive Plan, our 2013 Equity Incentive Plan and our 2013 Employee Stock Purchase Plan. This registration statement will become effective immediately upon filing, and shares covered by this registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our equity compensation plans, see [Executive Compensation](#) [Employee Benefit and Equity Incentive Plans](#).

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**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK**

The following is a summary of certain material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the ownership and disposition of our Class A common stock issued pursuant to this offering. This discussion is not a complete analysis of all potential U.S. federal income tax consequences relating thereto, nor does it address any estate and gift tax consequences or any tax consequences arising under any state, local or non-U.S. tax laws, or any other U.S. federal tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service, or IRS, all as in effect as of the date of this offering. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our Class A common stock, or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our Class A common stock issued pursuant to this offering and who hold our Class A common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a particular holder in light of such holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation, certain former citizens or long-term residents of the U.S., partnerships or other pass-through entities, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, banks, financial institutions, investment funds, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax or the net investment income tax provisions of the Code, persons that own, or have owned, actually or constructively, more than 5% of our common stock (except to the limited extent set forth below) and persons holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our Class A common stock, and partners in such partnerships, should consult their own tax advisors regarding the U.S. federal income tax consequences to them of acquiring, owning and disposing of our Class A common stock.

**PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR CLASS A COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR NON-U.S. TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.**

**Definition of Non-U.S. Holder**

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our Class A common stock that is not a U.S. person or a partnership (including any entity or arrangement treated as a partnership) for U.S. federal income tax purposes. A U.S. person is any of the following:

an individual citizen or resident of the U.S.;

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a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the U.S., any state thereof or the District of Columbia, or otherwise treated as such for U.S. federal income tax purposes;

an estate the income of which is subject to U.S. federal income tax regardless of its source; or

a trust (1) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

**Distributions on Our Class A Common Stock**

We do not currently intend to make distributions on our Class A common stock for the foreseeable future. However, if we make cash or other property distributions on our Class A common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's tax basis in the Class A common stock, but not below zero. Any excess will be treated as gain realized on the sale or other disposition of the stock and will be treated as described under "Gain on Disposition of Our Class A Common Stock" below.

Dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable income tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable form), including a U.S. taxpayer identification number, that certifies such holder's qualification for the reduced rate. For these purposes, Treasury Regulations or the applicable treaty will provide rules to determine whether dividends paid to an entity should be treated as paid to the entity or the entity's owners. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, who then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our Class A common stock in connection with the conduct of a trade or business in the U.S., and dividends paid on the Class A common stock are effectively connected with such holder's U.S. trade or business, the non-U.S. holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the non-U.S. holder must generally furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable form).

Any dividends paid on our Class A common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.) generally will not be subject to withholding tax, but will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in much the same manner as if such holder were a resident of the U.S. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

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**Gain on Disposition of Our Class A Common Stock**

Subject to the discussion below regarding backup withholding and certain legislation relating to foreign accounts, a non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our Class A common stock, unless:

the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the U.S., and if an income tax treaty applies, is attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.;

the non-U.S. holder is a nonresident alien individual present in the U.S. for 183 days or more during the taxable year of the disposition, and certain other requirements are met; or

our Class A common stock constitutes a U.S. real property interest by reason of our status as a U.S. real property holding corporation, or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition of, or the non-U.S. holder's holding period for our Class A common stock. We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our Class A common stock is regularly traded on an established securities market, as to which there can be no assurance, such Class A common stock will be treated as a U.S. real property interest only if you actually or constructively hold more than five percent of such regularly traded common stock at any time during the applicable period described above.

Gain described in the first bullet point above will be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if such holder were a resident of the U.S. A non-U.S. holder that is a foreign corporation also may be subject to an additional branch profits tax equal to 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty), but may be offset by U.S. source capital losses (even though the individual is not considered a resident of the U.S.), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

**Information Reporting and Backup Withholding**

We must report annually to the IRS and to each non-U.S. holder the amount of dividends on our Class A common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable income tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

Information reporting and backup withholding, currently at a 28% rate, generally will apply to payments to a non-U.S. holder of dividends on or the gross proceeds from the sale or other disposition of our Class A common stock unless the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or

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IRS Form W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, information reporting and backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Backup withholding is not an additional tax. If any amount is withheld under the backup withholding rules, the non-U.S. holder should consult with a U.S. tax advisor regarding the possibility of and procedure for obtaining a refund or a credit against the non-U.S. holder's U.S. federal income tax liability, if any.

### **Legislation Relating to Foreign Accounts**

Legislation enacted in 2010, which is commonly referred to as FATCA, generally will impose a U.S. federal withholding tax of 30% on dividends on and the gross proceeds from the sale or other disposition of our Class A common stock paid to a foreign financial institution (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities certain information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). The legislation also generally will impose a U.S. federal withholding tax of 30% on dividends on and the gross proceeds from the sale or other disposition of our Class A common stock paid to a non-financial foreign entity (as specially defined under these rules) unless such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity (or that the entity does not have any substantial U.S. owners). Final regulations issued by the U.S. Department of Treasury provide for certain transition rules under which the obligation to withhold would apply to dividends paid on our Class A common stock on or after July 1, 2014, and to the gross proceeds from the sale or other disposition of our Class A common stock on or after January 1, 2017. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in Class A our common stock.

**The preceding discussion of U.S. federal income tax considerations is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of acquiring, holding and disposing of our Class A common stock, including the consequences of any proposed change in applicable law.**



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**UNDERWRITING**

We, the selling stockholders and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman, Sachs & Co.	
J.P. Morgan Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Raymond James & Associates, Inc.	
William Blair & Company, L.L.C.	
Oppenheimer & Co. Inc.	
Macquarie Capital (USA) Inc.	
Northland Securities, Inc. <sup>(1)</sup>	
<b>Total</b>	<b>6,000,000</b>

(1) Northland Capital Markets is the trade name for certain capital markets and investment banking activities of Northland Securities, Inc., member FINRA/SIPC.

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below, unless and until this option is exercised.

The underwriters have an option to buy up to an additional 900,000 shares from us. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by us and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 900,000 additional shares from us.

**Paid by the Company**

	No Exercise	Full Exercise
Per Share	\$	\$
Total	\$	\$

**Paid by the Selling Stockholders**

	No Exercise	Full Exercise
Per Share	\$	\$
Total	\$	\$

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the public offering price. After the initial offering of



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the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, and holders of substantially all of our common stock, including the selling stockholders, have agreed with the underwriters that, subject to certain exceptions, we and they will not dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 88 days after the date of this prospectus, except with the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC. This agreement does not apply to any existing employee benefit plans. In addition, an aggregate of less than 3,500 shares of our Class B common stock held by certain of our employees have been excluded from these agreements to allow these employees to settle tax obligations associated with the vesting of restricted stock units. See "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

In connection with our initial public offering, we, our directors and officers, and substantially all of our stockholders and holders of options to purchase our stock who held such shares or options prior to the offering, agreed, subject to certain limited exceptions, not to offer, sell, contract to sell or otherwise dispose of, or enter into, any transaction that is designed to, or could be expected to, result in the disposition of any shares of our common stock or other securities convertible into or exchangeable or exercisable for shares of our common stock until March 26, 2014 without the prior written consent of Goldman, Sachs & Co. and J.P. Morgan Securities LLC. In connection with this offering, Goldman, Sachs & Co. and J.P. Morgan Securities LLC intend to release the lock-up restrictions with respect to an aggregate of up to 4,000,000 shares to be sold by the selling stockholders in this offering, which include certain of our employees, officers and directors or their affiliated entities.

Our Class A common stock is listed on the NYSE under the symbol "RNG".

In connection with the offering, the underwriters may purchase and sell shares of our Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of our Class A common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

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Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our Class A common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our Class A common stock. As a result, the price of our Class A common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

We and the selling stockholders estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$1.2 million. We have also agreed to reimburse the underwriters for certain FINRA-related expenses incurred by them in connection with the offering in an amount up to \$20,000 as set forth in the underwriting agreement.

We and the selling stockholders will agree to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates may in the future provide a variety of these services to us and to persons and entities with relationships with us, for which they will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities or instruments of ours (directly, as collateral securing other obligations or otherwise) or persons and entities with relationships with us. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long or short positions in such assets, securities and instruments.

***Notice to Prospective Investors in the European Economic Area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of shares which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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provided that no such offer of shares shall require the issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of shares to the public in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

For the purposes of this provision, the expression an offer of shares to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

***Notice to Prospective Investors in the United Kingdom***

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

***Notice to Prospective Investors in Hong Kong***

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

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### ***Notice to Prospective Investors in Singapore***

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### ***Notice to Prospective Investors in Japan***

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Notice to Prospective Investors in Switzerland***

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to us, the offering, or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

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***Notice to Prospective Investors in the Dubai International Financial Centre***

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

***Notice to Prospective Investors in Australia***

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or Exempt Investors, who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act), professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

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**LEGAL MATTERS**

Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, will pass upon the validity of the shares of common stock offered hereby. Cooley LLP, San Francisco, California, is representing the underwriters in this offering.

**EXPERTS**

The consolidated financial statements of RingCentral, Inc. as of December 31, 2012 and 2013, and for each of the years in the three-year period ended December 31, 2013, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of that firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We filed a registration statement on Form S-1 with the Securities and Exchange Commission with respect to the registration of the common stock offered for sale with this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information about us, the common stock we are offering by this prospectus and related matters, you should review the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits that were filed with the registration statement may be inspected without charge at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the Securities and Exchange Commission upon payment of the prescribed fee. Information on the operation of the public reference facilities may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the Securities and Exchange Commission. The address of the site is <http://www.sec.gov>. You may also request copies of these filings, at no cost, by mail to: RingCentral, Inc., 1400 Fashion Island Blvd., 7<sup>th</sup> Floor, San Mateo, California 94404, Attention: Corporate Secretary; <http://www.ringcentral.com>.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and, in accordance with such requirements, are required to file periodic reports, proxy statements, and other information with the Securities and Exchange Commission. These periodic reports, proxy statements, and other information are available for inspection and copying at the regional offices, public reference facilities, and web site of the Securities and Exchange Commission referred to above. We also furnish our stockholders with annual reports containing consolidated financial statements audited by our independent registered accounting firm.



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**RINGCENTRAL, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders

RingCentral, Inc.:

We have audited the accompanying consolidated balance sheets of RingCentral, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2013, and 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, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RingCentral, Inc. and subsidiaries as of December 31, 2012 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

Santa Clara, California

February 25, 2014

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**Table of Contents****RINGCENTRAL, INC.****CONSOLIDATED BALANCE SHEETS**

(in thousands)

	December 31,	
	2012	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 37,864	\$ 116,378
Accounts receivable, net	2,690	3,045
Inventory	833	2,111
Prepaid expenses and other current assets	3,408	5,214
<b>Total current assets</b>	<b>44,795</b>	<b>126,748</b>
Property and equipment, net	17,008	16,660
Other assets	1,551	1,777
<b>Total assets</b>	<b>\$ 63,354</b>	<b>\$ 145,185</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 4,553	\$ 4,414
Accrued liabilities	21,487	20,559
Current portion of capital lease obligation	312	347
Current portion of long-term debt	7,636	9,871
Deferred revenue	11,291	16,552
<b>Total current liabilities</b>	<b>45,279</b>	<b>51,743</b>
Long-term debt	12,428	24,356
Sales tax liability	3,877	3,988
Capital lease obligation	703	247
Other long-term liabilities	996	1,336
<b>Total liabilities</b>	<b>63,283</b>	<b>81,670</b>
Commitments and contingencies (Note 5)		
<b>Stockholders' equity:</b>		
Convertible preferred stock, no par value 32,294 and zero shares authorized as of December 31, 2012 and 2013; 30,369 and zero shares issued and outstanding as of December 31, 2012 and 2013; aggregate liquidation preference of \$74,496 and zero as of December 31, 2012 and 2013	74,020	-
Class A common stock, \$0.0001 par value; zero and 1,000,000 shares authorized at December 31, 2012 and 2013; zero and 9,201 shares issued and outstanding at December 31, 2012 and 2013	-	1
Class B common stock, \$0.0001 par value; 65,000 and 250,000 shares authorized at December 31, 2012 and 2013; 22,694 and 53,043 shares issued and outstanding at December 31, 2012 and 2013	2	5
Additional paid-in capital	9,791	193,574
Accumulated other comprehensive loss	(85)	(310)
Accumulated deficit	(83,657)	(129,755)
<b>Total stockholders' equity</b>	<b>71</b>	<b>63,515</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 63,354</b>	<b>\$ 145,185</b>

See accompanying notes to consolidated financial statements



**Table of Contents****RINGCENTRAL, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	2011	Year Ended December 31, 2012	2013
<b>Revenues:</b>			
Services	\$ 71,915	\$ 105,693	\$ 145,995
Product	6,962	8,833	14,510
<b>Total revenues</b>	<b>78,877</b>	<b>114,526</b>	<b>160,505</b>
<b>Cost of revenues:</b>			
Services	26,475	36,215	47,230
Product	6,523	8,688	14,289
<b>Total cost of revenues</b>	<b>32,998</b>	<b>44,903</b>	<b>61,519</b>
Gross profit	45,879	69,623	98,986
<b>Operating expenses:</b>			
Research and development	12,199	24,450	33,399
Sales and marketing	34,550	54,566	72,336
General and administrative	12,969	24,434	34,284
<b>Total operating expenses</b>	<b>59,718</b>	<b>103,450</b>	<b>140,019</b>
Loss from operations	(13,839)	(33,827)	(41,033)
<b>Other income (expense), net:</b>			
Interest expense	(158)	(1,503)	(5,384)
Other income (expense), net	109	32	274
<b>Other income (expense), net</b>	<b>(49)</b>	<b>(1,471)</b>	<b>(5,110)</b>
Loss before provision (benefit) for income taxes	(13,888)	(35,298)	(46,143)
Provision (benefit) for income taxes	15	92	(45)
<b>Net loss</b>	<b>\$ (13,903)</b>	<b>\$ (35,390)</b>	<b>\$ (46,098)</b>
<b>Net loss per common share:</b>			
Basic and diluted	\$ (0.64)	\$ (1.58)	\$ (1.39)
<b>Weighted-average number of shares used in computing net loss per share:</b>			
Basic and diluted	21,678	22,353	33,155

See accompanying notes to consolidated financial statements



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**RINGCENTRAL, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(in thousands)

	<b>2011</b>	<b>Year Ended December 31, 2012</b>	<b>2013</b>
<b>Net loss</b>	\$ (13,903)	\$ (35,390)	\$ (46,098)
<b>Other comprehensive loss:</b>			
Foreign currency translation adjustments, net	(20)	(65)	(225)
<b>Comprehensive loss</b>	\$ (13,923)	\$ (35,455)	\$ (46,323)

See accompanying notes to consolidated financial statements

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**Table of Contents****RINGCENTRAL, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(in thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2010	25,535	\$ 33,724	21,190	\$ 2	\$ 3,547	\$	\$ (34,364)	\$ 2,909
Issuance of common stock upon exercise and early exercise of stock options			1,020		893			893
Issuance of Series D convertible preferred stock (net of issuance costs of \$79)	1,737	10,385						10,385
Share-based compensation					1,188			1,188
Other comprehensive loss						(20)		(20)
Net loss							(13,903)	(13,903)
Balance as of December 31, 2011	27,272	44,109	22,210	2	5,628	(20)	(48,267)	1,452
Issuance of common stock upon exercise and early exercise of stock options			484		419			419
Issuance of preferred stock warrants in connection with a debt agreement					169			169
Issuance of Series E convertible preferred stock (net of issuance costs of \$89)	3,097	29,911						29,911
Reclassification of preferred stock warrant					473			473
Share-based compensation					3,102			3,102
Other comprehensive loss						(65)		(65)
Net loss							(35,390)	(35,390)
Balance as of December 31, 2012	30,369	74,020	22,694	2	9,791	(85)	(83,657)	71
Issuance of common stock upon exercise and early exercise of stock options			616		1,007			1,007
Issuance of common stock for legal settlement			20		257			257
Issuance of preferred stock warrants in connection with a debt agreement					866			866
Reclassification of preferred stock warrant					820			820
Conversion of preferred stock into common stock in connection with IPO	(30,369)	(74,020)	30,369	3	74,017			
Issuance of common stock in connection with IPO (net of issuance costs of \$11,809)			8,545	1	99,276			99,277
Share-based compensation					7,540			7,540
Other comprehensive loss						(225)		(225)
Net loss							(46,098)	(46,098)
Balance as of December 31, 2013		\$ 62,244	\$ 6	\$ 193,574	\$ (310)	\$ (129,755)	\$ 63,515	

See accompanying notes to consolidated financial statements



**Table of Contents****RINGCENTRAL, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	Year Ended December 31,		
	2011	2012	2013
<b>Cash flows from operating activities:</b>			
Net loss	\$ (13,903)	\$ (35,390)	\$ (46,098)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,546	6,191	8,980
Share-based compensation	1,188	3,102	7,540
Noncash interest and other expense related to debt agreements		265	2,014
Loss on disposal of assets		26	338
Changes in assets and liabilities			
Accounts receivable	(239)	(2,256)	(355)
Inventory	(1,442)	769	(1,279)
Prepaid expenses and other current assets	189	(2,022)	(1,873)
Other assets	(331)	(422)	(344)
Accounts payable	2,193	(1,392)	(453)
Accrued liabilities	2,597	12,898	1,370
Deferred revenue	2,526	2,248	5,262
Other liabilities	2,897	968	1,127
Net cash used in operating activities	(779)	(15,015)	(23,771)
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(6,664)	(10,172)	(10,789)
Restricted investments			(130)
Net cash used in investing activities	(6,664)	(10,172)	(10,919)
<b>Cash flows from financing activities:</b>			
Net proceeds from debt agreements		24,538	37,857
Net proceeds from issuance of preferred stock warrants		501	1,625
Repayment of debt agreements	(1,005)	(5,356)	(26,309)
Repayment of capital lease obligations	(310)	(675)	(422)
Net proceeds from issuance of preferred stock	10,385	29,911	
Net proceeds from initial public offering of common stock			99,589
Proceeds from exercise of stock options and common stock warrants	817	556	893
Net cash provided by financing activities	9,887	49,475	113,233
Effect of exchange rate changes on cash and cash equivalents	(4)	(1)	(29)
Net increase in cash and cash equivalents	2,440	24,287	78,514
<b>Cash and cash equivalents:</b>			
Beginning of period	11,137	13,577	37,864
End of period	\$ 13,577	\$ 37,864	\$ 116,378
<b>Supplemental disclosure of cash flow data:</b>			
Cash paid for interest	\$ 117	\$ 791	\$ 2,437
Cash paid for income taxes	1	64	46

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**Noncash financing activities:**

Change in liability for nonvested options exercised	\$ 181	\$ 20	\$ 114
Reclassification of preferred stock warrants from liability to equity		473	820
Deferred debt issuance costs recorded in connection with issuance of preferred stock warrants		122	
Conversion of preferred stock to common stock in connection with initial public offering			74,020
Accrued liability for initial public offering costs			313
Equipment purchased and unpaid at period end	271	2,700	775
Equipment purchased under capital lease		1,329	

**See accompanying notes to consolidated financial statements**

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**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 for business communications. The Company was incorporated in California in 1999 and was reincorporated in Delaware on September 26, 2013. The Company s consolidated balance sheets and statements of stockholders equity have been prepared to reflect the reincorporation in Delaware for all periods presented. The Company is headquartered in San Mateo, California.

***Initial Public Offering***

On October 2, 2013, the Company closed its initial public offering ( IPO ) and sold 8,545,000 shares of Class A common stock to the public, including the underwriters overallotment option of 1,125,000, and an additional 80,000 shares of Class A common were stock sold by selling stockholders, all at a price of \$13.00 per share. The Company received aggregate proceeds of \$103,309,000 from the IPO, net of underwriters discounts and commissions, but before deduction of offering expenses of approximately \$4,032,000.

***Basis of Presentation and Liquidity***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ). All intercompany accounts and transactions have been eliminated. As the Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 ( the JOBS Act ), the Company can delay the adoption of new accounting standards until those standards would otherwise apply to privately held companies. However, the Company has elected to comply with all new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth publicly held companies. Under the JOBS Act, such election is irrevocable.

The Company has funded its operations through proceeds from its IPO, preferred stock financings, sales to customers and debt financing under its credit agreements. However, the Company has historically incurred losses and negative cash flows from operations. As of December 31, 2013, the Company had an accumulated deficit of \$129,755,000. Management of the Company expects that operating losses and negative cash flows from operations will continue through at least December 31, 2014.

The Company s existing sources of liquidity include cash and cash equivalents of \$116,378,000 as of December 31, 2013. While management believes that the Company s existing sources of liquidity are adequate to fund operations through at least December 31, 2014, the Company may need to raise additional debt or equity financing to fund operations until it generates positive cash flows from profitable operations. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to the Company or at all.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management affect revenues, accounts receivable, the allowance for doubtful accounts, inventory and

**Table of Contents****RINGCENTRAL, INC.****Notes to Consolidated Financial Statements**

inventory reserves, share-based compensation, deferred revenue, return reserves, provision for income taxes, uncertain tax positions, loss contingencies, sales tax liabilities and accrued liabilities. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation. Actual results could differ from those 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 statement of comprehensive loss. 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. Foreign currency transaction gains and losses are included in other income (expense) for the period.

**Cash and Cash Equivalents**

The Company considers highly liquid instruments with a remaining maturity of three months or less at the date of purchase to be cash equivalents. The Company's cash equivalents consist of money market funds. The Company deposits cash and cash equivalents with financial institutions that management believes are of high credit quality. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

**Allowance for Doubtful Accounts**

For all periods presented, a significant portion of revenues were realized from credit card transactions with only a small portion of revenues generating accounts receivable and the Company has not experienced any significant defaults on its accounts receivable. The Company determines provisions based on historical experience and upon a specific review of customer receivables.

Below is a summary of the changes in allowance for doubtful accounts for the years ended December 31, 2011, 2012 and 2013:

	Balance at Beginning of Period	Provision, net of Recoveries	Write-offs	Balance at End of Period
Year ended December 31, 2011	\$	\$ 5	\$	\$ 5
Year ended December 31, 2012	5	428		433
Year ended December 31, 2013	433	(8)	286	139

**Inventory**

The Company's inventory consists primarily of telephones and peripheral equipment held at third parties. Inventory is stated at the lower of cost computed on a first-in, first-out basis, or market value. Inventory write-downs are recorded when the cost of inventory exceeds its net realizable value and establishes a new cost basis for the inventory. On a quarterly and annual basis, the Company analyzes inventory on a part by part basis in comparison to forecasted demand to identify potential excess and obsolescence issues, and adjusts carrying amounts to estimated net realizable value accordingly.

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**RINGCENTRAL, INC.**

**Notes to Consolidated Financial Statements**

***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 and 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 operation 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 to cost of revenues when the underlying project is ready for its intended use. For the years ended December 31, 2012 and 2013, the Company capitalized \$1,480,000 and \$1,317,000 of internal-use software development costs incurred, respectively.

***Property and Equipment, Net***

Property and equipment, net is stated at cost, less accumulated depreciation and amortization, and is depreciated using the straight-line method over the estimated useful lives of the assets. Computer hardware and software, and furniture and fixtures are depreciated over three years; internal-use software development costs are amortized over useful lives ranging from three to four years; and leasehold improvements are depreciated over the respective lease term or useful life, whichever is shorter. Maintenance and repairs are charged to expense as incurred.

The Company evaluates the recoverability of property and equipment 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 is measured by a comparison of the carrying amounts to the future undiscounted cash flows that the assets or asset groups are expected to generate. If such 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. No impairment losses have been recognized in the fiscal years ended December 31, 2011, 2012 and 2013.

***Concentrations***

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The Company maintains its cash and cash equivalent balances, which may exceed federally insured limits, with financial institutions that management believes are financially sound and have minimal credit risk exposure.

The Company's accounts receivable are primarily derived from sales by resellers and to larger direct customers. The Company performs ongoing credit evaluations of its resellers and does not require collateral on accounts receivable. The Company maintains an allowance for doubtful accounts for estimated potential credit losses. At December 31, 2012 and 2013, customer A accounted for 54% and 68% of the Company's total accounts receivable, respectively. For the years ended December 31, 2011, 2012, and 2013, no single customer accounted for greater than 10% of the Company's total revenues.

The Company purchased or contracted a significant portion of its software development efforts from third-party vendors located in Russia and the Ukraine during the years ended December 31, 2011, 2012 and 2013, respectively. A cessation of services provided by these vendors could result in a disruption to the Company's research and development efforts.

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**RINGCENTRAL, INC.**

**Notes to Consolidated Financial Statements**

***Revenue Recognition***

The Company's revenues consist of services revenues and product revenues. The Company's services revenues include all fees billed in connection with subscriptions to the Company's RingCentral Office, RingCentral Professional and RingCentral Fax SaaS applications. These service fees include recurring fixed plan subscription fees, recurring administrative cost recovery fees, variable usage-based fees for blocks of additional minutes systematically purchased in advance of usage in excess of plan limits and one-time upfront fees. The Company provides its services pursuant to contractual arrangements that range in duration from one month to three years. The Company's service fees are generally billed in advance directly to customer credit cards or via invoices issued to larger customers. The Company's product revenues consist of sales of pre-configured office phones used in connection with the service and includes shipping and handling fees.

The Company recognizes revenues when the following criteria are met:

there is persuasive evidence of an arrangement;

the service is being provided to the customer or the product has been delivered;

the collection of the fees is reasonably assured; and

the amount of fees to be paid by the customer is fixed or determinable.

Revenues under service subscription plans are recognized as follows:

fixed service plan subscription and administrative cost recovery fees are recognized on a straight-line basis over their respective contractual service terms;

fees for additional minutes of usage in excess of plan limits are recognized over the estimated usage period in a manner that approximates actual usage; and

one-time upfront fees are initially deferred and recognized on a straight-line basis over the estimated average customer life.

Product revenues are billed at the time the order is received and recognized when the product has been delivered to the customer.

The Company enters into arrangements with multiple-deliverables that generally include services to be provided under the subscription plan and the sale of products used in connection with the Company's services. The Company allocates the consideration to each deliverable in a multiple-deliverable arrangement based upon its relative selling prices. The Company determines the selling price using vendor-specific objective evidence (VSOE) for its service subscription plans and best estimated selling price (BESP) for its product offerings. Consideration allocated to each deliverable, limited to the amount not contingent on future performance, are then recognized to revenues when the basic revenue recognition criteria are met for the respective deliverable.

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The Company determines VSOE based on historical standalone sales to customers. In determining VSOE, the Company requires that a substantial majority of the selling prices fall within a reasonably narrow pricing range. VSOE exists for all of the Company's service subscription plans. The Company uses BESP as the selling price for its product offerings because the Company is not able to determine VSOE of fair value from standalone sales or third-party evidence of selling price ( TPE ). The Company estimates BESP for a product by considering company-specific factors such as pricing objectives, direct product and other costs, bundling and discounting practices and contractually stated prices.

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**RINGCENTRAL, INC.**

**Notes to Consolidated Financial Statements**

A portion of the Company's services revenues and product revenues are generated through sales by resellers. When the Company assumes a majority of the business risks associated with performance of the contractual obligations, 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's assumption of such business risks is evidenced when, among other things, it takes responsibility for delivery of the product or service, is involved in establishing pricing of the arrangement, assumes credit and inventory risk, and is the primary obligor in the arrangement. When a reseller assumes the majority of the business risks associated with the performance of the contractual obligations, the Company records the associated revenues at the net amount received from the reseller. The Company recognizes revenues from resellers when the following criteria are met:

persuasive evidence of an arrangement exists through a contract with the customer;

the service is being provided to the customer or the product has been delivered;

the amount of fees to be paid by the customer is fixed or determinable; and

the collection of the fees is reasonably assured.

The Company's deliverables sold through its reseller agreements consist of the Company's services subscriptions and products. Service subscriptions sold through resellers are recognized on a straight-line basis over the period the underlying services are provided to the end customer. Products sold through resellers are shipped directly to the end customer and are recognized when title transfers to the end customer. Revenues from resellers have predominantly been recorded on a gross basis for all periods presented.

The Company records reductions to revenues for estimated sales returns and customer credits at the time the related revenues are recognized. Sales returns and customer credits are estimated based on historical experience, current trends and expectations regarding future experience.

Customer billings related to taxes imposed by and remitted to governmental authorities on revenue-producing transactions are reported on a net basis. When such remitted taxes exceed the amount billed to customers, the cost is included in general and administrative expenses.

Amounts billed in excess of revenues recognized for the period are reported as deferred revenue on the consolidated balance sheet. The Company's deferred revenue consists primarily of unearned revenue on annual and monthly service plans.

***Cost of Revenues***

Cost of services revenues primarily consists of costs of network capacity purchased from third-party telecommunications providers, network operations, costs to equip 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. Cost of services revenue also includes personnel costs associated with non-administrative 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 services revenues is expensed as incurred.

Cost of product revenues is comprised primarily of the cost associated with purchased phones, shipping costs, as well as personnel costs for contractors and allocated costs of facilities and





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**RINGCENTRAL, INC.**

**Notes to Consolidated Financial Statements**

information technology related to the procurement, management and shipment of phones. Cost of product revenues is expensed in the period product is delivered to the customer.

***Share-Based Compensation***

All share-based compensation granted to employees is measured as the grant date fair value of the award and recognized in the consolidated statement of operations over the requisite service period, which is generally the vesting period. The Company estimates the fair value of stock options using the Black-Scholes-Merton option pricing model. Compensation expense is recognized using the straight-line method net of estimated forfeitures.

Compensation expense for stock options granted to non-employees is calculated using the Black-Scholes-Merton option pricing model and is recognized in the consolidated statement of operations over the service period. Compensation expense for non-employee stock options subject to vesting is revalued as of each reporting date until the stock options are vested.

***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, except for internal-use software development costs that qualify for capitalization.

***Advertising Costs***

Advertising costs, which include various forms of e-commerce such as search engine marketing, as well as more traditional forms of media advertising such as radio and billboards, are expensed as incurred and were \$13,046,000, \$21,915,000, and \$22,943,000 for the years ended December 31, 2011, 2012 and 2013, respectively.

***Commissions***

Commissions consist of variable compensation earned by sales personnel and third-party resellers. Sales commissions associated with the acquisition of a new customer contract are recognized as sales and marketing expense at the time the customer has entered into a binding agreement.

***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, 2012 and 2013, 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 because of

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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 reporting segment.

***Indemnification***

Certain of the Company's agreements with resellers and customers include provisions for indemnification against liabilities if its services infringe 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 and the Company has not accrued any liabilities related to such obligations in the consolidated financial statements as of December 31, 2012 or 2013.

***Recent Accounting Pronouncements***

In February 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. The new guidance requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. The Company has adopted this standard during the first quarter of 2013. The adoption of this standard expanded the consolidated financial statement footnote disclosures, however there were no amounts reclassified out of accumulated other comprehensive income in any period presented.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists*. The new guidance requires the netting of unrecognized tax benefits ( UTBs ) against a deferred tax asset for a loss or other carry-forward that would apply in settlement of the uncertain tax positions. Under the new standard, UTBs will be netted against all available same-jurisdiction loss or other tax carry-forwards that would be utilized, rather than only against carry-forwards that are created by the UTBs. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The ASU should be applied prospectively to all UTBs that exist at the effective date. Retrospective application is permitted. The Company does not expect the adoption of this guidance to have any significant impact on the Company's consolidated financial statements.

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

	<b>December 31,</b>	
	<b>2012</b>	<b>2013</b>
Cash	\$ 3,599	\$ 34,561
Money market funds	34,265	81,817
<b>Total cash and cash equivalents</b>	<b>\$ 37,864</b>	<b>\$ 116,378</b>

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

	<b>December 31,</b>	
	<b>2012</b>	<b>2013</b>
Accounts receivable-trade	\$ 2,683	\$ 2,192
Unbilled accounts receivable-trade	440	992
Allowance for doubtful accounts	(433)	(139)
<b>Accounts receivable, net</b>	<b>\$ 2,690</b>	<b>\$ 3,045</b>

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

	<b>December 31,</b>	
	<b>2012</b>	<b>2013</b>
Computer hardware and software	\$ 23,973	\$ 30,449
Internal-use software development costs	3,319	4,636
Furniture and fixtures	700	1,127
Leasehold improvements	441	859
<b>Property and equipment, gross</b>	<b>28,433</b>	<b>37,071</b>
Less: accumulated depreciation	(11,425)	(20,411)
<b>Property and equipment, net</b>	<b>\$ 17,008</b>	<b>\$ 16,660</b>

Total depreciation and amortization expense was \$3,546,000, \$6,191,000, and \$8,980,000 for the fiscal years ended December 31, 2011, 2012 and 2013, respectively.

Accrued liabilities consisted of the following (in thousands):

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	December 31,	
	2012	2013
Accrued compensation and benefits	\$ 3,216	\$ 5,660
Accrued sales, use and telecom related taxes	4,580	3,967
Accrued expenses	11,998	10,168
Other	1,693	764
Total accrued liabilities	\$ 21,487	\$ 20,559

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**Table of Contents****RINGCENTRAL, INC.****Notes to Consolidated Financial Statements****Note 3. Fair Value of Financial Instruments**

The Company carries certain financial assets consisting of money market funds and certificates of deposit at fair value on a recurring basis. Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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

Level 2: Observable inputs other than Level 1 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 valuation techniques.

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

	Balance at December 31, 2012	(Level 1)	(Level 2)	(Level 3)
Cash equivalents:				
Money market funds	\$ 34,265	\$ 34,265	\$	\$
Other assets:				
Certificates of deposit	\$ 500	\$	\$ 500	\$
	Balance at December 31, 2013	(Level 1)	(Level 2)	(Level 3)
Cash equivalents:				
Money market funds	\$ 81,817	\$ 72,717	\$ 9,000	\$
Other assets:				
Certificates of deposit	\$ 630	\$	\$ 630	\$

During 2012, the Company issued TriplePoint Capital, LLC ( TriplePoint ) preferred stock warrants in connection with a debt agreement that were recorded as a liability at issuance and carried at fair value for a portion of the year prior to reclassification to stockholders' equity. The fair value of the warrants at the issuance date was \$454,000 and \$473,000 on the date of reclassification. The fair value of preferred stock warrants was determined by the Black-Scholes-Merton option pricing model, which is a technique using level 3 inputs, based on the assumptions in Note 6.

In June 2013 and August 2013, the Company issued TriplePoint preferred stock warrants in connection with debt agreements that were recorded as liabilities at issuance and were carried at fair value for a portion of the year prior to reclassification to stockholders' equity. The fair value of the warrants at the issuance dates in June 2013 and August 2013 were \$265,000 and \$495,000, respectively. The fair value of the June 2013 and August 2013 warrants at the date of reclassification were \$320,000 and \$500,000, respectively. The fair value of preferred stock warrants was determined by the Black-Scholes-Merton option pricing model which is a technique using level 3 inputs which are detailed in Note 6.

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**Table of Contents****RINGCENTRAL, INC.****Notes to Consolidated Financial Statements**

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. Based on borrowing rates available to the Company for loans with similar terms and considering the Company's credit risks, the carrying value of debt approximates fair value.

**Note 4. Debt*****Silicon Valley Bank Credit Facility***

In February 2009, the Company entered into a loan and security agreement with Silicon Valley Bank (SVB) that was last amended in December 2013. Under this agreement the Company borrowed \$2,500,000 on a term loan in January 2010 and \$8,000,000 on a capital growth term loan in March 2012, which was equal to the full final lending commitment. The 2010 term loan was repaid in 30 equal monthly installments of principal and interest, which accrued at an annual fixed rate of 6.5%. In addition, a final terminal payment was made at maturity equal to 3.5% of the original loan principal. The 2010 term loan was repaid in full during the third quarter of 2012. The 2012 capital growth term loan is required to be repaid in 36 equal monthly installments of principal plus interest, which accrues at a floating annual rate equal to prime plus 2.75%. In addition, a final terminal payment is due at maturity equal to 0.5% of the original loan principal. At December 31, 2013, the outstanding principal balance of the SVB capital growth term loan was \$3,333,000.

In August 2013, the Company entered into an amended loan and security agreement with SVB (the Amended SVB Credit Agreement), which provides for a revolving line of credit of up to \$15,000,000 and a mezzanine term loan of up to \$5,000,000. The revolving line of credit bears interest at a floating annual rate of prime plus 2.0%, which must be paid monthly, and all outstanding principal and unpaid interest must be repaid by August 13, 2015. The mezzanine term loan bears interest at a fixed annual rate of 11.0%, which must be paid monthly, and all principal amounts and unpaid interest must be repaid by August 1, 2016, unless the Company voluntarily repays the balance at an earlier date without penalty. A final payment of 2.75% of the amount advanced under the mezzanine term loan is due upon repayment of this loan at maturity or prepayment of this loan. On August 14, 2013, the Company borrowed \$10,778,000 under the revolving line of credit, which represented the full available borrowing capacity on that date. The borrowing limit available under the revolving line of credit increases as the principal balance of the existing \$8,000,000 capital growth term loan from SVB is repaid subject to limits based on recurring subscription revenue. The Company does not expect this requirement will limit the amount of borrowings available under the line of credit. The existing capital growth term loan had an outstanding balance of \$4,222,000 when the Company entered into the Amended SVB Credit Agreement. At December 31, 2013, the principal balance and available borrowing capacity of the revolving line of credit were \$10,778,000 and \$889,000, respectively. On August 16, 2013, the Company borrowed the full \$5,000,000 available under the mezzanine term loan.

In connection with the Amended SVB Credit Agreement, the Company issued SVB warrants to purchase 90,324 shares of its Series E preferred stock at an exercise price of \$9.69 per share. As the Series E preferred stock warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$866,000 being recorded, with a corresponding increase to additional paid in capital as part of stockholders' equity. The fair value of the Series E preferred stock warrants was measured at issuance using the Black-Scholes-Merton option pricing model with the following assumptions: (i) expected volatility of 60%, (ii) expected life of 10.0 years, (iii) risk free interest rate of 2.7%,

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(iv) dividend yield of 0.00%, and (v) fair value of Series E preferred stock of \$12.86 per share. Upon the effectiveness of the Registration Statement and the filing of its Certificate of Incorporation in Delaware on September 26, 2013, the Series E preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively.

On December 31, 2013, the Company refinanced certain of its outstanding debt as described below, to lower the interest rate on such debt (the Refinancing ). In connection with the Refinancing, on December 31, 2013, the Company entered into a Second Amendment to the Amended SVB Credit Agreement (the Amendment ) by and among the Company and SVB. The Amendment amends the terms of the Company's Amended SVB Credit Agreement and provides for an additional term loan in the principal amount of up to \$15,000,000 (the New SVB term Loan ), all of which the Company borrowed from SVB on December 31, 2013.

The proceeds of the New SVB term loan were used to repay the SVB \$5,000,000 mezzanine term loan it borrowed from SVB on August 16, 2013, and all of the outstanding term loans under the Growth Capital Loan and Security Agreement dated June 22, 2012 with TriplePoint, as amended. Amounts repaid under the prior term loans cannot be reborrowed and upon repayment, all obligations under the prior term loans have terminated. In connection with the Refinancing, the Company recognized a loss on the early extinguishment of previously outstanding debt of \$1,833,000. The loss which has been charged to interest expense in the statement of operations, is composed of \$1,342,000 of non-cash interest expense related to the write-off of unamortized loan discounts and debt issuance costs and \$491,000 of cash interest expense related to unaccrued end of term interest payments due upon pre-payment of the loans.

The New SVB term loan bears interest at an annual rate of, at the Company's option, (i) prime rate as reported in The Wall Street Journal plus a margin of 0.75% or 1.00% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.75% or 4.00%, in each case such margin being determined based on the average cash balances maintained with SVB or SVB's affiliates for the preceding month. Interest is due and payable in arrears monthly for prime rate loans and at the end of an interest period for LIBOR rate loans. Principal is required to be repaid in 48 equal monthly installments. The New SVB term loan is subject to substantially the same affirmative and negative covenants and events of default as the Amended SVB Credit Agreement.

The Amended SVB Credit Agreement provides for a revolving line of credit of up to \$15,000,000. As of December 31, 2013, the outstanding principal balance under the revolving line of credit is \$10,778,000. The Amendment amends the interest rate of this revolving line of credit to an annual rate of, at the Company's option, (i) prime rate as reported in The Wall Street Journal plus a margin of 0.25% or 0.50% or (ii) adjusted LIBOR rate (based on one, two, three or six-month interest periods) plus a margin of 3.25% or 3.50%, in each case such margin being determined based on the average cash balances maintained with SVB or SVB's affiliates for the preceding month.

The Company has pledged all of its assets, excluding intellectual property, as collateral to secure its obligations under the Amended SVB Credit Agreement. The Amended SVB Credit Agreement contains customary negative covenants that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The Amended SVB Credit Agreement also contains customary affirmative covenants, which were amended by the Amendment in December 2013, including requirements to, among other things, (i) maintain minimum cash balances representing the greater of \$10,000,000 or three times the Company's quarterly cash burn rate, as defined in the Amended SVB



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**RINGCENTRAL, INC.**

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Credit Agreement and (ii) maintain minimum EBITDA levels, as determined in accordance with the Amendment. The Company was in compliance with all covenants under its credit agreement with SVB as of December 31, 2013.

***TriplePoint Capital Credit Facility***

In June 2012, the Company entered into a growth capital loan and security agreement and an equipment loan and security agreement with TriplePoint. Under the growth capital loan and security agreement, the Company borrowed \$6,000,000 in term loans in June 2012 ( growth capital loan part I ), equal to the full lending commitment available at the time. The growth capital loan part I is required to be repaid in 33 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 8.5% after an interest-only period of three months. In addition, a final terminal payment is due at maturity equal to 4.0% of the original loan principal. The growth capital loan part I was repaid in full on December 31, 2013 in connection with the Refinancing.

Under the equipment loan and security agreement, the Company borrowed \$9,691,000 in term loans in August 2012 from the \$10,000,000 lending commitment available at the time. The equipment term loans are required to be repaid in 36 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 5.75%. In addition, a final terminal payment is due at maturity equal to 10% of the original loan principal. The equipment term loans remain outstanding and were not impacted by the Refinancing. At December 31, 2013, the outstanding principal balance of the TriplePoint equipment term loan was \$5,032,000.

Under the growth capital loan and security agreement, the Company was permitted to borrow an additional \$4,000,000 on or before June 21, 2013 upon the submission of a Form S-1 registration statement to the SEC contemplating an IPO of the Company's common stock with expected total net proceeds of at least \$50,000,000. On June 21, 2013, the Company achieved the milestone necessary to access the additional \$4,000,000 available under the original terms of the growth capital loan and security agreement and borrowed \$4,000,000 ( growth capital loan part II ). The growth capital loan part II is required to be repaid in 33 equal monthly installments of principal and interest, which accrues at an annual fixed rate of 8.5% after an interest-only period of 3 months, which accrues at a fixed rate of 9.0%. In addition, a final terminal payment is due at maturity equal to 4.0% of the original loan principal. This growth capital loan part II was repaid in full on December 31, 2013 in connection with the Refinancing.

In connection with the growth capital loan part II, the Company issued to TriplePoint a warrant to purchase 33,192 shares of Series D preferred stock with the exercise price set at the lower of: (i) \$6.03 per share or (ii) the lowest price per share in the next round of equity financing. As the Series D preferred stock warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$265,000 being recorded. As a result of the variable exercise price feature, the Series D preferred stock warrants were recorded at fair value and classified as liabilities at issuance, with changes in fair value recognized in other income and expense for the period the warrants remained classified as liabilities. The fair value of the Series D preferred stock warrants was reclassified to stockholders' equity on September 26, 2013, the date of the effectiveness of the Registration Statement and the filing of its Certificate of Incorporation in Delaware, when the Series D preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the Series D preferred stock warrants was measured at issuance using the Black-Scholes-Merton option pricing model with the following assumptions: (i) expected

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volatility of 55%, (ii) expected life of 7.0 years, (iii) risk free interest rate of 1.9%, (iv) dividend yield of 0.00%, and (v) fair value of Series D preferred stock of \$11.41 per share.

In August 2013, the Company amended the growth capital loan and security agreement with TriplePoint to provide an additional \$5,000,000 term loan ( growth capital loan part III ). In September 2013, the Company entered into a second amendment to the growth capital loan facility to adjust the repayment terms such that the term loan is required to be paid over 36 months as follows: 36 months of interest-only payments at a fixed annual rate of 11.0% and the loan principal at maturity. In addition, a final payment of 2.75% of the original principal amount is due at maturity, which is August 13, 2016, or upon prepayment of this loan. On August 19, 2013, the Company borrowed the full \$5,000,000 available under this term loan. This growth capital loan part III was repaid in full on December 31, 2013 in connection with the Refinancing.

In connection with growth capital loan part III, the Company issued to TriplePoint a warrant to purchase 51,614 shares of Series E preferred stock at an exercise price set at the lower of: (i) \$9.69 per share or (ii) the lowest price per share in the next round of equity financing. As the Series E preferred stock warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$495,000 being recorded. As a result of the variable exercise price feature, the Series E preferred stock warrants were recorded at fair value and classified as liabilities at issuance, with changes in fair value recognized in other income and expense for the period the warrants remained classified as liabilities. The fair value of the Series E preferred stock warrants was reclassified to stockholders' equity on September 26, 2013, the date of the effectiveness of the Registration Statement and the filing of its Certificate of Incorporation in Delaware, when the Series E preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the Series E preferred stock warrants was measured at issuance using the Black-Scholes-Merton option pricing model with the following assumptions: (i) expected volatility of 60%, (ii) expected life of 10.0 years, (iii) risk free interest rate of 2.7%, (iv) dividend yield of 0.00%, and (v) fair value of Series E preferred stock of \$12.86 per share.

The TriplePoint equipment loan and security agreement contain customary negative covenants that limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets and merge or consolidate. The TriplePoint equipment loan and security agreement also contain customary affirmative covenants, including requirements to, among other things, deliver audited financial statements. The Company was in compliance with all covenants under its credit agreements with TriplePoint as of December 31, 2013.

***Other Debt***

In April 2012, the Company borrowed \$1,500,000 to finance the purchase of software. The loan is required to be repaid in three equal installments of \$500,000 due in April 2012, January 2013 and January 2014.

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The Company's outstanding balances under its debt agreements as of December 31, 2012 and 2013 were as follows (in thousands):

	<b>December 31,</b>	
	<b>2012</b>	<b>2013</b>
SVB loan and security agreement	\$ 6,000	\$ 29,111
TriplePoint growth capital loan agreement	5,348	
TriplePoint equipment loan agreement	8,151	5,032
Other	1,000	500
	20,499	34,643
Loan discounts	(435)	(416)
<b>Net carrying value of debt</b>	<b>\$ 20,064</b>	<b>\$ 34,227</b>

As of December 31, 2013, future principal payments are scheduled as follows (in thousands):

	<b>December 31,</b>	
	<b>2013</b>	
Year ending December 31:		
2014	\$	9,910
2015		16,920
2016		3,750
2017		3,750
2018		313
	\$	34,643

**Note 5. Commitments and Contingencies****Leases**

The Company leases facilities for office space under noncancelable operating leases for its U.S. and international locations and has entered into capital lease arrangements to obtain property and equipment for its operations. In addition, the Company leases space from third-party datacenter hosting facilities under co-location agreements to support its cloud infrastructure. As of December 31, 2013, noncancelable leases expire on various dates between 2014 and 2017 and require the following future minimum lease payments by year (in thousands):

	<b>Capital Leases</b>	<b>Operating Leases</b>
Year ending December 31:		
2014	\$ 388	\$ 2,724
2015	258	2,563
2016		1,311
2017		435

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Total future minimum lease payments	646	\$ 7,033
Less: amount representing interest	(52)	
Total capital lease obligations	594	
Less: Current portion of capital lease obligation	(347)	
Capital lease obligations		\$ 247

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Property and equipment recorded under capital leases consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2012</b>	<b>2013</b>
Total assets acquired under capital lease	\$ 2,317	\$ 2,317
Less: accumulated amortization	(1,029)	(1,693)
<b>Leased property and equipment, net</b>	<b>\$ 1,288</b>	<b>\$ 624</b>

Leases for certain office facilities include scheduled periods of abatement and escalation of rental payments. The Company recognizes rent expense on a straight-line basis for all operating lease arrangements with the difference between required lease payments and rent expense recorded as deferred rent. Total rent expense was \$533,000, \$1,261,000 and \$1,324,000 for the fiscal years ended December 31, 2011, 2012 and 2013, respectively.

***Sales Tax Liability***

During 2010 and 2011, the Company increased its sales and marketing activities in the U.S., which may be asserted by a number of states to create an obligation under nexus regulations to collect sales taxes on sales to customers in the state. Prior to 2012, the Company did not collect sales taxes from customers on sales in all states. In the second quarter of 2012, the Company commenced collecting and remitting sales taxes on sales in all states, therefore the loss contingency is applicable to sales and marketing activities in 2010, 2011 and the three months ended March 31, 2012. As of December 31, 2012 and 2013, the Company recorded a long-term sales tax liability of \$3,877,000, and \$3,988,000, respectively, based on its best estimate of the probable liability for the loss contingency incurred as of those dates. The Company's estimate of a probable outcome under the loss contingency is based on analysis of its sales and marketing activities, revenues subject to sales tax, and applicable regulations in each state in each period. No significant adjustments to the long-term sales tax liability have been recognized in the accompanying consolidated financial statements for changes to the assumptions underlying the estimate. However, changes in management's assumptions may occur in the future as the Company obtains new information which can result in adjustments to the recorded liability. Increases and decreases to the long-term sales tax liability are recorded as general and administrative expense.

A current sales tax liability for non-contingent amounts expected to be remitted in the next 12 months of \$3,574,000 and \$3,451,000 is included in accrued liabilities as of December 31, 2012 and 2013, respectively.

***Legal Matters***

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. Legal fees are expensed in the period in which they are incurred. As of December 31, 2013, the Company did not have any accrued liabilities recorded for such loss contingencies. At December 31, 2012, the Company recorded accrued liabilities of \$1,075,000, for the probable and estimable amount of all loss contingencies related to legal matters.

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In June 2011, j2 Global, Inc. ( j2 ), and Advanced Messaging Technologies, Inc. ( Advanced Messaging ), filed a joint complaint against the Company in the U.S. District Court for the Central District of California, Case No. 2:11-cv-04686-DDP-AJW, alleging infringement of U.S. Patent Nos. 6,208,638, 6,350,066, and 7,020,132, and seeking a permanent injunction, damages, and attorneys' fees should judgment be found against the Company. On March 4, 2013, Advanced Messaging filed a second complaint against the Company in the U.S. District Court for the Central District of California, Case No. 2:13-CV-01526, alleging infringement of U.S. Patent No. 7,975,368. On April 26, 2013, the Company entered into a license and settlement agreement with j2 and one of its affiliates to settle the matters. Under the terms of the settlement, the parties granted each other certain patent cross-licenses for over 10 years and the parties have dismissed all claims in these matters with prejudice.

On December 21, 2012, CallWave Communications, LLC ( CallWave ), which the Company believes is a non-practicing entity, filed a lawsuit against the Company in the U.S. District Court for the District of Delaware, CallWave Communications, LLC v. RingCentral, Inc., Case No. 1:12-cv-01748-RGA alleging patent infringement by the Company and AT&T, a reseller of the Company's products and services. CallWave has asserted similar claims against other companies, including Google Inc., AT&T Inc., AT&T Mobility LLC, Sprint Nextel Corp., T-Mobile US, Inc., Verizon Communications, Inc., Research in Motion Limited and Telovations, Inc. Since then, CallWave amended its complaint twice such that they asserted U.S. Patents Nos. 7,397,910 (the 910 patent), 7,555,110 (the 110 patent), 7,822,188 (the 188 patent), 8,325,901 (the 901 patent), 7,636,428 (the 428 patent), 8,351,591 (the 591 patent), 8,064,588 (the 588 patent), and 7,839,987 (the 987 patent) against the Company's products and services and AT&T's Office@Hand products and services, seeking damages but no injunction. On April 1, 2013, the Company filed an Answer and Counterclaims denying all claims by CallWave in its first amended complaint. On June 3, 2013, the Company filed an Answer and Counterclaims denying all claims by CallWave in its second amended complaint. In September 2013, the Company entered into a license and settlement agreement with CallWave to settle the matter. Under the terms of the settlement, CallWave granted the Company a non-exclusive license and agreed to dismiss all claims in these matters with prejudice, including any claims for which the Company was required to indemnify and defend AT&T. As part of the settlement, the Company agreed to pay CallWave cash consideration which it recognized as general and administrative expense during the second quarter as it determined the payment to be a cost to settle a loss contingency, and the amount was probable and estimable. During the third quarter of 2013, the Company paid substantially all of the cash consideration due under the settlement agreement.

On September 6, 2013, the Company received a letter from Capital Legal Group, LLC on behalf of Cronos Technologies LLC, which the Company believes is a non-practicing entity, asserting that the Company should consider engaging in licensing discussions regarding U.S. Patent No. 5,664,110 (the Cronos patent ). In October 2013, the Company obtained non-exclusive rights to the Cronos patent through August 19, 2016. No complaint or other action has been filed, no specific demand for a license has been made, and the letter does not allege any infringement by the Company of the referenced patent.

***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 does so 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 continued COBRA coverage. As of December 31, 2013, 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.

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In connection with the IPO, the Company reincorporated in Delaware on September 26, 2013. The Delaware Certificate of Incorporation provides for two classes of common stock upon the effectiveness of the IPO: 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 rights, preferences, and privileges of which may be designated from time to time by the Board of Directors.

Upon effectiveness of the Company's registration statement on Form S-1 (the Registration Statement) and the filing of the Certificate of Incorporation in Delaware on September 26, 2013, all shares of the Company's outstanding convertible preferred stock automatically converted into 30,368,527 shares of Class B common stock, and all shares of the Company's outstanding common stock automatically converted into 23,316,877 shares of Class B common stock, resulting in 53,685,404 total shares of Class B common stock outstanding at September 26, 2013.

On October 2, 2013, the Company closed its IPO and sold 8,545,000 shares of Class A common stock, including the underwriters' overallotment option of 1,125,000, and an additional 80,000 shares of Class A common stock were sold by selling stockholders, all at a price of \$13.00 per share to the public on the New York Stock Exchange (NYSE). Class B common stock is not registered with the SEC and not listed on the NYSE. As of December 31, 2013 there were 9,200,774 shares of Class A common stock and 53,043,295 shares of Class B common stock outstanding.

***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 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 the Class A and Class B common stock. As of December 31, 2013, there were no shares of preferred stock issued or outstanding.

***Convertible Preferred Stock***

Convertible preferred stock authorized, issued and outstanding as of December 31, 2012 (in thousands) follows:

	Shares authorized	Shares issued and outstanding	Net proceeds	Aggregate liquidation preference
Series A	16,847	16,847	\$ 12,064	\$ 12,164
Series B	5,729	5,657	11,790	11,868
Series C	3,289	3,031	9,870	10,000
Series D	2,300	1,737	10,385	10,464
Series E	4,129	3,097	29,911	30,000
	32,294	30,369	\$ 74,020	\$ 74,496

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On September 26, 2013, all outstanding shares of convertible preferred stock converted in the aggregate into 30,368,527 shares of Class B common stock.

***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 our Class A common stock and Class B common stock have identical rights for matters 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) 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 year anniversary of the closing date of the IPO (October 2, 2020).

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

	<b>December 31, 2013</b>
Preferred stock	100,000
Class B common stock	53,043
Common stock warrants	502
2013 Employee stock purchase plan	1,250
2013 Equity incentive plan:	
Outstanding options and restricted stock unit awards	11,224
Available for future grants	6,014
	172,033

As of December 31, 2012 and 2013, there were 100,193 and 37,075 shares of common stock outstanding related to the early exercise of nonvested options subject to repurchase by the Company upon termination of service by an employee.

***Warrants***

The Company has issued common stock warrants to consultants for services and preferred stock warrants to lenders in connection with its debt agreements. Upon effectiveness of the Company's Registration Statement and the filing of its Certificate of Incorporation in Delaware on September 26, 2013, all outstanding preferred stock warrants automatically converted to Class B common stock



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warrants. As of December 31, 2013, outstanding warrants to purchase shares of Class B common stock were as follows (number of warrant shares in thousands):

<b>Class of shares</b>	<b>Number of Warrant Shares Outstanding and Exercisable</b>	<b>Weighted- Average Exercise price Per Share</b>	<b>Weighted- Average Contractual Term (in Years)</b>
Common stock	502	\$ 5.05	5.9

In connection with amendments to its loan agreements with SVB and TriplePoint in August 2013, the Company issued SVB a warrant to purchase 90,324 shares of Series E preferred stock (the 2013 SVB Series E warrants ) and issued TriplePoint a warrant to purchase 51,614 shares of Series E preferred stock (the 2013 TriplePoint Series E warrants ). As the 2013 SVB Series E warrants were issued in connection with a loan and had a fixed exercise price of \$9.68 per share, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$866,000 being recorded, with a corresponding increase to additional paid in capital as part of stockholders' equity. See Note 4 for assumptions used in Black-Scholes-Merton option pricing model to fair value the 2013 SVB Series E warrants at issuance.

The 2013 TriplePoint Series E warrants were issued with an exercise price equal to the lower of: (i) \$9.68 or (ii) lowest price per share in the next round of equity financing. As the 2013 TriplePoint Series E warrants were issued in connection with a loan, the proceeds were allocated to the loan and the warrants based on the relative fair value of the instruments resulting in a loan discount of \$495,000 being recorded. As a result of the exercise price adjustment feature, the 2013 TriplePoint Series E warrants were not indexed to the Company's stock and were classified as liabilities on the date of issuance. The exercise price adjustment feature for the 2013 TriplePoint Series E warrants expired upon the effectiveness of the Registration Statement and the filing of the Company's Certificate of Incorporation in Delaware (September 26, 2013). Upon the expiration of the exercise price adjustment feature, the 2013 TriplePoint Series E warrants became indexed to the Company's stock and were reclassified as stockholders' equity. The 2013 TriplePoint Series E warrants were recorded at fair value for the period the warrants were classified as liabilities with changes in fair value recognized in other income and expense. The fair value of the 2013 TriplePoint Series E warrants was reclassified to stockholders' equity on September 26, 2013 when the Series E preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the 2013 TriplePoint Series E warrants was measured during the period outstanding through the reclassification date using the Black-Scholes-Merton option pricing model with the following assumptions:

Expected volatility	58% 60%
Expected life in years	9.9 10.0
Risk free interest rate	2.64% 2.71%
Dividend yield	0.00%

In connection with the \$4,000,000 growth capital part II loan draw from TriplePoint in June 2013, the Company issued TriplePoint a warrant to purchase 33,192 shares of Series D preferred stock with the exercise price set at the lower of: (i) \$6.03 per share or (ii) the lowest price per share in the next round of equity financing (the 2013 TriplePoint Series D warrants ). As the 2013 TriplePoint Series D warrants were issued in connection with a loan, the proceeds were allocated to the loan and the

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warrants based on the relative fair value of the instruments resulting in a loan discount of \$265,000 being recorded. As a result of the exercise price adjustment feature, the 2013 TriplePoint Series D warrants were not indexed to the Company's stock and were classified as liabilities on the date of issuance. The exercise price adjustment feature for the 2013 TriplePoint Series D warrants expired upon the effectiveness of the Registration Statement and the filing of the Company's Certificate of Incorporation in Delaware (September 26, 2013). Upon the expiration of the exercise price adjustment feature, the 2013 TriplePoint Series D warrants became indexed to the Company's stock and were reclassified as stockholders' equity. The 2013 TriplePoint Series D warrants were recorded at fair value for the period the warrants were classified as liabilities with changes in fair value recognized in other income and expense. The fair value of the 2013 TriplePoint Series D warrants was reclassified to stockholders' equity on September 26, 2013 when the Series D preferred stock and preferred stock warrants were converted into Class B common stock and warrants to purchase Class B common stock, respectively. The fair value of the 2013 TriplePoint Series D warrants was measured during the period outstanding through the reclassification date using the Black-Scholes-Merton option pricing model with the following assumptions:

Expected volatility	55%	58%
Expected life in years	6.8	7.0
Risk free interest rate	1.91%	2.64%
Dividend yield	0.00%	

In connection with the execution of the TriplePoint credit facility and the growth capital part I and equipment loan draws, warrants to purchase 106,975 shares of Series D preferred stock were issued to TriplePoint in June and August 2012 (the 2012 Series D warrants), with an exercise price equal to the lower of: (i) \$6.03 or (ii) lowest price per share in the next round of equity financing. As a result of the exercise price adjustment feature, the 2012 Series D warrants were not indexed to the Company's stock and were classified as liabilities on the date of issuance. The exercise price adjustment feature for the 2012 Series D warrants expired with the issuance of Series E preferred stock in November 2012. Upon the expiration of the exercise price adjustment feature, the 2012 Series D warrants became indexed to the Company's stock and were reclassified as stockholders' equity. The 2012 Series D warrants were recorded at fair value for the period the warrants were classified as liabilities with changes in fair value recognized in other income and expense. The fair value of the 2012 Series D warrants was measured during the period outstanding through the reclassification date using the Black-Scholes-Merton option pricing model with the following assumptions:

Expected volatility	56%	65%
Expected life in years	6.5	7.0
Risk free interest rate	1.06%	1.15%
Dividend yield	0.00%	

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A summary of share-based compensation expense recognized in the Company's consolidated statements of operations follows (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Cost of services revenues	\$ 141	\$ 235	\$ 539
Research and development	260	837	1,495
Sales and marketing	297	651	1,313
General and administrative	490	1,379	4,193
<b>Total share-based compensation expense</b>	<b>\$ 1,188</b>	<b>\$ 3,102</b>	<b>\$ 7,540</b>

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

	Year Ended December 31,		
	2011	2012	2013
Options	\$ 1,188	\$ 3,102	\$ 7,069
Employee stock purchase plan rights			453
Restricted stock units			18
<b>Total share-based compensation expense</b>	<b>\$ 1,188</b>	<b>\$ 3,102</b>	<b>\$ 7,540</b>

**Equity Incentive Plans**

In September 2013, the Board adopted and the Company's stockholder approved the 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan became effective on September 26, 2013. In connection with the adoption of the 2013 Plan, the Company terminated the 2010 Equity Incentive Plan (the "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 (the "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 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 have been 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) 5.0% 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.

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 Company's board of directors. Option awards are generally granted with an exercise price equal to the fair market value of the Company's common stock as determined by the Company's board of directors at the date of grant. Option awards generally vest according to a graded vesting schedule based on four years of continuous service and generally have a 10-year contractual term. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the option agreement) and early exercise of the option prior to vesting (subject to the Company's repurchase right). As of December 31, 2013 a total of 6,014,000 shares remain available for grant under the 2013 Plan.



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A summary of option activity under all of the plans at December 31, 2013 and changes during the periods 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, 2011	5,621	\$ 1.14	7.8	\$ 8,917
Granted	4,369	4.91		
Exercised	(484)	1.15		
Canceled/Forfeited	(897)	2.18		
Outstanding at December 31, 2012	8,609	2.89	7.2	\$ 40,705
Granted	3,856	\$ 11.54		
Exercised	(607)	1.47		
Canceled/Forfeited	(702)	4.31		
Outstanding at December 31, 2013	11,156	\$ 5.87	7.7	\$ 139,484
Vested and expected to vest as of December 31, 2013	10,346	\$ 5.56	7.6	\$ 132,578
Exercisable as of December 31, 2013	5,023	\$ 2.37	6.1	\$ 80,378

The weighted average grant date fair value of options granted and the total intrinsic value of options exercised were as follows (in thousands, except weighted average grant date fair value):

	Year Ended December 31,		
	2011	2012	2013
Weighted average grant date fair value per share	\$ 1.18	\$ 3.07	\$ 6.19
Total intrinsic value of options exercised	\$ 2,035	\$ 3,134	\$ 10,261

**Early Exercises of Nonvested Options**

The Company's option agreements with certain employees permit the early exercise of nonvested stock options. The Company has the right to repurchase issued but nonvested shares of common stock at the original exercise price following the termination of service. The shares are released from the repurchase right according to the vesting schedule specified in the option agreement. The Company treats the proceeds from early exercise as a deposit of the exercise price and records the cash received initially as a liability that is reclassified to stockholders' equity as the shares vest. A summary of the status of the Company's nonvested shares as of December 31, 2012 and 2013, and changes during the periods then ended is presented below (in thousands):

	Number of Shares	Nonvested Common Stock Liability
Nonvested as of December 31, 2011	58	\$ 64
Early exercises	100	200
Vested	(58)	(60)

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Nonvested as of December 31, 2012	100	204
Early exercises		
Vested	(63)	(117)
Nonvested as of December 31, 2013	37	\$ 87

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**RINGCENTRAL, INC.**

**Notes to Consolidated Financial Statements**

***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 and dividend yield.

***Fair Value of Common Stock***

Given the absence of a public trading market prior to the IPO, the Company's board of directors considered numerous objective and subjective factors to determine the fair value of common stock at each meeting at which awards were approved. These factors included, but were not limited to: (i) contemporaneous valuations of common stock performed by an unrelated valuation specialist; (ii) developments in the Company's business and stage of development; (iii) the Company's operational and financial performance and condition; (iv) issuances of preferred stock and the rights and preferences of preferred stock relative to common stock; (v) current condition of capital markets and the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company; and (vi) the lack of marketability of common stock. For financial reporting purposes, the Company also considered contemporaneous valuations of common stock prepared for dates subsequent to the grant date. For certain option grants in 2012 and 2013 that occurred on an interim date between valuation dates, the fair value of common stock used in the option pricing model to measure share-based compensation for the period exceeded the exercise price. Since the IPO, the Company used the daily closing stock price on the New York Stock Exchange on the date of grant as the fair value of the common stock.

***Expected Term***

The expected term represents the period that share-based awards are expected to be outstanding. Since the Company did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the expected term for options issued to employees was calculated as the mean of the option vesting period and the contractual term. The expected term for options issued to non-employees was the contractual term.

***Expected Volatility***

The expected stock price volatility of common stock was derived from the historical volatilities of a peer group of similar publicly traded companies over a period that approximates the expected term of the option.

***Risk-Free Interest Rate***

The risk-free interest rate was based on the yield available on U.S. Treasury zero-coupon issues with a term that approximates the expected term of the option.

***Expected Dividends***

The expected dividend yield was 0% as the Company has not paid, and does not expect to pay, cash dividends.

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

	Year Ended December 31,		
	2011	2012	2013
Expected term for employees (in years)	6.2	6.1	6.1
Expected term for non-employees (in years)	10.0	10.0	10.0
Expected volatility	67%	61%	54%
Risk-free interest	2.08%	0.97%	1.68%
Expected dividends			
Grant date fair value of employee options	\$ 1.18	\$ 3.07	\$ 6.19

As of December 31, 2012 and 2013 there was approximately \$9,587,000 and \$22,439,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to stock option grants, which will be recognized on a straight-line basis over the remaining weighted-average vesting periods of approximately 2.7 years and 3.0 years, respectively.

***Employee Stock Purchase Plan***

In September 2013, the Board adopted, and the Company's stockholder approved a 2013 Employee Stock Purchase Plan (ESPP). The ESPP became effective on September 26, 2013. A total of 1,250,000 shares of Class A common stock have been reserved for issuance under the ESPP. 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.

The ESPP allows eligible employees to purchase shares of the Class A common stock at a discount through payroll deductions of up to the lesser of 15% of their eligible compensation or \$25,000 per calendar year, at not less than 90% of the fair market value, as defined in the ESPP, subject to any plan limitations. A participant may purchase a maximum of 3,000 shares during an offering period. The offering period generally starts on the first trading day on or after May 11th and November 11th of each year, except that the first offering period commenced on the first trading day following the effective date of the Company's registration statement. At the end of the offering period, the purchase price is set at the lower of: (i) the fair value of the Company's common stock at the beginning of the six month offering period, and (ii) the fair value of the Company's common stock at the end of the six month offering period. At December 31, 2013, a total of 1,250,000 shares were available for issuance under the ESPP.

The assumptions used to value employee stock purchase plan rights under the Black-Scholes-Merton model during the twelve months ended December 31, 2013 were as follows:

Expected term (in months)	7
Risk-free interest rate	0.07%
Expected volatility	40%
Expected dividend rate	%



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As of December 31, 2013, there was approximately \$728,000 of unrecognized share-based compensation expense related to outstanding employee stock purchase plan rights under the 2013 ESPP, which will be recognized on a straight-line basis over the remaining weighted average vesting period of approximately 0.4 years.

**Restricted Stock Units**

The 2013 Plan provides for the issuance of restricted stock units to employees. Restricted stock units issued under the 2013 Plan generally vest over four years. During the year ended December 31, 2013, we issued 68,100 restricted stock units of Class B common stock under the 2013 Plan with a weighted average grant date fair value of \$17.22 per share.

As of December 31, 2013 there was a total of \$890,000 of unrecognized share-based compensation expense, net of estimated forfeitures, related to restricted stock units, which will be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately 3.8 years.

**Note 8. Income Taxes**

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

	Year Ended December 31,		
	2011	2012	2013
Current:			
Federal	\$	\$ 28	\$
State	5	9	3
Foreign	10	111	(32)
<b>Total current</b>	<b>15</b>	<b>148</b>	<b>(29)</b>
Deferred:			
Foreign		(56)	(16)
<b>Total income tax expense</b>	<b>\$ 15</b>	<b>\$ 92</b>	<b>\$ (45)</b>

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

	Year Ended December 31,		
	2011	2012	2013
United States	\$ (13,292)	\$ (33,883)	\$ (41,778)
International	(596)	(1,415)	(4,365)
<b>Total net loss before provision (benefit) for income taxes</b>	<b>\$ (13,888)</b>	<b>\$ (35,298)</b>	<b>\$ (46,143)</b>

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The provision (benefit) for income tax differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax loss as a result of the following (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Federal tax benefit at statutory rate	\$ (4,722)	\$ (12,002)	\$ (15,687)
State tax, net of federal benefit	3	6	2
Share-based compensation	385	534	641
Other permanent differences	(141)	171	294
Foreign tax rate differential	(212)	(253)	(20)
Net operating losses not recognized	4,702	11,636	14,725
<b>Total income tax provision (benefit)</b>	<b>\$ 15</b>	<b>\$ 92</b>	<b>\$ (45)</b>

Undistributed earnings of foreign subsidiaries are immaterial for all periods presented.

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):

	December 31,	
	2012	2013
<b>Deferred tax assets:</b>		
Net operating loss and credit carry-forwards	\$ 24,554	\$ 35,904
Research and development credits	895	2,353
Sales tax liability	1,385	1,418
Share-based compensation		2,247
Accrued liabilities	2,704	2,528
<b>Gross deferred tax assets</b>	<b>29,538</b>	<b>44,450</b>
Valuation allowance	(28,847)	(44,032)
<b>Total deferred tax assets</b>	<b>691</b>	<b>418</b>
Deferred tax liabilities - Property and equipment	(616)	(327)
<b>Net deferred tax assets</b>	<b>\$ 75</b>	<b>\$ 91</b>

At December 31, 2013, the Company had net operating loss carry-forwards for federal and state income tax purposes of approximately \$94,749,000 and \$77,941,000, respectively, available to reduce future income subject to income taxes. The federal and state net operating loss carry-forwards will begin to expire in 2023 and 2014, respectively. The Company also has research credit carry-forwards for federal and California tax purposes of approximately \$1,879,000 and \$1,851,000, respectively, available to reduce future income subject to income taxes. The federal research credit carry-forwards will begin to expire in 2028 and the California research credits carry forward indefinitely. As of December 31, 2012, we had federal and state net operating loss carry-forwards of \$61,914,000 and \$60,410,000, respectively, and federal and state research and development tax credit carry-forwards in the amount of \$490,000 and \$1,020,000, respectively. 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

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Section 382 ). Events which may cause limitations in the amount of the net operating losses that the Company may use in any one year

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**Table of Contents****RINGCENTRAL, INC.****Notes to Consolidated Financial Statements**

include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. In the event the Company had subsequent changes in ownership, net operating losses and research and development credit carry-overs, which are reserved by the full deferred tax asset valuation allowance could be limited and may expire unutilized.

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, 2013, 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, 2011, 2012 and 2013 was an increase of \$5,351,000, \$12,336,000 and \$15,185,000, respectively.

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, 2013 (in thousands):

Balance as of December 31, 2011	\$ 230
Gross amount of increases in unrecognized tax benefits for tax positions taken in current year	133
Gross amount of increases in unrecognized tax benefits for tax positions taken in prior year	12
Balance as of December 31, 2012	375
Gross amount of increases in unrecognized tax benefits for tax positions taken in current year	168
Gross amount of increases in unrecognized tax benefits for tax positions taken in prior year	390
Balance as of December 31, 2013	\$ 933

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, all years from 2003 forward remain subject to future examination by tax authorities.

**Table of Contents****RINGCENTRAL, INC.****Notes to Consolidated Financial Statements****Note 9. 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. Diluted net loss per share is computed by giving effect to all potential shares of common stock, including the Company's convertible preferred stock, outstanding stock options, outstanding warrants, stock related to the nonvested early exercised stock options and stock related to nonvested restricted stock awards to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential common shares outstanding would have been 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, 2011, 2012 and 2013 (in thousands, except per share data):

	Year Ended December 31,		
	2011	2012	2013
<b>Numerator</b>			
Net loss	\$ (13,903)	\$ (35,390)	\$ (46,098)
<b>Denominator</b>			
Weighted-average common shares for basic and diluted net loss per share	21,678	22,353	33,155
<b>Basic and diluted net loss per share</b>	<b>\$ (0.64)</b>	<b>\$ (1.58)</b>	<b>\$ (1.39)</b>

Following is a table summarizing the potentially dilutive common shares that were excluded from diluted weighted-average common shares outstanding (in thousands):

	Year Ended December 31,		
	2011	2012	2013
Shares of common stock issuable upon conversion of preferred stock	27,272	30,369	
Shares of common stock issuable upon conversion of warrants	181	337	502
Shares of common stock subject to repurchase	58	100	37
Shares of common stock issuable under equity incentive plans outstanding	5,621	8,609	11,224
<b>Potential common shares excluded from diluted net loss per share</b>	<b>33,132</b>	<b>39,415</b>	<b>11,763</b>

**Note 10. 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 United States for fiscal years ended December 31, 2011, 2012 and 2013. No other individual country exceeded 10% of total revenues for fiscal years ended December 31, 2011, 2012 and 2013. Property and equipment by geographic location is based on the location of the legal entity that owns the asset. At December 31, 2012 and 2013, more than 84% of the Company's property and equipment is located in the United States. No other individual country exceeded 10% of total property and equipment at December 31, 2012 and 2013.

**Note 11. 401(k) Plan**

The Company has a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code covering eligible employees. The Company did not make any matching contributions to this plan in the periods presented.



**Table of Contents****RINGCENTRAL, INC.****Notes to Consolidated Financial Statements****Note 12. 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, 2012 and 2013 (in thousands except per share data):

	Quarter ended							
	Mar 31, 2012	June 30, 2012	Sept 30, 2012	Dec 31, 2012	Mar 31, 2013	June 30, 2013	Sept 30, 2013	Dec 31, 2013
<b>Consolidated Statements of Operations Data:</b>								
Revenues	\$ 24,808	\$ 27,005	\$ 29,588	\$ 33,125	\$ 35,525	\$ 37,704	\$ 41,934	\$ 45,342
Gross profit	14,569	15,943	18,356	20,755	21,788	23,042	25,966	28,190
Operating loss	(9,723)	(8,725)	(9,038)	(6,341)	(9,408)	(13,119)	(8,151)	(10,355)
Net loss(1)	(9,729)	(9,010)	(9,568)	(7,083)	(10,262)	(13,619)	(8,852)	(13,365)
Net loss per share, basic and diluted	\$ (0.44)	\$ (0.40)	\$ (0.43)	\$ (0.31)	\$ (0.45)	\$ (0.60)	\$ (0.36)	\$ (0.22)

- (1) In the fourth quarter of 2013, in connection with a debt refinancing transaction, the Company recorded a loss on early extinguishment of debt, which was classified in interest expense. Refer to Note 4 for additional details.

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6,000,000 Shares

**RingCentral, Inc.**

Class A Common Stock

**Goldman, Sachs & Co.**

**Raymond James**

**Macquarie Capital**

**J.P. Morgan**

**William Blair**

**BofA Merrill Lynch**

**Oppenheimer & Co.**

**Northland Capital Markets**

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS*****Item 13. Other Expenses of Issuance and Distribution***

The following table sets forth all expenses to be paid by the Registrant, other than underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee and the FINRA filing fee.

Securities and Exchange Commission registration fee	\$ 19,401
Financial Industry Regulatory Authority filing fee	23,094
Blue Sky fees and expenses	29,508
Accounting fees and expenses	150,000
Legal fees and expenses	600,000
Printing and engraving expenses	200,000
Miscellaneous fees and expenses	127,997
 Total	 \$ 1,150,000

***Item 14. Indemnification of Directors and Officers***

Section 145(a) of the Delaware General Corporation Law (the "DGCL") provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or other adjudicating court shall deem proper.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or

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agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the DGCL.

Our certificate of incorporation, which we refer to as our Charter, provides that no director of our company shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) in respect of unlawful dividend payments or stock redemptions or repurchases or other distributions pursuant to Section 174 of the DGCL, or (4) for any transaction from which the director derived an improper personal benefit. In addition, our Charter provides that if the DGCL is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of our company shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Our certificate of incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law.

Our Charter also provides that any repeal or modification of such article by our stockholders or an amendment to the DGCL will not adversely affect any right or protection existing at the time of such repeal or modification with respect to any acts or omissions occurring before such repeal or modification of a director serving at the time of such repeal or modification.

Our bylaws provide that we will indemnify each of our directors and officers, certain employees, and agents, to the fullest extent permitted by the DGCL as the same may be amended (except that in the case of an amendment, only to the extent that the amendment permits us to provide broader indemnification rights than the DGCL permitted us to provide prior to such the amendment) against any and all expenses, judgments, penalties, fines, and amounts reasonably paid in settlement that are incurred by the director, officer or such employee or on the director's, officer's or employee's behalf in connection with any threatened, pending or completed proceeding or any claim, issue or matter therein, to which he or she is or is threatened to be made a party because he or she is or was serving as a director, officer or employee of our company, or at our request as a director, partner, trustee, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. We expect the bylaws will further provide for the advancement of expenses to each of our directors and, in the discretion of the board of directors, to certain officers and employees.

In addition, our bylaws provide that the right of each of our directors and officers to indemnification and advancement of expenses shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of the certificate of incorporation or the bylaws, agreement, vote of stockholders or otherwise. Furthermore, our bylaws authorize us to provide insurance for our directors, officers, and employees, against any liability, whether or not we would have the power to indemnify such person against such liability under the DGCL or the bylaws.

We have entered into indemnification agreements with each of our current directors, officers and some employees. These agreements provide for the indemnification of our directors, officers and some employees for certain expenses and liabilities incurred in connection with any action, suit, proceeding or alternative dispute resolution mechanism, or hearing, inquiry or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that

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they are or were a director, officer, employee, agent or fiduciary of our company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, agent or fiduciary, or by reason of the fact that they were serving at our request as a director, officer, employee, agent or fiduciary of another entity. Under the indemnification agreements, indemnification is only provided in situations where the indemnified parties acted in good faith and in a manner they reasonably believed to be in or not opposed to our best interest, and, with respect to any criminal action or proceeding, to situations where they had no reasonable cause to believe the conduct was unlawful. In the case of an action or proceeding by or in the right of our company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors and officers liability insurance.

We also maintain a directors and officers insurance policy which covers certain liabilities of directors and officers of our company arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers, and persons who control us within the meaning of the Securities Act, against certain liabilities.

***Item 15. Recent Sales of Unregistered Securities***

During the past three years, we have made the following sales of unregistered securities:

***Option and Option-Related Common Stock Issuances***

From January 1, 2011 until December 31, 2013, we sold an aggregate of 1,641,860 shares of common stock upon the exercise of options issued to certain of our directors, officers, employees and consultants under our 2003 Equity Incentive Plan at exercise prices per share ranging from \$0.05 to \$1.10, for an aggregate consideration of approximately \$1,300,000.

From January 1, 2011 until December 31, 2013, we sold an aggregate of 543,917 shares of common stock upon the exercise of options issued to certain of our directors, officers, employees and consultants under our 2010 Equity Incentive Plan at exercise prices per share ranging from \$1.40 to \$4.48, for an aggregate consideration of approximately \$1,100,000.

From January 1, 2011 until December 31, 2013, we granted stock options to purchase an aggregate of 9,535,783 shares of our common stock at exercise prices per share ranging from \$1.70 to \$12.86 to certain of our directors, officers, employees, and consultants under our 2010 Equity Incentive Plan.

***Common Stock Issuance***

On August 29, 2013, we issued 20,000 shares of our common stock to a former consultant at a value per share of \$12.86, and an aggregate value of \$257,200 in settlement of a dispute with the former consultant and in consideration for a release of claims against us by the former consultant.

***Preferred Stock Issuances***

On August 12, 2011 and September 12, 2011, we sold an aggregate of 1,736,598 shares of our Series D preferred stock to a total of three accredited investors at a purchase price per share of \$6.02551, for an aggregate purchase price of \$10,463,888.61.

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On November 23, 2012, we sold an aggregate of 3,096,837 shares of our Series E preferred stock to a total of seven accredited investors at a purchase price per share of \$9.687299, for an aggregate purchase price of \$29,999,985.98.

***Warrant Issuances and Warrant Exercise***

On March 27, 2012, we issued to Silicon Valley Bank a warrant exercisable for the purchase of 48,493 shares of our Series C preferred stock, based upon the amount advanced under the terms of our growth capital loan, with an exercise price of \$3.29938 per share. In September 2013, in connection with our initial public offering, this warrant was converted into a warrant to purchase 48,493 shares of our Class B common stock with an exercise price of \$3.29938 per share.

On June 22, 2012, we issued to TriplePoint Capital LLC (i) a warrant to purchase 49,788 shares of our Series D preferred stock and (ii) a warrant to purchase 29,043 shares of our Series D Preferred Stock and up to an additional 29,043 shares of our Series D Preferred Stock, each with an exercise price of \$6.02551 per share. Based on amounts we drew down under our equipment financing line of credit in August 2012, the second portion of the warrant referred to in (ii) became exercisable for 28,144 shares. In September 2013, in connection with our initial public offering, these warrants were converted into (i) a warrant to purchase 49,788 shares of our Class B common stock and (ii) a warrant to purchase 57,187 shares of our Class B common stock, each with an exercise price of \$6.02551 per share.

On June 27, 2013, we issued to TriplePoint Capital LLC a warrant to purchase 33,192 shares of our Series D preferred stock, with an exercise price of \$6.02551 per share. In September 2013, in connection with our initial public offering, this warrant was converted into a warrant to purchase 33,192 shares of our Class B common stock with an exercise price of \$6.02551 per share.

On August 14, 2013, we issued to Silicon Valley Bank (i) a warrant to purchase 38,710 shares of our Series E preferred stock and (ii) a warrant to purchase 51,614 shares of our Series E preferred stock, each with an exercise price of \$9.687299 per share. In September 2013, in connection with our initial public offering, these warrants were converted into (i) a warrant to purchase 38,710 shares of our Class B common stock and (ii) a warrant to purchase 51,614 shares of our Class B common stock, each with an exercise price of \$9.687299 per share.

On August 14, 2013, we issued to TriplePoint Capital LLC a warrant to purchase 51,614 shares of our Series E preferred stock with an exercise price of \$9.687299 per share. In September 2013, in connection with our initial public offering, this warrant was converted into a warrant to purchase 51,614 shares of our Class B common stock with an exercise price of \$9.687299 per share.

On August 30, 2013, a warrant holder exercised in full a warrant exercisable for the purchase of 10,000 shares of our common stock, with an exercise price of \$0.72205 per share. The warrant was exercised on a cashless basis, resulting in the issuance of 9,440 shares of common stock to the warrant holder.

In September 2013, in connection with the completion of our initial public offering, all shares of our then-outstanding preferred stock were automatically converted into 30,368,527 shares of Class B common stock and all shares of our then-outstanding common stock were automatically converted into 23,326,877 shares of Class B common stock.

On January 25, 2014, TriplePoint Capital LLC exercised in full its four outstanding warrants, comprised of (i) a warrant to purchase 49,788 shares of our Class B common stock and (ii) a warrant to purchase 57,187 shares of our Class B common stock, each with an exercise price of \$6.02551 per share, (iii) a warrant to purchase 33,192 shares of our Class B common stock with an exercise price of

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\$6.02551 per share and (iv) a warrant to purchase 51,614 shares of our Class B common stock with an exercise price of \$9.687299 per share. The warrants were exercised on a cashless basis, resulting in the issuance of 121,014 shares of our Class B common stock to TriplePoint Capital LLC.

There were no underwritten offerings employed in connection with any of the transactions described above. The sales of each of the securities listed above were made without any general solicitation or advertising.

The issuances of such securities were exempt from registration under the Securities Act, pursuant to either Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering or Rule 701 of the Securities Act on the basis that the transactions were pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. All recipients had access, through their relationship with our company, to information about us.

***Item 16. Exhibits***

(a) See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

***Item 17. Undertakings***

(1) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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**SIGNATURES**

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Mateo, State of California on March 3, 2014.

RINGCENTRAL, INC.

By: /s/ Vladimir Shmunis  
 Name: Vladimir Shmunis  
 Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities indicated on the date indicated:

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Vladimir Shmunis Vladimir Shmunis	Chief Executive Officer, Chairman and Director (principal executive officer)	March 3, 2014
/s/ Clyde Hosein Clyde Hosein	Chief Financial Officer (principal financial officer and principal accounting officer)	March 3, 2014
*	Director	March 3, 2014
Douglas Leone		
*	Director	March 3, 2014
Robert Theis		
*	Director	March 3, 2014
David Weiden		
*	Director	March 3, 2014
Neil Williams		
*	Director	March 3, 2014
Bobby Yerramilli-Rao		

\*By: /s/ Vladimir Shmunis  
 Vladimir Shmunis  
*As Attorney-in-Fact*

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<b>Exhibit Number</b>	<b>Description</b>
1.1	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the Registrant (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
3.2	Bylaws of the Company (filed as Exhibit 3.4 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
4.1	Form of Class A Common Stock Certificate (filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
4.2	Form of Class B Common Stock Certificate (filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
4.3	Fourth Amended Investor Rights Agreement, dated November 23, 2012, by and among the Company 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).
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.
10.1+	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).
10.2+	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).
10.3+	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).
10.4+	Offer Letter by and between the Company and Kira Makagon, dated July 30, 2012 (filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.5+	Offer Letter by and between the Company 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).
10.6+	Revised Employment Offer Letter by and between the Company 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).
10.7+	Offer Letter by and between the Company and David Berman, dated June 10, 2013 (filed as Exhibit 10.8 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.8+	Offer Letter by and between the Company and Clyde Hosein, dated August 7, 2013 (filed as Exhibit 10.9 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.9+	2013 Bonus Plan. (filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K, filed on February 26, 2014, and incorporated herein by reference).



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<b>Exhibit Number</b>	<b>Description</b>
10.10	Office Lease, dated April 1, 2011, by and between the Company and 1400 Fashion Island LLC (filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.11	First Amendment to Lease, dated August 28, 2011, by and between the Company and 1400 Fashion Island LLC (filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.12	Second Amendment to Lease, dated November 1, 2012, by and between the Company and 1400 Fashion Island LLC (filed as Exhibit 10.14 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.13	Second Amended and Restated Loan and Security Agreement, dated August 14, 2013, by and between the Company and Silicon Valley Bank (filed as Exhibit 10.15 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.13A	Second Amendment to Second Amended and Restated Loan and Security Agreement, dated December 31, 2013, by and between the Company and Silicon Valley Bank (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on January 6, 2014, and incorporated herein by reference).
10.14	Plain English Equipment Loan and Security Agreement, dated June 22, 2012, by and among the Company, RCLEC, Inc., a wholly-owned subsidiary of the Company, and TriplePoint Capital LLC (filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.14A	First Amendment to Plain English Equipment Loan and Security Agreement, dated August 14, 2013 by and among the Company, RCLEC, Inc., a wholly-owned subsidiary of the Company, and TriplePoint Capital LLC (filed as Exhibit 10.17A to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.14B	Second Amendment to Plain English Equipment Loan and Security Agreement, dated September 3, 2013 by and among the Company, RCLEC, Inc., a wholly-owned subsidiary of the Company, and TriplePoint Capital LLC (filed as Exhibit 10.14B to the Registrant's Annual Report on Form 10-K, filed on February 26, 2014, and incorporated herein by reference).
10.14C	Third Amendment to Plain English Equipment Loan and Security Agreement, dated December 31, 2013 by and among the Company, RCLEC, Inc., a wholly-owned subsidiary of the Company, and TriplePoint Capital LLC (filed as Exhibit 10.14C to the Registrant's Annual Report on Form 10-K, filed on February 26, 2014, and incorporated herein by reference).
10.14D	Fourth Amendment to Plain English Equipment Loan and Security Agreement, dated January 24, 2014 by and among the Company, RCLEC, Inc., a wholly-owned subsidiary of the Company, and TriplePoint Capital LLC (filed as Exhibit 10.14D to the Registrant's Annual Report on Form 10-K, filed on February 26, 2014, and incorporated herein by reference).
10.15+	2013 Employee Stock Purchase Plan (filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1, File No. 333-190815, and incorporated herein by reference).
10.16+	Employment Letter by and between the Company 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).
21.1*	List of subsidiaries of the Registrant.
23.1	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1)
23.2	Consent of KPMG LLP, independent registered public accounting firm.
24.1*	Power of Attorney (see page II-6 of the original filing of this Registration Statement on Form S-1, File No. 333-194132).

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<b>Exhibit Number</b>	<b>Description</b>
101.INS#	XBRL Instance Document.
101.SCH#	XBRL Taxonomy Extension Schema Document.
101.CAL#	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF#	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB#	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document.

+ Indicates a management or compensatory plan.

\* Previously filed.

# In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.