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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-37874

Everbridge, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

25 Corporate Drive, Suite 400

Burlington, Massachusetts

(Address of principal executive offices)

26-2919312

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

01803

(Zip Code)

Registrant's telephone number, including area code: (818) 230-9700

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value \$0.001 Per Share; Common stock traded on The NASDAQ Global Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

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

Large accelerated filer

☐

Accelerated filer

☐

Non-accelerated filer

☒ (Do not check if a small reporting company)

Small reporting company

☐

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

As of June 30, 2016, the last business day of the registrant's most recently completed second quarter, there was no established public market for the registrant's common stock. The registrant's common stock began trading on The NASDAQ Global Market on September 16, 2016. The number of shares of registrant's Common Stock outstanding as of March 21, 2017 was 27,235,633.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Annual Report on Form 10-K.

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Forward-Looking Statements

This Annual Report on Form 10-K, including the sections entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would” and similar expressions or variations intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements concerning the following:

- our ability to continue to add new customers, maintain existing customers and sell new products and professional services to new and existing customers;
- the effects of increased competition as well as innovations by new and existing competitors in our market;
- our ability to adapt to technological change and effectively enhance, innovate and scale our solutions;
- our ability to effectively manage or sustain our growth and to attain and sustain profitability;
- our ability to diversify our sources of revenue;
- potential acquisitions and integration of complementary business and technologies;
- our expected use of proceeds;
- our ability to maintain, or strengthen awareness of, our brand;
- perceived or actual security, integrity, reliability, quality or compatibility problems with our solutions, including related to security breaches in our customers systems, unscheduled downtime or outages;
- statements regarding future revenue, hiring plans, expenses, capital expenditures, capital requirements and stock performance;
- our ability to attract and retain qualified employees and key personnel and further expand our overall headcount;
- our ability to grow, both domestically and internationally;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally, including laws and regulations related to export compliance;
- our ability to maintain, protect and enhance our intellectual property;
- costs associated with defending intellectual property infringement and other claims; and
- the future trading prices of our common stock and the impact of securities analysts’ reports on these prices.

These statements represent the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included under Part I, Item 1A. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

Item 1. Business.

Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and businesses running. During public safety threats such as active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, our SaaS-based platform enables our customers to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes, and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds or millions of recipients, across multiple communications modalities such as voice, SMS and e-mail. Our applications enable the delivery of messages in near real-time to more than 100 different communication devices, in over 200 countries and territories, in 15 languages and dialects – all simultaneously. We delivered 1.5 billion communications in 2016. We automate the process of sending contextual notifications to multiple constituencies and receiving return information on a person's or operation's status so that organizations can act quickly and precisely. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Crisis Commander, Community Engagement and Secure Messaging. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

In critical situations, the speed at which threats are assessed and information is transmitted and accessed is essential. For example, United States Department of Homeland Security research indicates that the average duration of an active shooter event at a school is approximately 12.5 minutes, while the average police response time to such events is 18 minutes. Accordingly, organizations must be able to aggregate multiple types of threat and incident data and determine whether their people, assets, or suppliers could be impacted, rapidly deliver messages that are tailored to multiple, specific audiences, in precise locations and be assured of delivery. Further, the proliferation of mobile and digital communications has resulted in individuals spending less time in a fixed office location, with International Data Corporation estimating that by 2020 mobile workers will account for 72% of the total United States workforce, and this trend has simultaneously increased the number of pathways through which people receive information. These developments have made it imperative that organizations be able to locate travelling or remote workers to determine who might be impacted by a critical event, and that critical communications be delivered via voice, SMS, and email, as well as to social media, outdoor signage and personal computers. Moreover, organizations require the ability to leverage all of these pathways, individually or in sequence, to reach people in situations where a certain means of communication may be inoperative or individuals are not responsive to a single pathway. During public safety threats and critical business events, the ability to gather, organize and analyze data in real time, and to enable secure, scalable, reliable and automated communications to people can be essential to saving lives, protecting assets and maintaining businesses. Further, the ability to rapidly organize a response by locating available responders and reducing the time required to manage them via automated communications can also result in significant economic savings, as each minute of unplanned downtime costs organizations an average of approximately \$5,600, according to Gartner, Inc.

The severity, complexity and frequency of these critical events, their implications for business performance and personal safety, and regulatory and compliance challenges are increasing. The need for active shooter preparedness and public safety protection from terrorist attacks, as well managing the response to IT outages, cyber incidents, severe weather conditions, product recalls, supply-chain interruptions, hazardous material discharges and other urgent events, drive the need for a secure, scalable and reliable CEM system that can be operated quickly and easily. In addition, there has been a rapid proliferation of connected devices and networked physical objects – the Internet of Things, or IoT – that have the capability to communicate information about status and environment and generate data that enables individuals and enterprises to take appropriate action. These dynamics have led to a growing need for solutions that can deliver comprehensive yet targeted and contextually relevant content that facilitates the desired outcomes in critical situations and overcomes the information overload that individuals face. We estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, that the market for CEM solutions represented an \$18.3 billion worldwide opportunity in 2015 and is expected to grow to \$41.1 billion in 2020.

Following the tragic events of 9/11, Everbridge was founded with a vision of helping people communicate effectively in critical situations. Our SaaS-based CEM platform is built on a secure, scalable and reliable infrastructure with multiple layers of redundancy to enable the rapid delivery of critical communications, with near real-time verification, over numerous devices and contact paths. Our Mass Notification application is our most established application and enables enterprises and governmental entities to aggregate and assess threat data, locate people based on their standard work or home location and send and receive two-way, contextually aware notifications to individuals or groups to keep them informed before, during and after natural or man-made disasters and other emergencies. For example, during Hurricane Sandy, our Mass Notification application was used along the U.S. East Coast to deliver more than eight million communications. By automating the delivery of these types of critical communications, we enable customers to increase the speed and accuracy of their response and reduce associated costs. Importantly, given the pressure and anxiety most people experience in critical situations, our Mass Notification application provides a simple user interface and automated workflows for ease of use. The expertise that we garnered developing our Mass Notification application and our customers' reliance on our solutions led us to leverage our platform to deploy solutions for CEM use cases. In turn, we have developed a full suite of enterprise-scale applications that enable our customers to inform and organize people during critical situations, whether a broad audience or a targeted subset of individuals, globally or locally, and accounting for cultural, linguistic, regulatory and technological differences. As all of our applications leverage our CEM platform, customers can use a single contacts database, rules engine of algorithms and hierarchies and user interface to accomplish multiple objectives. Our applications are easy-to-use, quickly deployable and require limited implementation services and no development resources.

The following situations reflect examples of how our applications aggregate and assess data and enable improved management of critical events:

- When an active shooter situation or terrorist attack occurs, organizations can quickly identify employees in the affected area, including employees not at their usual business location, in order to confirm that they are safe and provide tailored instructions. For example, shelter-in-place instructions may be provided to people in an impacted building while evacuation instructions are provided to those in an adjacent building. At the same time, first responders and hospitals can use multiple modes of alerting to mobilize resources and call in staff to provide emergency care.
- When a hurricane is imminent, local emergency management departments can alert affected communities with relevant safety and evacuation instructions while companies can put in place emergency plans to notify employees of office closures while coordinating work assignments to maintain the continuity of core operations.
- Companies can consolidate separate command centers for emergency operations and supply chain events, using one common data set to aggregate and assess data on severe weather, political unrest and other types of threats to their own and suppliers' operations, thereby reducing costs while gaining efficiencies.
- When IT systems fail, IT administrators can shorten the time required to alert cross-department responders, use scheduling information to determine availability and quickly assemble appropriate personnel on a conference bridge, thereby reducing the costs incurred from downtime.
- When a patient is suspected of having a stroke, an on-call specialist can provide a patient assessment via video communications during the ambulance trip and the emergency room can be readied for an immediate stroke treatment, accelerating critical time to treatment.
- When a cyber incident shuts down an IT network, management can alert employees of the network shutdown via a secure, alternate communication path.
- When a power line is down, utility workers can utilize pre-configured incident management templates to alert affected customers and responders and provide service updates.
- When engine readings in critical equipment detect a malfunction, technicians with the appropriate skills can be automatically alerted and quickly deployed to minimize downtime and avoid revenue loss or service interruption.

- When readings from an implanted medical device are abnormal, that information can be automatically routed to the individual's healthcare provider to enable timely medical care.
- When a young child goes missing, local officials can send alerts to and receive tips from their communities to aid in locating and returning the child.
- When a financial services firm experiences disruptions in service, clients can be promptly notified and audit confirmations can be provided to document delivery.

Our customer base has grown from 867 customers at the end of 2011 to more than 3,200 customers as of December 31, 2016. As of December 31, 2016, our customers were based in 28 countries and included eight of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 24 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide products and services to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and government agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We derive substantially all of our revenue from subscriptions to our critical communications applications, which represented 96%, 97% and 97% of our total revenue in 2016, 2015 and 2014, respectively. Historically, we derived more than 86% of our revenue in each of the last three fiscal years from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform, as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications, number of contacts and number of devices that our customers purchase over time.

Recent Developments

In September 2016, we closed our initial public offering, or IPO, in which we sold a total of 6,250,000 shares of our common stock. We received net cash proceeds of \$66.1 million, net of underwriting discounts and commissions and other costs associated with the offering paid or payable by us.

In December 2016, we acquired 100% of the shares of Svensk Krisledning AB, or Crisis Commander. We acquired Crisis Commander for cash consideration of approximately \$2.3 million with additional time and performance-based milestones that could result in additional payments of \$0.4 million. Crisis Commander is a SaaS mobile crisis management company operating out of Sweden.

In January 2017, we acquired 100% of the shares of IDV Solutions, LLC, or IDV. We acquired IDV for cash consideration of approximately \$21.3 million, with additional time and performance-based milestones that could result in additional payments of \$6.2 million. IDV is a provider of threat assessment and operational visualization software located in Lansing, Michigan.

Industry Background

Over the past two decades, methods to assess critical events and to automate and accelerate the process of managing and responding to such events have evolved rapidly, in tandem with advances in technology, to include automated or system-generated responses, including voice calls, text messages, emails, social media and outdoor digital signage. In critical situations, the speed at which information is transmitted and accessed is essential.

Key Trends Driving a Fundamental Shift in Communications

Governmental entities and enterprises face increasing threats to the safety of their geographically disparate and constantly mobile residents and employees. According to the Global Terrorism Database, the number of global fatalities and injuries from terrorist acts has increased 400% from 2005 to 2015, and the world has witnessed

devastating attacks in Orlando, Berlin, Brussels, Nice, San Bernardino, Istanbul and other global cities. According to estimates by the Institute for Economics and Peace, the economic cost of terrorism reached \$52.9 billion in 2014. In addition, according to the Third National Climate Assessment prepared by the U.S. Global Change Research Program, the United States has been experiencing severe weather events above long-term averages, with, for example, the number of heat waves in 2011 and 2012 at nearly triple the long-term average. Similarly, a PricewaterhouseCoopers study found that the number of cyber security incidents across all industries rose by 38% in 2015 versus the prior year and Lloyd's estimates that cyber-attacks cost businesses as much \$400 billion annually. Taken together, global reinsurer Swiss Reinsurance Company Ltd. found that the cost of disaster events, including man-made and severe weather incidents, reached \$85 billion worldwide in 2015.

At the same time, key business and technology trends continue to shift both the fundamental way that organizations communicate with relevant stakeholders and how individuals regularly consume information. People increasingly consume most of their information through mobile devices and applications as well as through social media and other digital channels. Increasingly, less information is shared using traditional "analog" communication methods, such as printed media, television and landline telephones. The proliferation of mobile and digital communications, as well as the emergence of the IoT, has accelerated the speed at which people communicate, exponentially increasing the volume of communications that individuals must process. As a result of these dynamics, it has become imperative that communications be appropriately contextualized, meaningful and actionable.

In light of these trends, communications have become one of the most important areas of technology investment. In a 2016 report, Gartner, Inc. estimates that \$1.4 trillion, or 41.0%, of information technology, or IT, expenditure was for communications in 2016. Organizations are reaping the benefits of digital communications to more easily and relevantly interact with their target constituents including customers, partners, employees, residents and other key stakeholders. Likewise, as IT innovation continues to shift to on-demand models, organizations have increasingly migrated from on-premises software to cloud-based solutions in order to improve agility and efficiency when seeking to communicate with their global, mobile, distributed stakeholders.

In order to connect people across disparate communication modalities in diverse locations, organizations are increasingly investing in technologies that unify different analog and digital real-time and non-real-time communications. The integration of real-time enterprise communication services such as instant messaging and voice and video conferencing with non-real-time communication services such as voicemail, facsimile and e-mail can provide a consistent and unified user experience across multiple devices and media types.

During public safety threats and critical business events, the ability to communicate life-saving or damage-mitigating information is crucial. Speed, security, scalability and reliability of communications is essential. The severity, complexity and frequency of these critical events, their implications for personal safety or business performance and rising regulatory and compliance challenges are driving demand for CEM solutions, which we estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, represented an \$18.3 billion worldwide market opportunity in 2015.

Evolution of Critical Event Management Solutions

Traditional solutions for critical communications have not kept pace with the increasingly digital world, the evolving threat landscape and the opportunity to leverage technological innovation to more effectively communicate with people. These solutions are often developed in-house or are not truly enterprise grade in scale and reliability, leaving many organizations to use analog, manual, one-way and people-based modalities to communicate with relevant stakeholders. These solutions lack the scale to reliably address the breadth of the different critical challenges that organizations increasingly face, the sophistication required to address evolving needs with aggregated data and analysis for threat assessment, automated workflows and the ability to rapidly deliver messages that are contextually tailored to multiple, specific audiences, in precise locations, using a variety of different communication modalities. Traditional critical communication solutions also typically send notifications based upon a person's static work or home address. Given the mobile nature of today's workforce, solutions now need to be able to dynamically locate who is near a critical event and send instructions to impacted parties and responders based upon where they actually are.

CEM solutions build upon the strengths of modern critical communications. Organizations today typically manage critical events across the organization in silos that use disparate data sources and unintegrated tools, making it difficult to achieve a common operational view of threats and of the status of response. Utilizing a common contact base, consistent rules engines, threat databases that are integrated with information on the location of an organization's people, assets and suppliers, and a common visualization platform, CEM solutions can provide a more integrated solution which can improve management control and visibility and lower costs. The ability to cohesively and rapidly share information and collaborate across the organization underlies creating a common operational approach.

Requirements of Effective Critical Event Management Solutions

In order to deliver effective critical communications solutions, several requirements must be met:

- ***Comprehensive Solution.*** Organizations require an enterprise-scale, comprehensive solution that can provide them with aggregated data and automated workflows and deliver intelligent, contextual messages across multiple communications modalities – all operated from desktop or mobile devices to accommodate managing critical events whenever they occur.
- ***Scalability and Speed.*** Organizations require a solution that is agile and flexible enough to reach individuals at both high volume/low frequency intervals, such as emergency mass notification situations, and low volume/high frequency intervals, such as for IT alerting and secure messaging.
- ***Enterprise-Grade Reliability.*** Given the inherent nature of critical events, organizations require a solution that is robust, resilient and highly redundant, with a high level of assured uptime and a low degree of fault tolerance.
- ***Situational Assessment.*** Organizations require ready access to information from weather feeds, threat sources and IT monitoring systems, as well as the ability to incorporate trends from social media and feedback from their personnel in the field, in order to assess critical events and impacted areas.
- ***Dynamic Location Capability.*** With today's mobile workforce, organizations need to be able to locate and instruct impacted people, and identify and organize responders, based on where they actually are, not just based on their static office or home location.
- ***Visualization.*** Organizations require a visualization platform that integrates threat and incident data from a wide variety of sources, as well as updates on the status of incident response tasks, in order to improve their ability to assess the potential impact of events and the success of mitigation strategies, and to improve management control.
- ***Security and Regulatory Compliance.*** Organizations require a solution that is architected to ensure data and communications security given the significance of the content being managed and the regulatory requirements that apply to the sensitive data being communicated.
- ***Intelligent Communication and Contextual Personalization.*** Organizations require sophisticated, intelligent technology that can tailor both the content of communications and the modalities through which they are delivered based on differing individual preferences and roles and responsibilities within the organization.
- ***Ease-of-Use.*** Given the need for speed and the pressure and anxiety most people experience in critical situations, organizations require a solution that is simple and easy-to-use, particularly when lives and property are at risk.
- ***Real-Time and After-Event Reporting and Analytics.*** To ensure that organizations can measure and improve performance around critical events, a solution should provide detailed, timely and compliant reporting and analytics on organizational responsiveness and the effectiveness of communications.
- ***Global Reach and Local Expertise.*** Global communications require a "local" approach to deal with the complexity of varying cultural preferences, languages and device types, as well as technical and regulatory requirements.

Key Benefits of Our Solutions and Competitive Strengths

Everbridge was founded with a vision to help organizations communicate quickly and reliably to deliver the right message to the right people, on the right device, in the right location, at the right time during public safety threats and critical business events. Our CEM solutions enable organizations to assess threats, locate impacted people and assets, and manage and respond to critical events, all on a single platform. Key benefits of our solutions and competitive strengths include the following:

- **Comprehensive, Enterprise-Scale Platform.** The core of our solutions is our critical communications platform, which provides multiple layers of redundancy to assure uptime and delivery of communications regardless of volume or throughput requirements. The platform is secure, scalable and reliable, enabling the delivery and verification of tens of millions of different communications virtually anywhere, in any volume, in near real-time. In 2016, we delivered 1.5 billion communications, or over 47 communications per second, through our globally distributed data centers.
- **Out-of-the-Box, Scalable and Mobile Applications.** Our SaaS-based applications are out-of-the box, enterprise-ready and can be utilized without customer development, testing or ongoing maintenance. Regardless of a customer or prospect's size or needs, our applications are built to scale to its largest and most complex critical communications requirements.
- **Aggregated Threat Data and Analysis.** Our software gathers and analyzes information from weather data feeds, public safety and threat data feeds, social media, IT ticketing systems and monitoring systems, as well as inputs and feedback from two-way and polling messages. Data can be geo-mapped and threat and incident data can be used to automatically trigger simple or complex workflows that are tied to standard operating procedures or run-books.
- **Contextual Communications.** We enable intelligence and personalization in the critical communications process by delivering contextual communications. Our customers can deliver and escalate critical communications broadly to a mass population or to a targeted subset of individuals based on geographic location, skill level, role and communication modality preferences for rich, two-way collaboration.
- **Dynamic Location Awareness.** Our platform can provide organizations with the ability to send and receive notifications based on the last known locations of people, not just based on a static office or home address. Our platform integrates with a variety of sources of location information, including building access control systems and corporate network access solutions. This location-specific approach enables organizations to quickly determine which individuals may be affected by a public safety threat or able to respond to a critical business event, and to provide targeted and relevant instructions and two-way communications.
- **Large, Dynamic and Rich Communications Data Asset.** As of December 31, 2016, our data asset consists of our contacts databases that manage approximately 130 million contact profiles and connections from more than 3,200 customers based in 28 countries. Our contacts databases, which we refer to as contact stores, are initially created through an upload of contacts from the customer and are automatically updated with the most current contact information provided by the customer or by individuals who opt-in to receive notifications from our Community Engagement application. Our contact stores are repositories for all contact details, attributes and business rules and preferences, such as a person's last-known location, language spoken, special needs, technical certifications and on-call status.
- **Multi-channel Visualization.** Our platform provides the ability to create an integrated view of threats, incidents and the status of response, all within the context of the locations of an organization's people, assets and suppliers. Multiple channels of information can be displayed side-by-side so different facets of a critical event can be monitored simultaneously, and the same data can be displayed on personal computer screens and on a large command center wall to provide flexibility in deployment.

- **Robust Security, Industry Certification and Compliance.** Our platform is built on a secure and resilient infrastructure with multiple layers of redundancy. Many of our enterprise applications are designed to meet rigorous security and compliance requirements for financial services firms, healthcare institutions, the U.S. federal government and other regulated industries, including facilitating compliance with FINRA and HIPAA standards. Our solutions received designation under the Support Anti-terrorism by Fostering Effective Technology Act of 2002, or SAFETY Act, and certification by U.S. Department of Homeland Security that places us on the approved product list for homeland security. Our solutions are also accredited under the Federal Information Security Management Act of 2002, or FISMA.
- **Automated Workflows.** Our platform automates the workflows required to complete a critical notification, including establishing the individuals within an organization authorized to send messages, the groups of stakeholders to whom messages will be sent and the content of messages to be sent to different groups of relevant stakeholders, in each case based on incident type. We believe that this automation reduces the amount of time required to send critical notification as well as the associated cost. Our platform also enables customers to automatically establish procedures for improving the success of communication efforts.
- **Globally Local.** Our platform is designed to be utilized globally while accounting for local cultural, linguistic, regulatory and technological differences. We have relationships with suppliers and carriers in multiple countries to ensure delivery in compliance with local, technical and regulatory requirements. We have localized our user interface in 15 languages and dialects that are spoken by more than 60% of the world's population.
- **Next-Generation, Open Architecture.** We developed our platform to easily integrate our applications with other systems. Our solutions provide open Application Program Interfaces, or APIs, and configurable integrations, enabling our platform to work with our customers' and partners' pre-existing processes and solutions, increasing the business value we deliver.
- **Actionable Reporting and Analytics.** Our platform provides real-time dashboards, advanced map-based visualization and ad-hoc reporting across notifications, incidents and contacts. This information is easily accessed for required after-event reviews, continuous process improvements and regulatory compliance.

Our Growth Strategy

We intend to drive growth in our business by building on our position as a global provider of critical event management, critical communications and enterprise safety applications. Key elements of our growth strategy include:

- **Accelerate Our Acquisition of New Customers.** We have multiple paths of entry into new customers with our portfolio of applications, which are used for a wide variety of use cases across a diverse set of verticals markets. We intend to capitalize on the breadth of our solutions and the technological advantages of our CEM platform to continue to attract new customers. In parallel, we plan to attract new customers by investing in sales and marketing and expanding our channel partner relationships.
- **Further Penetrate Our Existing Customers.** With revenue retention rates of over 110% for each of the last three years, we believe that there is a significant opportunity within our existing customer base to expand their use of our platform, both by selling new applications and features to our existing customers and selling to additional departments in their organizations. We believe that we have a significant opportunity to increase the lifetime value of our customer relationships as we educate customers about the benefits of our current and future applications that they do not already utilize and of taking an integrated CEM approach. In the last three years we have added five new applications, which have already begun to experience significant growth. These new applications have grown from 6% in the first quarter of 2015 to 30% in the fourth quarter of 2016 of our contracted sales, which represent the total dollar value of new agreements entered into within the prior 12 months, exclusive of renewals.

- **Develop New Applications to Target New Markets and Use Cases.** Our platform is highly flexible and can support the development of new applications to meet evolving safety and operational challenges. For example, our Safety Connection application enables organizations to locate people and send them notifications based on their dynamic last known location, while actively incorporating threat and other data to allow for targeted and relevant communications. While the historic market for corporate security and safety solutions has been focused on establishing perimeters – locks, alarms and guards – to keep threats to employees outside of the physical premises, our solutions are responsive to the dramatic shift towards an increasingly mobile workforce where employees spend less time in traditional offices. At the same time, protection of employees at traditional places of business remains crucial. Market research completed in 2016 by us together with Emergency Management & Safety Solutions, found that while organizations were very concerned about the risk of workplace violence, 79% said they were at best only somewhat prepared for an active shooter event, and communicating with people in an impacted building was seen as the biggest challenge. In light of these dynamics, we intend to continue to develop new applications for use cases in a variety of new markets and to leverage our platform and our existing customer relationships as a source of new applications, industry use cases, features and solutions.
- **Expand Our International Footprint.** We intend to continue to expand our local presence in regions such as Europe, the Middle East and Asia to leverage our relationships with local carriers and our ability to deliver messages to over 200 countries and territories in 15 languages and dialects as well as expand our channel partnerships and also to opportunistically consider expanding in other regions.
- **Maintain Our Technology and Thought Leadership.** We will continue to invest in our core CEM platform and our applications to maintain our technology leadership position. For example, we believe that we are the only company today that provides a full, integrated CEM solution and that we provide the first solution to offer dynamic versus static location awareness integrated with analysis and communications for the employee safety and security marketplace. Further, we believe we have a competitive advantage through our commitment to innovation and thought leadership that has enabled us to take market share from our competitors and accelerate our growth.
- **Opportunistically Pursue Acquisitions.** We plan to selectively pursue acquisitions of complementary businesses, technologies and teams that allow us to penetrate new markets and add features and functionalities to our platform.

Our Market Opportunity

There is a significant demand for CEM solutions that meet the above requirements. We estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, that the market for CEM solutions represented an \$18.3 billion worldwide opportunity in 2015. This consists of an estimated addressable market of \$7.3 billion in North America and \$11.0 billion outside of North America. As the adoption of targeted and contextually aware CEM solutions continues to expand and take hold across a broader cross-section of organizations and industry verticals, we estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, that our addressable market will grow at a compound annual growth rate of 17.5% to \$41.1 billion in 2020.

More specifically, Markets and Markets estimates that the aggregate market for mass notification software and services was \$1.7 billion in 2015 and is projected to grow at a compound annual growth rate of 20.9% to \$4.4 billion in 2020. Within the market for mass notification software and services, Markets and Markets estimates that the distributed recipient solutions segment was \$713 million in 2015, and is projected to grow at a compound annual growth rate of 24.8% to \$2.6 billion in 2021. Further, Frost & Sullivan estimates that: (1) the market for IT service alerting was \$183 million in 2015 and is projected to grow at a compound annual growth rate of 32.7% to \$753 million in 2020; (2) the market for telemedicine was \$374 million in 2015 and is projected to grow at a compound annual growth rate of 15.0% to \$752 million in 2020; (3) the market for secure mobile messaging was \$325 million in 2015 and is projected to grow at a compound annual growth rate of 16.4% to \$694 million in 2020; (4) the market for community engagement was \$122 million in 2015 and is projected to grow at a compound annual growth rate of 33.4% to \$516 million in 2020; and (5) the market for IoT was \$3.3 billion in 2015 and is projected to grow at a compound annual growth rate of 24.6% to \$9.9 billion in 2020. Finally, Markets and Markets estimates that: (1) the market for safety and security and physical security and information management was \$9.6 billion in 2015, and is

projected to grow at a compound annual growth rate of 8.9% to \$14.8 billion in 2020; and (2) the market for predictive analytics was \$2.7 billion in 2015, and is projected to grow at a compound annual growth rate of 27.4% to \$9.2 billion in 2020.

Our Platform

Since inception, our SaaS-based critical communications engine was architected on a single code base to deliver multi-tenant capability and the speed, scale and resilience necessary to communicate globally when a serious event occurs. This engine is designed to address both the emergency and operational components of a critical communications program, and is capable of providing two-way communications and verified delivery in accordance with our customers' escalation policies. Our critical communications engine has multi-modal communications reach, including redundant global SMS and voice delivery capabilities, and is designed to comply with local, technical and regulatory requirements, which we believe has provided us with a competitive advantage. For example, we believe that our early deployment of local SMS codes intended to comply with rules established by the Telecom Regulatory Authority of India allowed us to increase our SMS delivery success rates in India. Our CEM platform builds on the strengths of this critical communications engine, adding capabilities for integrated threat assessment, visualization, incident management and analytics.

Additional core technical attributes of our platform include:

- Monitors more than 100 types of threat data for situation assessment.
- Multi-tenant architecture that supports multiple layers of redundancy to maximize uptime and delivery of critical content, regardless of volume or throughput requirements.
- Dynamic spatial/geographic information system capability to geo-target communications by zip code, street address or a specific radius from a location.
- Support for two-way communications and alerting on over 100 different devices and endpoints, including landline and wireless phones, hand-held communication and other voice-capable devices, satellite, SMS, two-way radios, outdoor digital signage, sirens and internet enabled devices.
- Designed to meet rigorous security and compliance requirements for financial services firms, healthcare institutions, the U.S. federal government and other regulated industries, including facilitating compliance with health care requirements such as HIPAA privacy and security standards.
- Extensive set of APIs and configuration capabilities to allow customers and partners to easily integrate our platform with other systems. Our APIs' two-way invocation capabilities enable third-party systems to flexibly and easily integrate with our platform.
- Multi-channel visualization capabilities support integrated views of threats, incidents and status of response to improve management visibility and control.
- Supports easy-to-use native mobile applications, including multiple secure mobile applications for message initiation, management and reporting.
- Supports push notifications and two-way conversations that enable mobile users to send and receive secure messages such as text, pictures, videos and the users' current geographic locations.

Our Contact Stores

Our contact stores manage approximately 130 million contact profiles and connections from more than 3,200 customers based in 28 countries as of December 31, 2016, up from 15 million contact profiles as of December 31, 2012. They are initially created through an upload of contacts from the customer and are automatically updated with the most current contact information provided by the customer or by individuals who opt-in to receive notification from our Community Engagement application. Our contact stores are simultaneously enriched by geographic, situational and other real-time data. Our contact stores are repositories for all contact details, attributes and business rules and preferences, such as a person's last-known location, language spoken, special needs, technical certifications and on-call status.

We leverage the data contained in our contact stores in a number of significant ways. Our data asset across multiple verticals enables us to develop best practices for reaching the intended contact, on the correct device, at the right location, at the appropriate time. We also use these data to better understand our customer base and their emerging use cases in order to improve our existing applications and develop new applications.

Everbridge Publishing Network

An important component of our platform is our Everbridge Publishing Network, which allows our customers to share relevant situational awareness information with each other. Public safety agencies, for example, can publish information to the Everbridge Publishing Network about incidents that might prove disruptive to the movement of people, goods and services for businesses within a certain area. If any of those businesses are also customers of ours, they will receive this information from a source they know is vetted and reliable, and will be able to take timely steps to mitigate or remediate the situation.

Our Applications

Through our CEM platform, we deliver reliable enterprise-ready applications that provide organizations with the ability to assess threats, locate people, automate actions, monitor incident response, and deliver contextual communications in any volume, in near-real time. We have designed our applications' user interface to be easy to use. We understand that since some of our applications will be utilized to manage complex situations or to send large volumes of messages to key stakeholders during stressful situations, streamlining the user interface to reduce user errors and anxiety is essential. We conduct extensive usability testing and design reviews with our stakeholders, and have applied in our designs the lessons learned over more than a decade of working with critical communications users and professionals.

Our applications enable:

- Communications to key stakeholders during emergency situations.
- Corporate communications with customers and employees.
- Automated outreach to on-call personnel.
- Integrated threat assessment and visualization.
- Workgroup collaboration on mobile devices.
- Integration of physical security data with location awareness data gathered from travel, network and access systems to rapidly find and communicate with employees during disruptive events.
- Securely designed and efficiently implemented communications among healthcare providers and patients.
- Community engagement and collaboration with citizens and businesses.
- Critical IoT communications between machines and from machines to people
- Mobile response plan deployment and management of incidence response.

Our applications include:

- **Mass Notification.** Our secure, scalable and reliable Mass Notification application is our most established application and enables enterprises and governmental entities to send contextually aware notifications to individuals or groups to keep them informed before, during and after natural or man-made disasters and other emergencies. We provide robust analytics, map-based targeting, flexible group management, distributed contact data, language localization, multiple options for contact data management and a globally-optimized approach to voice and SMS routing. We also support community engagement functionality, which provides a direct link between residents and emergency management departments with the goal of fostering public safety.
- **Safety Connection.** Our Safety Connection application enables organizations to send notifications based on dynamic last known location of an individual, including the airport, street, building floor or conference room at which the individual was most recently present, while actively incorporating threat and other data to allow for targeted and relevant communications. When fully deployed, the application can also aggregate near real-time data from multiple sources, including building access control systems, wired and wireless network access points, travel management systems and mobile application check-ins. We believe that Safety Connection represents a significant advance in helping organizations use critical communications to keep their constituents safe, as many current solutions use only static office and residential locations that are not sufficiently location-aware relative to an increasingly mobile workforce.
- **Incident Management.** Our Incident Management application enables organizations to automate workflows and make their communications contextually relevant using drag and drop business rules to determine who should be contacted, how they should be contacted and what information is required. We believe that this application decreases costly human errors and reduces downtime, while simultaneously capturing required compliance information. We also support cross-account collaboration and situational intelligence sharing during crises for corporations and communities.
- **IT Alerting.** Our IT Alerting application enables IT professionals to alert and communicate with key members of their teams during an IT incident or outage, including during a cyber security breach. The application integrates with IT service management platforms, including ServiceNow, and uses automatic escalation of alerts, on-call scheduling and mobile alerting to automate manual tasks and keep IT teams collaborating during an incident. We also provide real-time shift calendars with integrated on-call notifications to help users better manage employee resources and get the right message to the right person, at the right time through automated staffing. Taken together, our IT Alerting application has the potential to provide meaningful savings to organizations by reducing mean-time-to-repair. Each minute of unplanned downtime costs organizations an average of approximately \$5,600, according to Gartner, while 59% of Fortune 500 companies experience 1.6 hours of downtime per week, according to Dunn & Bradstreet. IHS, Inc. estimates information and communication technology downtime costs North American organizations \$700 billion per year.
- **Visual Command Center.** Our Virtual Command Center application enables customers to monitor and integrate more than 100 types of threat data, as well as information on internal incidents, to generate and visualize an alert when potential risks occur within proximity of an organization's physical locations, suppliers, assets or people. The solution improves the ability to more quickly understand and assess the impact of threats, execute the correct response, and monitor on-going resolution in order to mitigate risk to personnel safety, business continuity, assets and supply chain operations.
- **Community Engagement.** Our Community Engagement application integrates emergency management and community outreach by providing local governments with a unified solution to connect residents to their public safety department, public information resources, and neighbors via social media and mobile applications. This creates a stronger and more engaged community improving the communication reach for emergency personnel, while providing residents with real-time emergency and community information, and allows residents to anonymously opt-in and provide tips. For example, the City of Philadelphia experienced a 70% increase in opt-ins in 2015 with our Community Engagement application.

- **Crisis Commander.** Our Crisis Commander application provides mobile access to crisis, recovery and brand protection plans, as well as the capability to manage a crisis or event through role-based assignments and status updates. Organizations can enhance their overall crisis management efforts by making plans readily available to responders on the most popular mobile platforms regardless of their location. The application also simplifies updating plans for changes to personnel or processes, and enhances visibility into response progress during a critical event.
- **Secure Messaging.** Our Secure Messaging application meets the compliance and security requirements of organizations that need to provide an alternative way for their employees to communicate and share nonpublic information. A tailored version of our Secure Messaging application, CareConverge, is designed for medical professionals and facilitates HIPAA-compliant communications without the need for pagers and other single use devices, supporting the development of a “connected” hospital. CareConverge also facilitates telemedicine by allowing medical professionals to hold video conferences with patients and other medical professionals as well as share medical imaging, lab results and other critical information. Our Secure Messaging application also enables financial services organizations’ employees and customers to securely communicate via text, voice, and video, while remaining FINRA compliant.

Our Technology

The design and development of our applications, and our critical communication and critical event management platforms include the following key attributes:

- **Robust, Enterprise-Grade Scalability and Reliability.** Given the mission-critical nature of our solutions, our multi-tenant platform was designed to provide a robust, high level of resiliency, scalability and redundancy. We use multiple geographically distributed service providers and communications carriers to achieve a high degree of redundancy, fault tolerance and cost-effective operations. We have multiple layers of redundancy and a horizontal scaling model across our infrastructure to deliver high availability and performance. Our redundant data centers are located in Los Angeles, California; Denver, Colorado; San Francisco, California; Dallas, Texas; St. Louis, Missouri; and Toronto, Canada as well as in Germany, the United Kingdom and the Netherlands. Similarly, we leverage redundant downstream communications providers to enable our services to remain uninterrupted even if a particular provider encounters technical difficulties.
- **Multi-Modal, Globally Local Communications Delivery.** We optimize international call routing across hundreds of telecommunications providers to enable higher voice quality, improved delivery rates during emergencies and the ability to configure local caller IDs to improve recognition and answer rates. We also work with multiple SMS providers to identify regulatory hurdles and deploy and actively manage an optimal mix of national and international SMS codes to ensure high delivery and response rates.
- **Security and Compliance.** Our security and data protection policies and controls are based on the Federal Information Security Management Act risk management framework defined by the National Institute of Standards and Technology, or NIST, special publication, or SP, 800-37. To meet the rigorous standards of our enterprise and government customers, an independent and accredited third-party security assessment firm annually verifies our compliance with over 800 security and data protection requirements detailed in NIST SP 800-53. Through this process, we map our compliance with other security and data privacy frameworks including ISO 27001 and HIPAA. In addition, we hold certifications including SysTrust Statement on Standards for Attestation Engagements No. 16, Service Operations Controls 2 & 3. We have also been awarded approvals by DHS that enable us to receive priority treatment for vital voice and data circuits or other telecommunications services. More recently, our critical communications solutions received designation under the SAFETY Act and certification by DHS that places us on the approved product list for homeland security and provides us with the highest level of liability protection available under the SAFETY Act. The certification similarly protects our customers from legal liability claims arising from acts of terrorism, as contemplated by the SAFETY Act. Further, our solutions are accredited under FISMA and we are certified under the EU-US Privacy Shield to meet regulatory requirements governing the processing of European Union residents’ personal data outside of the European Union.

- **Hybrid Infrastructure.** To provide highly scalable and global solutions, we employ redundant, geographically diverse production implementations of our platform infrastructure in multiple SOC 2-compliant data center facilities in North America and Europe. Within each data center, we utilize a hybrid-cloud architecture that enables us to leverage both proprietary and third-party infrastructure services to enable “on-demand” capacity and performance without substantial upfront investment. Our hybrid-cloud architecture enables our customers to select the location in which to store their contact data, allowing for compliance with local and international data privacy laws. Our architecture also enables our platform to dynamically determine the best location from which to deliver critical communications on behalf of our customers and solves many international communications delivery challenges by utilizing in-country or in-region telephony, messaging and data communication providers. Our infrastructure is continuously maintained and monitored by dedicated engineers based in redundant network operations centers in the Los Angeles and Boston areas.
- **Dynamic Location Detection.** Our platform can create and update dynamic data sets containing a contact’s last-known location, including the airport, street, building floor or conference room at which the contact was most recently present. Multiple data sources can be aggregated including building access control and badging systems, wired and wireless network access points, and corporate travel management and office hoteling systems. These data are used to best locate a contact in an emergency or critical business situation, independent of the contact’s home or office location. Contacts can also share their location via a three-in-one mobile panic button application, which sends a panic message to the applicable organization’s security team, and also includes the ability to send audio and video content, to check-in to capture and report geo-location data and to establish a safe corridor through a potentially unsafe area.

Our Comprehensive Customer Support Services

We are committed to the success of our customers. We demonstrate this commitment by offering a comprehensive set of support services to help our customers get started quickly, follow best practices, and realize on-going value from our critical communications solution. Our support services include:

- **Rapid Onboarding.** We leverage a proven methodology and domain expertise, honed through thousands of customer on-boardings worldwide, to enable rapid use of our platform and compliance with industry best practices. Promptly after a customer purchases one or more of our applications, our dedicated onboarding team begins to configure our solutions to meet the customer’s needs, including specific messages and scenarios, ad-hoc report templates and incident management reviews. The onboarding service incorporates years of critical communications experiences, including our critical communications certification training through Everbridge University, to improve customer success. The average implementation time for new customers purchasing our solutions is 10 hours.
- **Everbridge University.** We offer online education, training and professional development through Everbridge University, with role-based training modules that can be customized to meet a customer’s needs and that can facilitate formalized knowledge transfer and ensure ongoing self-sufficiency. Everbridge University is available anytime, online and is configured for self-paced use. To date, Everbridge University has delivered over 700,000 online training lessons.
- **Dedicated Account Management.** We assign dedicated account managers to all customers. Our account managers work exclusively with customers in a specific industry so they understand the applicable needs and challenges. They act as informed guides to help our customers make effective decisions in deploying our applications. Account managers perform regular service reviews and post-incident analyses of customer communications to incorporate communication best practices, and recommend additional applications to meet the customer’s critical communications needs.
- **24/7 Technical Support & Emergency Live Operator Service.** We have established geographically redundant technical support centers in the Los Angeles, California; Boston, Massachusetts; and London, United Kingdom areas. From these support centers, we offer our customers 24/7 support by phone, email or through our online support center. In addition, our support centers offer a 24/7 emergency live operator service to assist customers with sending critical communications.

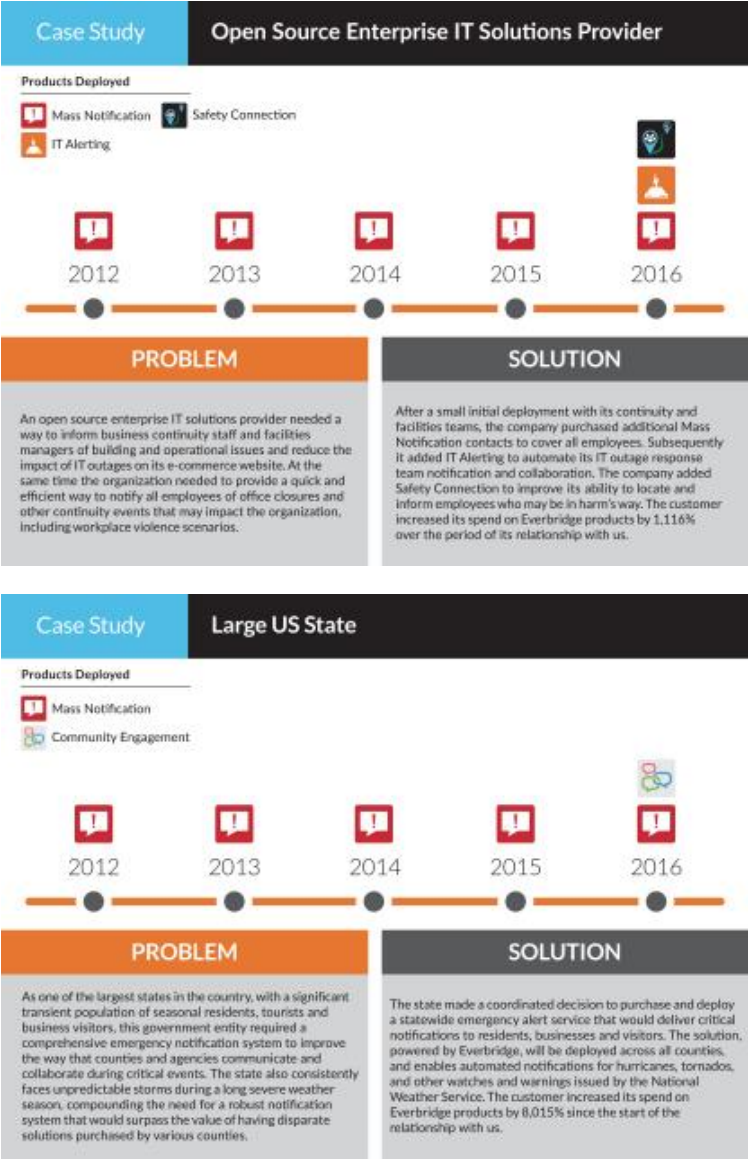
- **Premium Support Services.** With an understanding of the critical role that our solution plays, we have invested in assembling an expert professional services organization to deliver premium support service packages to our customers. Our professional services team includes certified emergency management and critical communications practitioners. Our premium support services address the unique challenges of customers' organizational structures, operational requirements, implementation and training needs. We believe that we help customers achieve faster time-to-value by providing on-site project management, consultation with a certified critical communications professional, creation of client-specific message and scenarios, development of ad-hoc report templates and on-site emergency and incident management reviews.

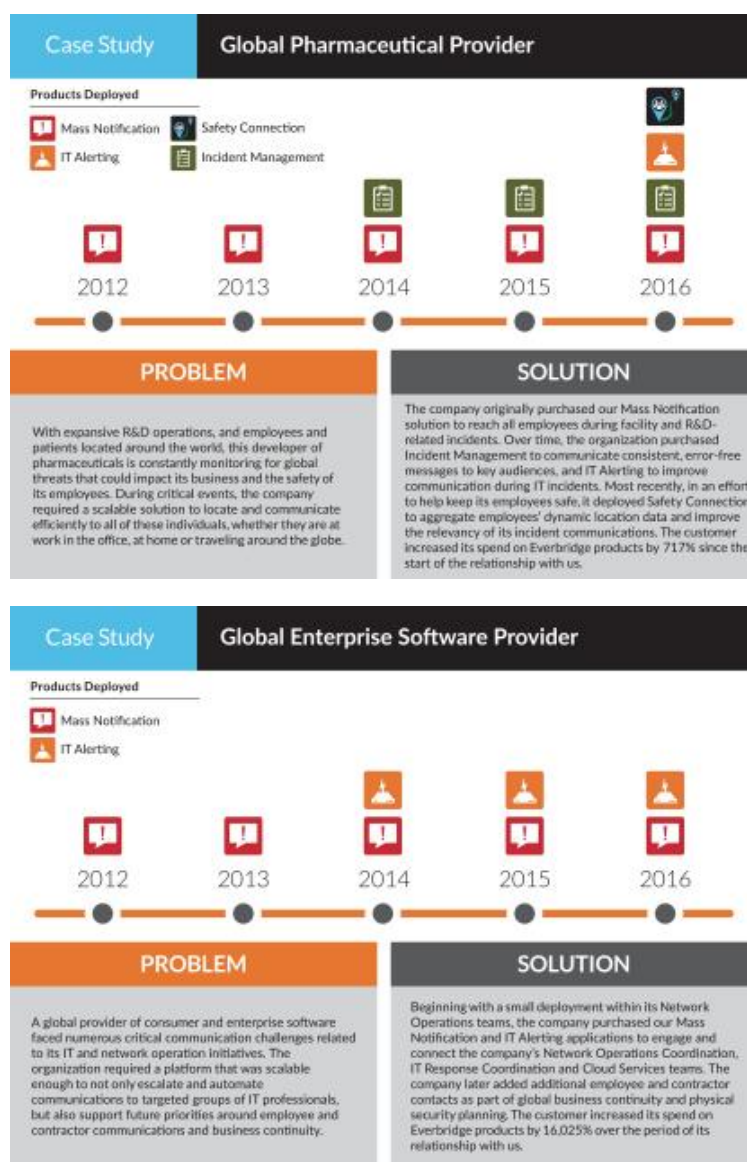
Our Customers

Our customer base has grown from 867 customers at the end of 2011 to more than 3,200 customers as of December 31, 2016. We define a customer as a contracting entity from which we generated \$100 or more of revenue in the prior month, either directly or through a channel partner. We do not include customers of our wholly-owned subsidiary, Microtech, which generates an immaterial amount of our revenue in any given year. At the end of 2011 we had 20 customers with contracts valued at \$100,000 or more, whereas as of December 31, 2016 we had 106 customers with contracts valued at \$100,000 or more, including eight customers with contracts in excess of \$500,000. As of December 31, 2016, our customers were based in 28 countries and included eight of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 24 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide solutions to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and government agencies. Our customers span a wide variety of industries, including technology, energy, financial services, transportation, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services. For the year ended December 31, 2016, 49% of our revenue was generated from enterprise customers, 35% from government and government-related customers and 16% from healthcare-related customers. No customer contributed more than 5% of our total revenue for the year ended December 31, 2016.

Some of our representative customers by sector include the following:

Enterprise	Healthcare	State and Local Government
Alexion Pharmaceuticals	Alexian Brothers Medical Center	Boston Police Department
Cardtronics	Boston Children's Hospital	Chicago Department of Aviation
Choice Hotels	Catholic Health Initiatives	City of Torrance
Customers Bank	Children's Hospital of Philadelphia	Florida Division of Emergency Management
Digital Realty	Covenant Health System	Los Angeles Police Department
DTE Energy	Doctors Health at Renaissance Health System	Miami International Airport
East West Bank	Florida Health	Muskingum Watershed Conservancy District
EnerNOC	Hawaii Pacific Health	National Capital Region
Ericsson	Molina Healthcare	Northeast Region Community Awareness
Express Scripts	Penn State Health Milton S. Hershey Medical Center	Emergency Response
Facebook	Penrose St. Francis Health Services	State of Connecticut, Department of
KOR Energy	Spectrum Health	Emergency Services and Public Protection
Pearson	Vanderbilt University Medical Center	University of Louisiana System
Sierra Nevada		U.S. Department of Transportation
Uber		
Xerox		





Sales and Marketing

Our sales and marketing organizations collaborate to create brand preference, efficiently and effectively generate leads, build a strong sales pipeline and cultivate customer relationships to help drive revenue growth. Our go-to-market strategy consists of a strong thought-leadership program, digital marketing engine and a diversified sales organization designed to efficiently sell across vertical markets to organizations of all sizes. We have dedicated sales teams focused on corporate customers, government customers and healthcare organizations, which covers U.S. federal, state and local governmental entities.

We believe that our sales and marketing model is economically compelling. We spent \$0.95 and \$0.93 to generate each \$1.00 of new sales in 2016 and 2015, respectively, which reflects our sales and marketing expense incurred in 2016 and 2015 (other than expense related to full-time employees dedicated to client retention) compared to 12

months of contract value for contracts entered into in 2016 and 2015, and \$0.06 to renew each \$1.00 of renewal sales in each of 2016 and 2015, which reflects our sales and marketing expense related to full-time employees dedicated to client retention compared to 12 months of contract value for contracts renewed in 2016 and 2015.

Sales

We sell our solutions through our telephone and direct inside sales teams, a direct field sales team and a growing partner channel. Our global sales teams focus on both new customer acquisition and up-selling and cross-selling additional and new offerings, respectively, to our existing customers. Our sales teams are organized by geography, consisting of the Americas; Europe, the Middle East and Africa, or EMEA; as well as by target organization size. Our inside sales team focuses typically on small and middle-market transactions, while larger or more complex transactions are generally handled by our direct field sales teams. Our highly trained sales engineers help define customer use cases, manage pilots and train channel partners.

In addition to the vertical and geographic distribution of our salesforce, we have dedicated teams of account executives focused on net new accounts, account managers responsible for renewal and growth of existing accounts, and business development representatives targeting new and growth business opportunity creation. Our sales representatives use phone, email and web meetings to interact with prospects and customers. In 2016, we increased the headcount of our sales organization, and we intend to continue to invest in building our global sales and go-to-market organizations.

We also sell through channel partners both domestically and internationally. To help integrate our applications with other third-party services and take advantage of current and emerging technologies, we seek to enter into alliances with leading technology companies.

Marketing

We focus our marketing efforts on increasing the strength of the Everbridge brand, communicating product advantages and business benefits, generating leads for our salesforce and channel partners, leveraging geographic market strengths and driving product adoption. We run campaigns that take advantage of a network effect in which success within a region encourages other organizations within that area to choose our solutions, in part to be using a system consistent with that of other entities in the area with which they may share information or best practices. We deliver targeted content to demonstrate our thought leadership in critical communications best practices and use digital advertising methods to drive conversion of potential prospects, which convert to opportunities for our sales organization.

Our marketing team focuses on inbound marketing through our industry-leading content, resources, and sharing customer best practices. We rely on multiple marketing and sales automation tools to efficiently market to, and automatically identify qualified individuals using product and industry specific criteria. We use multiple marketing tactics to engage with prospective customers including: email marketing, event marketing, print and digital advertising, and webinar events. We engage with existing customers to provide vertically-based education and awareness and to promote expanded use of our current and new software offerings within these customers. We also host regional and national events to engage both customers and prospects, deliver product training and foster community.

Research and Development

We invest substantial resources in research and development and leverage offshore development in multiple geographies to implement a “follow the sun” engineering strategy and to increase the efficiency of our overall development efforts. We enhance our core technology platform and applications, develop new end market-specific solutions and applications, and conduct application and quality assurance testing. Our technical and engineering team monitors and tests our applications on a regular basis, and we maintain a regular release process to refine, update, and enhance our existing applications. Research and development expense totaled \$14.8 million, \$11.5 million and \$7.4 million for 2016, 2015 and 2014, respectively.

Our Competition

The market for CEM solutions is highly fragmented, intensely competitive and constantly evolving. We compete with an array of established and emerging companies, many of whom are single product or single market focused, as well as in-house solutions. With the introduction of new technologies and market entrants, we expect the competitive environment to remain intense going forward. The primary competitors for our Mass Notification and Incident Management applications include: BlackBerry Limited, Emergency Communications Network, F24 AG, Enera Inc., Nuance Communications, Inc., SWN Communications Inc. and SunGard Data Systems Inc. The primary competitors for our IT Alerting application include: PagerDuty, Inc. and xMatters, Inc. The primary competitors for our Secure Messaging application include: DocHalo, LLC, Spok, Inc., Perfect Serve, Inc. and TigerText, Inc. With respect to our recent acquisitions, the primary competitors for our Visual Command Center and Crisis Commander applications include Planet Risk Inc. and In Case of Crisis, respectively.

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

- product functionality, including local and multi-modal delivery in international markets;
- breadth of offerings;
- performance, security, scalability and reliability;
- compliance with local regulations and multi-language support;
- brand recognition, reputation and customer satisfaction;
- ease of implementation, use and maintenance; and
- total cost of ownership.

We believe that we compete favorably with respect to all of these factors and that we are well positioned as a leading provider of targeted and contextually relevant critical communications.

Intellectual Property

Our future success and competitive position depend in part on our ability to protect our intellectual property and proprietary technologies. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the United States and other jurisdictions.

As of December 31, 2016, we had 14 issued patents and four patent applications pending in the United States. We also had one issued patent in Canada. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated, or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers.

We have registered the “Everbridge” and “Nixle” names in the United States, and have registered the “Everbridge” name in the European Union. We have registrations and/or pending applications for additional marks in the United States; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights.

We also license software from third parties for integration into our offerings, including open source software and other software available on commercially reasonable terms. We cannot assure you that such third parties will maintain such software or continue to make it available.

We are the registered holder of a variety of domestic and international domain names that include everbridge.com, as well as similar variations on that name.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights.

If we become more successful, we believe that competitors will be more likely to try to develop solutions that are similar to ours and that may infringe our proprietary rights. It may also be more likely that competitors or other third parties will claim that our solutions infringe their proprietary rights.

Patent and other intellectual property disputes are common in our industry and we have been involved in such disputes from time to time in the ordinary course of our business. Some companies, including some of our competitors, own large numbers of patents, copyrights and trademarks, which they may use to assert claims against us. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers whom we typically indemnify against claims that our solution infringes, misappropriates or otherwise violates the intellectual property rights of third parties. As the numbers of products and competitors in our market increase and overlaps occur, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business.

Government Regulation

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, data protection, intellectual property, competition, consumer protection, export taxation or other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate. Because global laws and regulations have continued to develop and evolve rapidly, it is possible that we may not be, or may not have been, compliant with each such applicable law or regulation.

Culture and Employees

We believe that our culture has been a key contributor to our success to-date and that the critical nature of the solutions that we provide promotes a sense of greater purpose and fulfillment in our employees. We have invested in building a strong corporate culture and believe it is one of our most important and sustainable sources of competitive advantage.

As of December 31, 2016, we had 467 full-time employees, including 98 in data center operations and customer support, 182 in sales and marketing, 123 in research and development and 64 in general and administrative. As of December 31, 2016, we had 360 full-time employees in the United States and 107 full-time employees internationally. None of our U.S. employees are covered by collective bargaining agreements. We believe our employee relations are good and we have not experienced any work stoppages.

Facilities

Our principal executive offices are located in Burlington, Massachusetts, where we occupy an approximately 45,000 square-foot facility under a lease expiring on May 31, 2022, and in Pasadena, California, where we occupy an approximately 19,000 square-foot facility under a lease expiring on June 30, 2018. We also have offices in San Francisco, California; Lansing, Michigan; Windsor, United Kingdom; Colchester, United Kingdom, Norsburg, Sweden and Beijing, China.

Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Segments

We view our operations and manage our business as one operating segment. See our consolidated financial statements for a discussion of revenues, operating loss, net loss and total assets.

Corporate Information

We were initially incorporated under the laws of the State of Delaware under the name 3n Global, Inc. in January 2008. 3n Global, Inc. was initially a wholly-owned subsidiary of National Notification Network, LLC, which was formed in November 2002 as a limited liability company organized under the laws of the State of California. In May 2008, pursuant to a merger agreement between 3n Global, Inc. and National Notification Network, LLC, National Notification Network, LLC merged with and into 3n Global, Inc. We changed our name to Everbridge, Inc. in April 2009.

Our principal executive offices are located at 25 Corporate Drive, Suite 400 Burlington, Massachusetts. Our telephone number is (818) 230-9700. Our website address is www.everbridge.com.

“Everbridge, Inc.,” the Everbridge logo, and other trademarks or service marks of Everbridge, Inc. appearing in this Annual Report on Form 10-K are the property of Everbridge, Inc. This Annual Report on Form 10-K contains additional trade names, trademarks and service marks of others, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K may appear without the ® or TM symbols.

Geographic Information

For a description of our revenue and long-lived assets by geographic location, see Note 16 of the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge on or through our website at www.ir.Everbridge.com as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The SEC also maintains a website, www.sec.gov, which contains reports and other information regarding issuers that file electronically with the SEC. The public may read and copy any files with the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling 1-800-SEC-0330. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties including those described below. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes, as well as our other public filings with the Securities and Exchange Commission. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline.

Risks Related to Our Business and Our Industry

If our business does not grow as we expect, or if we fail to manage our growth effectively, our operating results and business prospects would suffer.

We increased our number of full-time employees from 303 to 418 to 467 as of December 31, 2014, 2015 and 2016, respectively. In 2016, we made a significant investment in our sales organization, growing our headcount by 16%, and our revenue increased by \$18.1 million for the year ended December 31, 2016 compared to 2015, due in part to the increase in our customer base.

However, our business may not continue to grow as quickly or at all in the future, which would adversely affect our revenue and business prospects. Our business growth depends on a number of factors including:

- our ability to execute upon our business plan effectively;
- our ability to accelerate our acquisition of new customers;
- our ability to further sell to our existing customers new applications and features and to additional departments in their organizations;
- our ability to develop new applications to target new markets and use cases;
- our ability to expand our international footprint;
- the growth of the market in which we operate;
- our ability to maintain our technology leadership position; and
- our ability to acquire complementary business, technologies and teams we need.

Further, our growth has placed, and will continue to place, a strain on our managerial, operational, financial and other resources, and our future operating results depend to a large extent on our ability to successfully manage our anticipated expansion and growth. To manage our growth successfully and handle the responsibilities of being a public company, we believe we must effectively, among other things:

- increase our customer base and upsell and cross-sell additional and new applications to our existing customers;
- invest in sales and marketing and expand our channel partner relationships;
- develop new applications that target new markets and use cases;
- expand our international operations; and
- improve our platform and applications, financial and operational systems, procedures and controls.

We intend to continue our investment in sales and marketing, platform and applications, research and development, and general and administrative functions and other areas to grow our business. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely affect our operating results.

If we are unable to manage our growth effectively in a manner that preserves the key aspects of our corporate culture, we may not be able to take advantage of market opportunities or develop new applications or upgrades to our existing applications and we may fail to satisfy customer requirements, maintain the quality and security of our applications, execute on our business plan or respond to competitive pressures, which could result in our financial results suffering and a decline in our stock price.

We have not been profitable on a consistent basis historically and may not achieve or maintain profitability in the future.

We have posted a net loss in each year since inception, including net losses of \$11.3 million, \$10.8 million and \$0.6 million in the years ended December 31, 2016, 2015, 2014, respectively. As of December 31, 2016, we had an accumulated deficit of \$89.6 million. While we have experienced significant revenue growth in recent periods and profitability solely in the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014, we are not certain whether or when we will obtain a high enough volume of sales of our applications to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we expect to continue to expend substantial financial and other resources on:

- sales and marketing, including a significant expansion of our sales organization, both domestically and internationally;
- research and development related to our platform and applications, including investments in our research and development team;
- continued international expansion of our business; and
- general and administration expenses, including legal and accounting expenses related to being a public company.

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

To date, we have derived substantially all of our revenue from the sale of our Mass Notification application. If we are unable to renew or increase sales of this application, or if we are unable to increase sales of our other applications, our business and operating results could be adversely affected.

While we have recently introduced five new critical communications applications, one of which was introduced in the middle of 2014, three of which were introduced in 2015 and one of which was introduced in 2016, we derived 86%, 91% and 96% of our revenue from sales of our Mass Notification application in 2016, 2015 and 2014, respectively, and expect to continue to derive a substantial portion of our revenue from sales of this application in the near term. As a result, our operating results could suffer due to:

- any decline in demand for our Mass Notification application;
- pricing or other competitive pressures from competing products;
- the introduction of applications and technologies that serve as a replacement or substitute for, or represent an improvement over, our Mass Notification application;
- technological innovations or new standards that our Mass Notification application do not address; and
- sensitivity to current or future prices offered by us or competing solutions.

Because of our reliance on our Mass Notification application, our inability to renew or increase sales of this application or a decline in prices of this application would harm our business and operating results more seriously than if we derived significant revenue from a variety of applications. Any factor adversely affecting sales of our historical or new applications, including release cycles, market acceptance, competition, performance and reliability, reputation and economic and market conditions, could adversely affect our business and operating results.

If we are unable to develop upgrades to our platform, develop new applications, sell our platform and applications into new markets or further penetrate our existing market, our revenue may not grow.

Our ability to increase sales will depend in large part on our ability to enhance and improve our platform and applications, introduce new applications in a timely manner, develop new use cases for our platform and further penetrate our existing market. The success of any enhancement to our platform or new applications depends on several factors, including the timely completion, introduction and market acceptance of enhanced or new applications, the ability to maintain and develop relationships with channel partners and communications carriers, the ability to attract, retain and effectively train sales and marketing personnel and the effectiveness of our marketing programs. Any new application that we develop or acquire may not be introduced in a timely or cost-effective manner, and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our applications, including new vertical markets and new countries or regions, may not be receptive. Our ability to further penetrate our existing markets depends on the quality of our platform and applications and our ability to design our platform and applications to meet consumer demand. Any failure to enhance or improve our platform and applications as well as introduce new applications may adversely affect our revenue growth and operating results.

If we are unable to attract new customers or sell additional applications to our existing customers, our revenue and revenue growth will be harmed.

A part of our growth strategy is to add new customers and sell additional applications to our existing customers. Our ability to maintain existing customers, sell them new applications and to add new customers will depend in significant part on our ability to anticipate industry evolution, practices and standards and to continue to introduce and enhance the applications we offer on a timely basis to keep pace with technological developments. However, we may prove unsuccessful in developing new applications and improving existing applications. In addition, the success of any new application depends on several factors, including the timely completion, introduction and market acceptance of the application. Any new applications we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of our competitors implements new technologies before we are able to implement them or better anticipates market opportunities, those competitors may be able to provide more effective or cheaper products than ours. As a result, we may be unable to renew our agreements with existing customers, attract new customers or grow or maintain our business from existing customers, which could harm our revenue and growth.

Failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform and applications.

To increase total customers and achieve broader market acceptance of our platform and applications, we will need to expand our sales and marketing organization, including the vertical and geographic distribution of our salesforce and our teams of account executives focused on new accounts, account managers responsible for renewal and growth of existing accounts, and business development representatives targeting new and growth business opportunity creation. We will continue to dedicate significant resources to our global sales and marketing organizations. The effectiveness of our sales and marketing teams has varied over time and may vary in the future, and depends in part on our ability to maintain and improve our platform and applications. All of these efforts will require us to invest significant financial and other resources and we are unlikely to see the benefits, if any, of these increases until future periods after incurring these expenses. Our business will be seriously harmed if our efforts do not generate a correspondingly significant increase in revenue. We may not achieve revenue growth from expanding our salesforce if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective.

The nature of our business exposes us to inherent liability risks.

Our applications, including our Mass Notification, Incident Management, IT Alerting, Safety Connection, Community Engagement, Visual Command Center, Crisis Commander and Secure Messaging applications, are designed to communicate life-saving or damage-mitigating information to the right people, on the right device, in the right location, at the right time during public safety threats and critical business events. Due to the nature of such applications, we are potentially exposed to greater risks of liability for employee acts or omissions or system failures than may be inherent in other businesses. Although substantially all of our customer agreements contain provisions limiting our liability to our customers, we cannot assure you that these limitations will be enforced or the costs of any litigation related to actual or alleged omissions or failures would have a material adverse effect on us even if we prevail. Further, certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence and we cannot assure you that we are adequately insured against the risks that we face.

Because we generally recognize revenue ratably over the term of our contract with a customer, downturns or upturns in sales will not be fully reflected in our operating results until future periods.

Our revenue is primarily generated from subscriptions to our critical communications applications. Our customers do not have the right to take possession of our software platform and applications. Revenue from subscriptions, including additional fees for items such as incremental usage, is recognized ratably over the subscription period beginning on the date that the subscription is made available to the customer. Our agreements with our customers typically range from one to three years. As a result, much of the revenue that we report in each quarter is attributable to agreements entered into during previous quarters. Consequently, a decline in sales, customer renewals or market acceptance of our applications in any one quarter would not necessarily be fully reflected in the revenue in that quarter, and would negatively affect our revenue and profitability in future quarters. This ratable revenue recognition also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers generally is recognized over the applicable agreement term.

We operate in an emerging and evolving market, which may develop more slowly or differently than we expect. If our market does not grow as we expect, or if we cannot expand our platform and applications to meet the demands of this market, our revenue may decline, fail to grow or fail to grow at an accelerated rate, and we may incur operating losses.

The market for CEM solutions is in an early stage of development, and it is uncertain whether this market will develop, and even if it does develop, how rapidly or how consistently it will develop or whether our platform and applications will be accepted into the markets in which we operate and plan to operate. Our success will depend, to a substantial extent, on the widespread adoption of our platform and applications as an alternative to historical mass notification systems. Some organizations may be reluctant or unwilling to use our platform and applications for a number of reasons, including concerns about additional costs, uncertainty regarding the reliability and security of cloud-based offerings or lack of awareness of the benefits of our platform and applications. Many organizations have invested substantial personnel and financial resources to integrate traditional on-premise applications into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based applications. Our ability to expand sales of our platform and applications into new markets depends on several factors, including the awareness of our platform and applications; the timely completion, introduction and market acceptance of enhancements to our platform and applications or new applications that we may introduce; our ability to attract, retain and effectively train sales and marketing personnel; our ability to develop relationships with channel partners and communication carriers; the effectiveness of our marketing programs; the costs of our platform and applications; and the success of our competitors. If we are unsuccessful in developing and marketing our platform and applications into new markets, or if organizations do not perceive or value the benefits of our platform and applications, the market for our platform and applications might not continue to develop or might develop more slowly than we expect, either of which would harm our revenue and growth prospects.

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

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our estimates and forecasts relating to the size and expected growth of our addressable market may prove to be inaccurate. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all.

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

The market for critical communications solutions is highly fragmented, competitive and constantly evolving. With the introduction of new technologies and market entrants, we expect that the competitive environment in which we compete will remain intense going forward. Some of our competitors have made or may make acquisitions or may enter into partnerships or other strategic relationships to provide a more comprehensive offering than they individually had offered or achieve greater economies of scale. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships or strategic relationships. We compete on the basis of a number of factors, including:

- application functionality, including local and multi-modal delivery in international markets;
- breadth of offerings;
- performance, security, scalability and reliability;
- compliance with local regulations and multi-language support;
- brand recognition, reputation and customer satisfaction;
- ease of application implementation, use and maintenance; and
- total cost of ownership.

We face competition from in-house solutions, large integrated systems vendors and established and emerging cloud and SaaS and other software providers. Our competitors vary in size and in the breadth and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets and greater resources than we do. While some of our competitors provide a platform with applications to support one or more use cases, many others provide point-solutions that address a single use case. Further, other potential competitors not currently offering competitive applications may expand their offerings to compete with our solutions. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our solutions. In addition to application and technology competition, we face pricing competition. Some of our competitors offer their applications or services at a lower price, which has resulted in pricing pressures. Some of our larger competitors have the operating flexibility to bundle competing applications and services with other offerings, including offering them at a lower price as part of a larger sale. For all of these reasons, we may not be able to compete successfully and competition could result in reduced sales, reduced margins, losses or the failure of our applications to achieve or maintain market acceptance, any of which could harm our business.

We may not be able to scale our business quickly enough to meet our customers' growing needs and if we are not able to grow efficiently, our operating results could be harmed.

As usage of our platform and applications grows, we will need to continue making significant investments to develop and implement new applications, technologies, security features and cloud-based infrastructure operations. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support and professional services, to serve our growing customer base, particularly as our customer demographics change over time. Any failure of, or delay in, these efforts could impair the performance of our platform and applications and reduce customer satisfaction. Even if we are able to upgrade our systems and

expand our staff, any such expansion may be expensive and complex, requiring management's time and attention. To the extent that we do not effectively scale our platform and operations to meet the growing needs of our customers, we may not be able to grow as quickly as we anticipate, our customers may reduce or cancel use of our applications and professional services, we may be unable to compete effectively and our business and operating results may be harmed.

Our quarterly results of operations may fluctuate, and if we fail to meet or exceed the expectations of investors or securities analysts, our stock price could decline.

Our quarterly revenue and results of operations have historically varied from period to period, and we expect that they will continue to do so as a result of a variety of factors, including many that are outside of our control. Our future revenue is difficult to predict. Our expense levels are relatively fixed in the short term and are based, in part, on our expectations as to future revenue. If revenue levels are below our expectations, we may incur higher losses and may never attain or maintain consistent profitability. Our operating results may be disproportionately affected by a reduction in revenue because a proportionately smaller amount of our expenses varies with our revenues. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Fluctuations in our results of operations may be due to a number of factors, including:

- fluctuations in demand for our platform and applications;
- changes in our business or pricing policies in response to competitive pricing actions or otherwise;
- the timing and success of introductions of new applications or upgrades to our platform;
- the impact of acquisition transaction-related amortization expenses and other certain expenses on our gross profit;
- competition, including entry into the industry by new competitors and new offerings by existing competitors;
- changes in the business or pricing policies of our competitors;
- the amount and timing of expenditures, including those related to expanding our operations, increasing research and development, enhancing our platform, introducing new applications or growing our sales and marketing teams;
- our ability to effectively manage growth within existing and new markets, both domestically and internationally;
- changes in the payment terms for our applications;
- our ability to successfully manage any future acquisitions of businesses or technologies;
- the strength of regional, national and global economies; and
- the impact of natural disasters or man-made problems such as cyber incidents and terrorism.

Due to the foregoing factors and the other risks discussed in this Annual Report on Form 10-K, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance nor should you consider our recent revenue growth or results in any single period to be indicative of our future performance.

Interruptions or delays in service from our third-party data center providers could impair our ability to make our platform and applications available to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.

We currently serve part of our platform functions from third-party data center hosting facilities operated by Century Link and located in the Los Angeles, California and Denver, Colorado areas. In addition, we serve ancillary functions for our customers from third-party data center hosting facilities operated by Interoute located in the United Kingdom, Germany and the Netherlands, and by Elastichost in Toronto, Canada. We also rely on Amazon Web Services located in California and Virginia to host certain of our platform functions and applications. Our operations

depend, in part, on our third-party facility providers' abilities to protect these facilities against damage or interruption from natural disasters, power or telecommunications failures, cyber incidents, criminal acts and similar events. In the event that any of our third-party facilities arrangements are terminated, or if there is a lapse of service or damage to a facility, we could experience interruptions in our platform as well as delays and additional expenses in arranging new facilities and services. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, cyber incidents or other performance problems with our solutions could harm our reputation.

Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our platform. Despite precautions taken at our data centers, the occurrence of spikes in usage volume, natural disasters, cyber incidents, acts of terrorism, vandalism or sabotage, closure of a facility without adequate notice or other unanticipated problems could result in lengthy interruptions in the availability of our platform and applications. Problems faced by our third-party data center locations, with the telecommunications network providers with whom they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers. Because of the nature of the services that we provide to our customers during public safety threats and critical business events, any such interruption may arise when our customers are most reliant on our applications, thereby compounding the impact of any interruption on our business. Interruptions in our services might reduce our revenue, cause us to issue refunds to customers and subject us to potential liability.

Further, our insurance policies may not adequately compensate us for any losses that we may incur in the event of damage or interruption. Although we benefit from liability protection under the Support Anti-Terrorism by Fostering Effective Technology Act of 2002, the occurrence of any of the foregoing could reduce our revenue, subject us to liability, cause us to issue credits to customers or cause customers not to renew their subscriptions for our applications, any of which could materially adversely affect our business.

Failures or reduced accessibility of third-party software on which we rely could impair the availability of our platform and applications and adversely affect our business.

We license software from third parties for integration into our platform and applications, including open source software. These licenses might not continue to be available to us on acceptable terms, or at all. While we are not substantially dependent upon any third-party software, the loss of the right to use all or a significant portion of our third-party software required for the development, maintenance and delivery of our applications could result in delays in the provision of our applications until we develop or identify, obtain and integrate equivalent technology, which could harm our business.

Any errors or defects in the hardware or software we use could result in errors, interruptions, cyber incidents or a failure of our applications. Any significant interruption in the availability of all or a significant portion of such software could have an adverse impact on our business unless and until we can replace the functionality provided by these applications at a similar cost. Furthermore, this software may not be available on commercially reasonable terms, or at all. The loss of the right to use all or a significant portion of this software could limit access to our platform and applications. Additionally, we rely upon third parties' abilities to enhance their current applications, develop new applications on a timely and cost-effective basis and respond to emerging industry standards and other technological changes. We may be unable to effect changes to such third-party technologies, which may prevent us from rapidly responding to evolving customer requirements. We also may be unable to replace the functionality provided by the third-party software currently offered in conjunction with our applications in the event that such software becomes obsolete or incompatible with future versions of our platform and applications or is otherwise not adequately maintained or updated.

If we do not or cannot maintain the compatibility of our platform with third-party applications that our customers use in their businesses, our revenue will decline.

As a significant percentage of our customers choose to integrate our solutions with certain capabilities provided by third-party providers, the functionality and popularity of our solutions depend, in part, on our ability to integrate our platform and applications with certain third-party systems. Third-party providers may change the features of their technologies, restrict our access to their applications or alter the terms governing use of their applications in an adverse manner. Such changes could functionally limit or terminate our ability to use these third-party technologies

in conjunction with our platform and applications, which could negatively impact our solutions and harm our business. If we fail to integrate our solutions with new third-party applications that our customers use, we may not be able to offer the functionality that our customers need, which would negatively impact our ability to generate revenue and adversely impact our business.

Changes in the mix of sizes or types of businesses or government agencies that purchase our platform and applications purchased or used by our customers could affect our operating results.

We have sold and will continue to sell to enterprises of all sizes, municipal and regional governmental agencies, non-profit organizations, educational institutions and healthcare organizations. Sales to larger organizations may entail longer sales cycles and more significant selling efforts. Selling to small businesses may involve greater credit risk and uncertainty. Changes in the sizes or types of businesses that purchase our applications could cause our operating results to be adversely affected.

If our, our customers' or our third-party providers' security measures are compromised or unauthorized access to the data of our customers or their employees, customers or constituents is otherwise obtained, our platform may be perceived as not being secure, our customers may be harmed and may curtail or cease their use of our applications, our reputation may be damaged and we may incur significant liabilities.

Our operations involve the storage and transmission of data of our customers and their employees, customers and constituents, including personally identifiable information such as contact information and physical location. Security incidents, whether as a result of third-party action, employee or customer error, technology impairment or failure, malfeasance or criminal activity, could result in unauthorized access to, or loss or unauthorized disclosure of, this information, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair our sales and harm our customers and our business. Cyber incidents and malicious internet-based activity continue to increase generally, and providers of cloud-based services have been targeted. If third parties with whom we work, such as vendors or developers, violate applicable laws or our security policies, such violations may also put our customers' information at risk and could in turn have an adverse effect on our business. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or customers' data. Further, because of the nature of the services that we provide to our customers during public safety threats and critical business events, we may be a unique target for attacks.

Many governments have enacted laws requiring companies to notify individuals of data security incidents or unauthorized transfers involving certain types of personal data. In addition, some of our customers contractually require notification of any data security incident. Accordingly, security incidents experienced by our competitors, by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results. Further, the costs of compliance with notification laws and contractual obligations may be significant and any requirement that we provide such notifications as a result of an actual or alleged compromise could have a material and adverse effect on our business.

While we maintain general liability insurance coverage and coverage for errors or omissions, we cannot assure you that such coverage would be adequate or would otherwise protect us from liabilities or damages with respect to claims alleging compromises of personal data or that such coverage will continue to be available on acceptable terms or at all.

If our applications fail to function in a manner that allows our customers to operate in compliance with regulations and/or industry standards, our revenue and operating results could be harmed.

Certain of our customers require applications that ensure secure communications given the nature of the content being distributed and associated applicable regulatory requirements. In particular, our healthcare customers rely on our applications to communicate in a manner that is designed to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996, the 2009 Health Information Technology for Economic and Clinical Health Act, the Final Omnibus Rule of January 25, 2013, which are collectively referred to as HIPAA, and which impose privacy and data security standards that protect individually identifiable health information by limiting the uses and disclosures of individually identifiable health information and requiring that certain data security standards be implemented to protect this information. As a “business associate” to “covered entities” that are subject to HIPAA, we also have our own compliance obligations directly under HIPAA and pursuant to the business associate agreements that we are required to enter into with our customers that are HIPAA-covered entities.

Governments and industry organizations may also adopt new laws, regulations or requirements, or make changes to existing laws or regulations, that could impact the demand for, or value of, our applications. If we are unable to adapt our applications to changing legal and regulatory standards or other requirements in a timely manner, or if our applications fail to allow our customers to communicate in compliance with applicable laws and regulations, our customers may lose confidence in our applications and could switch to products offered by our competitors, or threaten or bring legal actions against us.

In addition, governmental and other customers may require our applications to comply with certain privacy, security or other certifications and standards. For instance, with regard to transfers of personal data, the EU-US Safe Harbor program, which provided a valid legal basis for transfers of personal data from Europe to the United States, was invalidated in October 2015, which has a significant impact on the transfer of data from the European Union to U.S. companies, including us. We are certified under the EU-US Privacy Shield, the successor regime to the EU-US Safe Harbor. While we now have Privacy Shield certification and other legally recognized mechanisms in place that we believe allow for the lawful transfer of EU customer and employee information to the United States, it is possible that these mechanisms may also be challenged or evolve to include new legal requirements that could have an impact on how we move this data. If our applications fail to maintain compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our applications to such customers, or may otherwise be at a competitive disadvantage, either of which would harm our business, results of operations and financial condition. If our policies and practices are, or are perceived to be, insufficient or if our customers have concerns regarding the transfer of data from the European Union to the United States, we could be subject to enforcement actions or investigations by EU Data Protection Authorities or lawsuits by private parties, and our business could be negatively impacted.

If we fail to offer high-quality customer support, our business and reputation may suffer.

We offer our customers implementation services and 24/7 support through our customer support centers as well as education, professional development and certification through Everbridge University as well as a range of consulting services. Consulting service offerings include onsite implementation packages, Certified Emergency Management professional operational reviews, dedicated client care representatives, custom web-based training, and development of client-specific communications materials to increase internal awareness of system value.

Providing this education, training and support requires that our personnel who manage our training resources or provide customer support have specific experience, knowledge and expertise, making it more difficult for us to hire qualified personnel and to scale up our support operations. The importance of high-quality customer support will increase as we expand our business and pursue new customers and larger organizations. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services or scale our services if our business grows. We also may be unable to modify the format of our support services or change our pricing to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenue, could increase our costs and harm our operating results. If we do not help our customers use applications within our platform and provide effective ongoing support, our ability to sell additional applications to, or to retain, existing customers may suffer and our reputation with existing or potential customers may be harmed.

Our strategy includes pursuing acquisitions, and our potential inability to successfully integrate newly-acquired technologies, assets or businesses may harm our financial results. Future acquisitions of technologies, assets or businesses, which are paid for partially or entirely through the issuance of stock or stock rights, could dilute the ownership of our existing stockholders.

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our platform and applications, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

We have acquired businesses and technology in the past. For example, we acquired Vocal Limited in March 2014, the assets of Nixle, LLC in December 2014, technology from Tapestry Telemed LLC in December 2014, Svensk Krisledning AB in December 2016 and IDV Solutions LLC in January 2017. We believe that part of our continued growth will be driven by acquisitions of other companies or their technologies, assets, businesses and teams. Any acquisitions we complete will give rise to risks, including:

- incurring higher than anticipated capital expenditures and operating expenses;
- failing to assimilate the operations and personnel or failing to retain the key personnel of the acquired company or business;
- failing to integrate the acquired technologies, or incurring significant expense to integrate acquired technologies, into our platform and applications;
- disrupting our ongoing business;
- diverting our management's attention and other company resources;
- failing to maintain uniform standards, controls and policies;
- incurring significant accounting charges;
- impairing relationships with our customers and employees;
- finding that the acquired technology, asset or business does not further our business strategy, that we overpaid for the technology, asset or business or that we may be required to write off acquired assets or investments partially or entirely;
- failing to realize the expected synergies of the transaction;
- being exposed to unforeseen liabilities and contingencies that were not identified prior to acquiring the company; and
- being unable to generate sufficient revenue and profits from acquisitions to offset the associated acquisition costs.

Fully integrating an acquired technology, asset or business into our operations may take a significant amount of time. We may not be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent that we do not successfully avoid or overcome the risks or problems related to any such acquisitions, our results of operations and financial condition could be harmed. Acquisitions also could impact our financial position and capital requirements, or could cause fluctuations in our quarterly and annual results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings. We may incur significant costs in our efforts to engage in strategic transactions and these expenditures may not result in successful acquisitions.

We expect that the consideration we might pay for any future acquisitions of technologies, assets, businesses or teams could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with future acquisitions, net income per share and then-existing holders of our common stock may experience dilution.

We rely on the performance of our senior management and highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business and results of operations could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of senior management and key personnel, including Jaime Ellertson, our President, Chief Executive Officer and Chairman of our board of directors, Kenneth S. Goldman, our Senior Vice President and Chief Financial Officer, and Imad Mouline, our Senior Vice President and Chief Technology Officer. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. In addition, the loss of any of our senior management or key personnel could interrupt our ability to execute our business plan, as such individuals may be difficult to replace. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business and results of operations could be harmed.

Uncertain or weakened global economic conditions may adversely affect our industry, business and results of operations.

Our overall performance depends on domestic and worldwide economic conditions, which may remain challenging for the foreseeable future. Financial developments seemingly unrelated to us or to our industry may adversely affect us and our planned international expansion. The U.S. economy and other key international economies have been impacted by threatened sovereign defaults and ratings downgrades, falling demand for a variety of goods and services, restricted credit, threats to major multinational companies, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty. These conditions affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our applications and services, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, any of which could adversely affect our operating results. We cannot predict the timing, strength or duration of the economic recovery or any subsequent economic slowdown worldwide, in the United States, or in our industry.

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

We have in the past and may in the future become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, overall financial condition and operating results. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our operating results and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the trading price of our stock.

Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.

A component of our growth strategy involves the further expansion of our operations and customer base internationally. We opened our first international office in Beijing, China in April 2012 and subsequently opened an office in Windsor, United Kingdom in September 2012 as part of our geographic expansion. In March 2014, we acquired Vocal Limited, a mass notification company based in Colchester, United Kingdom. In December 2016, we acquired Svensk Krisledning AB, a SaaS mobile crisis management company based in Norsburg, Sweden. For the years ended December 31, 2016 and 2015, approximately 10% and 14% of our revenue was derived from customers located outside of the United States. We intend to further expand our local presence in regions such as Europe, the Middle East and Asia. Our current international operations and future initiatives will involve a variety of risks, including:

- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- economic or political instability in foreign markets;

- greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods;
- more stringent regulations relating to technology, including with respect to privacy, data security and the unauthorized use of, access to, or deletion of commercial and personal information, particularly in the European Union;
- difficulties in maintaining our company culture with a dispersed and distant workforce;
- unexpected changes in regulatory requirements, taxes or trade laws;
- differing labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- likelihood of potential or actual violations of domestic and international anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, or of U.S. and international export control and sanctions regulations, which likelihood may increase with an increase of sales or operations in foreign jurisdictions and operations in certain industries; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business and operating results will suffer. We continue to implement policies and procedures to facilitate our compliance with U.S. laws and regulations applicable to or arising from our international business. Inadequacies in our past or current compliance practices may increase the risk of inadvertent violations of such laws and regulations, which could lead to financial and other penalties that could damage our reputation and impose costs on us.

If we cannot maintain our company culture as we grow, our success and our business may be harmed.

We believe our culture has been a key contributor to our success to-date and that the critical nature of the solutions that we provide promotes a sense of greater purpose and fulfillment in our employees. We have invested in building a strong corporate culture and believe it is one of our most important and sustainable sources of competitive advantage. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our company culture. If we fail to maintain our company culture, our business may be adversely impacted.

We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past sales, which could harm our business.

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value added and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. Further, these jurisdictions' rules regarding tax nexus are complex and vary significantly. If one or more jurisdictions were to

assert that we have failed to collect taxes for sales of applications that leverage our platform, we could face the possibility of tax assessments and audits. A successful assertion that we should be collecting additional sales, use, value added or other taxes in those jurisdictions where we have not historically done so and do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales or otherwise harm our business and operating results.

We face exposure to foreign currency exchange rate fluctuations.

As our international operations expand, our exposure to the effects of fluctuations in currency exchange rates grows. While we have primarily transacted with customers and vendors in U.S. dollars historically, we expect to continue to expand the number of transactions with our customers that are denominated in foreign currencies in the future. Fluctuations in the value of the U.S. dollar and foreign currencies may make our subscriptions more expensive for international customers, which could harm our business. Additionally, we incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency for such locations. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses. These fluctuations could cause our results of operations to differ from our expectations or the expectations of our investors. Additionally, such foreign currency exchange rate fluctuations could make it more difficult to detect underlying trends in our business and results of operations.

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

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds to invest in future growth opportunities. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could seriously harm our business and operating results. If we incur debt, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. As a result, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Our sales cycle can be unpredictable, time-consuming and costly, which could harm our business and operating results.

Our sales process involves educating prospective customers and existing customers about the use, technical capabilities and benefits of our platform and applications. Prospective customers, especially larger organizations, often undertake a prolonged evaluation process, which typically involves not only our solutions, but also those of our competitors and lasts from four to nine months or longer. We may spend substantial time, effort and money on our sales and marketing efforts without any assurance that our efforts will produce any sales.

Events affecting our customers' businesses may occur during the sales cycle that could affect the size or timing of a purchase, contributing to more unpredictability in our business and operating results. As a result of these factors, we may face greater costs, longer sales cycles and less predictability in the future.

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

As of December 31, 2016, we had federal and state net operating loss carryforwards, or NOLs, of \$46.2 million and \$40.5 million, respectively, due to prior period losses, which expire in various years beginning in 2028 if not utilized. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. Additionally, state NOLs generated in one state cannot be used to offset income generated in another state. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as cyber incidents or terrorism.

Our business and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events affecting us or third-party vendors we rely on, any of which could have a material adverse impact on our business, operating results and financial condition. Acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could cause disruptions in our or our customers’ businesses or the economy as a whole. Our servers and those of our third-party vendors may also be vulnerable to cyber incidents, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential customer data. We or our customers may not have sufficient protection or recovery plans in place, and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems, that of third parties and the Internet to conduct our business and provide high quality customer service, such disruptions could have an adverse effect on our business, operating results and financial condition.

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

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

Impairment of goodwill and other intangible assets would result in a decrease in our earnings.

Current accounting rules provide that goodwill and other intangible assets with indefinite useful lives may not be amortized but instead must be tested for impairment at least annually. These rules also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We have substantial goodwill and other intangible assets, and we would be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. Any impairment charges or changes to the estimated amortization periods would result in a decrease in our earnings.

Risks Related to Our Intellectual Property

If we fail to protect our intellectual property and proprietary rights adequately, our business could be harmed.

Our future success and competitive position depend in part on our ability to protect our intellectual property and proprietary technologies. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the United States and other jurisdictions, some of which afford only limited protection.

As of December 31, 2016, we had 14 issued patents and four patent applications pending in the United States. We also had one issued patent in Canada. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated, or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers. In addition, we have registered the “Everbridge” and “Nixle” names in the United States, and have registered the “Everbridge” name in the European Union. We have registrations and/or pending applications for additional marks in the United States; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Effective trade secret protection may not be available in every country in which our services are available or where we have employees or independent contractors. The loss of trade secret protection could make it easier for third parties to compete with our solutions by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and employment laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

In addition, to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Failure to adequately enforce our intellectual property rights could also result in the impairment or loss of those rights. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Patent, copyright, trademark and trade secret laws offer us only limited protection and the laws of many of the countries in which we sell our services do not protect proprietary rights to the same extent as the United States and Europe. Accordingly, defense of our trademarks and proprietary technology may become an increasingly important issue as we continue to expand our operations and solution development into countries that provide a lower level of intellectual property protection than the United States or Europe. Policing unauthorized use of our intellectual property and technology is difficult and the steps we take may not prevent misappropriation of the intellectual property or technology on which we rely. For example, in the event of inadvertent or malicious disclosure of our proprietary technology, trade secret laws may no longer afford protection to our intellectual property rights in the areas not otherwise covered by patents or copyrights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

We may elect to initiate litigation in the future to enforce or protect our proprietary rights or to determine the validity and scope of the rights of others. That litigation may not be ultimately successful and could result in substantial costs to us, the reduction or loss in intellectual property protection for our technology, the diversion of our management’s attention and harm to our reputation, any of which could materially and adversely affect our business and results of operations.

Our failure or inability to adequately protect our intellectual property and proprietary rights could harm our business, financial condition and results of operations.

An assertion by a third party that we are infringing its intellectual property could subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.

Patent and other intellectual property disputes are common in our industry and we have been involved in such disputes from time to time in the ordinary course of our business. Some companies, including some of our competitors, own large numbers of patents, copyrights and trademarks, which they may use to assert claims against us. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers whom we typically indemnify against claims that our solution infringes, misappropriates or otherwise violates the intellectual property rights of third parties. As the numbers of products and competitors in our market increase and overlaps occur, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business.

As we seek to extend our platform and applications, we could be constrained by the intellectual property rights of others and it may also be more likely that competitors or other third parties will claim that our solutions infringe their proprietary rights. We might not prevail in any intellectual property infringement litigation given the complex technical issues and inherent uncertainties in such litigation. Defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays or require us to enter into royalty or licensing agreements. In addition, we currently have a limited portfolio of issued patents compared to our larger competitors, and therefore may not be able to effectively utilize our intellectual property portfolio to assert defenses or counterclaims in response to patent infringement claims or litigation brought against us by third parties. Further, litigation may involve patent holding companies or other adverse patent owners who have no relevant applications or revenue and against which our potential patents provide no deterrence, and many other potential litigants have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. If our platform or any of our applications exceed the scope of in-bound licenses or violate any third-party proprietary rights, we could be required to withdraw those applications from the market, re-develop those applications or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re-develop our platform and our applications, obtain licenses from third parties on favorable terms or license a substitute technology might not be successful and, in any case, might substantially increase our costs and harm our business, financial condition and results of operations. If we were compelled to withdraw any of our applications from the market, our business, financial condition and results of operations could be harmed.

We have indemnity obligations to our customers and certain of our channel partners for certain expenses and liabilities resulting from intellectual property infringement claims regarding our platform and our applications, which could force us to incur substantial costs.

We have indemnity obligations to our customers and certain of our channel partners for intellectual property infringement claims regarding our platform and our applications. As a result, in the case of infringement claims against these customers and channel partners, we could be required to indemnify them for losses resulting from such claims or to refund amounts they have paid to us. We also expect that some of our channel partners with whom we do not have express contractual obligations to indemnify for intellectual property infringement claims may seek indemnification from us in connection with infringement claims brought against them. We may elect to indemnify these channel partners where we have no contractual obligation to indemnify them and we will evaluate each such request on a case-by-case basis. If a channel partner elects to invest resources in enforcing a claim for indemnification against us, we could incur significant costs disputing it. If we do not succeed in disputing it, we could face substantial liability.

We may be subject to damages resulting from claims that our employees or contractors have wrongfully used or disclosed alleged trade secrets of their former employers or other parties.

We have in the past and may in the future be subject to claims that employees or contractors, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of our competitors or other parties. Litigation may be necessary to defend against these claims. If we fail in defending against such claims, a court could order us to pay substantial damages and prohibit us from using technologies or features that are essential to our solutions, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of these parties. In addition, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to develop, market and support potential solutions or enhancements, which could severely harm our business. Even if we are successful in defending against these claims, such litigation could result in substantial costs and be a distraction to management.

The use of open source software in our platform and applications may expose us to additional risks and harm our intellectual property.

Our platform and some of our applications use or incorporate software that is subject to one or more open source licenses and we may incorporate open source software in the future. Open source software is typically freely accessible, usable and modifiable; however, certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any modifications or derivative works of the open source code available to others on potentially unfavorable terms or at no cost. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code.

The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and accordingly there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our platform and applications. In that event, we could be required to seek licenses from third parties in order to continue offering our platform and applications, to re-develop our platform and applications, to discontinue sales of our platform and applications or to release our proprietary software code in source code form under the terms of an open source license, any of which could harm our business. Further, given the nature of open source software, it may be more likely that third parties might assert copyright and other intellectual property infringement claims against us based on our use of these open source software programs. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our applications.

Although we are not aware of any use of open source software in our platform and applications that would require us to disclose all or a portion of the source code underlying our core applications, it is possible that such use may have inadvertently occurred in deploying our platform and applications, or that persons or entities may claim such disclosure to be required. Disclosing our proprietary source code could allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales for us. Disclosing the source code of our proprietary software could also make it easier for cyber attackers and other third parties to discover vulnerabilities in or to defeat the protections of our products, which could result in our products failing to provide our customers with the security they expect. Any of these events could have a material adverse effect on our business, operating results and financial condition. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third party for our platform and applications without our knowledge, we could, under certain circumstances, be required to disclose the source code to our platform and applications. This could harm our intellectual property position and our business, results of operations and financial condition.

Risks Related to Government Regulation

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

Our business is subject to regulation by various federal, state, local and foreign governments. For example, the Telephone Consumer Protection Act of 1991, or TCPA, restricts telemarketing and the use of automatic text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, reputation, results of operations and financial condition.

A portion of our revenue is generated by subscriptions sold to governmental entities and heavily regulated organizations, which are subject to a number of challenges and risks.

A portion of our revenue is generated by subscriptions sold to government entities. Additionally, many of our current and prospective customers, such as those in the financial services, and healthcare and life sciences industries, are highly regulated and may be required to comply with more stringent regulations in connection with subscribing to and implementing our applications. Selling subscriptions to these entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will successfully complete a sale.

Furthermore, engaging in sales activities to foreign governments introduces additional compliance risks specific to the Foreign Corrupt Practices Act, the U.K. Bribery Act and other similar statutory requirements prohibiting bribery and corruption in the jurisdictions in which we operate. Governmental and highly regulated entities often require contract terms that differ from our standard arrangements. For example, the federal government provides grants to certain state and local governments for our applications and if such governmental entities do not continue to receive these grants, they have the ability to terminate their contracts without penalty. Governmental and highly regulated entities impose compliance requirements that are complicated, require preferential pricing or "most favored nation" terms and conditions, or are otherwise time consuming and expensive to satisfy. If we undertake to meet special standards or requirements and do not meet them, we could be subject to increased liability from our customers or regulators. Even if we do meet these special standards or requirements, the additional costs associated with providing our applications to government and highly regulated customers could harm our margins. Moreover, changes in the underlying regulatory conditions that affect these types of customers could harm our ability to efficiently provide our applications to them and to grow or maintain our customer base.

Governmental demand and payment for our applications may also be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions.

We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could also impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.

Our handling and storage of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the U.S. Federal Trade Commission, or FTC, and various state, local and foreign agencies. We collect personally identifiable information and other data directly from our customers and through our channel partners. We also process or otherwise handle personally identifiable information about our customers' employees, customers and constituents in certain circumstances. We use this information to provide applications to our customers and to support, expand and improve our business. We may also share customers' personally identifiable information with third parties as described in our privacy policy and/or as otherwise authorized by our customers.

The U.S. federal and various state and foreign governments have adopted or proposed legislation that regulates the collection, distribution, use and storage of personal information of individuals and that mandates security requirements with respect to certain personally identifiable information. In the United States, the FTC and numerous state attorneys general are imposing standards for the online collection, distribution, use and storage of data by applying federal and state consumer protection laws. The lack of a clear and universal standard for protecting such information means, however, that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. Any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of sensitive corporate information, personally identifiable information or other customer data may result in governmental enforcement actions, litigation, fines and penalties and/or adverse publicity, and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Some proposed laws or regulations concerning privacy, data protection and information security are in their early stages, and we cannot yet determine how these laws and regulations may be interpreted nor can we determine the impact these proposed laws and regulations, may have on our business. Such proposed laws and regulations may require companies to implement privacy and security policies, permit users to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use personal information for certain purposes. In addition, a foreign government could require that any personal information collected in a country not be disseminated outside of that country, and we may not be currently equipped to comply with such a requirement. Our failure to comply with federal, state and international data privacy laws and regulators could harm our ability to successfully operate our business and pursue our business goals.

In addition, several foreign countries and governmental bodies, including the European Union and Canada, have regulations governing the collection and use of personal information obtained from their residents, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information that identifies or may be used to identify an individual, such as names, email addresses and in some jurisdictions, Internet Protocol, or IP, addresses. Such regulations and laws may be modified and new laws may be enacted in the future. Within the European Union, legislators recently adopted the General Data Protection Regulation, or GDPR, which, when effective in May 2018 will replace the 1995 European Union Data Protection Directive and supersede applicable European Union member state legislation. The GDPR includes more stringent operational requirements for processors and controllers of personal data and imposes significant penalties for non-compliance. If our privacy or data security measures fail to comply with current or future laws and regulations, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business. Moreover, if future laws and regulations limit our customers' ability to use and share personal information or our ability to store, process and share personal information, demand for our applications could decrease, our costs could increase, and our business, results of operations and financial condition could be harmed.

New interpretations of existing laws, regulations or standards could require us to incur additional compliance costs and could restrict our business operations, and any failure by us to comply with applicable requirements may result in governmental enforcement actions, litigation, fines and penalties or adverse publicity, which could have an adverse effect on our reputation and business.

Potential regulatory requirements placed on our applications and content could impose increased costs on us, delay or prevent our introduction of new applications, and impair the function or value of our existing applications.

Certain of our existing applications, such as CareConverge, a tailored version of our Secure Messaging application that is designed to comply with HIPAA, are and are likely to continue to be subject to increasing regulatory requirements in a number of ways and as we continue to introduce new applications, we may be subject to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business. In addition, we market our applications and professional services in certain countries outside of the United States and plan to expand our local presence in regions such as Europe, the Middle East and Asia. If additional legal and/or regulatory requirements are implemented in the foreign countries in which we provide our services, the cost

of developing or selling our applications may increase. As these requirements proliferate and as existing legal requirements become subject to new interpretations, we must change or adapt our applications and professional services to comply. Changing regulatory requirements might render certain of our applications obsolete or might block us from accomplishing our work or from developing new applications. This might in turn impose additional costs upon us to comply or to further develop our applications. It might also make introduction of new applications or service types more costly or more time-consuming than we currently anticipate. It might even prevent introduction by us of new applications or cause the continuation of our existing applications or professional services to become unprofitable or impossible.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile and you may lose some or all of your investment.

The market price of our common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors, some of which are related in complex ways. Since shares of our common stock were sold in our initial public offering, or IPO, in September 2016 at a price of \$12.00 per share, our stock price has ranged from an intraday low of \$11.76 to an intraday high of \$20.66 through December 31, 2016. Factors that may affect the market price of our common stock include:

- actual or anticipated fluctuations in our financial condition and operating results;
- variance in our financial performance from expectations of securities analysts;
- changes in the prices of our applications;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our platform and applications;
- announcements by us or our competitors of significant business developments, acquisitions or new applications;
- our involvement in any litigation;
- our sale of our common stock or other securities in the future;
- changes in senior management or key personnel;
- trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

Recently, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

An active public trading market for our common stock may not be sustained.

Prior to the completion of our IPO in September 2016, no public market for our common stock existed. Although our common stock is listed on the NASDAQ Global Market, we cannot assure you that an active public trading market for our common stock will continue to develop or be sustained. If an active market for our common stock does not continue to develop or is not sustained, it may be difficult for investors in our common stock to sell shares without depressing the market price for the shares or to sell the shares at all. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

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

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of the IPO, (b) in which we have total annual gross revenue of at least \$1 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1 billion in non-convertible debt during the prior three-year period. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

As a result of becoming a public company, we are obligated to develop and maintain a system of effective internal control over financial reporting. We may not complete our analysis of our internal control over financial reporting in a timely manner, or these internal controls may not be determined to be effective, which may harm investor confidence in our company and, as a result, the value of our common stock.

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 in the second annual report we file with the U.S. Securities and Exchange Commission, or SEC. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. However, our auditors will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer an “emerging growth company” as defined in the JOBS Act if we take advantage of the exemptions available to us through the JOBS Act.

We are in the very early stages of the costly and challenging process of compiling the system and process documentation necessary to perform the evaluation needed to comply with Section 404. In this regard, we will need to continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. As we transition to the requirements of reporting as a public company, we may need to add additional finance staff. We may not be able to remediate any future material weaknesses, or 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. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls when they are required to issue such opinion, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the NASDAQ Stock Market, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

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

We do not anticipate paying any cash dividends in the foreseeable future, and accordingly, stockholders must rely on stock appreciation for any return on their investment.

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends to holders of our common stock in the foreseeable future. In addition, our ability to pay cash dividends is currently prohibited by the terms of our existing credit agreement and may be prohibited by future credit agreements. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Our executive officers, directors and principal stockholders own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Our directors, executive officers and holders of more than 5% of our common stock, some of whom are represented on our board of directors, together with their affiliates beneficially own approximately 47% of the voting power of our outstanding capital stock. As a result, these stockholders will be able to exert significant control over the outcome of matters submitted to our stockholders for approval. This ownership could affect the value of your shares of common stock by, for example, these stockholders electing to delay, defer or prevent a change in corporate control, merger, consolidation, takeover or other business combination. This concentration of ownership may also adversely affect the market price of our common stock.

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

We anticipate that the remaining net proceeds from our IPO will be used for general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire complementary businesses, applications, services or technologies. However, we do not have any agreements or commitments for any acquisitions at this time. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity to assess whether the proceeds are being used appropriately. The net proceeds may be invested with a view towards long-term benefits for our stockholders and this may not increase our operating results or market value. The failure by our management to apply these funds effectively may adversely affect the return on your investment.

Anti-takeover provisions in our charter documents and under Delaware 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 common stock.

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

- authorize our board of directors to issue preferred stock, without further stockholder action and with voting liquidation, dividend and other rights superior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent, and limit the ability of our stockholders to call special meetings;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for director nominees;
- establish that our board of directors is divided into three classes, with directors in each class serving three-year staggered terms;
- require the approval of holders of two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or amend or repeal the provisions of our certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action by written consent or call a special meeting;
- prohibit cumulative voting in the election of directors; and
- provide that vacancies on our board of directors may be filled only by the vote of a majority of directors then in office, even though less than a quorum.

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 General Corporation Law of the State of Delaware, 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. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or (4) any action asserting a claim governed by the internal affairs doctrine. Our amended and restated certificate of incorporation further provides that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provision. The forum selection clause in our amended and restated certificate of incorporation may limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

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

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales, particularly sales by our directors, executive officers and significant stockholders, may have on the prevailing market price of our common stock. Additionally, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans, as well as shares issuable upon vesting of restricted stock awards, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations.

Additionally, certain holders of our common stock have the right, subject to various conditions and limitations, to request we include their shares of our common stock in registration statements we may file relating to our securities.

In addition, in the future, we may issue common stock or other securities if we need to raise additional capital. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of our then-outstanding shares of our common stock.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Our principal executive offices are located in Burlington, Massachusetts, where we occupy an approximately 45,000 square-foot facility under a lease expiring on May 31, 2022, and in Pasadena, California, where we occupy an approximately 19,000 square-foot facility under a lease expiring on June 30, 2018. We also have offices in San Francisco, California; Windsor, United Kingdom; Colchester, United Kingdom; Beijing, China; and Norsburg, Sweden.

We believe that our current facilities are suitable and adequate to meet our current needs. We intend to add new facilities or expand existing facilities as we add employees, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of our operations.

Item 3. Legal Proceedings.

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 4. Mine Safety Disclosures.

Not applicable

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock, has been listed on The NASDAQ Global Market under the symbol “EVBG” since September 16, 2016. Prior to that date, there was no public trading market for our common stock.

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

	High		Low	
Third Quarter (from September 16, 2016 to September 30, 2016)	\$	18.73	\$	11.76
Fourth Quarter	\$	20.66	\$	12.92

As of December 31, 2016, there were 525 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividends

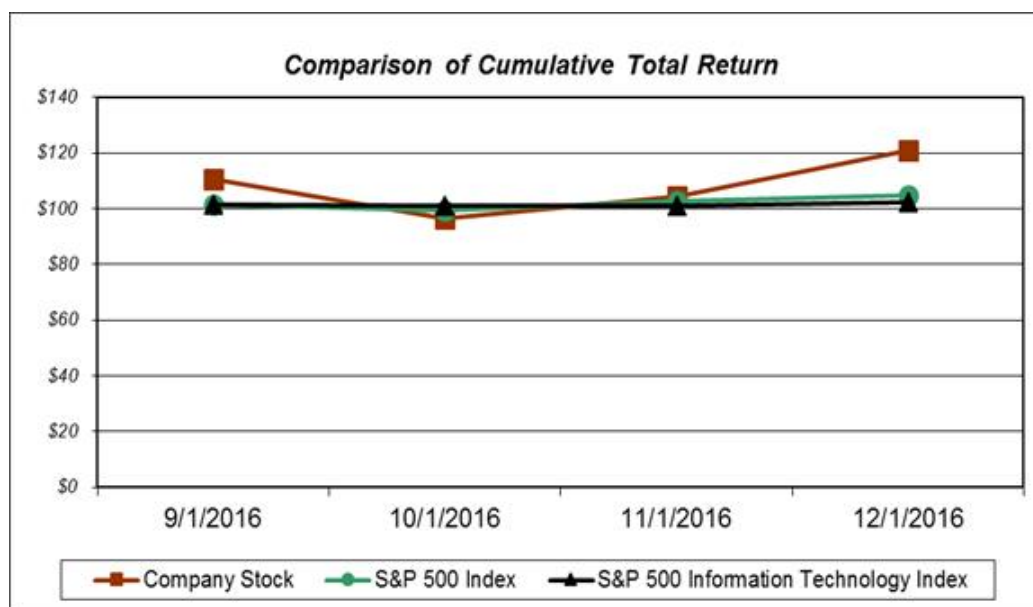
We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our common stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws,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

Stock Performance Graph

The following shall not be deemed incorporated by reference into any of our other filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filings.

The following graph shows a comparison from September 16, 2016 (the date our common stock commenced trading on The NASDAQ Global Market) through December 31, 2016 of the cumulative total return for an investment of \$100 in our common stock, the S&P 500 Stock Index and the S&P 500 Information Technology Index. Data for the S&P 500 Stock Index and the S&P 500 Information Technology Index assume reinvestment of dividends.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.



	September 16, 2016	September 30, 2016	October 31, 2016	November 30, 2016	December 31, 2016
Everbridge, Inc.	\$ 100.00	\$ 111.00	\$ 97.00	\$ 104.00	\$ 121.00
S&P 500 Stock Index	\$ 100.00	\$ 101.00	\$ 99.00	\$ 103.00	\$ 105.00
S&P 500 Information Technology Index	\$ 100.00	\$ 101.00	\$ 101.00	\$ 101.00	\$ 102.00

Recent Sale of Unregistered Securities

Not applicable

Use of Proceeds from Public Offering of Common Stock

Our initial public offering of common stock was effected through the filing of a Registration Statement on Form S-1 (File No. 333-213217), which was declared or became effective on September 16, 2016. There has been no material change in the planned use of proceeds from our initial public offering from those disclosed in the final prospectus for our initial public offering filed with the SEC pursuant to Rule 424(b)(4) and our periodic report previously filed with the SEC; provided, that we used \$23.6 million in cash to acquire Svensk Krisledning AB and IDV Solutions LLC.

As of December 31, 2016, \$0.3 million of expenses incurred in connection with our initial public offering had not yet been paid.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Securities Authorized for Issuance Under Equity Compensation Plans

Information about securities authorized for issuance under our equity compensation plan is incorporated herein by reference to Item 12 of Part III of this Annual Report on Form 10-K.

Item 6. Selected Financial Data.**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected historical financial data should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the related notes appearing in Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K to fully understand the factors that may affect the comparability of the information presented below.

The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

The following selected consolidated statements of operations data for the years ended December 31, 2016, 2015 and 2014, and the consolidated balance sheet data as of December 31, 2016 and 2015, have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for the year ended December 31, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands, except shares and per share data)				
Revenue	\$ 76,846	\$ 58,720	\$ 42,421	\$ 30,040	\$ 23,361
Cost of revenue ⁽¹⁾	23,767	19,789	12,089	8,699	7,570
Gross profit	53,079	38,931	30,332	21,341	15,791
Operating expenses:					
Sales and marketing ⁽¹⁾	\$ 34,847	\$ 25,925	\$ 15,818	\$ 11,695	\$ 7,998
Research and development ⁽¹⁾	14,765	11,521	7,365	5,697	5,057
General and administrative ⁽¹⁾	14,293	12,272	7,435	4,352	7,371
Total operating expenses	63,905	49,718	30,618	21,744	20,426
Operating loss	(10,826)	(10,787)	(286)	(403)	(4,635)
Other expenses, net	(484)	(599)	(426)	(368)	(399)
Loss before income taxes	(11,310)	(11,386)	(712)	(771)	(5,034)
(Provision for) benefit from income taxes	24	562	89	(118)	(57)
Net loss	\$ (11,286)	\$ (10,824)	\$ (623)	\$ (889)	\$ (5,091)
Net loss attributable to common shareholders	\$ (11,286)	\$ (10,824)	\$ (623)	\$ (889)	\$ (5,091)
Net loss per share attributable to common shareholders - basic	\$ (0.68)	\$ (0.88)	\$ (0.05)	\$ (0.08)	\$ (0.52)
Net loss per share attributable to common shareholders - diluted	\$ (0.68)	\$ (0.88)	\$ (0.05)	\$ (0.08)	\$ (0.52)
Weighted average shares outstanding - basic	16,659,561	12,257,413	11,788,883	11,040,428	9,873,715
Weighted average shares outstanding - diluted	16,659,561	12,257,413	11,788,883	11,040,428	9,873,715

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

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Stock-based compensation expense:					
Cost of revenue	\$ 180	\$ 150	\$ 82	\$ 48	\$ 3
Sales and marketing	725	315	120	82	10
Research and development	348	297	147	28	424
General and administrative	1,848	760	27	18	1,859
Total	\$ 3,101	\$ 1,522	\$ 376	\$ 176	\$ 2,296

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Depreciation and amortization expense:					
Cost of revenue	\$ 6,247	\$ 4,457	\$ 1,615	\$ 2,374	\$ 2,481
Sales and marketing	208	227	101	46	23
Research and development	265	134	31	16	19
General and administrative	1,022	1,158	765	19	9
Total	\$ 7,742	\$ 5,976	\$ 2,512	\$ 2,455	\$ 2,532

(2) See notes (2) and (14) to our consolidated financial statements for further details on the calculation of basic and diluted net loss per share attributable to common stockholders.

	As of December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 60,765	\$ 8,578	\$ 4,412	\$ 3,040	\$ 1,711
Working capital, excluding deferred revenue	70,488	15,160	1,760	3,317	(275)
Total assets	108,322	53,509	40,066	18,101	15,143
Total deferred revenue	52,634	40,467	28,844	20,614	17,566
Total debt	—	16,970	6,863	3,366	4,748
Total liabilities	65,970	69,560	45,393	30,189	27,077
Total stockholders' equity (deficit)	42,352	(16,051)	(5,327)	(12,088)	(11,934)

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those under “Risk Factors” included in Part I, Item 1A or in other parts of this Annual Report on Form 10-K.

Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations’ operational response to critical events in order to keep people safe and businesses running. During public safety threats such as active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, our SaaS-based platform enables our customers to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds or millions of recipients, across multiple communications modalities such as voice, SMS and e-mail. Our applications enable the delivery of messages in near real-time to more than 100 different communication devices, in over 200 countries and territories, in 15 languages and dialects – all simultaneously. We delivered 1.5 billion communications in 2016. We automate the process of sending contextual notifications to multiple constituencies and receiving return information on a person’s or operation’s status so that organizations can act quickly and precisely. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Crisis Commander, Community Engagement and Secure Messaging. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

Our customer base has grown from 867 customers at the end of 2011 to more than 3,200 customers as of December 31, 2016. As of December 31, 2016, our customers were based in 28 countries and included eight of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 24 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We sell all of our critical communications applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 2.0 years as of December 31, 2016, and generally bill and collect payment annually in advance. We derive most of our revenue from subscriptions to applications. Over 90% of the revenue that we recognized in each of the eight most recently completed quarters was generated from contracts entered into in prior quarters or renewals of those contracts; the balance of the revenue that we recognized in each such quarter was generated from contracts entered into with new customers or new contracts, other than renewals, entered into with existing customers in such quarter. Historically, we derived more than 86% of our revenue in each of the last three fiscal years from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

We generated revenue of \$76.8 million in 2016, \$58.7 million in 2015, \$42.4 million in 2014 and \$30.0 million in 2013, representing year-over-year increases of 41% in 2014, 38% in 2015 and 31% in 2016. We had net losses of \$11.3 million, \$10.8 million, \$0.6 million and \$0.9 million in 2016, 2015, 2014 and 2013, respectively.

As of December 31, 2016 and 2015, 14% and 17% of our customers, respectively, were located outside of the United States and these customers generated 10% and 14% of our total revenue for the years ended December 31, 2016 and 2015, respectively.

We have focused on rapidly growing our business and believe that the future growth of our business is dependent on many factors, including our ability to increase the functionality of our platform and applications, expand our customer base, accelerate adoption of our applications beyond Mass Notification within our existing customer base and expand our international presence. Our future growth will also depend on the growth in the market for critical communications solutions and our ability to effectively compete. In order to further penetrate the market for critical communications solutions and capitalize on what we believe to be a significant opportunity, we intend to continue to invest in research and development, build-out our data center infrastructure and services capabilities and hire additional sales representatives, both domestically and internationally, to drive sales to new customers and incremental sales of new applications to existing customers. Nevertheless, we expect to continue to incur losses in the near term and, if we are unable to achieve our growth objectives, we may not be able to achieve profitability.

Recent Developments

In September 2016, we closed our initial public offering, or IPO, at which time we sold a total of 6,250,000 shares of our common stock. We received net cash proceeds of \$66.1 million, net of underwriting discounts and commissions and other costs associated with the offering paid or payable by us.

In December 2016, we acquired 100% of the shares of Svensk Krisledning AB, or Crisis Commander. We acquired Crisis Commander for cash consideration of approximately \$2.3 million with additional time and performance-based milestones that could result in additional payments of \$0.4 million. Crisis Commander is a SaaS mobile crisis management company operating out of Sweden.

In January 2017, we acquired 100% of the shares of IDV Solutions, LLC, or IDV. We acquired IDV for cash consideration of approximately \$21.3 million, with additional time and performance-based milestones that could result in additional payments of \$6.2 million. IDV is a provider of threat assessment and operational visualization software located in Lansing, Michigan.

Presentation of Financial Statements

Our consolidated financial statements include the accounts of our wholly-owned subsidiaries. Business acquisitions are included in our consolidated financial statements from the date of the acquisition. Our purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. All intercompany balances and transactions have been eliminated in consolidation.

We report our financial results as one operating segment. Our operating results are regularly reviewed on a consolidated basis by our chief executive officer, who is our chief operating decision maker, principally to make strategic decisions regarding how we allocate our resources and to assess our consolidated operating performance.

Other Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our other business metrics may be calculated in a manner different than similar other business metrics used by other companies.

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Revenue retention rate	116%	112%	111%
Adjusted EBITDA	\$ 5	\$ (3,351)	\$ 2,524
Adjusted gross margin	\$ 55,577	\$ 41,084	\$ 30,663
Free cash flow	\$ 3,039	\$ (2,953)	\$ 3,884

- Revenue Retention Rate.** We calculate our revenue retention rate by dividing (1) total revenue in the current 12-month period from those customers who were customers during the prior 12-month period by (2) total revenue from all customers in the prior 12-month period. For the purposes of calculating our revenue retention rate, we count as customers all entities with whom we had contracts in the applicable period other than (1) customers of our wholly-owned subsidiary, Microtech, which generates an immaterial amount of our revenue in any given year and (2) in the first year following our acquisition of another business, customers that we acquired in connection with such acquisition. We believe that our ability to retain our customers and expand their use of our solutions over time is an indicator of the stability of our revenue base and the long-term value of our customer relationships. Our revenue retention rate provides insight into the impact on current period revenue of the number of new customers acquired during the prior 12-month period, the timing of our implementation of those new customers, growth in the usage of our solutions by our existing customers and customer attrition. If our revenue retention rate for a period exceeds 100%, this means that the revenue retained during the period including upsells more than offset the revenue that we lost from customers that did not renew their contracts during the period. Our revenue retention rate may decline or fluctuate as a result of a number of factors, including customers' satisfaction or dissatisfaction with our platform and applications, pricing, economic conditions or overall reductions in our customers' spending levels.
- Adjusted EBITDA.** Adjusted EBITDA represents our net loss before interest income and interest expense, income tax expense and benefit, depreciation and amortization expense and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the capitalized software that is amortized will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (2) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (3) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (4) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (5) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our other GAAP-based financial performance measures, net loss and our other GAAP financial results. The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net loss	\$ (11,286)	\$ (10,824)	\$ (623)
Interest expense, net	472	537	348
Benefit from income taxes	(24)	(562)	(89)
Depreciation and amortization	7,742	5,976	2,512
Stock-based compensation	3,101	1,522	376
Adjusted EBITDA	<u>\$ 5</u>	<u>\$ (3,351)</u>	<u>\$ 2,524</u>

- Adjusted Gross Margin.** Adjusted gross margin represents gross profit plus stock-based compensation and amortization of acquired intangibles. Adjusted gross margin is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. The exclusion of stock-based compensation expense and amortization of acquired intangibles facilitates comparisons of our operating performance on a period-to-period basis. In the near term, we expect these expenses to continue to negatively impact our gross profit. Adjusted gross margin is not a measure calculated in accordance with GAAP. We believe that adjusted gross margin provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, our use of adjusted gross margin has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. You should consider adjusted gross margin alongside our other GAAP-based financial performance measures, gross profit and our other GAAP financial results. The following table presents a reconciliation of adjusted gross margin to gross profit, the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Gross profit	\$ 53,079	\$ 38,931	\$ 30,332
Amortization of acquired intangibles	2,318	2,003	249
Stock-based compensation	180	150	82
Adjusted gross margin	<u>\$ 55,577</u>	<u>\$ 41,084</u>	<u>\$ 30,663</u>

- Free Cash Flow.** Free cash flow represents net cash provided by operating activities minus capital expenditures and capitalized software development costs. Free cash flow is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. The exclusion of capital expenditures and amounts capitalized for internally-developed software facilitates comparisons of our operating performance on a period-to-period basis and excludes items that we do not consider to be indicative of our core operating performance. Free cash flow is not a measure calculated in accordance with GAAP. We believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, our use of free cash flow has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. You should consider free cash flow alongside our other GAAP-based financial performance measures, net cash provided by operating activities, and our other GAAP financial results. The following table presents a reconciliation of free cash flow to net cash for operating activities, the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net cash provided by operating activities	\$ 9,503	\$ 4,451	\$ 7,716
Capital expenditures	(970)	(2,502)	(2,155)
Capitalized software development costs	(5,494)	(4,902)	(1,677)
Free cash flow	<u>\$ 3,039</u>	<u>\$ (2,953)</u>	<u>\$ 3,884</u>

Additional Supplemental Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain additional supplemental non-GAAP financial measures, including non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP total operating expenses, non-GAAP operating loss and non-GAAP net loss, which we collectively refer to as non-GAAP financial measures. These non-GAAP financial measures exclude all or a combination of the following (as reflected in the following reconciliation tables): stock-based compensation expense and amortization of acquired intangibles. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision making. While our non-GAAP financial measures are an important tool for financial and operational decision making and for evaluating our own operating results over different periods of time, you should consider our non-GAAP financial measures alongside our GAAP financial results.

We exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for more meaningful comparisons between our operating results from period to period. We believe that excluding the impact of amortization of acquired intangibles allows for more meaningful comparisons between operating results from period to period as the intangibles are valued at the time of acquisition and are amortized over a period of several years after the acquisition. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility of the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees.

The following table reconciles our GAAP to non-GAAP financial measures for the years ended 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Cost of revenue	\$ 23,767	\$ 19,789	\$ 12,089
Amortization of acquired intangibles	(2,318)	(2,003)	(249)
Stock-based compensation expense	(180)	(150)	(82)
Non-GAAP cost of revenue	21,269	17,636	11,758
Gross profit	53,079	38,931	30,332
Amortization of acquired intangibles	2,318	2,003	249
Stock-based compensation expense	180	150	82
Non-GAAP gross profit	55,577	41,084	30,663
Non-GAAP gross margin	72.32%	69.97%	72.28%
Sales and marketing expense	34,847	25,925	15,818
Stock-based compensation expense	(725)	(315)	(120)
Non-GAAP sales and marketing	34,122	25,610	15,698
Research and development expense	14,765	11,521	7,365
Stock-based compensation expense	(348)	(297)	(147)
Non-GAAP research and development	14,417	11,224	7,218
General and administrative expense	14,293	12,272	7,435
Amortization of acquired intangibles	(916)	(1,088)	(720)
Stock-based compensation expense	(1,848)	(760)	(27)
Non-GAAP general and administrative	11,529	10,424	6,688
Total operating expenses	63,905	49,718	30,618
Amortization of acquired intangibles	(916)	(1,088)	(720)
Stock-based compensation expense	(2,921)	(1,372)	(294)
Non-GAAP total operating expenses	\$ 60,068	\$ 47,258	\$ 29,604
Operating loss	\$ (10,826)	\$ (10,787)	\$ (286)
Amortization of acquired intangibles	3,234	3,091	969
Stock-based compensation expense	3,101	1,522	376
Non-GAAP operating income (loss)	\$ (4,491)	\$ (6,174)	\$ 1,059
Net loss	\$ (11,286)	\$ (10,824)	\$ (623)
Amortization of acquired intangibles	3,234	3,091	969
Stock-based compensation expense	3,101	1,522	376
Non-GAAP net income (loss)	\$ (4,951)	\$ (6,211)	\$ 722

Components of Results of Operations

Revenue

We derive substantially all of our revenue from the sale of subscriptions to our critical communications and enterprise safety applications.

We generally bill and collect payment for our subscriptions annually in advance. All revenue billed in advance of services being delivered is recorded in deferred revenue. The initial subscription period typically ranges from one to three years. We offer varying levels of customer support based on customer needs and the complexity of their businesses, including the level of usage by a customer in terms of minutes or the amount of data used to transmit the notifications. Our pricing model is based on the number of applications subscribed to and, per application, the

number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of premium features and applications that our customers subscribe to and the number of contacts connected to our platform.

We generate an immaterial amount of revenue from set-up fees, which consist of participant process mapping, configuration, customer data migration and integration. We also sell professional services, which have been immaterial to date.

Cost of Revenue

Cost of revenue includes expenses related to the fulfillment of our subscription services, consisting primarily of employee-related expenses for data center operations and customer support, including salaries, bonuses, benefits and stock-based compensation expense. Cost of revenue also includes hosting costs, messaging costs and depreciation and amortization. As we add data center capacity and support personnel in advance of anticipated growth, our cost of revenue will increase and, if anticipated revenue growth does not occur, our gross profit will be adversely affected.

Operating Expenses

Operating expenses consist of sales and marketing, research and development and general and administrative expenses. Salaries, bonuses, stock-based compensation expense and other personnel costs are the most significant components of each of these expense categories. We include stock-based compensation expense incurred in connection with the grant of stock options within the applicable operating expense category based on the equity award recipient's functional area.

Sales and Marketing

Sales and marketing expense primarily consists of employee-related expenses for sales, marketing and public relations employees, including salaries, bonuses, commissions, benefits and stock-based compensation expense. Sales and marketing expense also includes trade show, market research, advertising and other related external marketing expense as well as office and software related costs to support sales. We defer certain sales commissions related to acquiring new customers and amortize these expenses ratably over the term of the corresponding subscription agreement. We plan to continue to expand our sales and marketing functions to grow our customer base and increase sales to existing customers. This growth will include adding sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. In the near term, we expect our sales and marketing expense to increase on an absolute dollar basis as we hire new sales representatives in the United States and worldwide and grow our marketing staff.

Research and Development

Research and development expense primarily consists of employee-related expenses for research and development staff, including salaries, bonuses, benefits and stock-based compensation expense. Research and development expense also includes the cost of certain third-party services, office related costs to support research and development activities, software subscriptions and hosting costs. We capitalize certain software development costs that are attributable to developing new applications and adding incremental functionality to our platform and amortize these costs over the estimated life of the new application or incremental functionality, which is generally three years. We focus our research and development efforts on improving our applications, developing new applications and delivering new functionality. In the near term, we expect our research and development expense to increase on an absolute dollar basis as we continue to increase the functionality of our platform and applications.

General and Administrative

General and administrative expense primarily consists of employee-related expenses for administrative, legal, finance and human resource personnel, including salaries, bonuses, benefits and stock-based compensation expense. General and administrative expense also includes professional fees, insurance premiums, corporate expenses, transaction-related costs, office-related expenses, facility costs, depreciation and amortization and software license costs. In the near term, we expect our general and administrative expense to increase on an absolute dollar basis as we incur the costs associated with being a publicly traded company.

Interest Income

Interest income consists of interest earned on our cash balances held at financial institutions.

Interest Expense

Interest expense consists of interest on our outstanding debt obligations and interest on our capital leases.

Other Expenses, Net

Other expenses, net consists primarily of realized foreign currency gains and losses.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of our historical results is not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Revenue	\$ 76,846	\$ 58,720	\$ 42,421
Cost of revenue(1)	23,767	19,789	12,089
Gross profit	53,079	38,931	30,332
Operating expenses:			
Sales and marketing(1)	34,847	25,925	15,818
Research and development(1)	14,765	11,521	7,365
General and administrative(1)	14,293	12,272	7,435
Total operating expenses	63,905	49,718	30,618
Operating loss	(10,826)	(10,787)	(286)
Other expenses, net	(484)	(599)	(426)
Loss before income taxes	(11,310)	(11,386)	(712)
Benefit from income taxes	24	562	89
Net loss	\$ (11,286)	\$ (10,824)	\$ (623)

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

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Stock-based compensation expense:			
Cost of revenue	\$ 180	\$ 150	\$ 82
Sales and marketing	725	315	120
Research and development	348	297	147
General and administrative	1,848	760	27
Total	\$ 3,101	\$ 1,522	\$ 376

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Depreciation and Amortization expense:			
Cost of revenue	\$ 6,247	\$ 4,457	\$ 1,615
Sales and marketing	208	227	101
Research and development	265	134	31
General and administrative	1,022	1,158	765
Total	\$ 7,742	\$ 5,976	\$ 2,512

	Year Ended December 31,		
	2016	2015	2014
Consolidated Statements of Operations, as a percentage of revenue(1)			
Revenue	100%	100%	100%
Cost of revenue	31%	34%	28%
Gross profit	69%	66%	72%
Operating expenses:			
Sales and marketing	45%	44%	37%
Research and development	19%	20%	17%
General and administrative	19%	21%	18%
Total operating expenses	83%	85%	72%
Operating loss	(14)%	(18)%	—
Other expenses, net	(1)%	(1)%	(1)%
Loss before income taxes	(15)%	(19)%	(1)%
Benefit from income taxes	*	1%	*
Net loss	(15)%	(18)%	(1)%

(1) Columns may not add up to 100% due to rounding.

* Represents less than 0.5% of revenue.

Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Revenue

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Revenue	\$ 76,846	\$ 58,720	\$ 18,126	30.9%

Revenue increased by \$18.1 million in 2016 compared to 2015. The increase was primarily due to an \$18.1 million increase in sales of our solutions driven by expansion of our customer base from 2,662 customers as of December 31, 2015 to 3,205 as of December 31, 2016, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Cost of revenue	\$ 23,767	\$ 19,789	\$ 3,978	20.1%
Gross margin %	69%	66%		

Cost of revenue increased by \$4.0 million in 2016 compared to 2015. The increase was primarily due to a \$1.5 million increase in employee-related costs associated with our increased headcount from 90 employees as of December 31, 2015 to 98 employees as of December 31, 2016. The remaining increase was principally the result of a \$1.8 million increase in depreciation and amortization expense attributable to our acquired intangible assets, a \$0.9 million increase in hosting and messaging costs, offset by a \$0.2 million decrease in office related expenses.

Gross margin percentage increased due to our continued investment in personnel to support our growth in revenue, which was greater than our growth in expenses.

Operating Expenses

Sales and Marketing Expense

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Sales and marketing	\$ 34,847	\$ 25,925	\$ 8,922	34.4%
% of revenue	45%	44%		

Sales and marketing expense increased by \$8.9 million in 2016 compared to 2015. The increase was primarily due to an \$8.2 million increase in employee-related costs associated with our increased headcount from 157 employees as of December 31, 2015 to 182 employees as of December 31, 2016. The remaining increase was principally the result of a \$0.5 million increase in trade show and advertising costs and a \$0.2 million increase in software costs to support our sales organization.

Research and Development Expense

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Research and development	\$ 14,765	\$ 11,521	\$ 3,244	28.2%
% of revenue	19%	20%		

Research and development expense increased by \$3.2 million in 2016 compared to 2015. The increase was primarily due to a \$2.7 million increase in employee-related costs associated with our increased headcount from 109 employees as of December 31, 2015 to 123 employees as of December 31, 2016. The remaining increase was principally the result of a \$0.6 million increase for the use of outside consultants and a \$0.5 million increase in hosting and software related cost to support research and development activities. A total of \$5.5 million of internally-developed software costs during 2016 and \$4.8 million of internally-developed software costs during 2015 were capitalized, resulting in a decrease of the expense by \$0.7 million in 2016.

General and Administrative Expense

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
General and administrative	\$ 14,293	\$ 12,272	\$ 2,021	16.5%
% of revenue	19%	21%		

General and administrative expense increased by \$2.0 million in 2016 compared to 2015. The increase was primarily due to a \$2.0 million increase in employee-related costs associated with our increased headcount from 62 employees as of December 31, 2015 to 64 employees as of December 31, 2016. There was an additional increase of \$0.4 million to support our operations and our preparations to become a public company. These increases were offset by a \$0.6 million decrease in professional fees due to a decrease in legal, accounting and audit services in 2016.

Other Expense, Net

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Other expense, net	\$ 484	\$ 599	\$ (115)	(19.2)%
% of revenue	1%	1%		

Other expense, net decreased by \$0.1 million in 2016 compared to 2015 as a result of a decrease in interest expense related to interest expense due under our term loan and revolving line of credit, which were paid off in September 2016 with the proceeds of our IPO.

Income Taxes

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Benefit from income taxes	\$ (24)	\$ (562)	\$ 538	(95.7)%
% of revenue	0%	1%		

Benefit from income taxes decreased by \$0.5 million in 2016 compared to 2015 due to the placement of a full valuation allowance on our foreign deferred taxes.

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Revenue

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
Revenue	\$ 58,720	\$ 42,421	\$ 16,299	38.4%

Revenue increased by \$16.3 million in 2015 compared to 2014. The increase was primarily due to a \$14.0 million increase in sales of our solutions driven by expansion of our customer base from 2,167 customers as of December 31, 2014 to 2,662 as of December 31, 2015, including increased sales to larger organizations with greater numbers of contacts and locations. In 2015, we also had a \$2.3 million increase in revenue attributable to the acquisition of Nixle, which occurred in December 2014.

Cost of Revenue

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
Cost of revenue	\$ 19,789	\$ 12,089	\$ 7,700	63.7%
Gross margin %	66%	72%		

Cost of revenue increased by \$7.7 million in 2015 compared to 2014. The increase was primarily due to a \$2.7 million increase in employee-related costs associated with our increased headcount from 72 employees as of December 31, 2014 to 90 employees as of December 31, 2015. The remaining increase was principally the result of a \$2.8 million increase in depreciation and amortization expense attributable to our acquired intangible assets, a \$1.8 million increase in hosting and messaging costs and a \$0.3 million increase in office related expenses.

Gross margin percentage decreased due to an increase in amortization of acquired intangible assets and capitalized software, as well as our continued investment in personnel to support our growth.

Operating Expenses

Sales and Marketing Expense

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
Sales and marketing	\$ 25,925	\$ 15,818	\$ 10,107	63.9%
% of revenue	44%	37%		

Sales and marketing expense increased by \$10.1 million in 2015 compared to 2014. The increase was primarily due to an \$8.1 million increase in employee-related costs associated with our increased headcount from 104 employees as of December 31, 2014 to 157 employees as of December 31, 2015. The remaining increase was principally the result of a \$1.1 million increase in trade show and advertising costs and a \$0.9 million increase in office related costs to support sales.

Research and Development Expense

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
Research and development	\$ 11,521	\$ 7,365	\$ 4,156	56.4%
% of revenue	20%	17%		

Research and development expense increased by \$4.2 million in 2015 compared to 2014. The increase was primarily due to a \$6.5 million increase in employee-related costs associated with our increased headcount from 83 employees as of December 31, 2014 to 109 employees as of December 31, 2015. The remaining increase was principally the result of a \$0.9 million increase in office and software related cost to support research and development activities. A total of \$4.8 million of internally-developed software costs during 2015 and \$1.6 million of internally-developed software costs during 2014 were capitalized, resulting in a reduction of the expense by \$3.2 million in 2015.

General and Administrative Expense

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
General and administrative	\$ 12,272	\$ 7,435	\$ 4,837	65.1%
% of revenue	21%	18%		

General and administrative expense increased by \$4.8 million in 2015 compared to 2014. The increase was primarily due to a \$2.5 million increase in employee-related costs associated with our increased headcount from 44 employees as of December 31, 2014 to 62 employees as of December 31, 2015. The remaining increase was the result of a \$1.7 million increase in professional fees due to increased legal, accounting and audit services to support our operations and our preparations to become a public company, a \$0.4 million increase in office related expenses and a \$0.4 million increase in depreciation and amortization expense related to equipment. These increases were offset by a \$0.2 million decrease in legal and transaction-related costs in 2015.

Other Expense, Net

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
Other expense, net	\$ 599	\$ 426	\$ 173	40.6%
% of revenue	1%	1%		

Other expense, net increased by \$0.2 million in 2015 compared to 2014 as a result of increased interest expense related to accretion of interest on our notes payable, interest expense due under our term loan and revolving line of credit.

Income Taxes

	Year Ended December 31,		Change	
	2015	2014	\$	%
	(dollars in thousands)			
Benefit from income taxes	\$ (562)	\$ (89)	\$ (473)	531.5%
% of revenue	1%	0%		

Benefit from income taxes increased by \$0.5 million in 2015 compared to 2014 due to our increased operations in foreign jurisdictions where we are subject to income taxes on profits which have benefited from current losses.

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash from operating activities, along with equity issuances and debt financing arrangements. Our principal source of liquidity is cash and cash equivalents totaling \$60.8 million as of December 31, 2016, which includes the remaining net proceeds from our initial public offering completed in September 2016. We received net proceeds of \$66.1 million, after deducting underwriting discounts and offering expenses paid or payable by us. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future.

We believe that our cash balances, our available borrowings under our revolving line of credit and the cash flows generated by our operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this Annual Report on Form 10-K titled “Risk Factors.” We cannot assure you that we will be able to raise additional capital on acceptable terms or at all. In addition, if we fail to meet our operating plan during the next 12 months, our liquidity could be adversely affected.

Cash Flows

The following table shows a summary of our cash flows for the years ended December 31, 2016, 2015 and 2014:

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Cash and cash equivalents at beginning of period	\$ 8,578	\$ 4,412	\$ 3,040
Cash provided by operating activities	9,503	4,451	7,716
Cash used in investing activities	(9,020)	(7,404)	(4,136)
Cash provided by (used in) financing activities	51,470	7,219	(2,120)
Effects of exchange rates on cash and cash equivalents	234	(100)	(88)
Cash and cash equivalents at end of period	<u>\$ 60,765</u>	<u>\$ 8,578</u>	<u>\$ 4,412</u>

At December 31, 2016, \$1.5 million of the \$60.8 million of cash and cash equivalents was held by foreign subsidiaries. Our intention is to indefinitely reinvest foreign earnings in our foreign subsidiaries. If these earnings were used to fund domestic operations, they would be subject to additional income taxes upon repatriation.

Sources of Funds

Initial Public Offering

On September 21, 2016, we closed our initial public offering in which we issued and sold 6,250,000 shares of common stock at a public offering price of \$12.00 per share for net proceeds of approximately \$66.1 million, after deducting underwriting discounts and offering expenses paid or payable by us.

Credit Facility

In June 2015, we entered into a loan and security agreement with Western Alliance Bank (formerly known as Bridge Bank) to provide a secured revolving line of credit that allows us to borrow up to \$10.0 million for working capital and general business requirements. In February 2016, we entered into an amendment of our loan and security agreement with Western Alliance Bank to (1) increase the capacity of our revolving line of credit by \$5.0 million to \$15.0 million and (2) set the minimum prime rate based on which interest due is calculated at 3.25%. No other changes were made to the loan and security agreement. The loan and security agreement, as amended, allows us to borrow up to \$15.0 million for working capital and general business requirements. Amounts outstanding under the line of credit bear interest at the prime rate plus 0.75% with accrued interest payable on a monthly basis and outstanding and unpaid principal due upon maturity of the credit facility in June 2018. As of December 31, 2016, the total amount available to be borrowed by us was \$15.0 million and we had no outstanding balance on the revolving line of credit.

Western Alliance Bank maintains a security interest in substantially all of our tangible and intangible assets, excluding intellectual property, to secure any outstanding amounts under the loan agreement. The loan agreement contains customary events of default, conditions to borrowing and covenants, including restrictions on our ability to dispose of assets, make acquisitions, incur debt, incur liens and make distributions and dividends to stockholders. The loan agreement also includes a financial covenant related to our recurring revenue renewal rate. During the continuance of an event of default, Western Alliance Bank may accelerate amounts outstanding, terminate the credit facility and foreclose on the collateral.

Uses of Funds

Our historical uses of cash have primarily consisted of cash used for operating activities, such as expansion of our sales and marketing operations, research and development activities and other working capital needs.

Operating Activities

Our net loss and cash flows provided by operating activities are significantly influenced by our investments in headcount and infrastructure to support our growth, marketing and sponsorship expenses, and our ability to bill and collect in a timely manner. Our net loss has been significantly greater than our use of cash for operating activities due to the inclusion of non-cash expenses and charges.

Operating activities provided \$9.5 million in 2016, primarily from \$9.6 million in cash provided as a result of changes in operating assets and liabilities, which was increased by \$11.2 million of non-cash operating expenses and partially offset by our net loss of \$11.3 million. Specifically, we recognized non-cash charges aggregating \$7.7 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$3.1 million for stock-based compensation expense, \$0.4 million for the increase in our accounts receivable provision and \$0.1 million related to non-cash interest on notes payable, offset by a \$0.1 million decrease in our deferred income taxes. The change in operating assets and liabilities reflected a \$12.0 million increase in deferred revenue, a \$1.3 million increase in accrued employee-related expenses due to timing of payments, and a \$0.5 million increase in accrued expenses due to timing of payments made to vendors. These increases were partially offset by a \$2.3 million increase in accounts receivable, a \$1.1 million increase in other assets due to timing of payments made for deferred IPO cost and commissions, a \$0.4 million decrease in accounts payable due to the timing of payments made and a \$0.3 million increase in prepaid expenses as a result of the increase in upfront payments made for insurance services.

Operating activities provided \$4.5 million in 2015, primarily from \$7.7 million in cash provided as a result of changes in operating assets and liabilities, which was increased by \$7.5 million of non-cash operating expenses and partially offset by our net loss of \$10.8 million. Specifically, we recognized non-cash charges aggregating \$6.0 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$1.5 million for stock-based compensation expense, \$0.4 million for the increase in our accounts receivable provision and \$0.1 million related to non-cash interest on notes payable, offset by a \$0.4 million decrease in our deferred income taxes. The change in operating assets and liabilities reflected an \$11.6 million increase in deferred revenue, a \$1.2 million increase in accrued employee-related expenses due to timing of payments and a \$0.9 million increase in accounts payable due to timing of payments made to vendors. These increases were partially offset by a \$4.8 million increase in accounts receivable, a \$0.7 million increase in prepaid expenses as a result of the increase in upfront payments made for insurance services, a \$0.4 million increase in other assets due to timing of payments made for deferred IPO cost and commissions and a \$0.2 million decrease in accrued expenses due to the timing of payments made.

Investing Activities

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

Investing activities used \$9.0 million in 2016, primarily from net cash paid in acquisitions of \$2.3 million, and our investment in software development of \$5.5 million and property and equipment of \$1.0 million.

Investing activities used \$7.4 million in cash in 2015, primarily from our investment in software development of \$4.9 million and property and equipment of \$2.5 million.

Financing Activities

Cash generated by financing activities includes proceeds from our initial public offering, borrowings under our term loan and credit facilities and proceeds from the issuance of common stock upon the exercise of employee stock options. Cash used in financing activities includes deferred initial public offering costs and payments on capital leases, notes payable and repayments of debt under our credit facilities.

Financing activities provided \$51.5 million of cash in 2016, which reflects proceeds of \$67.8 million from our initial public offering, net of underwriter's discount and commissions, \$0.8 million from the exercise of stock options and proceeds from our line of credit of \$9.5 million. These amounts were offset by a \$19.5 million payment on our line of credit, a \$5.0 million payment on our term loan and a \$2.0 million payment on notes payable related to the Vocal Limited acquisition.

Financing activities provided \$7.2 million in cash in 2015, primarily from proceeds from our term loan of \$5.0 million and proceeds from our line of credit of \$12.0 million, partially offset by a \$1.5 million payment to repurchase outstanding shares of our common stock, \$5.0 million in payments on our line of credit, \$1.8 million in payments on notes payable, \$1.4 million in payments attributed to deferred initial public offering costs and \$0.1 million in payments on capital leases.

Contractual Obligations and Commitments

The following table summarizes our commitments to settle contractual obligations as of December 31, 2016:

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(in thousands)				
Operating Leases (1)	\$ 1,828	\$ 3,514	\$ 3,335	\$ 705	\$ 9,382
	<u>\$ 1,828</u>	<u>\$ 3,514</u>	<u>\$ 3,335</u>	<u>\$ 705</u>	<u>\$ 9,382</u>

(1) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements as described in note (18) of our consolidated financial statements included in this Annual Report on Form 10-K.

Future minimum operating lease payments have been reduced by future minimum sublease income of \$0.2 million.

In December 2016, we entered into a new lease for our executive offices in Burlington, Massachusetts that will increase our future minimum lease commitments over the next five years by \$8.0 million.

The above table does not include any payments we may have to make under the contingent liability related to the Crisis Commander and IDV acquisitions, as the amount of the ultimate payments are unknown. Please see Note 5 and 19 of the notes to our consolidated financial statements for more information.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the actions under the contracts. The table does not include obligations under agreements that we can cancel without a significant penalty.

Backlog

We sell all of our critical communications applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 2.0 years as of December 31, 2016, and generally bill and collect payment annually in advance. Since we bill many of our customers at the beginning of each contract year, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenue, deferred revenue or elsewhere in our consolidated financial statements. As of December 31, 2016, the dollar amount of this backlog believed to be firm was \$39.3 million. We expect that the amount of backlog relative to the total value of our subscription agreements will change from year to year for several reasons, including the specific timing and duration of customer agreements, varying invoicing cycles of agreements, the specific timing of customer renewals and changes in customer financial circumstances. In addition, because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as contracts that are renewed and new customer contracts that are entered into during the period, backlog at the beginning of any period is not necessarily indicative of future performance. Our presentation of backlog may also differ from that of other companies in our industry. Due to these factors, as well as variances in billing arrangements with customers, we do not utilize backlog as a key management metric internally.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of our consolidated financial statements require us to make estimates, assumptions and judgments that affect the reported amounts of revenue, assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates. Our most critical accounting policies are summarized below.

Revenue Recognition

We derive substantially all of our revenue from contract subscription fees for use of our applications.

We recognize revenue in accordance with ASC Topic 605, *Revenue Recognition*, with respect to a transaction when all of the following conditions have been satisfied:

- persuasive evidence of an agreement exists;
- the service has been provided to the customer;
- fees are fixed or determinable; and
- the collection of the fees is reasonably assured and acceptance criteria, if any, have been met.

If any of these criteria are not met, revenue recognition is deferred until such time that all of the criteria are met.

Our subscription arrangements do not provide customers with the right to take possession of our software at any time.

Subscription Revenue

We recognize subscription revenue ratably over the initial subscription period committed by the customer commencing when the customer's environment has been created in our hosted environment. The initial subscription period is typically one to three years and the level of service provided each customer varies based on the level of service required by the complexity of a customer's business.

Other Revenue

We recognize revenue for set-up fees, which historically have not been material to our financial statements. We have concluded that set-up fees do not meet the criteria for separation from our primary service as they do not have stand-alone value as we have historically not sold set-up fees separately. We charge set-up fees for substantially all new applications and services. These set-up fees are recognized ratably over the contractual period, which approximates the life of the application. We also sell professional services, which have been immaterial to date.

Deferred Revenue

Deferred revenue includes amounts collected or billed in excess of recognizable revenue. Such amounts are recognized by us over the life of the contract upon meeting the revenue recognition criteria. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue. Because the mix of billing terms with customers can vary from period to period, the annualized value of the contracts that we enter into with our customers will not be completely reflected in deferred revenue at any single point in time.

Business Combinations

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

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price to the tangible and intangible assets acquired and liabilities assumed based on our best estimate of fair value. We determine the appropriate useful life of intangible assets by performing an analysis of cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives based on the pattern in which the economic benefits associated with the asset are expected to be consumed, which to date has approximated the straight-line method of amortization.

Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expense in our consolidated statements of operations and comprehensive loss.

Goodwill

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

We have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required. However, if we conclude otherwise, we are required to perform the first step of a two-step impairment test. Alternatively, we may elect to proceed directly to the first step of the two-step impairment test and bypass the qualitative assessment.

The first step of the impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, the carrying amount of the goodwill is compared to its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. We test for goodwill impairment on November 30 of each year.

Software Development Costs

We capitalize the costs of software developed or obtained for internal use in accordance with ASC Topic 350-40, *Internal Use Software*. Capitalized software development costs consist of costs incurred during the application development stage and include purchased software licenses, implementation costs, consulting costs, and payroll-related costs for projects that qualify for capitalization. These costs relate to major new functionality. All other costs, primarily related to maintenance and minor software fixes, are expensed as incurred.

Stock-Based Compensation

We recognize stock-based compensation expense for stock-based compensation awards granted to our employees, directors, consultants and other service providers that can be settled in shares of our common stock. Compensation expense for stock-based compensation awards granted is based on the grant date fair value estimate for each award as determined by our board of directors or the compensation committee of our board of directors. We recognize these compensation costs on a straight-line basis over the requisite service period of the award, which is generally four years. As stock-based compensation expense recognized is based on awards ultimately expected to vest, such expense is reduced for estimated forfeitures.

We estimate the fair value of stock-based compensation awards at the date of grant using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and are freely transferable. The fair values generated by the model may not be indicative of the actual fair values of our awards as it does not consider other factors important to those stock-based payment awards, such as continued employment, periodic vesting requirements and limited transferability.

Determining the fair value of stock-based awards at the grant date requires judgment. We use the Black-Scholes option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, the expected term of the options, our expected stock price volatility, risk-free interest rates, and expected dividends, which are estimated as follows:

- *Fair value of our common stock.* Prior to our initial public offering, the fair value of our common stock was determined by the estimated fair value at the time of grant. For stock options granted subsequent to our initial public offering, the fair value of common stock is based on the closing market price of our common stock as reported on the NASDAQ Global Market on the date of grant.
- *Expected term.* The expected term represents the period that the stock-based compensation awards are expected to be outstanding. Since we did not have sufficient historical information to develop reasonable expectations about future exercise behavior, we use the simplified method to compute expected term, which represents the average of the time-to-vesting and the contractual life.
- *Expected volatility.* As we have a limited trading history for our common stock, the expected stock price volatility for our common stock is estimated by taking the average historic price volatility for industry peers based on daily price observations over a period equivalent to the expected term of the stock option grants. We do not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the options.
- *Expected dividend yield.* We have never declared or paid any cash dividends and do not presently plan to declare or pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes model change significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

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,		
	2016	2015	2014
Employee Stock Options:			
Expected term (in years)	5.29 - 6.11	5.09 - 6.15	5.89 - 6.13
Expected volatility	60% - 70%	60%	51.7% - 69%
Risk-free interest rate	1.21% - 2.55%	1.41% - 1.94%	1.63% - 2.06%
Dividend rate	0%	0%	0%

Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This guidance eliminates Step 2 from the goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. This guidance must be applied on a prospective basis. We expect to adopt this guidance for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This guidance narrows the definition of a business. This standard provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. This guidance must be applied prospectively to transactions occurring within the period of adoption. We expect to adopt this guidance effective January 1, 2018. We do not expect the adoption of this guidance to have a material impact on our financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. As a result, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, and the new guidance is to be applied retrospectively. We not expect the adoption of this guidance to have a material impact on our cash flows.

In September 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This guidance clarifies the presentation requirements of eight specific issues within the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on our financial statements, as our treatment of the relevant affected items within its consolidated statement of cash flows is consistent with the requirements of this guidance.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The ASU will be effective for us in the first quarter of 2017. We do not expect this ASU to have a material impact on our consolidated financial statements.

In February, 2016, the FASB issued ASU 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For public companies, the new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. For leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. We adopted this standard retrospectively in the first quarter of 2016. The balance sheet as of December 31, 2015 was retrospectively adjusted, which resulted in reductions to other assets of \$0.1 million and long-term debt of \$0.1 million.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new revenue recognition standard will be effective for us in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. We currently anticipate adopting the new standard effective January 1, 2018. The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). We currently anticipate adopting the standard using the modified retrospective method. We are still in the process of completing our analysis on the impact this guidance will have on our consolidated financial statements and related disclosures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign exchange rates as well as, to a lesser extent, inflation.

Interest Rate Risk

We are exposed to interest rate risk in the ordinary course of our business. Our cash equivalents includes cash in readily available checking and money market accounts and marketable securities. These securities are not dependent on interest rate fluctuations that may cause the principal amount of these assets to fluctuate.

We had cash and cash equivalents of \$60.8 million as of December 31, 2016, which consisted of bank deposits and money market funds. To date, fluctuations in interest income have not been significant. We have no outstanding debt subject to interest rate risk as of December 31, 2016. Amounts outstanding under our revolving line of credit carry a variable interest rate of the prime rate, but in no event less than 3.25%, plus 0.75%. As of December 31, 2016, the applicable prime rate was 3.75%. We monitor our cost of borrowing under our revolving line of credit, if any, taking into account our funding requirements, and our expectation for short-term rates in the future.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Although our credit facility and term loan have variable interest rates, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Foreign Currency Exchange Risk

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than our functional currency, the U.S. dollar, principally British pounds. Movements in foreign currencies in which we transact business could significantly affect future net earnings. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. A hypothetical 10% change in foreign exchange rates during any of the periods presented would not have had a material impact on our consolidated financial statements. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign currency rate.

Inflation Risk

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

JOBS Act Transition Period

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act 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. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering, (b) in which we have total annual gross revenues of at least \$1.0 billion or (c) in which we are deemed to be a “large accelerated filer” under the rules of the U.S. Securities and Exchange Commission, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

Item 8. Financial Statements and Supplementary Data.

Financial Statements

The financial statements required to be filed pursuant to this Item 8 are appended to this report. An index of those financial statements is found in Item 15.

Supplementary Data

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended December 31, 2016. We have prepared the quarterly financial data on the same basis as the audited consolidated financial statements included in this Annual Report on Form 10-K. In our opinion, the quarterly financial data reflects all adjustments, consisting only of normal recurring adjustment that we consider necessary for a fair presentation of this data. This quarterly financial data should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future.

	Three Months Ended							
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(in thousands)							
Consolidated Statements of Operations Data:								
Revenue	\$ 13,160	\$ 14,153	\$ 15,187	\$ 16,220	\$ 17,069	\$ 18,565	\$ 19,932	\$ 21,280
Cost of revenue	4,126	4,919	5,165	5,579	5,475	5,676	6,173	6,443
Gross Profit	9,034	9,234	10,022	10,641	11,594	12,889	13,759	14,837
Operating expenses:								
Sales and marketing	5,512	5,825	6,761	7,827	8,205	8,849	8,605	9,188
Research and development	2,687	2,782	3,025	3,027	3,180	3,463	3,917	4,205
General and administrative	2,041	2,537	3,863	3,831	3,458	3,128	3,666	4,041
Total operating expense	10,240	11,144	13,649	14,685	14,843	15,440	16,188	17,434
Operating loss	(1,206)	(1,910)	(3,627)	(4,044)	(3,249)	(2,551)	(2,429)	(2,597)
Other income (expense),net	(131)	(145)	(180)	(143)	(131)	(208)	(165)	20
Loss before (provision for) benefit from income taxes	(1,337)	(2,055)	(3,807)	(4,187)	(3,380)	(2,759)	(2,594)	(2,577)
(provision for) benefit from income taxes	(24)	212	186	188	155	(45)	(35)	(51)
Net loss	\$ (1,361)	\$ (1,843)	\$ (3,621)	\$ (3,999)	\$ (3,225)	\$ (2,804)	\$ (2,629)	\$ (2,628)
Other Metrics:								
Adjusted EBITDA(1)	\$ (151)	\$ (110)	\$ (1,391)	\$ (1,699)	\$ (779)	\$ 58	\$ 334	\$ 392

- (1) Adjusted EBITDA represents our net loss before interest income and interest expense, income tax expense and benefit, depreciation and amortization expense and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP. The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated. See “Management’s Discussion & Analysis of Financial Conditions and Results of Operations—Other Metrics” for a discussion of the limitations of adjusted EBITDA.

	Three Months Ended							
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(in thousands)							
Net loss	\$ (1,361)	\$ (1,843)	\$ (3,621)	\$ (3,999)	\$ (3,225)	\$ (2,804)	\$ (2,629)	\$ (2,628)
Interest expense, net	105	139	159	134	137	174	195	(34)
Provision for (benefit from) income taxes	24	(212)	(186)	(188)	(155)	45	35	51
Depreciation and amortization expense	935	1,594	1,715	1,732	1,793	1,908	1,974	2,067
Stock-based compensation expense	146	212	542	622	671	735	759	936
Total net adjustments	<u>\$ 1,210</u>	<u>\$ 1,733</u>	<u>\$ 2,230</u>	<u>\$ 2,300</u>	<u>\$ 2,446</u>	<u>\$ 2,862</u>	<u>\$ 2,963</u>	<u>\$ 3,020</u>
Adjusted EBITDA	<u>\$ (151)</u>	<u>\$ (110)</u>	<u>\$ (1,391)</u>	<u>\$ (1,699)</u>	<u>\$ (779)</u>	<u>\$ 58</u>	<u>\$ 334</u>	<u>\$ 392</u>

Quarterly Trends in Revenue and Gross Margin

The sequential increases in our quarterly revenue was due primarily to increases in our number of new customers as well as increased revenue from existing customers as they expanded their use of our solutions.

Our gross profit has increased sequentially for the periods presented due primarily to greater growth in revenue than expenses, which expenses are primarily related to our increase in headcount as we invest in the growth of our business. The increase in revenue was partially offset by increases in amortization expense attributed to our acquisitions and capitalized software development costs.

Quarterly Trends in Operating Expenses

Our operating expenses generally have increased sequentially for the periods presented due primarily to increases in headcount and other office and infrastructure related expenses to support our growth and becoming a public company. We anticipate our operating expenses will continue to increase in absolute dollar terms as we invest in the long-term growth of our business.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2016.

Management’s Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management’s assessment regarding internal control over financial reporting due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

On December 16, 2016, we entered into a lease agreement, or the Lease, with Burlington Centre Owner LLC, relating to our corporate headquarters located at 25 Corporate Drive, Suite 400, Burlington, Massachusetts, or the Building. We currently occupy our corporate headquarters under a sublease agreement, or the Sublease, with Acquia, Inc., that expires on May 30, 2017. The Lease allows us to continue to occupy our existing corporate headquarters, along with approximately 9,000 square feet of additional office space in the Building, after the expiration of the Sublease and until May 31, 2022.

The annual base rent under the Lease will be approximately \$1.5 million at the commencement of the Lease and will increase on an annual basis by approximately three percent. We will also pay additional rent, comprised of the sum of our proportionate share of (i) any increase in real estate taxes assessed on the Building and (ii) any increase in Building operating expenses, subject in the case of (i) and (ii) above to certain limitations, adjustments, audit and dispute rights, as set forth in the Lease.

Pursuant to the Lease, we have the options to extend the term of the Lease for an additional five years and to lease up to 27,000 square feet of additional office space within the Building. We also have a right of first offer with respect to any other space within the Building that becomes available for lease.

The foregoing description of the Lease does not purport to be complete and is qualified in its entirety by reference to the full text of the Lease, which is filed as Exhibit 10.21 to this Annual Report on Form 10-K.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to our Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2016.

As part of our system of corporate governance, our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of ours, with regard to their Company-related activities. Our code of business conduct and ethics is available on our website at www.Everbridge.com. We intend to post on this section of our website any amendment to our code of business conduct and ethics, as well as any waivers of our code of business conduct and ethics, that are required to be disclosed by the rules of the SEC or the NASDAQ Stock Market.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to our Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated by reference to our Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2016.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated by reference to our Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2016.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to our Proxy Statement for our 2017 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2016.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a)(1) Financial Statements.

See the “Index to Consolidated Financial Statements” on page F-1 below for the list of financial statements filed as part of this report.

(a)(2) Financial Statement Schedules.

All schedules have been omitted because they are not required or because the required information is given in the Consolidated Financial Statements or Notes thereto set forth below beginning on page F-1.

(a)(3) Exhibits.

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K. The exhibits listed in the Exhibit Index below are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Everbridge, Inc.

Date: March 23, 2017

By: /s/ Jaime Ellertson
Jaime Ellertson
President, Chief Executive Officer and Chairman of the Board of Directors

Date: March 23, 2017

By: /s/ Kenneth S. Goldman
Kenneth S. Goldman
Senior Vice President and Chief Financial Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jaime Ellertson</u> Jaime Ellertson	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 23, 2017
<u>/s/ Kenneth S. Goldman</u> Kenneth S. Goldman	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 23, 2017
<u>/s/ Richard D'Amore</u> Richard D'Amore	Director	March 23, 2017
<u>/s/ Bruns Grayson</u> Bruns Grayson	Director	March 23, 2017
<u>/s/ David Henshall</u> David Henshall	Director	March 23, 2017
<u>/s/ Kent Mathy</u> Kent Mathy	Director	March 23, 2017
<u>/s/ Cinta Putra</u> Cinta Putra	Director	March 23, 2017

EVERBRIDGE, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Everbridge, Inc.:

We have audited the accompanying consolidated balance sheets of Everbridge, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2016. 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 Everbridge, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Los Angeles, California
March 23, 2017

EVERBRIDGE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share and per share data)

	As of December 31, 2016	As of December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,765	\$ 8,578
Accounts receivable, net	17,812	15,699
Prepaid expenses	1,770	1,371
Other current assets	2,536	3,972
Total current assets	82,883	29,620
Property and equipment, net	2,923	3,620
Capitalized software development costs, net	8,792	8,178
Goodwill	9,676	7,839
Intangible assets, net	3,940	4,119
Other assets	108	133
Total assets	<u>\$ 108,322</u>	<u>\$ 53,509</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 2,434	\$ 3,521
Accrued payroll and employee related liabilities	7,456	6,062
Accrued expenses	1,957	1,460
Term loan	—	830
Deferred revenue	51,388	39,159
Notes payable	—	2,018
Other current liabilities	548	569
Total current liabilities	63,783	53,619
Long-term liabilities:		
Deferred revenue, noncurrent	1,246	1,308
Line of credit	—	9,976
Term loan, net of current portion	—	4,146
Deferred tax liabilities	494	345
Other long term liabilities	447	166
Total liabilities	65,970	69,560
Commitments and contingencies		
Stockholders' equity (deficit):		
Series A preferred stock, \$0.001 par value, no shares authorized, issued or outstanding as of December 31, 2016, 3,129,086 shares authorized, 3,129,084 shares issued and outstanding as of December 31, 2015; aggregate liquidation value of \$11,357 as of December 31, 2015	—	3
Series A-1 preferred stock, \$0.001 par value, no shares authorized, issued or outstanding as of December 31, 2016, 5,870,914 shares authorized, 5,225,879 issued and outstanding as of December 31, 2015; aggregate liquidation preference of \$18,291 as of December 31, 2015	—	5
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, no shares issued or outstanding as of December 31, 2016; no shares authorized, issued or outstanding as of December 31, 2015	—	—
Class A common stock, \$0.001 par value, no shares authorized, issued or outstanding as of December 31, 2016; 1,164,497 shares authorized, 1,164,105 shares issued and outstanding as of December 31, 2015; aggregate liquidation preference of \$1,339 as of December 31, 2015	—	1
Common stock, \$0.001 par value, 100,000,000 shares authorized, 27,150,674 and 11,106,926 shares issued and outstanding as of December 31, 2016 and December 31, 2015, respectively	27	11
Additional paid-in capital	132,246	62,274
Accumulated deficit	(89,618)	(78,332)
Accumulated other comprehensive loss	(303)	(13)
Total stockholders' equity (deficit)	42,352	(16,051)
Total liabilities and stockholders' equity (deficit)	<u>\$ 108,322</u>	<u>\$ 53,509</u>

See accompanying notes to consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2016	2015	2014
Revenue	\$ 76,846	\$ 58,720	\$ 42,421
Cost of revenue	23,767	19,789	12,089
Gross profit	53,079	38,931	30,332
Operating expenses:			
Sales and marketing	34,847	25,925	15,818
Research and development	14,765	11,521	7,365
General and administrative	14,293	12,272	7,435
Total operating expenses	63,905	49,718	30,618
Operating loss	(10,826)	(10,787)	(286)
Other income (expense), net:			
Interest income	34	1	2
Interest expense	(506)	(538)	(350)
Other expenses, net	(12)	(62)	(78)
Total other expense, net	(484)	(599)	(426)
Loss before income taxes	(11,310)	(11,386)	(712)
Benefit from income taxes	24	562	89
Net loss	<u>\$ (11,286)</u>	<u>\$ (10,824)</u>	<u>\$ (623)</u>
Net loss per share attributable to common stockholders:			
Basic	<u>\$ (0.68)</u>	<u>\$ (0.88)</u>	<u>\$ (0.05)</u>
Diluted	<u>\$ (0.68)</u>	<u>\$ (0.88)</u>	<u>\$ (0.05)</u>
Weighted-average common shares outstanding:			
Basic	16,659,561	12,257,413	11,788,883
Diluted	16,659,561	12,257,413	11,788,883
Other comprehensive (loss) income:			
Foreign currency translation adjustment, net of taxes	(290)	29	(68)
Total other comprehensive (loss) income	(290)	29	(68)
Total comprehensive loss	<u>\$ (11,576)</u>	<u>\$ (10,795)</u>	<u>\$ (691)</u>

See accompanying notes to consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share amounts)

	Series A preferred stock		Series A-1 preferred stock		Common stock		Class A common stock		Additional paid-in capital	Accumulated deficit	Accumulated— other comprehensive income (loss)	Total
	Shares	Par value	Shares	Par value	Shares	Par value	Shares	Par value				
Balance at December 31, 2013	3,129,084	\$ 3	5,225,879	\$ 5	10,203,325	\$ 10	1,164,105	\$ 1	\$ 54,752	\$ (66,885)	\$ 26	\$ (12,088)
Stock-based compensation	—	—	—	—	—	—	—	—	376	—	—	376
Issuance of common stock for acquisitions	—	—	—	—	829,424	1	—	—	6,850	—	—	6,851
Exercise of stock options	—	—	—	—	185,768	—	—	—	225	—	—	225
Cashless exercise of warrant	—	—	—	—	18,740	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(68)	(68)
Net loss	—	—	—	—	—	—	—	—	—	(623)	—	(623)
Balance at December 31, 2014	3,129,084	\$ 3	5,225,879	\$ 5	11,237,257	\$ 11	1,164,105	\$ 1	\$ 62,203	\$ (67,508)	\$ (42)	\$ (5,327)
Stock-based compensation	—	—	—	—	6,023	—	—	—	1,522	—	—	1,522
Repurchase of common stock	—	—	—	—	(173,913)	—	—	—	(1,500)	—	—	(1,500)
Exercise of stock options	—	—	—	—	37,559	—	—	—	49	—	—	49
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	29	29
Net loss	—	—	—	—	—	—	—	—	—	(10,824)	—	(10,824)
Balance at December 31, 2015	3,129,084	\$ 3	5,225,879	\$ 5	11,106,926	\$ 11	1,164,105	\$ 1	\$ 62,274	\$ (78,332)	\$ (13)	\$ (16,051)
Stock-based compensation	—	—	—	—	—	—	—	—	3,101	—	—	3,101
Issuance of common stock in initial public offering, net of issuance costs	—	—	—	—	6,250,000	6	—	—	66,097	—	—	66,103
Conversion of convertible preferred stock and Class A common stock into common stock	(3,129,084)	(3)	(5,225,879)	(5)	9,519,068	9	(1,164,105)	(1)	—	—	—	—
Cashless exercise of common stock warrant	—	—	—	—	100,683	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	163,968	1	—	—	749	—	—	750
Exercise of common stock warrant	—	—	—	—	10,029	—	—	—	25	—	—	25
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(290)	(290)
Net loss	—	—	—	—	—	—	—	—	—	(11,286)	—	(11,286)
Balance at December 31, 2016	—	\$ —	—	\$ —	27,150,674	\$ 27	—	\$ —	\$ 132,246	\$ (89,618)	\$ (303)	\$ 42,352

See accompanying notes to consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net loss	\$ (11,286)	\$ (10,824)	\$ (623)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	7,742	5,976	2,512
Loss on disposal of assets	74	—	—
Deferred income taxes	(138)	(431)	(315)
Accretion of interest on notes payable	—	130	—
Non-cash interest expense on line of credit and term loan	67	11	—
Provision for doubtful accounts	387	366	206
Stock-based compensation	3,056	1,488	376
Increase (decrease) in operating assets and liabilities:			
Accounts receivable	(2,295)	(4,813)	(1,008)
Prepaid expenses	(348)	(656)	(304)
Other assets	(1,096)	(408)	(217)
Accounts payable	(423)	866	414
Accrued payroll and employee related liabilities	1,312	1,181	1,407
Accrued expenses	539	(171)	152
Deferred revenue	11,982	11,623	4,973
Other liabilities	(70)	113	143
Net cash provided by operating activities	9,503	4,451	7,716
Cash flows from investing activities:			
Capital expenditures	(970)	(2,502)	(2,155)
Payments for acquisition of business, net of acquired cash	(2,306)	—	(304)
Additions to capitalized software development costs	(5,494)	(4,902)	(1,677)
Purchase of intangibles	(250)	—	—
Net cash used in investing activities	(9,020)	(7,404)	(4,136)
Cash flows from financing activities:			
Proceeds from line of credit	9,500	12,000	6,400
Payments on line of credit	(19,500)	(5,000)	(6,766)
Payments of issuance costs relating to line of credit and term loan	(19)	(59)	—
Principal payments on capital leases	(58)	(101)	(85)
Proceeds from initial public offering, net of underwriters discounts and commissions	69,750	—	—
Payments of initial public offering costs	(1,960)	(1,391)	—
Payments on notes payable	(2,018)	(1,779)	(1,894)
(Payments) proceeds from term loan	(5,000)	5,000	—
Proceeds from warrant exercises	25	—	—
Proceeds from option exercises	750	49	225
Repurchase of common stock	—	(1,500)	—
Net cash provided by (used in) financing activities	51,470	7,219	(2,120)
Effect of exchange rates on cash and cash equivalents	234	(100)	(88)
Net increase in cash and cash equivalents	52,187	4,166	1,372
Cash and cash equivalents—beginning of year	8,578	4,412	3,040
Cash and cash equivalents—end of year	<u>\$ 60,765</u>	<u>\$ 8,578</u>	<u>\$ 4,412</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 495	\$ 369	\$ 217
Taxes, net of (refunds)	\$ (117)	\$ 124	\$ 93
Supplemental disclosure of non-cash activities			
Issuance of common stock in connection with acquisition	\$ —	\$ —	\$ 6,851
Issuance of notes payable in connection with acquisition	\$ —	\$ —	\$ 5,815
Capitalized assets included in accounts payable and accrued expenses	\$ 104	\$ 63	\$ 190
Deferred offering costs in accounts payable and accrued expenses	\$ 298	\$ 1,175	\$ —
Stock-based compensation capitalized for software development	\$ 45	\$ 34	\$ —

See accompanying notes to consolidated financial statements.

(1) Business and Nature of Operations

Everbridge, Inc., a Delaware corporation (together with its wholly-owned subsidiaries, referred to as “Everbridge” or the “Company”), is a global software company that provides critical communications and enterprise safety applications that enable customers to automate and accelerate the process of keeping people safe and businesses running during critical events. The Company’s SaaS-based platform enables the Company’s customers to quickly and reliably deliver messaging to a large group of people during critical situations. The Company’s enterprise applications, such as Mass Notification, Incident Management, IT Alerting, Safety Connection, Community Engagement, Secure Messaging, Crisis Commander and Visual Command Center, automate numerous critical communications processes. The Company generates revenue primarily from subscription fees to the Company’s enterprise applications. The Company has operations in the United States, Sweden, the United Kingdom and China.

Initial Public Offering

On September 21, 2016, the Company completed an initial public offering, or IPO, in which the Company sold 6,250,000 shares of its common stock at the public offering price of \$12.00 per share. The Company received net proceeds of \$66.1 million, after deducting underwriting discounts and commissions and offering expenses paid and payable by the Company, from sales of its shares in the IPO. In connection with the closing of the IPO, all shares of Class A common stock then outstanding were converted into 1,164,105 shares of common stock and all shares of convertible preferred stock then outstanding were converted into 8,354,963 shares of common stock, in each case on a one-to-one basis.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the Company’s results of operations and those of its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company’s accounting and financial reporting policies conform to generally accepted accounting principles in the United States of America, or U.S. GAAP.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Business acquisitions are included in the Company’s consolidated financial statements from the date of the acquisition. The Company’s purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets and liabilities which are subject to judgment and use of estimates include allowances for doubtful accounts, the fair value of assets acquired and liabilities assumed in business combinations, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, contingencies, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Recent Accounting Standards

In January 2017, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This guidance eliminates Step 2 from the goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. This guidance must be applied on a prospective basis. The Company expects to adopt this guidance for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of this guidance to have a material impact on its financial position, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This guidance narrows the definition of a business. This standard provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. This guidance must be applied prospectively to transactions occurring within the period of adoption. The Company expects to adopt this guidance effective January 1, 2018. The Company does not expect the adoption of this guidance to have a material impact on its financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. As a result, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, and the new guidance is to be applied retrospectively. The Company does not expect the adoption of this guidance to have a material impact on its cash flows.

In September 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This guidance clarifies the presentation requirements of eight specific issues within the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements, as the Company's treatment of the relevant affected items within its consolidated statement of cash flows is consistent with the requirements of this guidance.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. The ASU will be effective for the Company in the first quarter of 2017. The Company does not expect this ASU to have a material impact on its consolidated financial statements.

In February, 2016, the FASB issued ASU 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For public companies, the new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. For leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Company is still evaluating the effect that this guidance will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The new standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The

new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company adopted this standard retrospectively in the first quarter of 2016. The balance sheet as of December 31, 2015 was retrospectively adjusted, which resulted in reductions to other assets of \$0.1 million and long-term debt of \$0.1 million.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*, which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new revenue recognition standard will be effective for the Company in the first quarter of 2018, with the option to adopt it in the first quarter of 2017. The Company currently anticipates adopting the new standard effective January 1, 2018. The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The Company currently anticipates adopting the standard using the modified retrospective method. The Company is still in the process of completing its analysis on the impact this guidance will have on its consolidated financial statements and related disclosures.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting standards describe a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1—Quoted prices in active markets for identical assets or liabilities or funds.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Contingent Consideration Liability

The Company recorded a contingent consideration liability upon the acquisition of Svensk Krisledning AB, or Crisis Commander, on December 30, 2016 (See Note 5). Contingent consideration is measured at fair value and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions the Company believes would be made by a market participant. The Company assesses these estimates on an on-going basis as additional data impacting the assumptions is obtained. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within the consolidated statements of operations and comprehensive loss. The Company determined the fair value of the contingent consideration using the probability adjusted discounted cash flow method. The significant unobservable inputs used in the fair value measurement of contingent consideration are the probabilities of achieving sales milestones, the period in which these milestones are expected to be achieved, and discount rates. At December 31, 2016, it was determined to be probable that the Company would achieve the sales milestones as included in the Crisis Commander purchase agreement. This resulted in the recognition of an obligation of \$0.4 million at December 31, 2016, which is classified under other long term liabilities. There was no change in the fair value of contingent consideration liability during the year ended December 31, 2016.

Significant increases or decreases in the probabilities of achieving the milestones would result in a significantly higher or lower fair value measurement, respectively. Significant increases or decreases in the period in which milestones will be achieved would result in a significantly lower or higher fair value measurement, respectively. The Company expects to pay the contingent consideration in March of 2018.

Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents and accounts receivable.

The Company maintains cash and cash equivalent balances at several banks. Accounts located in the United States are insured by the Federal Deposit Insurance Corporation, or FDIC, up to \$250,000. From time to time, balances may exceed amounts insured by the FDIC. The Company has not experienced any losses in such amounts.

The Company's accounts receivable are generally unsecured and are derived from revenue earned from customers located in the United States and the United Kingdom and are generally denominated in U.S. dollars or British pounds. Each reporting period, the Company reevaluates each customer's ability to satisfy credit obligations and maintains an allowance for doubtful accounts based on the evaluations. No single customer comprised more than 10% of the Company's total revenue for the years ended December 31, 2016 and 2015. No single customer comprised more than 10% of the Company's accounts receivable balance at December 31, 2016 and 2015.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of funds deposited into money market funds. Cash and cash equivalents are stated at cost which approximates fair value.

Accounts Receivable

Accounts receivable includes trade accounts receivables from the Company's customers, net of an allowance for doubtful accounts. Accounts receivable are recorded at the invoiced amount and do not bear interest. Allowance for doubtful accounts is established based on various factors including credit profiles of the Company's customers, historical payments and current economic trends. The Company reviews its allowance by assessing individual accounts receivable over a specific aging and amount and all other balances are pooled based on historical collection experience. Accounts receivable are written-off on a case by case basis, net of any amounts that may be collected.

Deferred Commissions

The Company capitalizes commission costs earned by sales personnel that are incremental and directly related to the acquisition of customer contracts. Commission costs are accrued and capitalized upon execution of the sales contract by the customer. Payments to sales personnel are made shortly after the receipt of the related customer payment. Commissions are earned based on annual billings and are not earned on multi-year contracts until the annual billing is renewed. Deferred commissions are amortized over the commissionable portion of the contract which is subject to clawback should the customer cancel, which generally can only occur if the Company materially fails to perform under the contract. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying consolidated statements of operations and comprehensive loss. Deferred commissions, net of amortization, are included in other assets in the accompanying consolidated balance sheet.

Deferred Offering Costs

Deferred offering costs consist primarily of direct incremental costs related to the Company's proposed IPO of its common stock. Upon the completion of the Company's IPO in September 2016, \$3.6 million was offset against the proceeds of the offering.

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three years for computer software, office computers and system software, five years for system hardware and furniture and equipment, and over the shorter of lease term or useful life of the assets for leasehold improvements. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Company's results of operations.

Assets held under capital lease are recorded at the net present value of the minimum lease payments of the leased asset at the inception of the lease. Depreciation expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease for leasehold improvements.

Capitalized Software Development Costs

The Company capitalizes the costs of software developed or obtained for internal use in accordance with ASC Topic 350-40, *Internal Use Software*. Capitalized software development costs consist of costs incurred during the application development stage and include purchased software licenses, implementation costs, consulting costs, and payroll-related costs for projects that qualify for capitalization. These costs relate to major new functionality. All other costs, primarily related to maintenance and minor software fixes, are expensed as incurred.

The Company amortizes the capitalized software development costs on a straight-line basis over the estimated useful life of the software, which is generally three years, beginning when the asset is substantially ready for use. The amortization of capitalized software development costs is reflected in cost of revenue.

Business Combinations

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

The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination, and allocates the purchase price to the tangible and intangible assets acquired and liabilities assumed based on its best estimate of fair value. Acquired intangible assets include: tradenames, customer relationships, and developed technology. The Company determines the appropriate useful life of intangible assets by performing an analysis of cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives based on the pattern in which the economic benefits associated with the asset are expected to be consumed, which to date has approximated the straight-line method of amortization. The estimated useful lives for tradenames, customer relationships, and technology are generally, two to seven years, five years, and two to three years, respectively.

Long Lived Assets

The Company evaluates the recoverability of its long lived assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable and the expected undiscounted future cash flows attributable to the asset group are less than the carrying amount of the asset group, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based upon estimated discounted future cash flows, if any.

Goodwill

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required. However, if the Company concludes otherwise, the Company is required to perform the first step of a two-step impairment test. Alternatively, the Company may elect to proceed directly to the first step of the two-step impairment test and bypass the qualitative assessment. The first step of the impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, the carrying amount of the goodwill is compared to its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. The Company tests for goodwill impairment annually on November 30.

The Company performed a qualitative goodwill assessment at November 30, 2016 and concluded there was no impairment based on consideration of a number of factors, including the improvement in the Company's key operating metrics over the prior year, improvement in the strength of the general economy and the Company's continued execution against its overall strategic objectives.

Based on the foregoing, the Company determined that it was not more likely than not that the fair value of its reporting unit is less than its carrying amount and therefore that no further impairment testing was required.

Revenue Recognition

The Company derives substantially all of its revenue from contract subscription fees for use of its applications. The Company recognizes revenues in accordance with ASC 605, and accordingly revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectability is reasonably assured and acceptance criteria, if any, have been met. If any of these criteria are not met, revenue recognition is deferred until such time that all of the criteria are met. The Company's subscription arrangements do not provide customers with the right to take possession of the software at any time.

Subscription Revenue

Subscription revenue is recognized ratably over the initial subscription period committed by the customer commencing when the customer's environment has been created in the Company's hosted environment. The initial subscription period is typically one to three years and the level of service provided each customer varies based on the level of service required by the complexity of a customer's business. The level of service also specifies the level of usage by the customer in terms of minutes or data used to transmit the notifications. In the event actual usage exceeds the level purchased, overages are invoiced and are recorded as revenue during the service period. The subscription services are noncancelable, although customers have the right to terminate their contracts if the Company materially fails to perform. The Company generally invoices the Company's customers in advance in annual installments for the subscription fees, including the set-up fees on the first annual invoice.

Other Revenue

The Company recognizes revenue for set-up fees, which historically have not been material to the Company's financial statements. The Company has concluded that set-up fees do not meet the criteria for separation from the Company's primary service as they do not have stand-alone value as the Company has historically not sold set-up fees separately. Since set-up fees are charged for substantially all new applications and services, they are recognized ratably over the contractual period, which approximates the life of the application. The Company also sells professional services, which have been immaterial to date.

Deferred Revenue

Deferred revenue includes amounts collected or billed in excess of recognizable revenue. Such amounts are recognized by the Company over the life of the contract upon meeting the revenue recognition criteria. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue.

Cost of Revenue

Cost of revenue includes expenses related to the fulfillment of the Company's subscription services, consisting primarily of employee-related expenses for data center operations and customer support, including salaries, bonuses, benefits and stock-based compensation expense. Cost of revenue also includes hosting costs, messaging costs and depreciation and amortization.

Advertising Expenses

Advertising expenses to promote the Company's services are expensed as incurred. Advertising expenses included in sales and marketing expense were \$1.1 million, \$0.8 million and \$0.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Research and Development

Research and development expenses primarily consist of employee-related costs for research and development staff, including salaries, bonuses, benefits and stock-based compensation and the cost of certain third-party service providers related to the development of the Company's solutions that do not meet the criteria to be capitalized under ASC Topic 350-40, *Internal Use Software*.

Stock-Based Compensation

Stock-based compensation expense is comprised of stock options, which are issued under the Company's 2008 and 2016 equity incentive plans, and restricted stock awards, or RSAs, and employee stock purchase plan awards.

Stock-based compensation related to stock options and RSAs is measured at the grant date based on the fair value of the award and is recognized straight-line as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. The Company utilizes the Black-Scholes pricing model for determining the estimated fair value of the stock options and RSAs. The Black-Scholes pricing model requires the use of subjective assumptions including the option's expected term, the volatility of the underlying stock, the fair value of the stock and the expected forfeiture rate.

Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting for income taxes in which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized.

The calculation of the Company's tax liabilities involves dealing with uncertainties of the application of complex tax regulations. The Company recognizes liabilities for uncertain tax positions based on a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments.

Foreign Currency Translation

The functional currency for the Company's foreign subsidiaries is the local currency. For those subsidiaries, the assets and liabilities are translated into U.S. dollars at the exchange rate method at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Foreign currency exchange gain and losses are recorded in other expenses.

Other Comprehensive Income (Loss)

For all periods presented, the Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments related to the Company's foreign subsidiaries.

Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is computed by dividing the Company's net loss attributable to common stockholders by the weighted-average number of common shares used in the loss per share calculation during the period. Diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive securities, including stock options, restricted stock awards and warrants. Basic and diluted net loss per share attributable to common stockholders was the same for all periods presented as the inclusion of all potentially dilutive securities outstanding was anti-dilutive.

(3) Accounts Receivable, Net

Accounts receivable, net, is as follows (in thousands):

	As of December 31,	
	2016	2015
Accounts receivable	\$ 18,231	\$ 16,080
Allowance for doubtful accounts	(419)	(381)
Net accounts receivable	<u>\$ 17,812</u>	<u>\$ 15,699</u>

Bad debt expense for the years ended December 31, 2016, 2015 and 2014 was \$0.4 million, \$0.4 million and \$0.2 million, respectively.

The following table summarizes the changes in the allowance for doubtful accounts (in thousands):

	As of December 31,	
	2016	2015
Allowance, at beginning of period	\$ (381)	\$ (282)
Charged to bad debt expense	(387)	(366)
Write-offs, net of recoveries	349	267
Allowance, at end of period	<u>\$ (419)</u>	<u>\$ (381)</u>

(4) Property and Equipment

Property and equipment consists of the following at December 31, 2016 and 2015 (in thousands):

	'Useful life in years	As of December 31,	
		2016	2015
Furniture and equipment	5	\$ 928	\$ 822
System hardware	5	3,320	6,495
Office computers	3	1,777	2,003
Computer and system software	3	1,478	1,341
		7,503	10,661
Less accumulated depreciation and amortization		(4,580)	(7,041)
Property and equipment, net		<u>\$ 2,923</u>	<u>\$ 3,620</u>

Depreciation and amortization expense for the years ended December 31, 2016, 2015 and 2014 was \$1.7 million, \$1.4 million and \$0.7 million, respectively.

(5) Goodwill

Goodwill was \$9.7 million and \$7.8 million as of December 31, 2016 and 2015, respectively. There were no impairments recorded against goodwill in 2016, 2015 or 2014. The following table displays the changes in the gross carrying amount of goodwill (in thousands):

	Amount
Balance at December 31, 2015 and 2014	\$ 7,839
Crisis Commander acquisition	1,837
Balance at December 31, 2016	<u>\$ 9,676</u>

Acquisition

On December 30, 2016, the Company completed the acquisition of Crisis Commander, a privately held SaaS mobile crisis management company based out of Norsburg, Sweden. The acquisition was consummated pursuant to a purchase agreement for an initial preliminary purchase price of \$2.7 million, subject to earn out payments contingent on meeting certain revenue thresholds which are expected to be paid in March 2018.

The excess of purchase consideration over the fair value of net tangible liabilities assumed and identifiable intangible assets acquired was recorded as goodwill. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair values of assets acquired and liabilities assumed may be subject to change as additional information is received. Thus, the provisional measurements of fair value have been recorded.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Crisis Commander's platform with the Company's other solutions. The goodwill balance is not deductible for U.S. income tax purposes.

The assets and results of operations of Crisis Commander were not significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not presented.

(6) Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, capital leases and accrued liabilities approximate fair value because of the short maturity of these items. The fair value of the Company's revolving line of credit and term loan approximates carrying value based on the Company's current incremental borrowing rate for similar types of borrowing arrangements. The fair value of the Company's notes payable approximates carrying value due to the short term nature of the arrangement.

Everbridge, Inc.
Notes to the Consolidated Financial Statements—(Continued)

Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the years ended December 31, 2016 and 2015, no impairments were identified of those assets requiring measurement at fair value on a non-recurring basis.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2016 by level within the fair value hierarchy. There were no financial assets and liabilities that were required to be measured at fair value basis on a non-recurring basis at December 31, 2015. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	At December 31, 2016			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets:				
Money market funds (included in cash and cash equivalents)	\$ 57,032	—	—	\$ 57,032
Total financial assets	\$ 57,032	\$ —	\$ —	\$ 57,032
Liabilities:				
Contingent consideration	—	—	\$ 388	\$ 388
Total financial liabilities	\$ —	\$ —	\$ 388	\$ 388

The following table summarizes the changes in Level 3 financial instruments (in thousands).

	Amount
Fair value at December 31, 2015	\$ —
Contingent consideration from acquisition	388
Fair value at December 31, 2016	\$ 388

There were no level 3 financials instruments for the year ended December 31, 2015.

(7) Capitalized Software Development Costs

Capitalized software development costs consisted of the following at December 31, 2016 and 2015 (in thousands):

	Gross carrying amount	Amortization period	As of December 31, 2016	
			Accumulated amortization	Net carrying amount
Capitalized software development costs	\$ 30,658	3 years	\$ (21,866)	\$ 8,792
Total capitalized software development costs	<u>\$ 30,658</u>		<u>\$ (21,866)</u>	<u>\$ 8,792</u>
	Gross carrying amount	Amortization period	As of December 31, 2015	
			Accumulated amortization	Net carrying amount
Capitalized software development costs	\$ 25,119	3 years	\$ (16,941)	\$ 8,178
Total capitalized software development costs	<u>\$ 25,119</u>		<u>\$ (16,941)</u>	<u>\$ 8,178</u>

The Company capitalized software development costs of \$5.5 million and \$4.9 million during the years ended December 31, 2016 and 2015, respectively.

Everbridge, Inc.
Notes to the Consolidated Financial Statements—(Continued)

The total amortization expense related to capitalized software development costs for the years ended December 31, 2016, 2015 and 2014 was \$4.9 million, \$3.0 million and \$0.8 million, respectively. Amortization of capitalized software development costs is classified within cost of revenue in the consolidated statements of operations and comprehensive loss.

The expected amortization, as of December 31, 2016, for each of the next three years is as follows:

Year ending December 31:

	(in thousands)
2017	\$ 4,361
2018	2,844
2019	1,587
	<u>\$ 8,792</u>

(8) Intangible Assets

Intangible assets consisted of the following finite lived intangible assets at December 31, 2016 and 2015 (in thousands):

			As of December 31, 2016	
	Gross carrying amount	Weighted-average life (years)	Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	\$ 1,490	3.60	\$ (878)	\$ 612
Tradenames	883	6.08	(254)	629
Customer relationships	4,779	5.00	(2,080)	2,699
Total intangible assets	<u>\$ 7,152</u>		<u>\$ (3,212)</u>	<u>\$ 3,940</u>

			As of December 31, 2015	
	Gross carrying amount	Weighted-average life (years)	Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	\$ 1,211	3.07	\$ (763)	\$ 448
Tradenames	582	5.55	(223)	359
Customer relationships	4,941	5.00	(1,629)	3,312
Total intangible assets	<u>\$ 6,734</u>		<u>\$ (2,615)</u>	<u>\$ 4,119</u>

Total amortization expense for the years ended December 31, 2016, 2015 and 2014 was \$1.2 million, \$1.5 million and \$1.0 million, respectively. Amortization expense of tradenames and customer relationships is included within general and administrative expenses, while amortization of developed technology is included in cost of revenue. The Company recorded amortization expense attributed to developed technology of \$0.2 million, \$0.4 million and \$0.2 million for the period ended December 31, 2016, 2015 and 2014, respectively.

Everbridge, Inc.
Notes to the Consolidated Financial Statements—(Continued)

The expected amortization of the intangible assets, as of December 31, 2016, for each of the next five years and thereafter is as follows:

	(in thousands)
2017	\$ 1,392
2018	1,221
2019	772
2020	262
2021	263
Thereafter	30
	<u>\$ 3,940</u>

(9) Income Taxes

The components of loss before income taxes are as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Domestic	\$ (8,572)	\$ (8,016)	\$ 395
Foreign	(2,738)	(3,370)	(1,107)
Total	<u>\$ (11,310)</u>	<u>\$ (11,386)</u>	<u>\$ (712)</u>

For purposes of the reconciling the Company's provision for income taxes at the statutory rate and the Company's provision (benefit) for income taxes at the effective tax rate, a notional 34% tax rate was applied as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Income tax at federal statutory rate	\$ (3,846)	\$ (3,871)	\$ (242)
Increase/(Decrease) in tax resulting from:			
State income tax expense, net of federal tax effect	(183)	(103)	9
Nondeductible permanent items	1,012	567	123
Foreign rate differential	662	474	228
State rate change	(13)	(74)	9
Adjustment to deferred taxes	(132)	(525)	(2)
Change in valuation allowance	2,351	2,921	(248)
Uncertain tax positions	83	50	12
Other	42	(1)	22
Total	<u>\$ (24)</u>	<u>\$ (562)</u>	<u>\$ (89)</u>

The difference between the statutory federal income tax rate and the Company's effective tax rate in 2016, 2015 and 2014 is primarily attributable to the effect of state income taxes, difference between the U.S. and foreign tax rates, deferred tax state rate adjustment, share-based compensation and other non-deductible permanent items, and the change in valuation allowance. The Company's China, Sweden and U.K. subsidiaries were subject to 25%, 22% and 20% applicable statutory income tax rates, respectively, for the periods presented.

Everbridge, Inc.
Notes to the Consolidated Financial Statements—(Continued)

The provision for (benefit from) income taxes is as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Current:			
Federal	\$ —	\$ (14)	\$ 16
State	31	4	24
Foreign	109	(101)	191
	<u>140</u>	<u>(111)</u>	<u>231</u>
Deferred:			
Federal	(1,823)	(2,536)	255
State	(396)	(315)	(1)
Foreign	(296)	(521)	(326)
	<u>(2,515)</u>	<u>(3,372)</u>	<u>(72)</u>
Change in valuation allowance	2,351	2,921	(248)
Total	<u>\$ (24)</u>	<u>\$ (562)</u>	<u>\$ (89)</u>

The net deferred tax assets (liabilities) at December 31, 2016 and 2015 are comprised of the following:

	As of December 31,	
	2016	2015
	(in thousands)	
Deferred rent	\$ 47	\$ 110
AMT credit	31	50
Accrued expenses	1,091	1,341
Deferred revenue	441	359
Net operating loss carryforward	18,722	15,737
Other assets	423	411
Intangible assets	(2,173)	(1,524)
Property and equipment	(166)	(282)
Other liabilities	(28)	(16)
Valuation allowance	(18,882)	(16,531)
Total non-current deferred income tax liabilities	<u>\$ (494)</u>	<u>\$ (345)</u>

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, requiring all deferred tax assets and liabilities, and any related valuation allowance, to be classified as non-current on the balance sheet. The Company elected to retrospectively adopt the accounting standard in the fourth quarter of 2015.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2016. Such objective evidence limits the ability to consider other subjective evidence such as its projections for future growth. On the basis of this evaluation, at December 31, 2016 and 2015, a valuation allowance of \$18.9 million and \$16.5 million, respectively, has been recorded since it is more likely than not that the deferred tax assets will not be realized.

At December 31, 2016, the Company has federal and state net operating loss carryforwards of \$46.2 million and \$40.5 million, respectively, which expire in varying amounts through 2036. At December 31, 2015, the Company has federal and state net operating loss carryforwards of \$39.2 million and \$36.6 million, respectively. Section 382 of the Internal Revenue Code, or Section 382, imposes limitations on a corporation's ability to utilize its Net Operating Losses, or NOLs, if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership percentage of certain stockholders in the stock of the corporation by more than 50% over a three year period. In the event of an ownership change, utilization of the NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of the Company's stock at the

time of the ownership change by the applicable long-term tax exempt rate. The Company has not completed a Section 382 study at this time; however should a study be completed certain NOLs may be subject to such limitations. Any future annual limitation may result in the expiration of NOLs before utilization.

For the period ended December 31, 2016, 2015 and 2014, the Company has recorded income tax expense of \$83,000, \$50,000 and \$12,000 related to uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to unrecognized tax benefits associated with uncertain tax positions, if any, in the income tax provision. At December 31, 2016 and 2015, the Company had accrued \$8,000 and \$0 in interest and penalties related to uncertain tax positions.

The Company is subject to taxation in the United States and various states along with other foreign countries. Due to the presence of net operating loss carryforwards, all of the income tax years remain open for examination by the IRS and various state and foreign taxing authorities. The Company has not been notified that it is under audit by the IRS for any of the tax years currently open. The Company is not currently under audit from any state taxing authorities.

The following changes occurred in the amount of unrecognized tax benefits during the years ended December 31, 2016, 2015, and 2014:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Beginning balance of unrecognized tax benefits	\$ 167	\$ 117	\$ 105
Additions for current year tax positions	75	50	12
Ending balance (excluding interest and penalties)	242	167	117
Interest and penalties	8	—	—
Total	<u>\$ 250</u>	<u>\$ 167</u>	<u>\$ 117</u>

The amount of income taxes the Company pays is subject to ongoing audits by taxing jurisdictions around the world. The Company's estimate of the potential outcome of any uncertain tax position is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Company believes that it has adequately provided for these matters. However, the Company's future results may include favorable or unfavorable adjustments to its estimates in the period the audits are resolved, which may impact the Company's effective tax rate. The Company does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months. As of December 31, 2016, the Company's tax filings are generally subject to examination in major tax jurisdictions for years ending on or after December 31, 2012.

Deferred income taxes have not been provided for undistributed earnings of the Company's consolidated foreign subsidiaries because of the Company's intent to reinvest such earnings indefinitely in active foreign operations. At December 31, 2016, the Company had \$0.2 million in unremitted earnings that were permanently reinvested related to its consolidated foreign subsidiaries.

(10) Debt

In April 2013, the Company entered into an amendment for a \$7.0 million line of credit with Silicon Valley Bank bearing an interest rate of prime plus 1.75% per annum.

In July 2015, the Company paid off its line of credit with Silicon Valley Bank.

Interest cost incurred and charged to expense related to the line of credit with Silicon Valley Bank was \$0 and \$0.1 million for the years ended December 31, 2016 and 2015, respectively.

In June 2015, the Company entered into a loan and security agreement with Western Alliance Bank (formerly known as Bridge Bank) to provide a secured revolving line of credit that allows the Company to borrow up to \$10.0 million for working capital and general business requirements. Amounts outstanding under the line of credit bear interest at the prime rate plus 0.75% with accrued interest payable on a monthly basis and outstanding and unpaid

principal due upon maturity of the credit facility in June 2018. In February 2016, the Company entered into an amendment of its loan and security agreement with Western Alliance Bank to (1) increase the capacity of its revolving line of credit by \$5.0 million to \$15.0 million and (2) set the minimum prime rate based on which interest due is calculated at 3.25%. No other changes were made to the loan and security agreement. The loan and security agreement, as amended, allows the Company to borrow up to \$15.0 million for working capital and general business requirements.

As of December 31, 2016 and 2015, \$0 and \$10.0 million was outstanding under the line of credit, respectively. There was \$15.0 million and \$0 of unused borrowing availability under the line of credit at December 31, 2016 and 2015, respectively.

In addition to the revolving line of credit, the loan and security agreement also provides for a \$5.0 million growth capital term loan.

On September 22, 2016, the Company repaid in full and terminated its term loan with Western Alliance Bank. The aggregate amount paid was \$5.1 million, which included the full principal amount of \$5.0 million and \$0.1 million of accrued interest. The Company also repaid \$5.8 million on its line of credit with Western Alliance Bank, which included \$0.1 million of interest. Upon the repayment and termination of the term loan, the Company recorded a \$0.1 million charge to interest expense for the unamortized portion of the debt discount.

Western Alliance Bank maintains a security interest in substantially all of the Company's tangible and intangible assets, excluding intellectual property, to secure any outstanding amounts under the loan and security agreement. The loan and security agreement contains customary events of default, conditions to borrowing and covenants, including restrictions on the Company's ability to dispose of assets, make acquisitions, incur debt, incur liens and make distributions and dividends to stockholders. The loan and security agreement also includes a financial covenant related to the Company's recurring revenue renewal rate. During the continuance of an event of default, Western Alliance Bank may accelerate amounts outstanding, terminate the credit facility and foreclose on the collateral.

Interest cost incurred and charged to expense related to the term loan and line of credit was \$0.5 million and \$0.2 million, respectively, for the year ended December 31, 2016 and 2015.

The Company adopted ASU 2015-03 in the first quarter of 2016 and reclassified \$48,000 of deferred financing costs, net, resulting in a deduction from the carrying value of the Company's long term line of credit and term loan, respectively, within its December 31, 2015 consolidated balance sheet.

(11) Notes Payable

In March 2014, the Company issued two seller notes payable in connection with the acquisition of Vocal. The notes had an aggregate principal amount of \$2.7 million, scheduled to mature on September 13, 2015 in the amount of \$2.1 million and December 31, 2015 in the amount of \$0.6 million. Both notes have a stated interest rate of 2.5%. The notes were recorded at their estimated fair value of \$2.5 million at the issuance date, and imputed interest will be accreted to non-cash interest expense to the maturity date, using a 5.25% interest rate. At December 31, 2015, the carrying value of the notes was \$0.5 million. The former owner of Vocal was retained as an employee of the Company; however, the former owner's employment ended in 2015. The final note payable was repaid in January 2016.

In December 2014, the Company issued a note payable to the seller in connection with the acquired technology of CareConverge. The note has an aggregate principal amount of \$1.5 million, scheduled to mature on December 15, 2015, and has no stated interest rate. The note was recorded at its estimated fair value of \$1.4 million at the acquisition date, and imputed interest will be accreted to non-cash interest expense to the maturity date, using a 5.25% interest rate. At December 31, 2015, the carrying value of the note was \$1.5 million. The former majority owner of CareConverge was retained as an employee of the Company, however the former owner's employment ended in 2016. The note was paid in full in January 2016.

Interest cost incurred and charged to expense related to the notes payable was \$0 and \$0.2 million for the years ended December 31, 2016 and 2015, respectively.

(12) Stockholders' Equity (Deficit)

Convertible Preferred Stock

Upon the closing of the IPO, all of the Company's outstanding Series A and Series A-1 preferred stock automatically converted into 8,354,963 shares of common stock on a one-to-one basis.

The rights, preferences, and privileges of the Series A and Series A-1 were as follows:

Dividend Provisions—Holders of the Series A and Series A-1 were entitled to receive, prior and in preference to holders of the Company's common stock and the Company's Class A common stock, or Class A, cumulative dividends from the respective dates of issuance that accrue at a rate of 8% per annum payable only if and when declared by the Company's board of directors or upon the liquidation, sale or change in control of the Company.

At December 31, 2016 and 2015, the amount of undeclared cumulative dividends totaled \$0 and \$9.6 million, respectively.

Liquidation Preference. If the Company was liquidated, dissolved or wound up, or if all or substantially all of the Company's assets were acquired or if the Company underwent a change in control, the holders of the Series A and Series A-1 then outstanding would have been entitled to be paid out of the Company's assets available for distribution, before any payment was made to the holders of common stock or Class A, the greater of (1) an amount in cash equal to the stated value per share of such holders' preferred stock plus any accrued but unpaid dividends, whether or not declared, through the date of such liquidation, sale or change in control or (2) such amounts as such holders would receive if, immediately prior to such liquidation, sale or change in control, the outstanding Series A, Series A-1, and Class A were converted into the Company's common stock. If the assets or funds available for distribution to the holders of Series A and Series A-1 were insufficient to pay such holders the full amount to which they are entitled, the holders would share prorata in the assets and funds available for distribution, based upon the aggregate value per share of such holders' preferred stock plus any unpaid dividends, whether or not declared.

Conversion Rights. Each share of preferred stock was convertible at the option of the holder into common stock at a conversion price per share of \$2.25 and \$2.49 (each subject to adjustments upon the occurrence of certain dilutive events) for Series A and Series A-1, respectively. Each share of Series A and Series A-1 was convertible into shares of common stock on a one-for-one basis.

Mandatory Conversion Rights. Each share of Series A and Series A-1 would automatically have been converted into shares of common stock at the then effective conversion price for such shares upon the affirmative election of at least a majority of the outstanding shares of preferred stock, or the closing of an underwritten initial public offering with aggregate gross proceeds of at least \$35.0 million and a per share price to the public of at least \$12.46; provided, that in September 2016, the threshold for automatic conversion of the Company's preferred stock into shares of the Company's common stock in connection with an initial public offering was amended to eliminate the price per share threshold and only require that the Company raise at least \$35.0 million in gross proceeds.

Voting Rights. Holders of each share of Series A and Series A-1 were entitled to the number of votes equal to the number of shares of common stock into which each such share of Series A and Series A-1 was convertible.

Redemption Rights. The preferred stock was not redeemable.

Class A Common Stock

In connection with the closing of the IPO, all shares of Class A then outstanding were automatically converted into 1,164,105 shares of common stock on a one-to-one basis.

The Class A holders did not have any voting rights.

The Class A holders had dividend rights. The Company was not permitted to declare, pay or set aside dividends on shares of common stock unless the holders of Class A received the same dividend per share as the holders of common stock. The Class A holders also had liquidation rights if the Company was liquidated, dissolved or wound up, if all or substantially all of the Company's assets were acquired or if the Company underwent a change in control. If, upon such an event, the Series A and Series A-1 received their liquidation preference amount, the Class A would have been entitled to receive an amount per share equal to \$1.15 (as adjusted for stock splits, combinations and similar events) plus any dividends declared but unpaid on shares of the Class A. If the assets or funds available for distribution to the holders of Class A were insufficient to pay such holders the full amount to which they were entitled, the holders would have shared pro rata in the assets and funds available for distribution, based upon the aggregate value per share of such holders' Class A, plus any declared and unpaid dividends thereon. If the holders of preferred stock received their liquidation preference on an as-converted to common basis, the Company's remaining assets, after distribution to the holders of preferred stock, would have been distributed ratably among the holders of common stock and Class A. Each share of Class A was convertible automatically into one share of common stock upon the mandatory conversion of the Series A and Series A-1.

Preferred Stock

As of December 31, 2016, the Company had authorized 10,000,000 shares of preferred stock, par value \$0.001, of which no shares were outstanding.

Common Stock

Holders of the Company's common stock are entitled to one vote per share.

At December 31, 2016 and 2015, there are 27,150,674 and 11,106,926 shares of common stock issued and outstanding, respectively.

In January 2015, the Company, pursuant to its repurchase right, repurchased 173,913 shares of its common stock from a former employee, who was also a stockholder and current board member for \$1.5 million. The shares of common stock were retired and recorded as a reduction of common stock and additional paid-in-capital.

Warrants

In June 2009, the Company issued a warrant to purchase 10,029 shares of the Company's Series A-1 preferred stock at an exercise price of \$2.49 per share in connection with a preferred stock offering. The warrant expires upon the earlier of (1) 10 years after the issuance date, (2) the closing of an initial public offering; or (3) when a change in control transaction takes place. The Company issued 10,029 shares of Series A-1 preferred stock upon the exercise of this warrant in August 2016.

In June 2009, the Company issued a warrant to purchase 120,355 shares of the Company's Series A-1 preferred stock at an exercise price of \$2.49 per share in connection with a preferred stock offering. The warrant expires upon the earlier of (1) 10 years after the issuance date, (2) five years after the closing of an initial public offering; or (3) when a change in control transaction takes place. The Company issued 100,683 shares of Series A-1 preferred stock upon the "net exercise" of this warrant in September 2016.

No warrants to purchase shares of capital stock of the Company were outstanding as of December 31, 2016.

(13) Stock Plans and Stock-Based Compensation

2008 Plan

In June 2008, the Company adopted the 2008 Equity Incentive Plan, or the 2008 Plan, which permits the granting of stock options to the Company's employees, directors and consultants. The total number of shares authorized for awards of stock options under the 2008 Plan was 1,472,261 shares of common stock. On September 7, 2011, that number was increased to 2,426,087, on May 1, 2012, the number was decreased to 2,269,749 and on July 15, 2015 the number was increased to 3,226,271. Stock option awards are granted with an exercise price equal to the fair

market value of the Company's common stock at the date of grant as determined by the Company's board of directors. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

In connection with our IPO, our board of directors resolved not to make future grants under our 2008 Plan. The 2008 Plan will continue to govern outstanding awards granted thereunder.

2016 Plan

The Company's 2016 Equity Incentive Plan, or the 2016 Plan, became effective on September 15, 2016. The 2016 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and performance share awards to employees, directors and consultants of the Company. A total of 3,893,118 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan, which is the sum of (1) 2,000,000 shares, (2) the number of shares reserved for issuance under the 2008 Plan at the time the 2016 Plan became effective (up to a maximum of 42,934 shares) and (3) shares subject to stock options or other stock awards granted under the 2008 Plan that would have otherwise returned to our 2008 Plan (up to a maximum of 1,850,184 shares). The number of shares of common stock reserved for issuance under the 2016 Plan will automatically increase on January 1 of each year, beginning on January 1, 2017, by 3% of the number of shares of the Company's capital stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors. As a result of the adoption of the 2016 Plan, no further grants may be made under the 2008 Plan. As of December 31, 2016, there were 2,005,483 shares available for grant under the 2016 Plan and as of December 31, 2015 there were 232,304 shares available for grant under the 2008 Plan. Stock option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant based on the closing market price of our common stock as reported on The NASDAQ Global Market. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan, or 2016 ESPP became effective on September 15, 2016. A total of 500,000 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan. The number of shares reserved for issuance under the 2016 ESPP will automatically increase on January 1 of each year, beginning on January 1, 2017, by the lesser of 200,000 shares of the Company's common stock, 1% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

The 2016 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. Except for the initial offering period, the 2016 ESPP provides for separate six-month offering periods beginning each March and October of each fiscal year.

On each purchase date, eligible employees will purchase the Company's stock at a price per share equal to 85% of the lesser of (i) the fair market value of the Company's common stock on the offering date or (ii) the fair market value of the Company's common stock on the purchase date.

For the year ended December 31, 2016, no shares of common stock were purchased under the 2016 ESPP and 83,790 shares are expected to be purchased at the end of the initial offering period. The Company uses the Black-Scholes option pricing model to measure the fair value of its stock options and the purchase rights issued under the ESPP. As of December 31, 2016, total recognized compensation cost was \$0.2 million and unrecognized compensation cost related to 2016 ESPP was \$0.1 million, which will be amortized over a weighted-average period of 0.25 years. The 2016 ESPP is considered compensatory for purposes of stock-based compensation expense.

Stock Options

The weighted-average grant-date fair value per share of options granted for the years ended December 31, 2016, 2015 and 2014, was \$14.49, \$12.19 and \$4.26, respectively. The Company recorded stock-based compensation expense of \$3.1 million, \$1.5 million and \$0.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The total intrinsic value of options exercised in 2016, 2015 and 2014 was \$1.6 million, \$0.5 million and \$1.1 million, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option. Based on the fair market value of the Company's common stock at December 31, 2016, 2015 and 2014 the total intrinsic value of all outstanding options was \$15.9 million, \$10.1 million and \$5.0 million.

There were no excess tax benefits realized for the tax deductions from stock options exercised during the years ended December 31, 2016, 2015 and 2014.

The fair value of stock option grants is determined using the Black-Scholes option pricing model with the following assumptions.

	Year Ended December 31,		
	2016	2015	2014
<u>Employee Stock Options:</u>			
Fair value of common stock	\$14.21 - \$18.83	\$9.37 - \$13.63	\$7.02
Expected term (in years)	5.29 - 6.11	5.09 - 6.15	5.89 - 6.13
Expected volatility	60% - 70%	60%	51.7% - 69%
Risk-free interest rate	1.21% - 2.55%	1.41% - 1.94%	1.63% - 2.06%
Dividend rate	0%	0%	0%
<u>Employee Stock Purchase Plan:</u>			
Expected term (in years)	0.50	—	—
Expected volatility	60%	—	—
Risk-free interest rate	0.45%	—	—
Dividend rate	0%	—	—

- (1) The expected term represents the period that the stock-based compensation awards are expected to be outstanding. Since the Company did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the Company used the simplified method to compute expected term, which reflects the average of the time-to-vesting and the contractual life;
- (2) The expected volatility of the Company's common stock on the date of grant is based on the volatilities of publicly traded peer companies that are reasonably comparable to the Company's own operations;
- (3) The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the options; and
- (4) The expected dividend yield is assumed to be zero as the Company has never paid dividends and have no current plans to pay any dividends on the Company's common stock.

Total unrecognized compensation cost, adjusted for estimated forfeitures, related to nonvested stock options was approximately \$6.6 million and \$6.8 million as of December 31, 2016 and 2015, respectively, and is expected to be recognized over a weighted average period of 2.59 years and 1.62 years as of December 31, 2016 and 2015, respectively. The amount of cash received from the exercise of stock options in 2016 and 2015 was \$0.8 million and \$0.1 million, respectively.

Everbridge, Inc.
Notes to the Consolidated Financial Statements—(Continued)

A summary of activities under the 2008 Plan and 2016 Plan is shown as follows for the years ended December 31, 2016 and 2015:

	Stock options outstanding	Weighted average exercise price
Outstanding at December 31, 2014	699,662	\$ 2.24
Granted	1,190,317	\$ 12.19
Exercised	(37,559)	\$ 1.32
Forfeited	(30,698)	\$ 7.76
Outstanding at December 31, 2015	1,821,722	\$ 8.68
Granted	292,204	\$ 14.75
Exercised	(163,968)	\$ 4.30
Forfeited	(65,533)	\$ 8.03
Outstanding at December 31, 2016	1,884,425	\$ 10.02

Stock-based compensation expense is recognized over the award's expected vesting schedule, which is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on the Company's historical experience and future expectations.

Stock options outstanding, and options exercisable and vested are as follows:

Outstanding as of December 31, 2016	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of December 31, 2016	Remaining contractual life (years)	Weighted average exercise price
1,884,425	7.86	\$ 10.02	809,900	7.13	\$ 6.81

Outstanding as of December 31, 2015	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of December 31, 2015	Remaining contractual life (years)	Weighted average exercise price
1,821,722	8.62	\$ 8.68	472,463	6.88	\$ 1.90

Vested and nonvested stock option activity under the 2008 Plan and 2016 Plan was as follows:

	Vested		Nonvested	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at December 31, 2016	809,900	\$ 6.81	1,074,525	\$ 12.44
Outstanding at December 31, 2015	472,463	\$ 1.90	1,349,259	\$ 10.87

The Company classified stock based compensation relating to stock options and RSAs in the following captions in the accompanying consolidated statements of operations and comprehensive loss:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Cost of revenue	\$ 180	\$ 150	\$ 82
Sales and marketing	725	315	120
Research and development	348	297	147
General and administrative	1,848	760	27
Total	\$ 3,101	\$ 1,522	\$ 376

(14) Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share of common stock is computed by giving effect to all potential dilutive shares of common stock. Basic and diluted net loss per share of common stock were the same for all periods presented as the impact of all potentially dilutive securities outstanding was anti-dilutive.

The following common equivalent shares were excluded from the diluted net loss per share calculation because their inclusion would have been anti-dilutive:

	Year Ended December 31,		
	2016	2015	2014
Stock options	1,884,425	1,821,722	699,662
Shares to be issued under ESPP	83,790	—	—
Series A-1 preferred stock warrants	—	130,384	130,384
Convertible preferred stock	—	8,354,963	8,354,963
Total	1,968,215	10,307,069	9,185,009

The Company is required to reserve and keep available from the Company's authorized but unissued shares of common stock a number of shares equal to the number of shares subject to outstanding awards under the 2008 Plan and the number of shares reserved for issuance under each of the 2016 Plan and 2016 ESPP.

Reserve for Unissued Shares of Common Stock

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient for the exercise of all shares granted and available for grant under the Company's 2008 Plan, 2016 Plan and 2016 ESPP.

The amount of such shares of the Company's common stock reserved for these purposes at December 31, 2016 is as follows:

	Number of Shares
Stock options issued and outstanding	1,884,425
Additional shares available for grant under equity plans	2,505,483
Total	4,389,908

(15) Segment information

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, or CODM, who is the Company's chief executive officer, in deciding how to allocate resources and assess the Company's financial and operational performance. While the Company has applications that address multiple mass notification use cases, all of the Company's applications operate on and leverage a single technology platform and are deployed and sold in an identical way. In addition, the Company CODM evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis. As a result, the Company has determined that the Company's business operates in a single operating segment. Since the Company operates as one operating segment, all required financial segment information can be found in the consolidated financial statements.

(16) Geographic Concentrations

Revenue by location is determined by the billing address of the customer. Approximately 90%, 86% and 86% of the Company's revenue was from the United States for the fiscal years ended December 31, 2016, 2015 and 2014, respectively. No other individual country comprised more than 10% of total revenue for the fiscal years ended December 31, 2016, 2015 and 2014. Property and equipment by geographic location is based on the location of the legal entity that owns the asset. As of December 31, 2016 and 2015, more than 95% of the Company's property and equipment was located in the United States.

(17) Employee Benefit Plan

The Company maintains a 401(k) plan for the benefit of the Company's eligible employees. The plan covers all employees who have attained minimum service requirements. The Company currently does not contribute to the retirement plan for any of its employees.

(18) Commitments and Contingencies

(a) Leases

The Company leases office space in Pasadena, California; San Francisco, California; Burlington, Massachusetts; Colchester, England; Windsor, England; Norsburg, Sweden and Beijing, China under operating leases and recognizes escalating rent expense on a straight-line basis over the expected lease term.

In December 2016, we entered into a new lease for our executive offices in Burlington, Massachusetts that will increase our future minimum lease payments beginning in June 2017 by \$8.0 million over the next five years.

Future minimum lease payments under non-cancelable capital and operating leases in effect at December 31, 2016 are as follows (in thousands):

	<u>Operating</u>
2017	\$ 1,828
2018	1,874
2019	1,640
2020	1,661
2021 and thereafter	2,379
Total minimum lease payments	<u>\$ 9,382</u>

Future minimum operating lease payments have been reduced by future minimum sublease income of \$0.2 million.

(b) Rent

Rent expense for the years ended December 31, 2016, 2015 and 2014 was \$1.6 million, \$1.7 million and \$0.9 million, respectively.

Rent expense of \$44,000, 50,000 and \$46,000 for the years ended December 31, 2016, 2015 and 2014, respectively, was paid to the former owner of Vocal who is no longer an employee of the Company.

Deferred rent expense at December 31, 2016 and 2015 was \$0.1 million and \$0.2 million, respectively, and was recorded in accrued expenses.

(c) Litigation

In the normal course of business, the Company has been subjected to various unasserted claims. The Company does not believe these will have a material adverse impact to the financial statements.

(d) Employee Contracts

The Company has entered into employment contracts with certain of the Company's executive officers which provide for at-will employment. However, under the provisions of the contracts, the Company would incur severance obligations of up to twelve months of the executive's annual base salary for certain events, such as involuntary terminations.

(19) Subsequent Events

On January 27, 2017, the Company acquired IDV Solutions LLC, or IDV, a provider of threat assessment and operational visualization software, for \$21.3 million in cash, with additional time and performance-based cash payments that could result in additional payments of \$6.2 million. The Company's acquisition of IDV has been accounted for as a business combination, and assets acquired and liabilities assumed were recorded at their estimated fair values as of January 27, 2017.

Exhibit Index

Exhibit Number	Description
3.1(1)	Fifth Amended and Restated Certificate of Incorporation of Everbridge, Inc.
3.2(2)	Amended and Restated Bylaws of Everbridge, Inc.
4.1(3)	Form of common stock certificate of Everbridge, Inc.
4.2(4)	Third Amended and Restated Investors' Rights Agreement by and among Everbridge, Inc. and certain of its stockholders, dated September 9, 2011 as amended and as currently in effect.
10.1(5)	Sublease Agreement, dated as of March 30, 2016, by and between Everbridge, Inc. and Jacobs Engineering Group Inc.
10.2(6)	Sublease Agreement, dated as of February 27, 2015, by and between Everbridge, Inc. and Acquia Inc.
10.3+(7)	2008 Equity Incentive Plan, as amended and as currently in effect, and Forms of Stock Option Agreement and Notice of Exercise thereunder.
10.4+(8)	2016 Equity Incentive Plan and Forms of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.
10.5+(9)	2016 Employee Stock Purchase Plan.
10.6+(10)	Non-Employee Director Compensation Plan.
10.7+(11)	Form of Indemnification Agreement by and between Everbridge, Inc. and each of its directors and executive officers.
10.8+(12)	Employment Agreement, dated as of July 26, 2012, by and between Everbridge, Inc. and Jaime Ellertson.
10.9+(13)	Employment Agreement, dated as of April 13, 2015, by and between Everbridge, Inc. and Kenneth S. Goldman.
10.10+(14)	Employment Agreement, dated as of December 1, 2014, by and between Everbridge, Inc. and Nicholas Hawkins.
10.11+(15)	Employment Agreement, dated as of October 6, 2013, by and between Everbridge, Inc. and Scott Burnett.
10.12+(16)	Employment Agreement, dated as of July 27, 2012, by and between Everbridge, Inc. and Gary Phillips.
10.13+(17)	Employment Agreement, dated as of July 27, 2012, by and between Everbridge, Inc. and Imad Mouline.
10.14+(18)	Employment Agreement, dated as of July 26, 2012, by and between Everbridge, Inc. and Yuan Cheng.
10.15+(19)	Employment Agreement, dated as of November 3, 2015, by and between Everbridge, Inc. and Elliot J. Mark.
10.16+(20)	Employment Agreement, dated as of January 26, 2016, by and between Everbridge, Inc. and Joel Rosen.
10.17+*	Employment Agreement, dated as of October 28, 2016, by and between Everbridge, Inc. and Claudia Dent.
10.18(21)	Loan and Security Agreement, dated as of June 30, 2015, by and between Everbridge, Inc. and Western Alliance Bank, as amended.
10.19+(22)	2016 Bonus Plan of Everbridge, Inc.

Exhibit Number	Description
10.20*	Lease, dated as of December 16, 2016, by and between Everbridge, Inc. and Burlington Centre Owner, LLC.
21.1*	Subsidiaries of Everbridge, Inc.
23.1*	Consent of KPMG, LLP.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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
(1)	Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange Commission on September 21, 2016, and incorporated herein by reference.
(2)	Previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange Commission on September 21, 2016, and incorporated herein by reference.
(3)	Previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
(4)	Previously filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
(5)	Previously filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
(6)	Previously filed as Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
(7)	Previously filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
(8)	Previously filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
(9)	Previously filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.

- (10) Previously filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (11) Previously filed as Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (12) Previously filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (13) Previously filed as Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (14) Previously filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (15) Previously filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (16) Previously filed as Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (17) Previously filed as Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (18) Previously filed as Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (19) Previously filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (20) Previously filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (21) Previously filed as Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (22) Previously filed as Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.

* Filed herewith.

** This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

+ Indicates management contract or compensatory plan.



October 28, 2016

Claudia Dent
9 Collins Road
Berlin, MA, 01503

Re: Terms of Employment

Dear Claudia:

This letter agreement (this “**Agreement**”) will set forth the terms of your “at-will” employment relationship with Everbridge, Inc., and/or any present or future parent, subsidiary or affiliate thereof (collectively, the “**Company**”). This Agreement hereby supersedes any and all previous agreements relating to your employment relationship with the Company. The terms of your position with the Company are as set forth below and will be effective only upon, and subject to, the signing of this Agreement and any other agreements or documentation required hereunder, by you and the Company. Your new role shall commence on November 14, 2016 (the “**Commencement Date**”), unless you and the Company mutually agree on an alternative date.

1. Employment.

(a) Title and Duties. Subject to the terms and conditions of this Agreement, the Company will employ you, and you will be employed by the Company, on an “at-will” basis, as its Senior Vice President of Product Management, or in such additional or different position or positions as the Board of Directors of the Company (the “**Board**”) may determine in its sole discretion, reporting to Jaime Ellertson, Chairman and Chief Executive Officer. You shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and which are normally associated with the position of Senior Vice President of Product Management, and as further described in Schedule 1 attached hereto.

(b) Full Time Best Efforts. For so long as you are employed hereunder, you will devote substantially all of your business time and energies to the business and affairs of the Company, and shall at all times faithfully, industriously and to the best of your ability, experience and talent, perform all of your duties and responsibilities hereunder. In furtherance of, and not in limitation of the foregoing, during the term of this Agreement, you further agree that you shall not render commercial or professional services of any nature, including as a founder, advisor, or a member of a board of directors, to any person or organization, whether or not for compensation, if such services would materially interfere with your duties under this Agreement, without the prior approval of the Chief Executive Officer in his sole discretion; provided, however, that nothing contained in this Section 1(b) will be deemed to prevent or limit your right to (i) manage your

personal investments on your own personal time or (ii) participate in religious, charitable or civic organizations in any capacity on your own personal time. As set forth above, your employment with the Company is “at-will,” and, accordingly, either you or the Company may terminate your employment at any time, with or without cause, for any reason or no reason.

(c) Location. Unless the parties hereto otherwise agree in writing, during the term of this Agreement, you shall perform the services required to be performed pursuant to this Agreement at the Company’s Burlington, Massachusetts offices. In addition, the Company may, from time to time require you to travel temporarily to other locations in connection with the Company’s business.

2. Compensation. During the term of your employment with the Company, the Company will pay you the following compensation:

(a) Base Salary. As of the effective date of this Agreement, which shall be the date set forth on the signature page hereof following the signature of the individual executing this Agreement on behalf of the Company (the “**Effective Date**”), you will be paid an annual salary as set forth on Schedule A attached hereto, as may be increased from time to time as part of the Company’s normal salary review process (the “**Base Salary**”). The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day year. Your Base Salary will be subject to standard payroll deductions and withholdings, and payable in accordance with the Company’s standard payroll practice as it exists from time to time.

(b) Expenses. During the term of your employment, the Company shall reimburse you for all reasonable and documented expenses incurred by you in the performance of your duties under this Agreement in accordance with Company policy.

(c) Annual Performance Bonus. You will be eligible to earn an annual performance bonus at the conclusion of each year of employment with the Company (the “**Annual Bonus**”). The amount, award and timing of the payment of the Annual Bonus shall be set forth in a Company Management Incentive Plan, established each year by the Board, in its discretion. The Company’s Management Incentive Plan for fiscal year 2016 is set forth on Schedule A attached hereto. Company Management Incentive Plans, if any, for subsequent years, shall be provided to you by the Chief Executive Officer.

(d) Stock Options. You will be granted an additional 15,000 option shares pending approval of the Board (which approval shall be requested on or promptly following the Commencement Date, but in no event later than the next meeting of the Compensation Committee of the Board of Directors) pursuant to an Option Agreement as defined in the Employer’s 2016 Equity Incentive Plan (the “**Option Plan**”). Except as otherwise provided in the Option Agreement, the number of Option Shares that are vested (disregarding any resulting fractional share) as of any date shall be determined as follows: (i) no Option Shares will be vested prior to the Vesting Commencement Date (it being understood that the Vesting Commencement Date shall be the same as the Commencement Date); (ii) twenty-five percent (25%) of the Option Shares will be vested and exercisable upon the one (1) year anniversary of the Vesting Commencement Date, and (iii) the remaining Option Shares will vest and become exercisable in a series of twelve (12) equal

installments occurring every three (3) months following, and measured from, the one (1) year anniversary of the Vesting Commencement Date, such that 100% of the Option Shares will be vested and exercisable upon the fourth (4th) anniversary of the Vesting Commencement Date; *provided, however*, that there has not been a Termination of Service as of each such date. In no event will the Option become exercisable for any additional Option Shares after a Termination of Service. In addition, in the event that, within twelve (12) months following a Change in Control (as defined in the Option Plan), there is an Involuntary Termination of Service (as defined in the Option Plan), then any Option Shares that remain unvested as of such termination date will vest as of such termination date, subject to the provisions of, and as more fully described in, the Stock Option Grant Notice. At future dates after the Commencement Date, at the discretion of the Board, additional option grants may be made. Any undefined terms herein shall be as defined in the Option Plan. All other aspects of these shares will be in accordance with the standard Option Plan.

(e) Employee Benefits. As an employee of the Company, you will be eligible to participate in such Company-sponsored benefits and programs as are made generally available by the Board to other members of the Senior Management Team of the Company, including but not limited to receipt of the highest level of cell phone stipend available to Company employees, which shall be paid on a quarterly basis. In addition, you will be entitled to annually accrue twenty (20) days of Paid Time Off (vacation/sick time) in accordance with the Company's vacation policy as established by the Board and as in effect from time to time. The Company reserves the right to change or eliminate any benefit plans at any time, upon notice to you.

3. Separation Benefits. You shall be entitled to receive separation benefits upon termination of employment only as set forth in this Section 3; *provided, however*, that in the event you are entitled to any severance pay under a Company-sponsored severance pay plan, any such severance pay to which you are entitled under such severance pay plan shall reduce the amount of severance pay to which you are entitled pursuant to this Section 3. In all cases, upon termination of employment you will receive payment for all salary, earned bonus (if any) and unused vacation accrued as of the date of your termination of employment, and your benefits will be continued under the Company's then existing benefit plans and policies in accordance with such plans and policies in effect on the date of termination and in accordance with applicable law. In furtherance of, and not in limitation of the foregoing, but without duplication, during the period wherein which you shall be receiving Separation Payments in accordance with the provisions of Section 3(d) hereof (the "**Severance Period**"), then the Company shall, at its election, either (i) continue to pay for your health benefits under the Company's sponsored health care program in which you were enrolled and eligible to receive benefits prior to your termination of employment, or (ii) pay for your health coverage under the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**"), in each case, for the Severance Period, when such premiums are due and owing.

(a) Voluntary Resignation. If you voluntarily elect to terminate your employment with the Company (other than under the circumstances described in Section 3(c) or 3(d) below), you shall not be entitled to any separation benefits.

(b) Termination for Cause. If the Company or its successor terminates your employment for Cause (as defined below), then you shall not be entitled to receive any separation benefits.

(c) Termination for Death or Disability. If your employment with the Company is terminated by reason of death or disability, then, as a severance benefit, the Company shall continue to pay one-twelfth (1/12th) of your Base Salary for a period of three (3) months, in accordance with the Company's normal payroll schedule and policy in effect from time to time. For purposes of this section, "**Disability**" shall mean your inability to perform your duties under this Agreement because you have become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force. In the event the Company has no policy of disability income insurance covering employees of the Company in force when you become disabled, the term "**Disability**" shall mean your inability to perform your duties under this Agreement by reason of any incapacity, physical or mental, which the Board, based upon medical advice or an opinion provided by a licensed physician acceptable to the Board, determines to have incapacitated you from satisfactorily performing all of your usual services for the Company for a period of at least ninety (90) days during any twelve (12) month period (whether or not consecutive) and is expected to continue to incapacitate you thereafter, not including any time during which you were on medical leave required by federal or state law. Based upon such medical advice or opinion, the determination of the Board shall be final and binding and the date such determination is made shall be the date of such Disability for purposes of this Agreement.

(d) Involuntary Termination; Termination for Good Reason. Subject to the provisions of Section 5 hereof, if either (i) your employment is terminated by the Company other than for Cause, or (ii) you voluntarily terminate your employment with the Company for Good Reason (as defined below), in either case, then, as a severance benefit, the Company shall continue to pay you an amount equal to one-twelfth (1/12th) of your Base Salary for without duplication, the following time period: (A) three (3) months, if and to the extent that your employment is terminated within twelve (12) months following the Effective Date; or (B) six (6) months, if and to the extent that your employment is terminated more than twelve (12) months following the Effective Date. Payment of amounts set forth in this Section 3(d) shall be paid to you monthly, in accordance with the Company's normal payroll schedule and policy in effect from time to time.

(e) Certain Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(i) "**Cause**" shall mean any of the following: (i) acts of moral turpitude, fraud or dishonesty that involve the assets of the Company, its customers, suppliers or affiliates; (ii) the conviction of, or a pleading of guilty or *nolo contendere* to, a felony other than involving a traffic related infraction; (iii) use of narcotics, liquor or illicit drugs in a manner that has had a detrimental effect on the performance of your duties; (iv) willfully and repeatedly neglecting your duties to the Company; (v) engaging in any conduct which, after an investigation by a neutral third party, is determined to be discriminatory or harassing toward other Company employees; or (vi) engaging in any conduct which breaches a material provision of this Agreement or the Inventions Agreement (as defined below).

(A) Cause shall only exist where the Company has provided you with written notice of the alleged problem or violation of this Agreement or the Inventions Agreement, and you shall have failed to cure such condition to the reasonable satisfaction of the Company within ten (10) business days. In making any determination that Cause exists, the Board shall act fairly and in good faith and shall give you an opportunity to appear and be heard at a meeting of the Board or any committee thereof and present evidence on your behalf. For any

termination pursuant to (e)(i)(i) or (e)(i)(vi) of Section 3, the Company must have reasonable, specific evidence to establish that such conduct has occurred or “Cause” shall not exist. For the avoidance of doubt, and notwithstanding anything herein contained to the contrary, in the event that (x) any of the conditions specified in Section (e)(i)(i) through (e)(i)(vi) of Section 3 shall have occurred, and (y) the Company has reasonable evidence to establish that such conduct has occurred, and (z) the occurrence of any such event shall not be capable of cure, then the Company shall not be required to provide you any notice and a cure period in respect thereof.

(ii) **“Good Reason”** shall mean (A) a material reduction or diminution in your authority, duties, responsibilities, title or position with the Company or any successor thereto without your consent, (B) a material breach by the Company of its contractual obligations to you, (C) a material reduction in your Base Salary of more than ten percent (10%) or a material reduction in your benefits, without your written consent, other than a reduction in salary or benefits with respect to similarly situated employees of the Company generally, (D) the relocation, without your written consent, of your principal workplace to a geographic location that is more than fifty (50) miles from the Company’s place of business in Burlington, Massachusetts, or (E) failure of any successor to the Company to assume and agree to perform substantially all of the Company’s obligations pursuant to the terms and conditions of this Agreement. In order to resign for Good Reason, you must provide written notice to the Company within 30 days after the first occurrence of the event giving rise to Good Reason setting forth the basis for your resignation, allow the Company at least 30 days from receipt of such written notice to cure such event, and if such event is not reasonably cured within such period, you must resign from all positions you then hold with the Company not later than 90 days after the expiration of the cure period.

4. Mitigation. You shall not be required to mitigate the amount of any payment or benefits provided for in this Agreement by seeking other employment or otherwise. Further, the amount of any payment or benefits provided for in this Agreement shall not be reduced by any compensation earned by you as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company or otherwise.

5. Conditions to Receipt of Severance or other Benefits Pursuant to this Agreement.

(a) Release of Claims Agreement. Notwithstanding anything herein contained to the contrary, the receipt of any severance or other benefits pursuant to Section 3(d) of this Agreement (the **“Separation Payments”**) is subject to your signing and not revoking a separation agreement and release of claims, based on the Company’s standard form release, of any and all claims you may have against the Company and its officers, employees, directors, parents and affiliates, in substantially the form attached hereto on Schedule A-1 (the **“Release”**), which must become effective and irrevocable no later than the sixtieth (60th) day following the termination of employment (the **“Release Deadline”**). If the Release does not become effective and irrevocable by the Release Deadline, you will forfeit any rights to Separation Payments or benefits under this Agreement. No Separation Payments and benefits under this Agreement will be paid or provided until the Release becomes effective and irrevocable, and any such Separation Payments and benefits otherwise payable between the date of your termination of employment and the date the Release becomes effective and irrevocable will be paid on the date the Release becomes effective and irrevocable.

(b) Continued Compliance with Agreements. Your receipt of any Separation Payments or other benefits pursuant to this Agreement will be subject to, and contingent upon, your not being in breach of this Agreement and / or the Inventions Agreement as of the date of your termination, and your continued compliance following the date of your termination with the terms of this Agreement, the Inventions Agreement and the Release, notwithstanding anything herein contained to the contrary.

(c) Section 409A.

(i) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to you, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Internal Revenue Code Section 409A (together, the “**Deferred Payments**”) will be payable until you have a “separation from service” within the meaning of Section 409A (“**Section 409A**”) of the Internal Revenue Code of 1986, as amended (the “**Code**”). Similarly, no severance payable to you, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until you have a “separation from service” within the meaning of Section 409A.

(ii) Any severance payments or benefits under this Agreement that would be considered Deferred Payments will be paid on, or, in the case of installments, will not commence until, the sixtieth (60th) day following your separation from service, or, if later, such time as required by Section 5(c)(iii). Except as required by Section 5(c)(iii), any installment payments that would have been made to you during the sixty (60) day period immediately following your separation from service but for the preceding sentence will be paid to you on the sixtieth (60th) day following your separation from service and the remaining payments will be made as provided in this Agreement.

(iii) Further, if you are a “specified employee” within the meaning of Section 409A at the time of your separation from service (other than due to death), any Deferred Payments that otherwise are payable within the first six (6) months following your separation from service will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of your separation from service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, in the event of your death following your separation from service but prior to the six (6) month anniversary of your separation from service (or any later delay date), then any payments delayed in accordance with this Section 5(c)(iii) will be payable in a lump sum as soon as administratively practicable after the date of your death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under the Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(iv) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of clause (i) above. Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of clause (i) above.

(v) The foregoing provisions are intended to comply with, or be exempt from, the requirements of Section 409A so that none of the severance payments and benefits to be provided under this Agreement will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be exempt. You and the Company agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A. In no event will the Company reimburse you for any taxes that may be imposed on you as result of Section 409A.

6. Confidential and Proprietary Information.

(a) Confidential Information and Inventions Agreement. As a condition to the execution and effectiveness of this Agreement, you agree to execute concurrently herewith, and to abide by, the Company’s Confidential Information and Inventions Agreement, attached hereto as Schedule B (the “**Inventions Agreement**”). In furtherance, and not in limitation of the provisions thereof, you agree, during the term hereof and thereafter, that you shall take all steps reasonably necessary to hold the Company’s proprietary information in trust and confidence, will not use proprietary information in any manner or for any purpose except in connection with the performance of your services to the Company, and will not (other than in the performance of the services to the Company as herein contemplated) disclose any such proprietary information to any third party without first obtaining the Company’s express written consent on a case-by-case basis.

(b) Third Party Information. You understand that the Company has received, and will in the future receive, from third parties confidential or proprietary information (“**Third Party Information**”) subject to a duty on the Company’s part to maintain the confidentiality of such information and use it only for certain limited purposes. You agree to hold Third Party Information in confidence and not to disclose to anyone (other than the Company’s personnel who need to know such information in connection with their work for the Company) or to use, except in connection with the performance of your services to the Company, Third Party Information unless expressly authorized in writing by an officer of the Company.

(c) Whistleblower Exception. Notwithstanding any provision of this Agreement to the contrary, including but not limited to this Section 6, you may report possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, and any agency Inspector General, or make other disclosures that are protected under the whistleblower provisions of federal law or regulation. You do not need the prior authorization from the Company to make any such reports or disclosures and you are not required to notify the Company that you have made such reports or disclosures.

7. Arbitration.

(a) Agreement to Arbitrate. Except as provided for any action arising out of any violation of the Inventions Agreement or as set forth in Section 7(b) below addressing excluded claims and remedies, you and the Company both agree that any disputes of any kind whatsoever arising out of or relating to the termination of your employment with the Company, including any breach of this Agreement, shall be subject to final and binding arbitration.

(b) Excluded Claims, Relief and Enforcement. You understand that this Agreement does not prohibit you from pursuing an administrative claim with a local, state, or federal administrative body such as the Massachusetts Commission Against Discrimination, Department of Fair Employment and Housing, the Equal Employment Opportunity Commission, the National Labor Relations Board, or the Workers' Compensation Board, or the Department of Unemployment Assistance for unemployment benefits. This Agreement does not preclude the Company from pursuing court action regarding any claims arising out of any breach of the Inventions Agreement or other claims not otherwise resulting from, or arising out of, the termination of your employment with the Company. Nothing in this Agreement prohibits either party from seeking injunctive or declaratory relief from a court of competent jurisdiction. Either the Company or you may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, with the exception of claims set forth in this Section 7(b) or arising out of the Inventions Agreement, neither party shall initiate or prosecute any lawsuit or claim in anyway related to any arbitrable claim, including without limitation any claims as to the making, existence, validity, or enforceability of the agreement to arbitrate.

(c) Procedure. You agree that any arbitration will be administered by Judicial Arbitration & Mediation Services, Inc. ("JAMS"), pursuant to its employment arbitration rules and procedures (the "**JAMS Rules**"), a copy of which is attached as **Schedule C** to this Agreement and which are available at www.jamsadr.com/rules-employment-arbitration. A neutral and impartial arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, motions to dismiss and demurrers, and motions related to discovery, prior to any arbitration hearing. You also agree that the arbitrator shall have the power to award any remedies available under applicable law. In the event that either party to this Agreement rejects a written offer to compromise from the other party, and fails to obtain a more favorable judgment or award, the arbitrator may award attorneys' fees and costs to the party that made the offer to compromise in an amount that the arbitrator deems appropriate, taking into consideration the attorneys' fees and costs (including expert fees) actually incurred and reasonably necessary to defend or prosecute the action. The arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator shall not order or require the Company to adopt a policy not otherwise required by law. You understand that the Company will pay the costs and fees of the arbitration that you initiate, but only those fees over and above the costs you would have incurred had you filed a complaint in a court of law. You agree that the arbitrator shall prepare a written decision containing the essential findings and conclusions on which the award is based. You agree that any arbitration under this Agreement shall be conducted in Boston, Massachusetts.

(d) Exclusive and Final Remedy. Except as provided by the JAMS Rules and this Agreement, arbitration shall be the sole, exclusive and final remedy for any dispute between you and the Company. Accordingly, except as provided for by the JAMS Rules and this Agreement, neither you nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration. Nothing in this Agreement or in this provision is intended to waive the provisional relief remedies available under the JAMS Rules.

(e) Prohibition of Group Actions. Claims must be brought in your individual capacity, not as a representative or class member in any purported class or representative proceeding. The arbitrator shall not consolidate claims of different employees into one proceeding, nor shall the arbitrator have the power to hear arbitration as a class action.

(f) Voluntary Nature of Agreement. You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and have asked any questions needed for you to understand the terms, consequences, and binding effect of this Agreement and fully understand it, including that ***you are waiving your right to a jury trial.*** Finally, you acknowledge that you have been advised by the Company to seek the advice of an attorney of your choice before signing this Agreement and you agree that you have been provided such an opportunity.

8. General.

(a) Entire Agreement, Amendment and Waiver. This Agreement, together with the other agreements specifically referred to herein, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof, including but not limited to the offer letter between you and the Company dated May 30, 2012. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. Each such waiver or consent will be effective only in the specific instance and for the purpose for which it was given, and will not constitute a continuing waiver or consent.

(b) Notices. Any notice, request, instruction or other document required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) three (3) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (c) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the following address of such party or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto in accordance with the provisions hereof:

If to the Company: Everbridge, Inc.
25 Corporate Drive
Burlington, MA 01803
Attention: Chief Executive Officer

with a copy to: Everbridge, Inc.
25 Corporate Drive
Burlington, MA 01803
Attention: General Counsel

If to you: Claudia Dent
9 Collins Road
Berlin, MA 01503

(c) Availability of Injunctive Relief. The parties hereto agree that, notwithstanding anything to the contrary herein contained, any party may petition a court for injunctive relief where either party alleges or claims a violation of this Agreement or the Inventions Agreement or any other agreement regarding trade secrets, confidential information, non-solicitation or assignment of inventions. In the event either party seeks injunctive relief, the prevailing party shall be entitled to recover reasonable costs and attorney's fees.

(d) Assignment. The Company may assign its rights and obligations hereunder to any person or entity that succeeds to all or substantially all of the Company's business or that aspect of the Company's business in which you are principally involved. You may not assign your rights and obligations under this Agreement without the prior written consent of the Company.

(e) Governing Law. This Agreement, and the rights and obligations of the parties hereunder, will be construed in accordance with and governed by the law of the Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof.

(f) Taxes. All payments to you under this Agreement shall be subject to all applicable federal, state and local withholding, payroll and other taxes.

(g) Severability. The finding by an arbitrator or a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such arbitrator or court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision. If moreover, any one or more of the provisions contained in this Agreement will for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it will be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it will then appear.

(h) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel to the Company, but you have been encouraged to consult with, and have consulted with, your own independent counsel and tax advisors with respect to the terms of this Agreement. The parties acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(i) Return of Company Property. Upon termination of this Agreement or earlier as requested by the Company, you shall deliver to the Company any and all equipment, and, at the election of the Company, either deliver or destroy, and certify thereto, any and all drawings, notes, memoranda, specifications, devices, formulas and documents, together with all copies, extracts and summaries thereof, and any other material containing or disclosing any Third Party Information or Proprietary Information (as defined in the Inventions Agreement) of the Company.

(j) Survival. The provisions of Sections 3, 5, 6, 7 and 8, and the provisions of the Inventions Agreement, shall survive termination of this Agreement.

(k) Representations and Warranties. By signing this Agreement, you represent and warrant that (i) you are not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and (ii) your execution and performance of this Agreement shall not violate or breach any other agreements between you and any other person or entity, and (iii) you have provided the Company with copies of any written agreements presently in effect between you and any current or former employer. You further represent and warrant that you will not, during the term hereof, enter into any oral or written agreement in conflict with any of the provisions of this Agreement, the agreements referenced herein and the Company's policies.

(l) Confirmation of Employment Status. Prior to your first day of employment with the Company, and as a condition to such employment, you shall provide the Company with documentation of your eligibility to work in the United States, as required by the Immigration and Reform and Control Act of 1986.

(m) Trade Secrets of Others. It is the understanding of both the Company and you that you shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including your former employers, nor shall the Company seek to elicit from you any such information. Consistent with the foregoing, you shall not provide to the Company and/or its affiliates, and the Company and/or its affiliates shall not request, any documents or copies of documents containing such information.

(n) Telecopy Execution and Delivery. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto and delivered by such party by facsimile or any similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen. Such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute and deliver an original of this Agreement as well as any facsimile, telecopy or other reproduction hereof.

(o) Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS BELOW]

EVERBRIDGE, INC.

Executive Employment Agreement -- Counterpart Signature Page

If the foregoing accurately sets forth our agreement, please so indicate by signing and returning to us the enclosed copy of this letter.

Very truly yours,

EVERBRIDGE, INC.

By: /s/ Jaime Ellertson
Name: Jaime Ellertson
Title: Chairman and CEO
Date: 10/28/2016

ACCEPTED AND AGREED TO BY:

/s/ Claudia Dent
Claudia Dent
9 Collins Road
Berlin, MA, 01503

Schedule 1

Duties and Responsibilities

Defined terms used in this Schedule 1 not otherwise herein defined shall have the meanings ascribed to them in the letter agreement to which this Schedule 1 is attached.

You will be responsible for all Product Definition, Design and Planning for the Company and directly lead the Company's overall Product Management functions. You will also take on the responsibility of representing the Company at public and market events as the Company's senior most product spokesman. You will be a key member of the Senior Management Team and will report to the CEO.

Essential Functions:

1. Play the role of visionary product leader in our competitive market, keeping the team focused on breakthrough strategies and tactics while meeting ongoing business objectives
2. Provide leadership to the entire Product Manager Team
3. Drive overall product strategies and define the roadmaps for all product lines
4. Act as a primary coordinator of the partnership between product, program, engineering, marketing and business development, with responsibility for ensuring that deliverables are understood and products are delivered on time
5. Develop in collaboration with the marketing teams, business cases, market segmentations and product positioning
6. Scope projects and champion the customer experience with high usability standards
7. Work closely with Marketing to position products, promote them and maximize user impact and ROI
8. Improve customer retention and purchase intent through effective product offerings
9. Work with the senior management team to develop and communicate the long term product strategy
10. Develop and measure key metrics around the entire Product Management function

The SVP Product Management will be a key member of the Senior Management Team and will report to the Chief Executive Officer.

Schedule 2

Defined terms used in this Schedule 2 not otherwise herein defined shall have the meanings ascribed to them in the letter agreement to which this Schedule 2 is attached.

None as of the Effective Date.

Schedule A

Base Salary, 2016 Annual Bonus, Sign On-Bonus; Everbridge, Inc. 2016 Executive Bonus Plan

Defined terms used in this Schedule A not otherwise herein defined shall have the meanings ascribed to them in the letter agreement to which this Schedule A is attached.

Base Salary: \$215,000 per annum

Annual Bonus: \$55,000 based on the metrics and calculations provide for in the Board approved Everbridge, Inc. 2016 Management Incentive Plan.

Everbridge, Inc. 2016 Management Incentive Plan [Attached]

LEASE

between

BURLINGTON CENTRE OWNER LLC, as Landlord

and

EVERBRIDGE, INC., as Tenant

25 Corporate Drive
Burlington, Massachusetts

As of December 16, 2016

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LEASE

This Lease is made and entered into as of December 16, 2016 (the “**Effective Date**”), by and between **BURLINGTON CENTRE OWNER LLC**, a Delaware limited liability company with its principal place of business at c/o The Davis Companies, 125 High Street, 21st Floor, Boston, Massachusetts 02110 (the “**Landlord**”) and **EVERBRIDGE, INC.**, a Delaware corporation, with its principal place of business at 25 Corporate Drive, Burlington, MA 01803 (the “**Tenant**”).

ARTICLE 1 GRANT

1.1 **Premises.** Landlord, for and in consideration of the rents herein reserved and of the covenants and agreements herein contained on the part of Tenant to be performed, hereby leases to Tenant and Tenant hereby leases from Landlord on the terms and provisions contained in the Lease, those certain two office spaces shown on Exhibit 1.1-1 attached hereto and made a part hereof (collectively, the “**Premises**”) containing collectively 46,132 square feet of rentable area, in the office building located at 25 Corporate Drive, Burlington, Massachusetts (the “**Building**”), which Building currently contains 117,879 square feet of rentable area. The Premises consists of:

(A) The premises currently occupied by Tenant on the fourth floor of the Building pursuant to a certain Sublease between Tenant and Acquia, Inc., containing 36,710 rentable square feet (the “**Fourth Floor Premises**”).

(B) A portion of the third floor of the Building, containing 9,422 rentable square feet of space (the “**Third Floor Premises**”).

The Premises, Building, the “**Common Areas**” (defined below) and the land upon which the same are located, which is legally described in Exhibit 1.1-2 (the “**Land**”), together with all other improvements thereon and thereunder are collectively referred to as the “**Property**.” The Property is located within the office park known as Burlington Centre Office Park (the “**Park**”).

1.2 **Common Areas.** Landlord hereby grants to Tenant during the Term (as defined in Section 2.1.1) of this Lease, an appurtenant right to use, in common with the others entitled to such use, the Common Areas as they from time to time exist, subject to the rights, powers and privileges herein reserved to Landlord. The term “**Common Areas**” as used herein will include all areas and facilities outside the Premises that are provided and designated by Landlord for the general non-exclusive use and convenience of Tenant and other tenants. Common Areas include but are not limited to the fitness center, if any, cafeteria, if any, hallways, lobbies, stairways, elevators, pedestrian sidewalks, landscaped areas, loading areas, roadways, parking areas, rights of way, walking and jogging paths, if any. For so long as the Landlord named herein owns the Building and the office buildings located at 10, 30 and 35 Corporate Drive, Burlington, Massachusetts (together with the Building and the land upon which the same are located, “**Burlington Centre**”), the “Common Areas” may include areas, facilities and amenities located within Burlington Centre specifically designated by Landlord for the general non-exclusive use and convenience of Tenant and other tenants of the Building and the other buildings comprising Burlington Centre.

1.3 **Parking.** During the Term of this Lease, at no additional cost to Tenant (other than to the extent the costs and expenses therefor are included in Operating Expenses), Tenant shall be entitled to use the parking facilities at the Property in common with other Building tenants on a “first come, first serve” basis, but such right shall be limited to 3.1 parking spaces per 1,000 rentable square feet of the Premises, as such square footage may adjust from time to time pursuant to Tenant’s rights under this Lease to expand the Premises or the Premises are otherwise expanded by amendment to this Lease. Upon the Commencement Date, Tenant shall be entitled to 143 parking spaces pursuant to such ratio. Tenant agrees not to overburden the parking facilities and agrees to cooperate with Landlord and other tenants in the use of parking facilities. Landlord may reasonably designate and allocate parking facilities at the Property for the handicapped; and visitors to the Building and may reasonably designate parking facilities at the Park for the different buildings in the Park so long as no other buildings in the Park are granted exclusive parking rights in the highlighted area shown on Exhibit 1.3, attached. Provided Tenant’s rights under this Section 1.3, and/or elsewhere in this Lease, are not materially diminished and/or adversely affected, Landlord reserves the right to relocate parking spaces and to recapture

portions of the parking facilities at any time and from time to time for necessary temporary maintenance and repairs and as may be required by mechanical, structural or code-related matters. Landlord may, at no cost to Tenant (other than to the extent the costs and expenses therefor are included in Operating Expenses), (i) install parking signage, (ii) implement a pass, sticker or other access control system to control parking use, and (iii) employ valet parking on a temporary basis to meet the requirements of this Section. To the extent applicable to Tenant's use of the parking spaces, the provisions of this Lease shall apply, including rules and regulations of general applicability from time to time promulgated in writing by Landlord and delivered to Tenant and other tenants of the Building. Landlord shall not be responsible for money, jewelry, automobiles or other personal property lost in or stolen from the parking facilities, or for any loss, injury or damage to persons using the parking lot or automobiles or other property thereon, it being agreed that, to the fullest extent permitted by law, the use of the parking facilities and the parking spaces shall be at the sole risk of Tenant and its employees.

1.4 **Condition of Third Floor Premises Upon Delivery by Landlord.** Notwithstanding anything to the contrary contained in this Lease either expressed or implied, Landlord covenants to Tenant that the Third Floor Premises shall be delivered to Tenant in its then "as is" condition, and (1) in a structurally sound condition; (2) with existing heating, ventilating and/or air-conditioning systems in good working condition; (3) free of any and all leaks and broken glass; (4) free of personal property of Landlord or Landlord's agent and/or other tenants or occupants; (5) free of all occupants and/or tenants; (6) free of all signs other than Tenant's signs; and (7) free of all Hazardous Substances (as defined below) in violation of Applicable Laws, including but not limited to, asbestos and PCBs (Landlord warranting to remove all such Hazardous Substances (as defined below) from the Third Floor Premises, at Landlord's sole cost and expense and in compliance with all applicable Laws, prior to the date of delivery of possession of the Third Floor Premises); and (8) in compliance with all building, municipal, county, state, environmental and federal laws, ordinances, codes and regulations governing and regulating the existing construction in the Third Floor Premises prior to the acceptance of the Third Floor Premises by Tenant on the earlier to occur of: (a) the Third Floor Premises Commencement Date (as defined below) or (b) the Early Access Date (as defined in Exhibit 3.1.1).

ARTICLE 2 TERM

2.1 **Lease Term.**

2.1.1 **Commencement Date; Term.** The Fourth Floor Premises are leased for the period (the "**Initial Term**") commencing on June 1, 2017 (the "**Commencement Date**") and ending on May 31, 2022 (the "**Expiration Date**"), unless sooner terminated or extended as herein provided. The Third Floor Premises shall be leased for the period commencing on the earlier of (i) June 1, 2017 and (ii) the date that Tenant occupies the Third Floor Premises for the conduct of its business (the "**Third Floor Premises Commencement Date**"), and ending on the Expiration Date. The Initial Term hereof, as it may be extended, is referred to herein as the "**Term**". Tenant acknowledges that it currently occupies the Fourth Floor Premises pursuant to a sublease agreement ending on May 31, 2017.

2.1.3 **Confirmatory Amendment.** When the Third Floor Premises Commencement Date has been determined in accordance with the provisions set forth in this Lease, the parties hereto shall execute a document setting forth said date and said document shall be deemed a supplement to and part of this Lease. The parties hereto agree to execute such confirmatory document not later than forty five (45) days following the determination of such date (i.e., meaning the Third Floor Premises Commencement Date).

2.2 **Holding Over.**

2.2.1 Tenant shall have the one-time right to retain occupancy of the Premises for a period designated by Tenant in its Holdover Notice (as defined below) following the expiration of the Term, but in any event not to exceed thirty (30) days; provided that (i) no monetary or material non-monetary Event of Default has occurred and is continuing, and (ii) Tenant shall have delivered written notice (a "**Holdover Notice**") to Landlord of Tenant's intention to hold over at least six (6) months prior to the expiration of the Term (a "**Permitted Holdover**"). In the event that Tenant retains occupancy of the Premises, or any part thereof, after the end of the Term, and

the conditions in clauses (i) and (ii) above have not been satisfied, or if Tenant retains occupancy of the Premises beyond the period of a Permitted Holdover (in either case, an "**Unpermitted Holdover**"), Tenant's occupancy of the Premises shall be as a tenant at sufferance terminable at any time by Landlord. Tenant's occupancy during any holdover period shall otherwise be subject to the provisions of this Lease (unless clearly inapplicable), except that Tenant shall pay Landlord Base Rent for such time as Tenant remains in possession of the Premises (A) in the case of a Permitted Holdover, at a monthly rate equal to one hundred twenty-five percent (125%) of the Base Rent payable during the last month of the Lease Term for the first thirty (30) days of such holding over, and (B) following such initial thirty (30) day period of said Permitted Holdover, or in the case of an Unpermitted Holdover, at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent payable during the last month of the Lease Term, in each case together with all Additional Rent at the same rates as otherwise due and payable under this Lease. In addition, in the event of an Unpermitted Holdover, or in the event that Tenant holds over beyond the period of a Permitted Holdover, Tenant shall be liable to Landlord for all damages sustained by reason of Tenant's retention of possession of the Premises after the end of the Term, including without limitation consequential damages or indirect damages; it being expressly understood and agreed that Tenant shall not be liable for any damages on account of such holdover by Tenant during the Permitted Holdover, whether they be direct, indirect or consequential, except for such direct damages as provided for in Section 2.2.2 below, Tenant hereby acknowledging that Landlord may need the Premises after the end of the Term for other tenants and that the damages which Landlord may suffer as the result of Tenant's holding over cannot be determined as of the Execution Date. The provisions hereof do not limit or restrict Landlord's rights or remedies under this Lease in the event of any holding over by Tenant (but subject to Tenant's right to a Permitted Holdover, as set forth above).

2.2.2 Upon receipt of a written request from Tenant delivered not earlier than six (6) months prior to the scheduled Expiration Date of the Term, Landlord shall inform Tenant within thirty (30) days following Landlord's receipt of such written request, whether the Premises has been re-leased for the period following the Expiration Date (to the extent the disclosure of such information will not cause Landlord to be in breach of any third party confidentiality agreement), including the target commencement date for delivery of the leased space.

ARTICLE 3 COMPLETION AND OCCUPANCY OF THE PREMISES

3.1 Finish Work.

Tenant, at Tenant's cost (subject to Tenant's use of the Allowance as further described in the Work Letter, as defined below), shall perform the construction of any improvements necessary for Tenant's initial occupancy of the Third Floor Premises (and may construct additional improvements to the Fourth Floor Premises) in accordance with Exhibit 3.1.1 (the "**Work Letter**") attached hereto and incorporated herein. Tenant acknowledges that it is in possession of the Fourth Floor Premises. Landlord represents to Tenant that the Fourth Floor Premises are free of all Hazardous Substances (as defined below) in violation of Applicable Laws.

Except as specifically provided in this Lease, including but not limited to Section 1.4 and the preceding paragraph, Landlord has made no representations, warranties or undertakings as to the present condition of the Premises or the fitness of the Premises for any particular use, and Tenant accepts delivery of the Premises in its "AS IS" condition (nothing in this sentence being deemed to diminish Landlord's obligations to repair and maintain the Building in accordance with the terms of this Lease).

ARTICLE 4 RENT AND SECURITY

4.1 **Annual Base Rent.**

4.1.1 **Schedule of Monthly Rent Payments.** Beginning with the Commencement Date and continuing throughout the Term, Tenant shall pay to or upon the order of Landlord an annual rental (the "**Base Rent**") as set forth below which shall be payable in consecutive monthly installments on or before the first day of each calendar month in advance in the monthly amount set forth below:

<u>Period</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent per Rentable Square Foot</u>
6/1/17-5/31/18*	\$1,508,516.40	\$125,709.70	\$32.70
6/1/18-5/31/19	\$1,554,648.40	\$129,554.03	\$33.70
6/1/19-5/31/20	\$1,600,780.40	\$133,398.37	\$34.70
6/1/20-5/31/21	\$1,646,912.40	\$137,242.70	\$35.70
6/1/21-5/31/22	\$1,693,044.40	\$141,087.03	\$36.70

*In the event that the Third Floor Premises Commencement Date occurs prior to June 1, 2017, Tenant shall pay Base Rent with respect to the Third Floor Premises at the Annual Base Rent per Rentable Square Foot applicable on June 1, 2017 (i.e., \$32.70 per square foot per annum for 9,422 rentable square feet) until June 1, 2017 and thereafter shall pay Base Rent as set forth above.

4.1.2 **Rent Credit.** Provided no Event of Default, as described in Article 13 hereof, shall have occurred and be continuing hereunder, Tenant shall have a credit in the amount of two hundred forty-one thousand seventy-two dollars and fifty-eight cents (\$241,072.58) to be applied toward the first payments of Base Rent and Additional Rents due hereunder.

4.1.3 **Manner of Payment.** All payments of Rent shall be made without demand, deduction, counterclaim, set-off, discount or abatement, except as expressly provided in this Lease, in lawful money of the United States of America. If the Commencement Date for any portion of the Premises should occur on a day other than the first day of a calendar month, or the Expiration Date should occur on a day other than the last day of a calendar month, then the monthly installment of Base Rent for such fractional month shall be prorated upon a daily basis based upon a thirty (30)-day month.

4.2 **Additional Rent.** Tenant shall pay to Landlord all charges and other amounts required under this Lease and the same shall constitute additional rent hereunder (herein called "**Additional Rent**"), including, without limitation, any sums due resulting from the provisions of Article 5 hereof. All such amounts and charges shall be payable to Landlord in accordance with Section 4.3 hereof. Landlord shall have the same remedies for a default in the payment of Additional Rent as for a default in the payment of Base Rent. The term "**Rent**" as used in this Lease shall mean the Base Rent and the Additional Rent.

4.3 **Place of Payment.** The Base Rent and all other sums payable to Landlord under this Lease shall be paid to Landlord at P.O. Box 310300, Property 434810, Des Moines, Iowa 50331-0300 or at such other place as Landlord shall designate in writing to Tenant from time to time on thirty (30) days' advance written notice to Tenant (or on five (5) days' advance written notice to Tenant if such change is in connection with a sale of the Building).

4.4 **Terms of Payment.** Tenant shall pay to Landlord the Base Rent as provided in Section 4.1 above and Tenant shall pay the Additional Rent payable under Article 5 and Article 6, each payment to be on the terms provided in this Lease, and at the times and in the manner provided in this Lease. Except as provided in the immediately preceding sentence and as may otherwise be expressly provided by the terms of this Lease, Tenant shall pay to Landlord, within thirty (30) days (unless another period is specified in this Lease) after delivery by Landlord to Tenant of bills or statements therefor: (a) sums equal to all expenditures made and monetary obligations incurred by Landlord in accordance with the terms of this Lease for Tenant's account; and (b) all other sums of money accruing from Tenant to Landlord in accordance with the terms of this Lease.

4.5 **Late Charges.** If Tenant shall fail to pay any Rent within five (5) days after the date same is due and payable or if any check received by Landlord from Tenant shall be dishonored, Tenant agrees that Landlord's actual damages resulting therefrom are difficult to fix or ascertain. As a result, Tenant shall pay to Landlord (a) an administrative fee equal to five percent (5%) per month on the amount due (provided that such administrative fee shall be waived for the first late payment in any 12-month period if such payment is made within five (5) business days following notice from Landlord that such amount is past due), and (b) interest on the amount due from its due date until paid at the lesser of the prime rate of interest as reported by the Bank of America or its successor plus nine (9%) percent per annum or the maximum legal rate that Landlord may charge Tenant (provided that such interest shall not begin to accrue with respect to non-recurring payments of Additional Rent (but expressly excluding amounts payable on account of Operating Expenses and Taxes) if such payment is made within five (5) business days following notice from Landlord that such amount is past due). Such charges shall be paid to Landlord together with such unpaid amounts as an administrative fee to compensate Landlord for administrative expenses and its cost of funds.

4.6 **Security Deposit.**

4.6.1 **Letter of Credit Amount.** Upon execution and delivery of this Lease by and between Landlord and Tenant, Tenant shall deliver to Landlord a security deposit (the "**Security Deposit**") in the form of a "**Letter of Credit**" (as defined below) in the amount of \$133,106.00 for the faithful performance of all terms, covenants and conditions of this Lease.

4.6.2. **Letter of Credit Requirements.** Each letter of credit provided to Landlord hereunder as the Security Deposit shall be in the form of an unconditional, irrevocable, standby letter of credit which shall be in full force and effect for the periods required hereby, and shall meet all of the following conditions (a "**Letter of Credit**"):

(a) it shall be issued for the benefit of Landlord by an "**Eligible Bank**" (defined below) approved by Landlord;

(b) it shall be effective on the date of this Lease and have a term of not less than one (1) year following its date of issuance and contain automatic year-to-year renewal provisions subject to the Letter of Credit issuer's obligation to notify Landlord in writing by certified or registered mail of non-renewal at least sixty (60) days prior to the expiration of the Letter of Credit;

(c) the expiry date of the Letter of Credit for the last year of the Term shall be at least sixty (60) days following the Expiration Date of the Lease;

(d) it shall provide for the amount thereof as set forth in Section 4.6.1 to be available to the Landlord in multiple drawings conditioned only upon presentation of a sight draft;

(e) it shall be assignable by Landlord to its successors, assigns and mortgagees and by any successive beneficiaries thereof at no cost to transferor or transferee (Tenant agreeing to pay such charges in connection with any transfer of the Letter of Credit), and shall expressly permit multiple assignments; and

(f) it shall be in such form as shall be reasonably acceptable to Landlord, Landlord acknowledging that the form attached hereto as Exhibit 4.6 is acceptable.

An "**Eligible Bank**" shall mean, as of the Effective Date, the institutional bank set forth in Exhibit 4.6 or, in the alternative, a commercial or savings bank organized under the laws of the United States or any state thereof or the District of Columbia and having total assets in excess of \$1,000,000,000.00 which shall be a financial institution having a rating of not less than BBB or its equivalent by Standard and Poors Corporation and subject to a Thompson Watch Rating of C or better. Tenant, at its expense, shall cause the issuing bank to provide Landlord's mortgage lender with a written acknowledgment which evidences its consent to Landlord's collateral assignment of the proceeds of the Letter of Credit and acknowledgment of the security interest of such mortgage lender therein within seven (7) days following the request of Landlord or Landlord's mortgagee therefor.

4.6.3 **Substitute Letter of Credit.** Tenant shall deliver to Landlord a substitute Letter of Credit that satisfies the requirements for a Letter of Credit stated in Section 4.6.2 for the applicable period not later than ten (10) days following delivery of a non-renewal notice by the Letter of Credit issuer with respect to the Letter of Credit issued to Landlord or thirty (30) days prior to the scheduled expiration of the Letter of Credit, whichever first occurs (such date, the "**Re-Delivery Deadline**"). If Tenant fails to deliver the substitute Letter of Credit within such 10-day period, Landlord shall have the right to draw the Letter of Credit and receive the proceeds as a cash Security Deposit.

4.6.4 **Landlord's Rights Upon Default.** Upon the occurrence of any of the Events of Default described in Article 13 hereof, in addition to any other rights or remedies available to Landlord under this Lease, Landlord shall have the right to present the Letter of Credit for payment by the issuing bank and the proceeds thereof shall be due and payable to Landlord in accordance with the terms hereof and the Letter of Credit. Tenant agrees that Landlord may, without waiving any of Landlord's other rights and remedies under this Lease upon the occurrence of any of the Events of Default, apply the Security Deposit to remedy any failure by Tenant to perform any of the terms, covenants or conditions to be performed by Tenant under this Lease which remain uncured beyond applicable notice and cure periods and to compensate Landlord for any damages incurred as a result of any such Event of Default. If Landlord uses any portion of the Security Deposit to cure any Event of Default by Tenant hereunder, Tenant shall forthwith replenish the Security Deposit to the original amount within ten (10) days following written notice from Landlord in the manner directed by Landlord in such notice (which may be in the form of a new or amended Letter of Credit, or in the form of a cash payment). If Tenant fails to restore the full amount of the Security Deposit within such 10-day period, then the amount of such deficiency shall be subject to the charges described in Section 4.5. During any period that Landlord is holding the Security Deposit in the form of cash, Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on any such deposit.

4.6.5 **Sale of Building.** In the event of a sale or other transfer of the Building (or Landlord's interest therein), Landlord shall have the right to transfer the Security Deposit to the new owner or to transferee. Upon any such transfer and the assumption by such successor of all of Landlord's obligations under this Lease from and after the date of such transfer (notice of such transfer to be promptly provided by Landlord or such successor), Landlord shall thereupon be released by Tenant from all liability for the return of the Security Deposit; and Tenant agrees to look to the new landlord for the return of such Security Deposit. If an Event of Default is not then continuing, Landlord will, within sixty (60) days after the expiration or earlier termination of the Lease, return the Security Deposit, or so much as has not been applied by Landlord, to Tenant or the last permitted assignee of Tenant's interest hereunder at the expiration of the Term.

ARTICLE 5 ADDITIONAL RENT FOR ESCALATIONS IN REAL ESTATE TAXES AND OPERATING EXPENSES

5.1 **Definitions.** Base Rent does not anticipate any increase in the amount of taxes on the Property, or in the cost of the operation and maintenance thereof. In order that the Rent payable hereunder shall reflect any such increases, Tenant agrees to pay as Additional Rent, an amount calculated as hereinafter set forth. For purposes of this Article 5, the following definitions shall apply:

"Tax Year": The fiscal year of the Town of Burlington (July 1 – June 30) or other applicable governmental authority for real estate tax purposes or such other twelve (12)-month period as may be duly adopted in place thereof.

"Base Tax Year": The Town of Burlington's tax fiscal year of July 1, 2017 through June 30, 2018.

"Base Taxes": The amount of Taxes assessed with respect to the Property for each Tax Year (or portion thereof) which occurs during the Base Tax Year, giving full effect to any revaluation and deducting any reasonable out-of-pocket expenses incurred by Landlord in connection with a Tax Protest (as defined below).

"Tax Increases": Attributable to a Tax Year, shall mean the excess, if any, of the Taxes paid or incurred during such Tax Year over the Base Taxes.

"Taxes": All taxes, assessments and charges of every kind and nature levied, assessed or imposed at any time by any governmental authority upon or against the Property or any improvements, fixtures and equipment of Landlord used in the operation thereof whether such taxes and assessments are general or special, ordinary or extraordinary, foreseen or unforeseen in respect of each Tax Year falling wholly or partially within the Term. Taxes shall include, without limitation, all general real property taxes and general and special assessments, charges, fees or assessments for all governmental services or purported benefits to the Property, service payments in lieu of taxes, all business privilege taxes, and any tax, fee or excise on the act of entering into this Lease or any other lease of space in the Building, or on the use or occupancy of the Building or any part thereof, or on the rent payable under any lease of space in the Building, or in connection with the business of renting space under any lease in the Building, or in connection with the business of renting space in the Building, that are now or hereafter levied or assessed against Landlord by the United States of America, the Commonwealth of Massachusetts, or any political subdivision, public corporation, district or other political or public entity (herein "governmental authority"), including reasonable legal fees, experts' and other witnesses' fees, costs and disbursements incurred in connection with proceedings to contest, determine or reduce Taxes. Taxes shall also include any other tax, fee or other excise, however described, that may be levied or assessed by any governmental authority as a substitute for, or as an addition to, in whole or in part, any other Taxes (including, without limitation, any municipal income tax) and any governmental authority's license fees, tax measured or imposed upon rents, or other tax or charge upon Landlord's business of leasing the Building, whether or not now customary or in the contemplation of the parties on the date of this Lease. Taxes shall not include: (a) franchise, transfer, gift, excise, capital stock, estate, succession and inheritance taxes, and federal and state income taxes measured by the net income of Landlord from all sources, unless due to a change in the method of taxation such tax is levied or assessed against Landlord as a substitute for, or as an addition to, in whole or in part, any other Tax that would constitute a Tax; (b) penalties or interest for late payment of Taxes, except to the extent resulting from Tenant's failure to pay Tax Increases in accordance with this Lease, or (c) Taxes attributable to an expansion of the Building to include new leasable premises following the Commencement Date or (d) Taxes separately assessed or levied upon any improvements or alterations made by other tenants at the Building or the Property. In no event shall Taxes hereunder be duplicative of any Taxes otherwise paid by Tenant, or payable by Tenant, under this Lease. Tenant shall not be required to share in any penalties, interest, late payments or the like resulting from Landlord's late payment of Taxes, except to the extent Landlord's late payment of Taxes is a result of Tenant's failure to pay Taxes as required by the provisions of this Article 5.

"Base Expense Year": The calendar year 2017.

"Expense Year": The first and full calendar year following the Base Expense Year and each calendar year thereafter.

"Base Expenses": The Operating Expenses for the Base Expense Year equitably adjusted to the amount such Operating Expenses would have been if one hundred percent (100%) of the rentable area in the Building had been occupied during the Base Expense Year if there is less than one hundred percent (100%) occupancy in the Base Expense Year. Only those component expenses that are affected by variation in occupancy levels shall be "grossed-up." For purposes of determining Tenant's Share of Expense Increases, the Base Expenses shall be deemed to have been incurred by Landlord during the Base Expense Year. Base Expenses shall not include market-wide cost increases due to extraordinary circumstances, including but not limited to Force Majeure (as defined in Section 16.25, below), security concerns, boycotts, strikes, embargoes or shortages. For purposes of this paragraph, "market-wide cost increases due to extraordinary circumstances" shall mean an actual, material increase in a category of Operating Expenses under this Lease in excess of the amount reasonably budgeted by Landlord for such expense category in the Operating Expenses that is attributable to some unanticipated event or circumstance occurring during the Base Expense Year and that affects the Property for a temporary period of time.

"Expense Increases": Attributable to an Expense Year, shall mean the excess, if any, of the Operating Expenses paid or incurred during such Expense Year equitably adjusted, if less than one hundred percent (100%) occupancy, to the amount such Operating Expenses would have been if one hundred percent (100%) of the rentable area in the Building had been occupied during the Expense Year over the Base Expenses. Only those component expenses that are affected by variation in occupancy levels shall be "grossed-up".

"Operating Expenses": All commercially reasonable costs and expenses (and taxes, if any, thereon) paid or incurred on behalf of Landlord (whether directly or through independent contractors) in connection with the management, operation, maintenance and repair of the Building and Common Areas (including any sales or other taxes thereon) during the Term as a first-class office building, including, without limitation:

- (a) supplies, materials and equipment purchased or rented, total wage and salary costs paid to, and all contract payments made on account of, all persons to the extent engaged in the operation, maintenance, security, cleaning and repair of the Property at or below the level of building manager (including the amount of any taxes, social security taxes, unemployment insurance contributions, union benefits) and any on-site employees of Landlord's property management agent;
- (b) the maintenance, repair and replacement (subject to the limitations on capital expenditures set forth below) of building systems, including heating, ventilating, air conditioning, plumbing, electrical, mechanical, sewer, fire detection, sprinkler, life safety and security systems, telecommunications facilities, elevators and escalators, exterior windows and doors, tenant directories, emergency generator, and other equipment used in common by, or for the benefit of, occupants of the Building including such repairs and replacements as may be necessary to maintain the same in proper working order and in compliance with all applicable laws and industry performance standards;
- (c) charges of contractors for services and facilities otherwise includable in Operating Expenses, including security, trash removal, cleaning, janitorial, window washing, snow and ice removal, exterior and interior landscaping, the maintenance and repair of the parking facilities, roadways and light poles;
- (d) the cost of utility services for the Property, including, without limitation, water, sanitary sewer, electricity, gas, fuel oil, steam, chilled water; but excluding electricity supplied to the Premises and billed to Tenant pursuant to Section 5.4 and electricity used by other tenants of the Building within their leased space and billed directly to such tenants;

(e) the premiums for fire, extended coverage, loss of rents, boiler, machinery, sprinkler, public liability, property damage, earthquake, flood, and other insurance relative to the Property and the operation and maintenance thereof (including the fitness center described below) and unreimbursed costs incurred by Landlord that are subject to an insurance deductible;

(f) the operation and maintenance of any areas, facilities and amenities located in Burlington Centre (for so long as such areas, facilities and amenities in Burlington Centre comprise a portion of the Common Areas) and in the Building, including, without limitation, the cost of utilities, repairs and insurance associated with such areas, facilities and amenities; provided, however, any income and/or revenue from charges, fees, park association assessments, or the like for any usage and/or consumption or the like, with respect to, in connection with and/or arising out of, any such areas, facilities and/or amenities, shall first be applied to reduce such costs and expenses;

(g) the cost of capital items incurred with respect to the operation, maintenance and repair of the Property for repairs, alterations, installations, improvements and additions amortized over the useful life of the capital items as determined in the reasonable judgment of Landlord's accountant in accordance with generally accepted accounting principles ("GAAP") consistently applied, together with interest at or Landlord's borrowing rate for such capital items or, to the extent that no such sums are borrowed, nine percent (9%) per annum on the unamortized balance of the cost of the capital item and the installation thereof that are made to the Property by Landlord, but only in order to: (i) intentionally deleted, (ii) reduce (or avoid an increase in) operation or maintenance expenses with respect to the Property (but such costs and charges shall be only to the extent of Landlord's reasonable estimate of such cost savings), (iii) comply with the requirements of laws, regulations or orders of any governmental or quasi-governmental authority, agency or department which were enacted, became effective or first enforced after the Commencement Date, or (iv) comply with the requirements of Landlord's insurers that became effective or first enforced after the Commencement Date;

(h) office costs of administration; legal and accounting fees and other expenses of maintaining and auditing Property accounting records and preparing Landlord's Statements; and

(i) a single per annum fee for management services whether rendered by Landlord (or affiliate) or a third-party property manager in an amount not to exceed the rate of four percent (4%) of gross revenues from the Property, determined in a consistent manner, net of such management fee, plus reimbursable expenses.

Operating Expenses shall be determined in accordance with GAAP, consistently applied.

"Controllable Operating Expenses" means all Operating Expenses as defined above other than those Operating Expenses defined in (i) items (d) above, item (e) above, and item (g) above (with respect to subparts (iii) or (iv) above only), and (i) set forth in the definition of Operating Expenses above, (ii) snow and ice removal, (iii) premium labor costs for union contracts and premium wages/benefits for union engineering, security and janitorial personnel applicable to the general area in which the Property is located, (iv) costs payable under any cross-easement or similar agreement, (iv) any costs incurred by Landlord in order to comply with laws, regulations or orders of any governmental or quasi-governmental authority, agency or department which were enacted, became effective or first enforced after the Commencement Date hereof, and (v) any other matters not expressly listed in the definition of Operating Expenses that, by their nature, are not within Landlord's reasonable control such as extraordinary maintenance and extraordinary grounds keeping expenses incurred by Landlord as a result of unusual natural causes.

Operating Expenses shall not include: (1) utility expenses that are separately metered for any individual tenant in the Building; (2) any expense for which Landlord is reimbursed by a specific tenant by reason of a special agreement or requirement of the occupancy of the Building by such tenant; (3) expenses for services provided by Landlord for the exclusive benefit of a given tenant or tenants for which Landlord is directly reimbursed by such tenant or tenants; (4) all costs, fees and disbursements relating to activities for the solicitation, negotiation and execution of leases for space in the Building (including but not limited to advertising costs, leasing commissions and attorneys' fees therefor); (5) the costs of

alterations to, or the decorating or the redecorating of, space in the Building leased to other tenants; (6) except as stated in subparagraph (h) of the definition of Operating Expenses, the costs associated with the operation of the business of the ownership or entity which constitutes "Landlord", including costs of selling, syndicating, financing or mortgaging any of Landlord's interest in the Property; (7) rentals payable under any ground or underlying lease, if any; (8) depreciation, interest and principal payments on mortgages and other debt costs, if any; (9) repairs or other work required due to fire or other casualty to the extent of insurance proceeds actually received by Landlord; (10) costs to correct any defects in the original construction of the Building; (11) capital expenses for items that are not included in the definition of "Operating Expenses"; (12) payments to affiliates of Landlord (excluding property management fees but only to the extent not in excess of the amount set forth above) to the extent that they exceed market charges; (13) Taxes; (14) costs incurred for any items to the extent covered by a manufacturer's, materialman's, vendor's or contractor's warranty that are paid or reimbursed by such manufacturer, materialman, vendor or contractor; (15) legal fees or other expenses incurred in connection with enforcing leases with tenants in the Building; (16) wages, bonuses and other compensation of employees (and fringe benefits other than insurance plans and tax qualified benefit plans) above the grade of Building Manager; (17) any liabilities, costs or expenses associated with or incurred in connection with the removal, enclosure, encapsulation or other handling of Hazardous Substances (as defined in Section 7.6.1 below), other than the ordinary and customary handling of Hazardous Substances consistent with first class office use (such as disposal of computer monitors and toner cartridges), and the cost of defending against claims in regard to the existence or release of Hazardous Substances at the Building, the Property or the Park (except with respect to those costs for which Tenant is otherwise responsible pursuant to the express terms of this Lease); (18) increased insurance or Real Estate Taxes assessed specifically to any tenant of the Building or the Property for which Landlord is entitled to reimbursement from any other tenant; (19) cost of any HVAC, janitorial or other services provided to tenants on an extra cost basis after regular business hours; (20) the cost of installing, operating and maintaining any specialty service amenity, such as, but not limited to, an observatory, broadcasting facilities, cafeteria amenity, exercise facility amenity, and/or child or daycare amenity, except to the extent the revenues from such specialty service amenity are respectively first applied to reduce such costs; (21) cost of any work or service performed on an extra cost basis for any tenant in the Building, the Property or the Park to a materially greater extent or in a materially more favorable manner than furnished generally to the tenants and other occupants; (22) cost of any work or services performed for any facility other than the Building or Property or appurtenances thereto and expressly permitting Operating Expenses (subject to the provisions hereof) payable on account of the Park for landscaping, plowing, road maintenance, storm water drainage, and other shared costs; (23) lease payments for rental equipment (other than equipment for which depreciation is properly charged as an expense) that would constitute a capital expenditure if the equipment were purchased; (24) late fees or charges incurred by Landlord due to late payment of expenses, except to the extent attributable to Tenant's actions or inactions; (25) cost of acquiring or securing sculptures, paintings and other works of art or the like (other than ordinary and customary cleaning and maintenance in de minimis amounts); (26) costs of parking operations to the extent Landlord receives a separate parking fee therefor (as distinguished from Operating Expenses and Taxes); (27) charitable or political contributions; (28) reserve funds; (29) all other items for which another party compensates or pays so that Landlord shall not recover any item of cost more than once; (30) any cost associated with operating an on or off-site management office for the Building, the Property or the Park, except to the extent included in the one management fee permitted hereby; (31) Landlord's general overhead and any other expenses not attributable to the operation and management of the Building and the Property (e.g. the activities of Landlord's officers and executives or professional development expenditures), except to the extent included in the management fee permitted hereby; (32) costs and expenses incurred in connection with compliance with or contesting or settlement of any claimed violation of law or requirements of law, except to the extent attributable to Tenant's actions or inactions; (33) costs of mitigation or impact fees or subsidies (however characterized), imposed or incurred prior to the date of the Lease on account of the initial development of the Property, or imposed or incurred solely as a result of another tenant's or tenants' use of the Site or their respective premises; (34) costs related to public transportation, transit or vanpools, except to the extent such costs would otherwise not be excluded above or that Tenant shall elect to participate in the service to which such costs relate; and (35) not more than one management, administrative, supervisory or the like fee to Landlord, Landlord's affiliates, or the property manager, other than the one (1) annual management fee set forth in subpart (i) of the definition of Operating Expenses in Section 5.1.

In addition to the foregoing, if in any calendar year after 2017, Landlord shall provide a material service to Building tenants that was not provided in 2017, Landlord may not include the cost of such services in Operating Expenses unless the services in question are consistent with those offered at comparable first class office buildings in the greater Burlington area as reasonably determined by Landlord.

"Tenant's Share": Tenant's Share shall be a fraction, the numerator of which shall be the rentable area of the Premises and the denominator of which shall be the rentable area of the Building. On the Commencement Date for the entire Premises the Tenant's Share is 39.13%, consisting of 7.99% with respect to the Third Floor Premises and 31.14% with respect to the Fourth Floor Premises (and if the Commencement Date for the Third Floor Premises occurs earlier, then Tenant's Share shall be 7.99% until such time as the Commencement Date for the Fourth Floor Premises occurs). The Tenant's Share shall be recalculated from time to time in the event that there shall be a change in the rentable area of the Premises due to the physical expansion or contraction thereof or a change in the rentable area of the Building due to the physical expansion thereof, as the case may be. The parties acknowledge that on the Commencement Date of this Lease the Building contains 117,879 square feet of rentable area.

"Landlord's Statement": An instrument containing a computation of any Additional Rent due pursuant to the provisions of this Article 5, together with a reasonable summary of such costs on a line item basis.

5.2 **Payment of Taxes.** Tenant shall pay, as Additional Rent, Tenant's Share of all Taxes actually payable by Landlord (meaning as adjusted for any available early payment discounts) in respect of any Tax Year falling wholly or partially within the Term, to the extent that Taxes for any such period shall exceed the Base Taxes (which payment shall be adjusted by proration with respect to any partial Tax Year). Within thirty (30) days after the issuance by the Town of Burlington or other applicable governmental authority of the bill for Taxes, Landlord shall submit to Tenant a copy of such bill, together with Landlord's Statement and Tenant shall pay the Additional Rent set forth on such Landlord's Statement (less the amount of estimated payments paid by Tenant on account thereof) as set forth herein. Landlord, at its option, may require Tenant to make equal monthly payments on account of Tenant's Share of Tax Increases annually for Tax Years following the Base Tax Year. The monthly payments shall be one-twelfth (1/12th) of the amount of Tenant's Share of Tax Increases annually, as estimated by Landlord in good faith, and shall be payable on or before the first day of each month during the Term, in advance, in an amount estimated by Landlord in good faith and billed by Landlord to Tenant; provided, that, Landlord shall have the right initially to determine such monthly estimates in good faith and to revise such estimates in good faith not more than twice in any calendar year.

Landlord may petition for reduction of the assessed valuation of the Building, claim a refund of Taxes or otherwise challenge the validity, amount or applicability of any tax, assessment or other similar governmental charge deemed unreasonable by Landlord ("**Tax Protest**"). Any reasonable out-of-pocket costs and expenses incurred by Landlord in connection with a Tax Protest for the Building shall be includable in Taxes and Tenant's Share of any refund of any tax, assessment or governmental charge received by Landlord pursuant to any Tax Protest (after any reimbursement of Landlord's reasonable costs) shall, to the extent paid by Tenant on account of Tenant's Share of Tax Increases during the period subject to the Tax Protest, be refunded or credited against the next monthly payments on account of Tenant's Share of Tax Increases due hereunder, or in the event there is any remaining unapplied refund upon expiration or termination of this Lease, Landlord shall remit such amount to Tenant within thirty (30) days after expiration or termination of this Lease. Tenant shall share in any refund or abatement, net of such reasonable costs and expenses (to the extent not previously paid as Operating Expenses) that may be made of any tax, levy, charge or assessment in the same proportion that the same was paid by Tenant or with Tenant's funds, but in any event not to exceed the amount paid by Tenant for Taxes during the applicable period. The obligation of Landlord to so reimburse Tenant for its share of a refund or an abatement shall survive the Expiration Date, or earlier termination of this Lease.

With respect to any special or extraordinary assessment, levy, charge, special tax or the like which may be levied against or upon the Premises, the Property or the Building for which assessment, levy, charge, special tax or the like Tenant is obligated to pay its Tenant's Share, Landlord shall use commercially reasonable efforts to arrange for such assessment, levy, charge, special tax or the like to be paid in installments, if permitted by law, over the longest period of time permissible. Only those installments that are due and payable during the Term of this Lease, or any extension thereof, shall be included in Taxes.

Subject to the rights of any Mortgagees (as defined below), Landlord shall, at the request of Tenant and other tenants of the Building leasing, in the aggregate, at least fifty percent (50%) of the rentable area of the Building, made at least sixty (60) days prior to the deadline for filing a tax abatement in any fiscal year, use commercially reasonable efforts to pursue an abatement of or to contest or review by legal proceedings or otherwise any Taxes, provided that in Landlord's reasonable judgment, Landlord's petition for reduction of the assessed valuation of the Building or claim for a refund of Taxes is reasonably likely to succeed. Tenant shall pay as Additional Rent the Tenant's Share of any and all reasonable costs or expenses (including reasonable attorneys' fees) the Landlord may incur in connection with any tax refund or abatement proceedings. Tenant shall share in any refund or abatement, net of such costs and expenses (except to the extent of Tenant's payments to Landlord for the same, which payments by Tenant will be proportionally and equitably reimbursed to Tenant), which may be made of any Taxes in the same proportion that such Taxes were paid by Tenant or with Tenant's funds, but in any event not to exceed the Taxes actually paid by Tenant with respect to the period in question. The obligation of Landlord to so reimburse Tenant for its share of a refund or an abatement shall survive the Expiration Date, or earlier termination of this Lease.

5.3 Payment of Operating Expenses. Tenant shall pay to Landlord, as Additional Rent, Tenant's Share of all Operating Expenses in respect of each Expense Year to the extent Operating Expenses for each such Expense Year shall exceed Base Expenses. Tenant shall pay a sum equal to one-twelfth (1/12) of the annual amount of Tenant's Share of Expense Increases for each Expense Year on or before the first day of each month of such Expense Year, in advance, in an equal monthly amount estimated by Landlord in good faith and billed by Landlord to Tenant; provided, that, Landlord shall have the right initially to determine such monthly estimates in good faith and to revise such estimates in good faith but not more than twice in any calendar year. After the expiration of the Base Expense Year and each Expense Year, Landlord shall prepare and furnish Tenant with Landlord's Statement showing the Base Expenses or the Operating Expenses incurred during such Expense Year. Within thirty (30) days after receipt of Landlord's Statement for any Expense Year setting forth Tenant's Share of any Expense Increase attributable to such Expense Year together with reasonable backup information to account for such Expense Increases, Tenant shall pay Tenant's Share of such annual Expense Increase (less the amount of estimated payments paid by Tenant on account thereof) to Landlord as Additional Rent.

Notwithstanding the provisions of this Section 5.3 or elsewhere in this Lease, Tenant's Share of Controllable Operating Expenses for any Expense Year during each Expense Year of the Term shall not exceed an amount equal to (A) Tenant's Share of Controllable Expenses in the Base Expenses multiplied by one hundred five percent (105%) per annum for each such Expense Year (cumulative and compounding), less (B) Controllable Expenses in the Base Expenses. By way of example, if Tenant's Share of Controllable Expenses in the Base Expenses is equal to \$5,000, Tenant's Share of Controllable Expenses for the 2018 Expense Year shall not exceed \$5,250.00 (\$5,000 x 1.05).

5.4 Payment of Electric Expense. Tenant shall pay for the full cost (the "Electric Expense") of the electric energy consumed within the Premises and any special facilities and equipment serving the Premises as reasonably determined by Landlord from time to time based upon the survey report of a third party engineering consultant. The determination of the Electric Expense shall include consideration of Tenant's electricity consumption, actual hours of operation, the equipment and machinery in the Premises and the rentable area of the Premises, the actual rate of payment established by the utility company for such service and the actual tenant electrical expense for the Building. Beginning on the Commencement Date, Tenant shall pay Landlord at the rate of \$1.75 per rentable square foot of the Premises per annum (subject to change as described below) with respect to the expense of Tenant's lights and general office equipment (exclusive of any special facilities and equipment) (herein the "Estimated Electric Charge"). Landlord represents and covenants to Tenant that said Estimated Electric Charge of \$1.75 per rentable square foot is applicable to each of the tenants in the Building as of the Effective Date. During the Term, Tenant's rate of payment shall increase or decrease from time to time based upon the increases or decreases in rate charged by the utility company to the Landlord or Tenant's Share of the actual tenant electrical expense for the Building; and Landlord shall have the right to issue supplemental billing to Tenant from time to time for its Electric Expense to account for such increases or such decreases. Tenant's Electric Expense shall also be subject to increase and decrease based upon a change in Tenant's electric consumption as determined in good faith, absent manifest error, by Landlord's independent consultant. The Electric Expense payable in respect of the Premises shall constitute Additional Rent under this Lease (but shall not be included as an

Operating Expense), and shall be due and payable monthly in advance beginning on the Commencement Date, and continuing on the first day of each calendar month during the Term. Landlord shall have the right to separately meter or check-meter the Premises for electricity, at Landlord's expense, and, in any event, with respect to electricity utilized by Tenant with respect to any specialized supplemental cooling systems for any server room of Tenant, such electricity shall be separately or check metered by Tenant, at Tenant's expense. If the Premises or any specialized cooling systems are separately metered, Tenant shall pay for electricity directly to the service provider therefor based on such actual consumption, rather than the aforesaid Estimated Electric Charge. If the Premises or any specialized cooling systems are check metered, Tenant shall pay, as Additional Rent, 1/12ths of Landlord's reasonable estimate of the costs of such electricity together with Tenant's payment of Base Rent and Landlord shall annually reconcile such payments against the actual electricity usage based on Landlord's reading of the check meters, absent manifest error, from time to time (but in any event no less often than once per year); in connection therewith, Landlord shall provide Tenant with reasonable back-up evidencing the costs that are subject to such reconciliation.

5.5 Landlord's Statements.

5.5.1 Landlord's Statements. Landlord will deliver Landlord's Statements to Tenant during the Term. Landlord's delay or failure to render Landlord's Statement with respect to the Base Expense Year, any Expense Year or any Tax Year beyond a date specified herein shall not prejudice Landlord's right to render a Landlord's Statement with respect to that or any subsequent Expense Year or subsequent Tax Year (except to the extent provided in Section 5.7 below), provided that Landlord shall endeavor to issue Landlord's Statements within one hundred twenty (120) days after the close of the Expense Year (including also the Base Expense Year) or Tax Year in question and in any event shall issue such Statements not later than the date that is twelve (12) months after the close of the Expense Year or Tax Year in question. The obligations of Landlord and Tenant under the provisions of this Article with respect to any Additional Rent incurred during the Term shall survive the expiration or any sooner termination of the Term. If Landlord fails to give Tenant a statement of projected Operating Expenses or Taxes prior to the commencement of any Expense Year, Tenant shall continue to pay Operating Expenses and Taxes in accordance with the previous statement, until Tenant receives a new statement from Landlord. All statements of projected Operating Expenses and Taxes, and Landlord's Statements issued to Tenant after the close of the Expense Year (including also the Base Expense Year) shall include reasonable detail with respect to the various expense components included in the projected Operating Expenses and Taxes.

5.5.2 Tenant Inspection Rights. During the one hundred twenty (120) day period after receipt of any Landlord's Statement (the "**Review Period**"), Tenant may obtain copies of tax bills and inspect and audit Landlord's records relevant to the Taxes and Operating Expenses reflected in such Landlord's Statement (a "**Tenant Audit**") at a reasonable time mutually agreeable to Landlord and Tenant during Landlord's usual business hours, at Landlord's or Landlord's property manager's offices in the continental United States. Each Landlord's Statement shall be conclusive and binding upon Tenant unless within one hundred twenty (120) days after receipt of such Landlord's Statement Tenant shall notify Landlord that it disputes the correctness of Landlord's Statement, specifying the respects in which Landlord's Statement is claimed to be incorrect. Tenant's right to conduct any Tenant Audit shall be conditioned upon the following: (a) no monetary or material non-monetary Event of Default shall be ongoing at the time that Tenant seeks to conduct the Tenant Audit; (b) in no event shall any Tenant Audit be performed by a firm retained on a "contingency fee" basis; (c) the Tenant Audit shall be concluded no later than sixty (60) days after the end of the Review Period; (d) any Tenant Audit shall not unreasonably interfere with the conduct of Landlord's business; (e) Tenant and its auditor, who shall be a qualified certified public accountant, shall treat any information gained in the course of any Tenant Audit in a confidential manner and shall each execute a commercially reasonable confidentiality agreement for Landlord's benefit prior to commencing any Tenant Audit; (f) Tenant's accounting firm's audit report shall, at no charge to Landlord, be submitted in draft form for Landlord's review and comment before the final approved audit report is delivered to Landlord, and Landlord shall have the right to point out errors or make suggestions with respect to such audit report, and any appropriate comments or clarifications by Landlord which are accepted by Tenant's auditor shall be incorporated into the final audit report, it being the intention of the parties that Landlord's right to review is intended to prevent errors and avoid the dispute

resolution mechanism set forth below and not to unduly influence Tenant's auditor in the preparation of the final audit report; (g) Tenant shall only be able to conduct one (1) Tenant Audit during any calendar year, unless a Tenant Audit discloses an overcharge of five percent (5%) or more in any line item of Operating Expenses for that Expense Year, in which case Tenant shall have the right to review that same line item for the immediately two (2) prior Expense Years to see if the same error was made in such years, and if so an appropriate adjustment shall be made with respect to such prior years; and (h) the Tenant Audit shall be conducted by Tenant at its sole cost and expense unless the results of such Tenant Audit show that Landlord's Statement overstated the amount of Operating Expenses owed by Tenant for the relevant billing period by more than five percent (5%) in which case Landlord shall be responsible for payment of such reasonable costs and expenses. If Tenant makes a timely exception within the Review Period, Tenant shall nonetheless pay the amount shown on the Landlord's Statement in the manner prescribed in this Lease, without any prejudice to such exception, and any overpayments identified during any Tenant Audit, if any, shall be applied as a credit by Tenant in full against the amount of Additional Rent owed by Tenant immediately following the Tenant Audit, such that Tenant is reimbursed as quickly as possible, or refunded to Tenant within thirty (30) days if the Lease has expired or terminated, with such Landlord obligation to so refund to Tenant to survive the earlier termination of this Lease, or the Expiration Date of this Lease.

5.6 **Adjustments.** If the actual amount of Tenant's Share of the Expense Increases for any Expense Year or Tenant's Share of Tax Increases for any Tax Year exceeds the estimated amount thereof paid by Tenant for such Expense Year or Tax Year, then Tenant shall pay to Landlord the difference between the estimated amount paid by Tenant and the actual amount of such Additional Rent payable by Tenant. This Additional Rent payment shall be due and payable within thirty (30) days following delivery of Landlord's Statement. If the total amount of estimated payments made by Tenant in respect of Tenant's Share of Expense Increases for such Expense Year or Tenant's Share of Tax Increases for any Tax Year shall exceed the actual amount of such Additional Rent payable by Tenant, then such excess amount shall be credited in full against the monthly installments of Additional Rent due and payable from Tenant to Landlord hereunder until such amount shall have been refunded in full to Tenant, such that Tenant is reimbursed as quickly as possible (and said amount shall be promptly reimbursed in full to Tenant, within thirty (30) days, if there is insufficient time remaining in the Term for Tenant to recover the entire amount). Landlord's obligation to so refund Tenant shall survive the earlier termination of this Lease, or the Expiration Date of this Lease. Any excess payments made by Tenant during the Term that have not been so applied and are outstanding at the end of the Term shall be paid to Tenant promptly following delivery of Landlord's Statement for the final Expense Year and final Tax Year, as applicable. Even though the Term has expired and Tenant has vacated the Premises, when final determination is made of Tenant's Share of Expense Increases or Tax Increases for the year in which this Lease terminates, Tenant shall pay any increase due over the estimated Expense Increases or Tax Increases paid within thirty (30) days after Landlord's delivery of Landlord's Statement therefor.

5.7 **Landlord's Failure to Include.** (a) If Landlord fails to include any item of Operating Expenses payable, paid, to be paid or incurred by Landlord in any Landlord's Statement with respect to Operating Expenses (or in any subsequent corrected or supplemented Landlord's Statement with respect to Operating Expenses) furnished to Tenant with respect to the applicable calendar year or expense year, which failure continues for more than three (3) years after the initial delivery of such Landlord's Statement with respect to Operating Expenses furnished to Tenant, then from and after the expiration of such three (3) year period, Landlord shall forfeit the right to include any such item(s) in a corrected or supplemental statement of Operating Expenses, and such Operating Expenses shall not be due and/or payable by Tenant as Additional Rent hereunder, or otherwise payable.

(b) If Landlord fails to include any Tax payable, paid, to be paid, or incurred by Landlord in any Landlord's Statement with respect to Taxes (or in any subsequent corrected or supplemented Landlord's Statement with respect to Taxes) furnished to Tenant with respect to any tax fiscal year, which failure continues for more than three (3) years after the initial delivery of such Landlord's Statement with respect to Taxes furnished to Tenant which reflects the Taxes payable, paid or incurred for such fiscal year, then from and after the expiration of such three (3) year period, Landlord shall forfeit the right to include any such Taxes in a corrected or supplemental Landlord's Statement with respect to Taxes, and such Taxes shall not be due and/or payable by Tenant as Additional Rent hereunder or otherwise payable.

(c) If Landlord fails to include any other Additional Rents payable, paid, to be paid, or incurred by Landlord in a Landlord Statement, or other monthly or periodic statement, with respect to any Additional Rent (or in any subsequent corrected or supplemental Landlord Statement, or other monthly or periodic statement, with respect to such Additional Rents) furnished to Tenant, which failure continues for more than three (3) years after the initial delivery of such Landlord Statement, or other monthly or periodic statement, which reflects the Additional Rent paid or incurred with respect to such applicable period, then from and after the expiration of such three (3) year period, Landlord shall forfeit the right to include any such Additional Rent in a corrected or supplemental Landlord Statement, or other monthly or periodic statement, with respect to such Additional Rent, and such Additional Rent shall not be due or payable by Tenant as Additional Rent hereunder or otherwise payable.

ARTICLE 6 SERVICES AND UTILITIES

6.1 **Services.** Landlord shall provide the following services to the Building and Premises:

(a) Janitor services in and about the Premises in accordance with the cleaning specifications set forth in Exhibit 6.1, Saturdays, Sundays and union and state and federal government holidays (the "**Holidays**") excepted. Tenant shall not provide any janitor service without Landlord's written consent. If Landlord's consent is given, such janitor services shall be subject to Landlord's supervision and control, but shall be performed at Tenant's sole cost and responsibility.

(b) Heat and air-conditioning as required to maintain comfortable temperature consistently throughout the Premises (excluding specialized temperature and humidity control for computers, printers and other equipment) daily from 8:00 a.m. to 6:00 p.m. Monday through Friday, Saturdays from 8:00 a.m. to 12:00 p.m. ("**Normal Business Hours**"), the remainder of Saturdays, Sundays and Holidays excepted, consistent with such service typical of comparable first class buildings in the greater Burlington area.

(c) Hot and cold running water for cleaning, landscaping, grounds maintenance, fire protection, drinking, lavatory and toilet purposes drawn through fixtures installed by Landlord or by Tenant with Landlord's written consent. If Tenant's water use increases beyond customary office user levels, Landlord shall have the right to install a water meter at Tenant's expense and to charge Tenant as Additional Rent for its water consumption in the Premises in accordance with readings from such meter.

(d) Electric current from providers selected by Landlord, in amounts required for normal lighting by building standard lighting overhead fixtures and for Tenant's normal business operations, including without limitation, personal computers, copiers, facsimiles and other ordinary business equipment, *subject, however*, to Landlord's approval of Tenant's final electrical plan for the Premises (but specifically excluding electric current surge protection).

(e) Maintenance of the Common Areas so that they are clean and free from accumulations of snow, debris, rubbish and garbage consistent with similar first-class office parks in the Burlington area.

(f) Security services; access by Tenant to the Premises and use of designated elevator service twenty-four (24) hours per day, seven (7) days per week, fifty-two (52) weeks per year, subject to Landlord's Rules and Regulations and to Landlord's reasonable security measures (including the operation of Landlord's computerized access system at the Building's entrances, if any). Landlord makes no representation or warranty regarding the efficacy of such security measures and shall not be held to a higher standard of care in the presence of such security measures as it would be in the absence of same. Overtime HVAC and other services shall be available as provided in Section 6.2 hereof.

Landlord shall have the right to select the utility providers and Tenant shall pay all actual costs associated with obtaining the utility service as provided in Article 5 hereof. Landlord agrees to furnish or cause to be furnished to the Premises the utilities and services described herein, subject to the conditions and in accordance with the standards set forth herein. To the maximum extent permitted pursuant to Applicable Laws (as hereinafter defined) Landlord's failure to furnish any of such services when such failure is caused by accidents, the making of repairs, alterations or improvements, labor difficulties, difficulty in obtaining adequate supply of fuel, electricity, steam, water or other service or supplies from the sources from which they are usually obtained for the Building, or governmental constraints or any other cause beyond Landlord's reasonable control, shall not result in any liability to Landlord. Tenant shall not be entitled to any abatement or reduction of rent by reason of such failure, no eviction of Tenant shall result from such failure and Tenant shall not be relieved from the performance of any covenant or agreement in this Lease. In the event of any failure, stoppage or interruption thereof, Landlord shall diligently attempt to resume service promptly. Landlord shall provide Tenant with at least 48 hours prior notice (unless the same shall be impracticable due to the nature of the reason for the shutdown or if the shutdown is required due to an emergency) of any planned shutdown of electricity, heat, air conditioning or water in the Building.

Notwithstanding anything to the contrary in this Lease including the provisions of Section 16.27 below, or the foregoing, either expressed or implied, if there shall be an interruption, curtailment or suspension of any service and/or utility necessary for the occupancy of the Premises and required to be provided by Landlord pursuant to this Section 6.1 or elsewhere in this Lease (and no reasonably equivalent alternative service or supply, or repair or replacement, is provided by Landlord) that shall materially interfere with Tenant's use and enjoyment of all or a material portion of the Premises (a "**Service Interruption**"), and if (i) such Service Interruption shall continue for five (5) consecutive business days ("**Service Interruption Period**") following receipt by Landlord of written notice from Tenant describing such Service Interruption (the "**Service Interruption Notice**"), (ii) such Service Interruption is not the result of Force Majeure or primarily and proximately from any of Tenant's acts or omissions, and (iii) the restoration of such Service Interruption is in the reasonable control of Landlord, then Tenant shall be entitled to an equitable abatement of Base Rent and Tenant's Share of Expense Increases and Tax Increases, based on the nature and duration of the Service Interruption, the area of the Premises affected, and the then current Base Rent and Tenant's Share of Expense Increases and Tax Increases amounts, for the period that shall begin on the first (1st) business day of such applicable Service Interruption Period, and that shall end on the day such Service Interruption ceases. Notwithstanding anything in this Lease to the contrary, but subject to Article 10 and Article 11 (which shall govern in the event of a casualty or condemnation), the remedies expressly provided in this paragraph shall be Tenant's sole recourse and remedy in the event of an interruption of Landlord services to the Premises.

6.2 **Additional Services.** Landlord shall impose reasonable charges and may establish reasonable rules and regulations for the following: (a) the use of any heating, air-conditioning, ventilation, electric current or other utility services or equipment by Tenant after Normal Business Hours ("**Overtime HVAC**"); (b) the use or consumption of any other building services, supplies or utilities after Normal Business Hours and any unanticipated, additional costs incurred by Landlord to operate the Building after Normal Business Hours as a result thereof; (c) additional or unusual janitorial services required because of any non-building standard improvements in the Premises, the carelessness of Tenant, the nature of Tenant's business (including the operation of Tenant's business after Normal Business Hours); and (d) the removal of any refuse and rubbish from the Premises except for discarded material placed in wastepaper baskets and left for emptying as an incident to Landlord's normal cleaning of the Premises in accordance with Exhibit 6.1. The expense charged by Landlord to Tenant for any Overtime HVAC shall be based on Landlord's actual cost for such utility services as charged to Landlord by the utility companies providing such services. The expense charged for Overtime HVAC is currently \$50 per hour per HVAC unit; *provided, however*, such Overtime HVAC expense may be reasonably increased from time to time by Landlord subject to the increases in the actual rate charged by the utility company to Landlord. This amount shall constitute Additional Rent and shall be payable in accordance with Section 4.4 of this Lease.

6.3 **Excessive Current.**

6.3.1 **Prohibited Activities.** Tenant shall comply with the conditions of occupancy and connected electrical load reasonably established by Landlord for the Building and Tenant shall not use utilities or other services in excess of the services described above in Section 6.1 or in a manner which exceeds or interferes with any Building systems or service equipment or Landlord's ability to provide services to other tenants in the Building. Tenant shall not, without Landlord's prior consent in each instance, connect air conditioning equipment, garbage disposal units, computers, (excluding personal computers and printers and office copiers and facsimile machines), major appliances (excluding coffee makers, microwave ovens and other similar food preparation appliances) or heavy duty equipment ("**High Usage Equipment**") to the Building's electrical system. Tenant covenants that at no time shall the use of electrical energy in the Premises exceed the capacity of the existing feeders or wiring installations then serving the Premises. Tenant shall not, without prior consent of Landlord in each instance, which consent shall be granted or denied in accordance with Section 8.3.1, make or perform, or permit the making or performing of, any alteration to wiring installations or other electrical facilities in or serving the Premises or any additions to the electrical fixtures, machines, equipment or other appliances in the Premises which utilize electrical energy.

6.3.2 **Landlord's Right to Survey Usage.** Landlord may survey Tenant's use of services from time to time. Tenant shall pay Landlord all costs arising out of any excess use or other connection of High Usage Equipment, including the cost of all repairs and alterations to the Building's mechanical and electrical systems (including the installation of meters) and the cost of additional electricity made available to Tenant, if any. Such costs shall constitute Additional Rent and Tenant shall pay such costs pursuant to Section 4.4.

6.4 **Maintenance of Common Areas.** The manner in which the Common Areas are maintained and operated and the expenditures therefore shall be at the good faith sole discretion of Landlord but nonetheless in accordance with the standards of comparable first-class office buildings in the greater Burlington area. Landlord reserves the right from time to time to (a) make changes in the shape, size, location and appearance of the land and improvements which constitute the Common Areas, provided that Landlord shall not materially impair the Tenant's ability to operate its business, except temporary impairments required by said changes and Landlord shall not violate Landlord's Assurances as set forth below in Section 6.4.1; (b) make such improvements, alterations and repairs to the Common Areas as may be required by governmental authorities or by utility companies servicing the Building; (c) construct, maintain and operate lighting and other facilities on all said areas and improvements; and (d) to add or remove improvements and facilities to or from the Common Areas. The use of the Common Areas shall be subject to such reasonable regulations and changes therein as Landlord shall make from time to time, including (but not by way of limitation) the right to close from time to time, if necessary, all or any portion of the Common Areas to such extent as may be legally sufficient, in the opinion of Landlord's counsel, to prevent a dedication thereof or the accrual of rights of any person or of the public therein; provided, however, Landlord shall do so at such times and in such manner as shall minimize any disruption to Tenant to the extent reasonably possible.

6.4.1 **Landlord's Assurances.** Landlord's rights to construct additional buildings in or on the Property and/or in or on the Park, to make alterations to existing buildings, to change the size, location or arrangement of Common Areas or to make any other such changes to the Property and/or the Park generally, as set forth in Section 6.4 above and/or elsewhere in the Lease, shall be subject to there being (i) reasonable access to the Premises, the primary parking areas for the Building shown on Exhibit 1.3, and/or adjacent streets shall be maintained at all times, and (ii) no change in the location and/or the dimensions of the Premises or Tenant's exterior building signage and/or the existing Park monument sign on Corporate Drive (herein collectively called "**Landlord's Assurances**").

6.5 Access to Premises.

6.5.1 Landlord's Right of Entry. Landlord shall have the right to temporarily enter the Premises without abatement of Rent at all reasonable times upon reasonable prior notice (being at least 24 hours' advance verbal notice) to Tenant (except in emergencies or for regularly scheduled services such as cleaning, when no advance notice shall be required), (a) to supply any service to be provided by Landlord to Tenant hereunder, (b) to show the Premises to Landlord's Mortgagee and to prospective purchasers and mortgagees, and during the last fifteen (15) months of the Term to prospective tenants, (c) to inspect, alter, improve or repair the Premises and any portion of the Building subject to the terms and provisions of this Lease, and (d) to introduce conduits, risers, pipes and ducts to and through the Premises, provided that in exercising any such right, Landlord will cause all such conduits, risers, pipes and ducts to be placed above dropped ceilings, within walls, or below floors or in closets, to the extent reasonably practicable. In conducting any such activities, Landlord shall use commercially reasonable efforts to minimize disruption in the conduct of Tenant's business operations. Tenant, at its election, may accompany Landlord during any entry.

6.5.2 Tenant's Keys. For each of the purposes stated above in this Section 6.5, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults and safes, or special security areas, and Landlord shall have the right to use any and all means that Landlord may deem necessary or proper to open said doors in an emergency, in order to obtain entry to any portion of the Premises.

6.6 Cafeteria and Fitness Center. The Building or Burlington Centre may contain a fitness center (the "**Fitness Center**") and a cafeteria (the "**Cafeteria**") which will be operated and maintained by the Landlord (or an operator selected by the Landlord). The Cafeteria and Fitness Center, if any, may not be available from time to time for reasonable periods due to construction activities, repairs, maintenance or alterations, or a change in the managing or operating company hired by Landlord, and Landlord reserves the right to change the use of such facilities if the same is uneconomic or insufficiently used by tenants of the Building or Burlington Centre in which case such facilities shall be subject to discontinuance and removal by Landlord, as determined by Landlord in its good faith sole discretion. Landlord agrees to make the Fitness Center (and its facilities and equipment), if any, available to Tenant's employees on a direct, non-exclusive basis subject to (a) Landlord's Rules and Regulations regarding the use thereof; (b) payment of periodic nominal user fees for clean-up, special classes and the like, and (c) execution of a waiver of liability and indemnity agreement for Landlord's benefit in form and substance satisfactory to Landlord prior to such person's use of the Fitness Center. If, at any time, the Fitness Center and/or Cafeteria are located within Burlington Centre, Tenant acknowledges and agrees that Tenant's use of such facilities shall be subject to discontinuance if the Building and Burlington Centre are no longer owned by the same entity; provided that Landlord shall continue to provide the cafeteria and fitness center located at the Building.

ARTICLE 7 CONDUCT OF BUSINESS BY TENANT

7.1 Permitted Use. The Premises shall be used and occupied for general office purposes (the "**Permitted Use**") and lawful (without the need for special permit or variance) accessory uses that are ancillary thereto only. Tenant shall not use or occupy, or permit the use or occupancy of the Premises or any part thereof for any use other than the sole use specifically set forth above or in any illegal manner, or in any manner that, in Landlord's commercially reasonable judgment, would adversely affect or interfere with any services required to be furnished by Landlord to Tenant or to any other tenant or occupant of the Building, or with the proper and economical rendition of any such service, or with the use and enjoyment of any part of the Building by any other tenant or occupant; provided however that none of the foregoing shall diminish or adversely affect Tenant's right to use the Premises for general office use, or be deemed to prohibit the use of the Premises for office uses generally. Tenant agrees that it will not exceed the maximum floor bearing capacity for the Premises.

7.2 **Tenant's Personal Property.** Tenant shall be responsible for any ad valorem taxes on its personal property (whether owned or leased) and on the value of its leasehold improvements in the Premises (which are in excess of building standard improvements), and if the taxing authorities do not separately assess Tenant's leasehold improvements, Landlord may make a reasonable allocation of the impositions to such improvements and charge Tenant for the same as Additional Rent. In no event shall amounts charged to Tenant be duplicative of any Taxes or other Additional Rent otherwise payable by Tenant elsewhere under this Lease.

7.3 **Compliance with Laws.**

7.3.1 **Tenant's Compliance Obligations.** Tenant, at Tenant's expense, shall comply promptly with the laws, ordinances, rules, regulations and orders of all governmental authorities in effect from time to time during the Term including, without limitation, the Americans with Disabilities Act ("ADA"), and all applicable federal, state and municipal building, zoning, fire, health, safety and environmental laws (the "**Applicable Laws**") that shall impose any duty on Tenant with respect to Tenant's particular use of the Premises or Tenant's manner of use, occupancy or operation thereof. Tenant will obtain and maintain in full force and effect any and all licenses and permits necessary for its use. Tenant shall make any Alterations in or to the Premises in order to comply with the foregoing, which are necessitated or occasioned, in whole or in part by Tenant's particular use or occupancy of the Premises or manner of use, occupancy or operation of the Premises by Tenant, any of Tenant's subtenants or assigns, or any of their respective officers, employees, agents, contractors, invitees, or licensees (the "**Tenant Parties**").

7.3.2 **Landlord's Compliance Obligations.** Landlord shall comply with (i) all Applicable Laws in effect from time to time during the Term that shall impose any duty on Landlord with respect to the Common Areas of the Building as well as compliance with Applicable Laws which are generally applicable to landlords with respect to all premises in a building and/or to the operation of an office building, and (ii) all Applicable Laws in effect from time to time during the Term relating to life safety within the Premises, excluding any matters that are Tenant's responsibility under this Lease or the responsibility of other tenants of the Building. Landlord represents and warrants that, as of the Commencement Date, the Third Floor Premises will be free of Hazardous Substances in violation of Applicable Laws and conform to all Applicable Laws applicable to office use generally, and, as of the Effective Date, the Permitted Use is permitted at the Property pursuant to the applicable zoning laws as in effect at the Property. Notwithstanding anything to the contrary contained herein, Tenant shall be responsible for legal compliance, including requirements with all Applicable Laws relating to life safety and including the requirements of the ADA, with respect to (a) any and all requirements on account of Tenant's particular use of, or manner of operations in, the Premises, and (b) all Alterations designed or constructed by Tenant or its contractors or agents.

7.4 **Landlord's Rules and Regulations.** Tenant shall observe and comply with the rules and regulations attached to this Lease as Exhibit 7.4, and all reasonable modifications thereof and additions thereto from time to time put into effect by Landlord (the "**Rules and Regulations**"). Landlord shall not enforce the Rules and Regulations against Tenant in a discriminatory manner. Tenant shall not use or permit the use of the Premises in any manner that will create waste or a nuisance, or which shall tend to unreasonably disturb other tenants of the Building.

7.5 **No Liens.** Tenant shall keep the Premises and Property free from any liens or encumbrances arising out of any work performed, material furnished or obligations incurred by or for Tenant or any person or entity claiming through or under Tenant. Any claim to, or lien upon, the Premises or the Building arising from any act or omission of Tenant shall accrue only against the leasehold estate of Tenant and shall be subject and subordinate to the paramount title and rights of Landlord in and to the Premises and the Property. If any mechanics' or other lien shall be filed against the Premises or the Property purporting to be for labor, material or services furnished or to be furnished at the request of the Tenant or any person or entity claiming through or under Tenant, then Tenant shall at its expense cause such lien to be discharged of record by payment, bond or otherwise, within ten (10) days after the filing thereof.

7.6 Hazardous Substances.

7.6.1 Prohibition on Use; Remediation. Tenant shall not, nor shall it permit those claiming under Tenant to, introduce, bring upon the Premises, generate, or store (except customary cleaning and/or office supplies maintained in small quantities and in a manner consistent with reasonable commercial office practices if stored, used and disposed of, in accordance with all Applicable Laws and the fire protection requirements of any Building insurers), dispose of or release, or permit the storage, use, disposal or release of, any "**Hazardous Substances**" (as defined below), in, above, on or under the Premises or the Property. Tenant shall promptly remove, clean up and remediate any Hazardous Substance on the Premises in accordance with Applicable Laws, provided that the presence of such Hazardous Substance resulted from the actions of, or breach of this Lease by, Tenant, or any Tenant Parties; provided, however, Landlord reserves the right to notify Tenant that it will conduct the remediation and, in such case, Landlord shall remediate such condition and Tenant shall reimburse Landlord for all costs and expenses upon written demand by Landlord.

Landlord hereby represents to Tenant that, to Landlord's actual knowledge as of the Effective Date, there are no Hazardous Substances present on, in or under the Property or the Building that require investigation or remediation under Environmental Laws (as defined below). Landlord shall indemnify, defend and hold Tenant harmless from and against any and all claims arising from any injury to or death of any person or damage to or loss of property, as well as cost of investigation and remediation and/or cost of removal, resulting from (i) existing Hazardous Substances conditions in the Premises, the Building and/or on the Property prior to the Effective Date, and subsequent to the Effective Date for the period during which such existing Hazardous Substances conditions continue to exist during the Term of this Lease, and (ii) Hazardous Substances in, at, above or under the Property, the Building and/or the Premises, arising during the Term due to the actions or negligent act or omissions or willful misconduct of Landlord, and/or those persons or entities under the control of Landlord or Landlord's agents and/or Landlord's contractors.

7.6.2 Hazardous Substances; Environmental Laws. As used in this Lease, the term "**Hazardous Substances**" shall mean any material or substance that, whether by its nature or use, is now or hereafter defined as a hazardous waste, hazardous substance, hazardous material, hazardous chemical substance or mixture, pollutant or contaminant under the Comprehensive Environmental response Compensation and Liability Act, as amended (42 U.S.C. §9601 et seq.), Hazardous Materials Transportation Act, as amended (49 U.S.C. §1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §6901 et seq.), Toxic Substances Contract Act, as amended (15 U.S.C. §2601 et seq.), M.G.L. c.21C; and M.G.L. c.21E (as any of the same are from time to time amended, and the rules and regulations promulgated thereunder), or which is now or hereafter regulated under any Applicable Laws ("**Environmental Laws**"), or which is or contains petroleum, gasoline, diesel fuel or another petroleum hydrocarbon product or material, or which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous.

ARTICLE 8 ALTERATIONS, IMPROVEMENTS AND SIGNAGE

8.1 Landlord's Obligations. Landlord will maintain in good repair, reasonable wear and use (except casualty and condemnation which shall be governed by Article 10 and Article 11, respectively), (a) all structural components of the Premises, the Building and Common Areas, including, without limitation, the roof, structure, foundation, exterior and load-bearing walls and the structural floor slabs, exterior lighting, paved areas and landscaping; (b) the Building Systems serving the Building and the Premises (excluding any Tenant installations, fixtures and supplemental HVAC units that are dedicated to Tenant's exclusive use); and (c) the elevators serving the Building. The cost of this maintenance and repair shall be included in Operating Expenses and shall be subject to reimbursement under Article 5 hereof to the extent provided therein. Maintenance and repair expenses caused by the willful misconduct or negligent acts or omissions of Tenant or any Tenant Parties shall be paid directly to Landlord by Tenant in accordance with Section 4.4, and shall not constitute an Operating Expense. Landlord represents and warrants that, to Landlord's knowledge, the roof and all structural elements of the Premises and the Building are in good condition and repair as of the Effective Date, and all Building systems serving the Premises shall be in good working order as of the Commencement Date.

8.2 **Tenant's Obligations.** Except to the extent the responsibility of Landlord pursuant to Section 8.1, above, Tenant shall take good care of the Premises, and at Tenant's cost and expense, shall make all repairs and replacements necessary to preserve the Premises in good working order and in a clean, safe and sanitary condition, and will suffer no waste, reasonable wear and tear, and damage by reason of casualty (except to the extent that Tenant is obligated to repair the same), or taking by eminent domain excepted. Tenant shall be responsible for the commercially reasonable out of pocket costs incurred by Landlord (by and through Landlord's contractors) to maintain, at Tenant's own expense, in good order, condition and repair to Landlord's reasonable satisfaction, all plumbing facilities and electrical fixtures (including replacement of all lamps, starters, ballasts, Building-standard light fixtures and outlets) exclusively serving the Premises and which are located within the Premises, in each case such commercially reasonable costs to be paid within thirty (30) days after invoice therefor by Landlord. Tenant shall be responsible for the commercially reasonable out-of-pocket cost incurred by Landlord (by and through Landlord's contractors) to repair, at Tenant's cost, all deteriorations or damages to the Property occasioned by the negligent acts or omissions or willful misconduct of Tenant or any Tenant Parties, such costs to be paid within thirty (30) days after invoice therefor by Landlord.

8.3 **Tenant's Alterations.**

8.3.1 **Landlord's Consent to Alterations.** Tenant shall not make or permit any improvements, installations, alterations or additions ("**Alterations**") in or to the Premises, the Building or the Property that involve or affect the structural portions of the Premises or the Building (the "**Building Structure**") or any of the Building's HVAC, mechanical, electrical, telecommunications, cabling, plumbing or other systems or equipment (the "**Building Systems**") or the interior walls or corridors within the Premises, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Tenant may make Alterations to the Premises that do not involve or affect the Building Structure or the Building Systems, subject to Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Landlord's prior written consent shall not be required for minor decorations and customary cosmetic wall and floor coverings in the Premises for which Tenant provides advance notice to Landlord and which do not exceed \$100,000.00 in the aggregate on an annual basis (herein "**Permitted Cosmetic Alterations**"). It shall be reasonable for Landlord to withhold its consent to any Alterations if, among other reasons, such Alterations (i) adversely affect any structural component of the Building or the Building Systems, (ii) would be incompatible with the Building Systems, (iii) affect the exterior or the exterior appearance of the Building or the Common Areas or other property than the Premises, (iv) diminish the value of the Premises or the Property, or (v) would require any unusual expense to readapt the Premises.

8.3.2 **Construction Standards.** All Alterations made by or on behalf of Tenant shall be made and performed: (a) by contractors or mechanics approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), who shall carry liability insurance of a type and in such amounts as Landlord shall reasonably require, naming Landlord and Tenant as additional insureds, (b) in a good and workmanlike manner, (c) so that same shall be at least equal in quality, value, and utility to the original work or installation and shall be in conformity with Landlord's building standard specifications, as set forth by Landlord and as the same may be amended from time to time, (d) in accordance with all Applicable Laws, and (e) pursuant to plans, drawings and specifications ("**Tenant's Plans**") which have been reviewed and approved by Landlord (such approval not to be unreasonably withheld, conditioned or delayed) prior to the commencement of the repairs or replacements and approved by, and filed with, all applicable governmental authorities (the "**Construction Standards**"), but no such Tenant's Plans shall be needed with respect to Permitted Cosmetic Alterations.

8.4 **Tenant's Property.** All trade fixtures, furnishings, equipment, and personal property placed in the Premises by Tenant and all computer, telecommunications or other cabling and wiring installed during the Term of this Lease either by Tenant or by any Tenant Party in the Premises or elsewhere in the Building by or for the benefit of Tenant or any Tenant Party (collectively, the "**Tenant's Property**") shall be removed by Tenant at the expiration of the Term. Tenant shall, at its cost and expense, repair any damage to the Premises or the Building caused by such removal. Any of Tenant's Property not removed from the Premises prior to the Expiration Date shall, at Landlord's option, become the property of Landlord. Landlord may remove such Tenant's Property, and Tenant shall pay to Landlord, Landlord's commercially reasonable cost of removal and of any repairs in connection therewith in accordance with Section 4.4 hereof.

8.5 **Ownership and Removal.** All additions, fixtures and improvements attached to or installed in or upon the Premises by Tenant or by Landlord shall be Landlord's property and shall remain upon the Premises at the termination of this Lease without compensation or allowance or credit to Tenant. Landlord may require at the time of Landlord consent that Tenant, at Tenant's expense, remove any Alterations that, in Landlord's reasonable judgment, are not customarily found in multi-tenant first class office space (such as raised floors, staircases, vaults, libraries, and the like) that have been attached to or installed in the Premises and if Tenant fails to do so, then Landlord may remove the same and, Tenant shall pay to Landlord the cost of such removal and of any repairs for any damage to the Premises or Building in connection therewith. Notwithstanding the foregoing to the contrary, Tenant shall have no obligation to remove (i) any Alterations made under this Lease unless Landlord has conditioned its approval of the same upon such removal at the time it approved Tenant's final plans and specifications for such Alterations, and Landlord has not thereafter rescinded such removal requirement by written notice to Tenant, (ii) any Fourth Floor Premises wiring and/or cabling existing as of the Effective Date, or (iv) any Finish Work; provided, however, that Tenant shall be required in all events to remove any internal stairwells, private bathrooms and showers, raised floors, supplemental HVAC, specialized fire suppression systems, kitchens, bathrooms and showers, and any structural improvements made by Tenant following the Effective Date as Finish Work or Alterations unless otherwise agreed by Landlord in writing.

8.6 **Surrender.** Upon the expiration or sooner termination of the Term, Tenant will quietly and peacefully surrender to Landlord the Premises in good condition, with ordinary wear and tear and damage by fire or other casualty and eminent domain excepted, and otherwise as is required in Article 8. In addition, at such time Tenant shall remove all Hazardous Substances, to the extent that such Hazardous Substance were stored, disposed of, generated or released by Tenant in its use or operation of the Premises and all equipment and materials contaminated or affected by such Hazardous Substances in conformity with the Hazardous Substance laws.

8.7 **Tenant's Failure to Maintain.** If Landlord gives Tenant written notice of the necessity of any repairs or replacements required to be made under Section 8.2 and Tenant fails to commence diligently to cure the same within thirty (30) days thereafter (except that no notice will be required in case of any emergency repair or replacement necessary to prevent substantial damage or deterioration), Landlord, at its option and in addition to any other remedies, may proceed to make such repairs or replacements and the expenses incurred by Landlord in connection therewith plus ten percent (10%) thereof for Landlord's supervision, shall be due and payable from Tenant in accordance with Section 4.4 hereof, as Additional Rent; provided, that, Landlord's making any such repairs or replacements shall not be deemed a waiver of Tenant's default in failing to make the same.

8.8 **Landlord's Failure to Maintain.** If Landlord shall be in default with respect to any Tenant Self-Help Obligation, as hereinafter defined, and should such default continue beyond applicable notice and grace periods, Tenant may, but shall not be obligated so to do, after twenty (20) days' advance written notice (except that, in the case of emergency or imminent threat to the safety of occupants in the Premises or material property damage within the Premises, in which case Tenant shall be required to provide such shorter notice as may be reasonably practicable under the circumstances) to Landlord explicitly setting forth the basis for Tenant's claim of default and specifying that Tenant intends to invoke Tenant's rights under this Section 8.8 ("**Tenant's Self Help Notice**") and with the notice containing the following in bold capital letters, "**FORMAL NOTICE: FAILURE BY LANDLORD TO REMEDY WITHIN TEN (10) DAYS MAY RESULT IN TENANT'S EXERCISE OF TENANT'S SELF HELP OBLIGATIONS UNDER SECTION 8.8 OF THE LEASE**", and without waiving, or releasing Landlord from, any obligations of Landlord in this Lease contained, perform such Tenant Self-Help Obligation after the expiration of such 20 day period in such manner and to such extent as may be reasonably necessary. For the purposes hereof, "**Tenant Self-Help Obligations**" shall be defined as any service, maintenance or repair that Landlord is obligated to provide or perform with respect to the Premises pursuant to Article 6 and Section 8.1 of this Lease, except for any service, maintenance or repair that (a) requires work outside of the Premises, or (b) might adversely affect other tenants or occupants of the Building. Without limiting the foregoing, maintenance and repairs to the roof, structure, common Building systems and the Common Areas shall not be considered to be Tenant Self-Help Obligations. All sums reasonably so incurred and paid by Tenant and all reasonable and necessary costs and expenses of Tenant incidental to Tenant's proper exercise of self-help rights pursuant to this Section 8.8, shall be payable to the Tenant within thirty (30) days of Tenant's furnishing Landlord an invoice therefor, accompanied by reasonable substantiation.

If Landlord fails to reimburse Tenant for the sums paid by Tenant within thirty (30) days of Tenant's invoice (together with supporting documentation), and Landlord has not, within ten (10) business days of its receipt of such invoice, given written notice to Tenant objecting, in good faith on a reasonable basis, to such demand then Tenant shall have the right to offset the amount of such sums demanded by Tenant against the Annual Base Rent payable under this Lease until offset in full. Notwithstanding the foregoing, Tenant shall have no right to reduce any monthly installment of Base Rent by more than ten percent (10%) of the amount of Base Rent that would otherwise have been due and payable by Tenant to Landlord, unless the aggregate amount of such deductions over the remainder of the Term (as the same may have been extended) will be insufficient to fully reimburse Tenant for the amount demanded by Tenant, in which event Tenant may effect such offset by making deductions from each monthly installment of Base Rent payable by Tenant under this Lease in equal monthly amounts which are in excess of such ten percent (10%) amount over the balance of the remainder of the Term. Any dispute by Landlord with respect to Tenant's right to perform self-help hereunder or of any amount by Tenant claimed in a request for reimbursement shall be submitted to arbitration as follows: any arbitration decision under this section shall be enforceable in accordance with applicable Law in any court of proper jurisdiction. Within fifteen (15) days after either party requests arbitration by notice to the other, Landlord and Tenant shall seek to agree to a single arbitrator and, if they are unable to agree, shall each appoint one arbitrator. If either party fails to appoint an arbitrator within the fifteen (15) day period plus an additional ten (10) days after written notice of such failure is delivered by the other party, then the arbitrator appointed by the other party shall be the sole arbitrator to decide the dispute. If each party timely appoints an arbitrator, then a third arbitrator shall, upon request by either party, be appointed by the then President of the Greater Boston Real Estate Board or successor organization, and if such person fails to designate the third arbitrator within fifteen (15) days after request, then either party may request the American Arbitration Association, Boston office, to designate the third arbitrator. The third arbitrator shall be an attorney at a Boston law firm of at least 100 attorneys, which attorney or firm has not been employed or retained by either party (or, if none qualifies, a similarly qualified New York firm) and which attorney is experienced in major commercial office lease disputes. The arbitrator (or a majority of the arbitrators if three) shall decide the dispute by written decision. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association (or any successor organization). The decision of the arbitrator(s) shall be final and binding on the parties. The parties shall comply with any orders of the arbitrator(s) establishing deadlines for any such proceeding. The fee of a single or third arbitrator shall be paid equally by the parties, and if there are three arbitrators, then each party shall pay the arbitrator designated by it. Each party shall pay all other costs incurred by it in connection with the arbitration.

8.9 **Signs.** Landlord, at its sole cost and expense (using "building standard materials"), will initially place (a) identification signs at the interior entrances to the Premises which are consistent with applicable Building standards promulgated by Landlord from time to time, and (b) a listing identifying Tenant in each multi-tenant Building lobby directory. Tenant shall not place or erect any signs, monuments or other structures in or on the Building or Property. Except as expressly permitted in this Lease, Tenant shall not place any signage on the exterior of the Premises nor on the inside of the Premises which are visible from the exterior of the Premises. Tenant shall pay for all costs to change signage as a result of a change in the name of the business occupying the Premises.

As of the date of execution hereof, the monument sign (the "**Monument**") located at the entrance to the Park does not include tenant signage. In the event that office tenants of the Park are granted rights to signage on the Monument, so long as (i) no monetary or material non-monetary Event of Default is continuing beyond applicable notice and cure periods, and (ii) the Premises contain at least 45,000 rentable square feet, and (iii) Tenant subleases no more than thirty-three percent (33%) of the Premises to any person or persons, in the aggregate, other than pursuant to a Permitted Transfer, Tenant shall have the right to install, at Tenant's cost, identification signage of Tenant with Tenant's logo on the Monument, subject to and conditioned upon Landlord's prior approval of the design, size, materials, and manner of affixation (which shall not be unreasonably withheld, conditioned or delayed), compliance with Applicable Laws and to Tenant obtaining all necessary permits and approvals therefor. Any such Tenant sign on the Monument shall be sized to permit three other tenant signs of similar size on the Monument.

Furthermore, so long as (i) no monetary or material non-monetary Event of Default is continuing beyond applicable notice and cure periods, and (ii) the Premises contain at least 45,000 rentable square feet, and (iii) Tenant subleases no more than thirty-three percent (33%) of the Premises to any person or persons, in the aggregate, other than pursuant to a Permitted Transfer, Tenant shall have the right to install, at Tenant's cost, a single identification signage of Tenant with Tenant's logo on the exterior of the Building in a mutually agreeable location within the area shown on Exhibit 8.9 attached hereto and made a part hereof or at another mutually agreeable location, subject to and conditioned upon Landlord's prior approval of the design, size, materials, and manner of affixation (which shall not be unreasonably withheld, conditioned or delayed), compliance with Applicable Laws and to Tenant obtaining all necessary permits and approvals therefor. At the expiration or earlier term of the Lease, Tenant shall remove, and restore any damage caused by such removal, its Monument and exterior signage, if any.

ARTICLE 9 INSURANCE

9.1 **Tenant's Insurance.** Tenant shall, during the Lease Term, procure at its expense and keep in force the following insurance:

(1) Commercial general liability insurance naming the Landlord as an additional insured against any and all claims for bodily injury and property damage occurring in, or about the Premises arising out of Tenant's use and occupancy of the Premises. Such insurance shall have a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence with a Two Million Dollar (\$2,000,000) aggregate limit and excess umbrella liability insurance in the amount of Five Million Dollars (\$5,000,000). Such liability insurance shall be primary and not contributing to any insurance available to Landlord and Landlord's insurance shall be in excess thereto. In no event shall the limits of such insurance be considered as limiting the liability of Tenant under this lease.

(2) Commercial property insurance insuring all equipment, trade fixtures, inventory, fixtures, personal property, stock-in-trade, furniture, fittings, installations, alterations, additions, partitions and fixtures or anything in the nature of a leasehold improvement made or installed by or on behalf of the Tenant (other than the Finish Work), including without limitation any future Alterations, for perils covered by the causes of loss - special form (all risk) and in addition, coverage for flood, wind, earthquake, terrorism and boiler and machinery (if applicable). Such insurance shall be written on a replacement cost basis in an amount equal to one hundred percent (100%) of the full replacement value of the aggregate of the foregoing.

(3) Business interruption and extra expense insurance in such amounts to reimburse Tenant for direct or indirect loss attributable to all perils commonly insured against by prudent tenants or attributable to prevention of access to the Premises or the Building as result of such perils.

(4) Workers' compensation insurance in accordance with statutory law and employers' liability insurance with a limit of not less than \$1,000,000 per accident, \$1,000,000 disease, policy limit and \$1,000,000 disease limit each employee.

(5) Such other insurance as Landlord deems necessary and prudent or required by Landlord's beneficiaries or mortgagees of any deed of trust or mortgage encumbering the Premises.

The policies required to be maintained by Tenant shall be with companies rated A- X or better by A.M. Best. Insurers shall be licensed to do business in the Commonwealth of Massachusetts and domiciled in the USA. Any deductible amounts under any insurance policies required hereunder shall be commercially reasonable. Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Premises and to Landlord as required by this Lease.

9.2 **Delivery of Policies.** Each such insurance policy shall: (a) be provided in form, substance and amounts (where not above stated) satisfactory to Landlord and to Landlord's Mortgagee; (b) specifically include the liability assumed hereunder by Tenant (provided that the amount of such insurance shall not be construed to limit the liability of Tenant hereunder); (c) shall provide that it is primary insurance, and not excess over or contributory with any other valid, existing and applicable insurance in force for or on behalf of Landlord; and (d) provide that Tenant shall, and shall cause insurance companies to endeavor to, provide to Landlord thirty (30) days' written notice prior to any cancellation or change of coverage. Tenant shall deliver policies of such insurance or certificates thereof to Landlord on or before the Commencement Date, and thereafter at least thirty (30) days before the expiration dates of expiring policies. All such insurance certificates shall provide that Landlord, its mortgagees, any ground lessors and Landlord's managing agent shall each be named as an additional insured. In the event Tenant does not purchase the insurance required by this lease or keep the same in full force and effect, Landlord may, but shall not be obligated to purchase the necessary insurance and pay the premium. The Tenant shall repay to Landlord, as additional rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as additional rent, any and all reasonable expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure to Tenant to obtain and maintain such insurance. Tenant's compliance with the provisions of this Article 9 shall in no way limit Tenant's liability under any of the other provisions of this Lease.

9.3 **Increased Insurance Risk.** Tenant shall not do or permit anything to be done, or keep or permit anything to be kept in the Premises, which would: (a) be in violation of any governmental law, regulation or requirement, (b) invalidate or be in conflict with the provision of any fire or other insurance policies covering the Building or any property located therein (Landlord acknowledging that the use of the Premises for the Permitted Use, generally, shall not be deemed to violate the provisions of this clause (b)), (c) result in a refusal by fire insurance companies of good standing to insure the Building or any such property in amounts required by Landlord's Mortgagee (as hereinafter defined) or reasonably satisfactory to Landlord, (d) subject Landlord to any liability or responsibility for injury to any person or property by reason of any business operation being conducted in the Premises, or (e) cause any increase in the fire insurance rates applicable to the Property or property located therein at the beginning of the Term or at any time thereafter. In the event that any use of the Premises by Tenant increases such cost of insurance, Landlord shall give Tenant written notice of such increase and a reasonable opportunity to cure its use to prevent such increase; provided, however, if Tenant fails to do so, Tenant shall pay such increased cost to Landlord in accordance with Section 4.4 hereof. Acceptance of such payment shall not be construed as a consent by Landlord to Tenant's such use, or limit Landlord's remedies under this Lease.

9.4 **Indemnity.**

(A) **Tenant's Indemnity.** Except to the extent arising from (x) the willful misconduct or negligence of Landlord, or any entity or person under the control of Landlord or of Landlord's agents and/or contractors, or (y) Landlord's failure to perform its obligations under this Lease, Tenant agrees to protect, defend (with counsel reasonably approved by Landlord, counsel selected by Tenant's insurer being deemed approved), indemnify and save Landlord, its employees, officers, directors, partners and members, and its lenders, harmless from and against any and all claims, losses and liabilities arising from (i) any occurrence in the Premises during the Term, (ii) any injury to or death of persons or damage to property occurring, or resulting from an occurrence, in the Premises during the Term, or (iii) any willful misconduct or negligence of Tenant or any Tenant Parties. Tenant further agrees to indemnify Landlord and such parties from and against all costs, expenses (including reasonable attorneys' fees) and other liabilities incurred in connection with any such indemnified claim or action or proceeding brought thereon, any and all of which, if reasonably suffered, paid or incurred by Landlord, Tenant shall pay promptly upon demand, within thirty (30) days of Landlord's invoice, to Landlord as Additional Rent.

(B) **Landlord's Indemnity.** Except to the extent arising from the willful misconduct or negligence of Tenant or any entity or person under the control of Tenant or any Tenant Party, Landlord agrees to protect, defend (with counsel reasonably approved by Tenant, counsel selected by Landlord's insurer being deemed approved), indemnify and save Tenant, its employees, officers, directors, partners and members, and its lenders, harmless from and against any and all claims, losses and liabilities arising from any injury to or death of persons or damage to property resulting from the negligence or willful misconduct of Landlord or any entity or person under the control of Landlord or of Landlord's agents and/or contractors in the Common Areas of the Building, Property and/or Park during the Term. Landlord further agrees to indemnify Tenant from and against all costs, expenses (including reasonable attorneys' fees) and other liabilities incurred in connection with any such indemnified claim or action or proceeding brought thereon, any and all of which, if reasonably suffered, paid or incurred by Tenant, Landlord shall pay promptly upon demand, within thirty (30) days of Tenant's invoice.

(C) **Survivability; Waiver of Subrogation; Prompt Notice.** The provisions of both paragraphs (A) and (B) of this Section 9.4 shall survive the expiration or termination of this Lease with respect to matters and occurrences which occurred during the Term of this Lease prior to the expiration or sooner termination of this Lease. The provisions of both paragraphs (A) and (B) of this Section 9.4 are subject to the provisions of Section 9.6 (Waiver of Subrogation) hereof. It is a condition of both paragraphs (A) and (B) of this Section 9.4 that each party receive reasonably prompt notice of any claim against it under paragraph (A) or (B) of this Section 9.4, as applicable.

9.5 **Tenant's Use and Occupancy.** To the maximum extent permitted pursuant to Applicable Laws, Tenant's use and occupancy of the Premises and the Property and use by all Tenant Parties, and all Tenant's and said parties' furnishings, fixtures, equipment, improvements, materials, supplies, inventory, effects and property of every kind, nature and description which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be in, on or about the Premises, shall be at Tenant's and said parties' sole risk and hazard. To the maximum extent permitted pursuant to Applicable Laws, Landlord shall not be liable to Tenant or any other party for injury to or death of any person or damage to or destruction of any property in, on or about the Premises, nor for any interruption in Tenant's use of the Premises or the conduct of its business therein, nor for any other losses, damages, costs, expenses or liabilities whatsoever, including without limitation where caused by fire, water, explosion, collapse, the leakage or bursting of water, steam, or other pipes, any environmental or other condition in, on, or about the Premises, or any other event, occurrence, condition or cause. It is Tenant's responsibility to maintain insurance against any such loss or casualty.

9.6 **Waiver of Subrogation Rights.**

9.6.1 **Mutual Waiver.** Landlord and Tenant hereby agree and hereby waive any and all rights of recovery against each other for loss or damage occurring to the Premises or the Property or any of Landlord's or Tenant's property contained therein regardless of the cause of such loss or damage to the extent that the loss or damage is covered by the injured party's insurance or the insurance the injured party is required to carry under this Lease, whichever is greater (without regard to any deductible provision in any policy). This waiver does not apply to claims caused by a party's willful misconduct. This waiver also applies to each party's directors, officers, employees, shareholders, and agents.

9.6.2 **Insurance Policy Coverage.** Each party will assure that its insurance permits waiver of liability and contains a waiver of subrogation. Each party shall secure an appropriate clause in, or an endorsement to, each insurance policy obtained by or required to be obtained by Landlord or Tenant, as the case may be, under this Lease, pursuant to which the insurance company: (a) waives any right of subrogation against Landlord or Tenant as the same may be applicable, or (b) permits Landlord or Tenant, prior to any loss to agree to waive any claim it might have against the other without invalidating the coverage under the insurance policy. If, at any time, the insurance carrier of either party refuses to write (and no other insurance carrier licensed in Massachusetts will write) insurance policies which consent to or permit such release of liability, then such party shall notify the other party and upon the giving of such notice, this Section shall be void and of no effect.

9.7 **Landlord's Insurance.** Landlord shall, during the Lease Term, procure at its expense and keep in force the following insurance:

(1) property insurance for the Building and the Premises, including the Finish Work in the Premises, equal to the full replacement value (excluding personal property required to be insured by Tenant and any future Alterations), less a commercially reasonable deductible if Landlord so chooses; and

(2) commercial general liability insurance in an amount of not less than \$2,000,000 or such larger amount as is required to be maintained by Landlord's mortgagee, with a combined single limit of not less than One Million Dollars (\$1,000,000) per occurrence with a Two Million Dollar (\$2,000,000) aggregate limit, and excess umbrella liability insurance in the amount of Five Million Dollars (\$5,000,000).

Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary.

9.8 **Additional Provisions.** Landlord and Tenant shall have the right to maintain reasonable "deductibles" with respect to any insurance required to be carried pursuant to this Lease. Either Landlord or Tenant may provide any insurance coverage it is required to maintain under one or more of its general blanket policies of insurance or its excess liability policies on a so-called "following form" basis. Tenant may self-insure the plate glass coverage required above. Tenant shall use commercially reasonable efforts to obtain insurance policies that provide that they shall not be cancelled or modified in any material respect without at least thirty (30) days prior written notice to Landlord.

ARTICLE 10 CASUALTY

10.1 **Damage or Destruction.**

10.1.1 **Landlord's Repair Obligation.** Tenant shall give prompt notice to Landlord of any damage by fire or other casualty (a "**Casualty**") to the Premises or any portion thereof. During the sixty (60) day period following the occurrence of a Casualty (the "**Notice Period**"), Landlord will notify Tenant (a "**Restoration Estimate**") of Landlord's estimate of the period of time required to complete the restoration work based on a good faith estimate from a qualified contractor selected by Landlord. In the event that the Premises, or any part thereof, or access thereto, shall be so damaged or destroyed by fire or other insured Casualty that the Tenant shall not have reasonably convenient access to the Premises or any portion of the Premises shall thereby be otherwise rendered unfit for use and occupancy by the Tenant for the purposes set forth in Section 7.1, and if, according to the Restoration Estimate, the damage or destruction may be repaired within twelve (12) months with available insurance proceeds, then Landlord shall so notify Tenant and shall repair such damage or destruction as provided in Section 10.4 hereof with reasonable diligence, subject to the limitations, if any, of Applicable Laws. If the Restoration Estimate sets forth that the Premises, or means of access thereto, cannot be repaired within twelve (12) months after the elapse of the Notice Period with available insurance proceeds, then either party shall have the right to terminate the Term of this Lease by giving written notice of such termination to the other party within sixty (60) days after the giving of the Restoration Estimate. If the reconstruction period in the Restoration Estimate is more than twelve (12) months and neither party terminates this Lease on account thereof, Landlord shall repair such damage or destruction as provided in Section 10.4 hereof subject to the limitations, if any, of Applicable Laws and Force Majeure.

10.1.2 **Failure to Complete Repairs; Rights of Termination.** If Landlord is obligated, or elects to repair the damage to the Premises, and fails to substantially complete the repairs within the period of time required or permitted by this Section 10.1 (as the same may be reasonably extended due to any delay caused by Force Majeure) (the "**Reconstruction Period**") then Tenant shall have the right to terminate this Lease by delivery of written notice to Landlord not later than thirty (30) days following the end of the Reconstruction Period (provided that such notice shall be of no force and effect if such restoration is completed within such 30-day period).

10.2 **Abatement of Rent.** Base Rent and Additional Rent shall not be abated or suspended if, following any Casualty, Tenant shall continue to have reasonably convenient access to the Premises and the Premises are not rendered unfit for use and occupancy, or if Landlord provides Tenant temporary premises within the Building substantially similar in size to the Premises or any portion of the Premises affected by such Casualty. If Tenant shall not have reasonably convenient access to the Premises or any portion of the Premises shall be otherwise rendered unfit for use and occupancy by the Tenant for the purposes set forth in Section 7.1 by reason of such Casualty, and in the event that Landlord does not provide temporary premises within the Building substantially similar in size to the Premises or the affected portion of the Premises, then Base Rent and Additional Rent for Operating Expenses and Taxes shall be equitably suspended or abated relative to the portion of the Premises that cannot be used by Tenant for any of its business operations, effective as of the date of the Casualty until Landlord has (a) substantially completed the repair of the Premises and the means of access thereto, and (b) has delivered notice thereof to Tenant.

10.3 **Events of Termination.** Notwithstanding the provisions of this Article 10, if, prior to or during the Term the Building shall be so damaged by Casualty that, in Landlord's reasonable estimate, the cost to repair the damage will be more than thirty-five percent (35%) of the replacement value of the Building immediately prior to the occurrence of the Casualty (whether or not the Premises shall have been damaged or rendered untenable), then, in any of such events, Landlord, may give to Tenant, within ninety (90) days after such Casualty, a thirty (30) days' notice of the termination of this Lease and, in the event such notice is given, this Lease and the term shall terminate upon the expiration of such thirty (30) days with the same effect as if such date were the Expiration Date. If more than twenty-five percent (25%) of the gross rentable area of the Premises shall be wholly or substantially damaged or destroyed by Casualty at any time during the last year of the Term, and the restoration period set forth in the Restoration Estimate is greater than one half (1/2) of the then-remaining Term, then either Landlord or Tenant may terminate this Lease by delivery of written notice of such termination to the other party within thirty (30) days after the occurrence of such damage.

10.4 **Scope of Landlord's Repairs.** In the event Landlord elects or shall be obligated to repair or restore any damage or destruction to the Premises pursuant to this Article 10, Landlord shall not be obligated to restore or replace Tenant's Property or Tenant's Alterations. No damages, compensation or claim shall be payable by the Landlord to Tenant, or any other person, by reason of inconvenience, loss of business or annoyance arising from any damage or destruction, or any repair thereof, as is referred to in this Article 10.

10.5 **Additional Provisions.** (a) Any right of Landlord to terminate the Lease on account of fire or other casualty, as provided above, shall be subject to Landlord contemporaneously terminating the leases of all of the occupants of the portion(s) of the Building whose premises are likewise so affected to the extent that Landlord has the right to terminate such leases pursuant to the terms thereof.

(b) Tenant shall have a right to terminate this Lease if the Premises or access to the Premises or the Building, shall be damaged by fire or other casualty and Landlord fails to commence the design and restoration thereof within sixty (60) days after the adjustment of insurance claims resulting from such fire or other casualty, or Landlord fails to complete the restoration thereof within the longer of (x) the period set forth in the Restoration Estimate or (y) twelve (12) months, plus an additional period equal to 20% of such longer period (the "**Outside Restoration Period**"). Any such notice to terminate by Tenant shall be given by Tenant within thirty (30) days following the expiration of the applicable period and shall be of no force and effect if Landlord commences such restoration or completes such restoration, as applicable, within thirty (30) days following receipt of Tenant's notice. Following Landlord's commencement of such restoration, Landlord shall diligently and continuously prosecute the same.

ARTICLE 11 CONDEMNATION

11.1 **Entire Condemnation.** In the event that the whole of the Premises shall be taken under the power of eminent domain or by any proceeding for taking for public or quasi-public use (a "**Condemnation**"), this Lease and the term and estate hereby granted shall automatically terminate as of the earlier of the date of the vesting of title or the date of dispossession of Tenant as a result of such taking.

11.2 **Partial Condemnation.**

11.2.1 **Effect of Partial Condemnation.** In the event that only a part of the Premises shall be taken by Condemnation and the remaining Premises are suitable for general office use without material interference with Tenant's business operations and Tenant shall have reasonable, convenient access to and from the Premises, the Term shall expire as to that portion of the Premises condemned effective as of the date of the vesting of title in the condemning authority, and this Lease shall continue in full force and effect as to the part of the Premises not so taken. In the event of a partial Condemnation of the Premises which results in a lack of reasonable, convenient access to and from the Premises or which results in insufficient space for Tenant to carry on its business without material interference with its business, Tenant shall have the right to terminate this Lease if Landlord cannot relocate Tenant to comparable space elsewhere in the Building following the effective date of the Condemnation.

11.2.2 **Landlord's Option to Terminate.** In the event that a part of the Property shall be subject to Condemnation (whether or not the Premises are affected), Landlord may, at its option, terminate this Lease as of the date of such vesting of title, by notifying Tenant in writing of such termination within ninety (90) days following the date on which Landlord shall have received notice of the vesting of title in the condemning authority if in Landlord's reasonable opinion: (a) a substantial alteration or reconstruction of the Property (or any portion thereof) shall be necessary or appropriate, or (b) the portion of the Property so condemned has the effect of rendering the remainder of the Property uneconomic to maintain.

11.2.3 **Landlord's Repair Obligations.** In the event that this Lease is not terminated in accordance with Section 11.2.2 hereof, Landlord shall, upon receipt of the award in condemnation, make all necessary repairs or alterations to the Building in which the Premises are located so as to constitute the remaining Premises a complete architectural unit to the extent feasible and permitted by Applicable Laws, but Landlord shall not be required to spend for such work an amount in excess of the amount received by Landlord as damages for the part of the Premises so taken. "Amount received by Landlord" shall mean that part of the award in condemnation which is free and clear to Landlord of any collection by Mortgagees and after payment of all costs involved in collection, including but not limited to attorney's fees. Tenant, at its own cost and expense shall, restore all exterior signs, trade fixtures, equipment, furniture, furnishings and other installations of personalty of Tenant which are not taken to as near its former condition as the circumstances will permit. In the event of a partial taking, all provisions of this Lease shall remain in full force and effect.

11.3 **Temporary Taking.** If there is a taking of the Premises for temporary use arising out of a temporary emergency or other temporary situation, this Lease shall continue in full force and effect, and Tenant shall continue to comply with Tenant's obligations under this Lease, except to the extent compliance shall be rendered impossible or impracticable by reason of the taking, and Tenant shall be entitled to the award for its leasehold interest.

11.4 **Condemnation Awards.** Except as provided in the preceding Section 11.3, Landlord shall be entitled to the entire award in any condemnation proceeding or other proceeding for taking for public or quasi-public use, including, without limitation, any award made for the value of the leasehold estate created by this Lease. No award for any partial or entire taking shall be apportioned, and Tenant hereby assigns to Landlord any award that may be made in such condemnation or other taking, together with any and all rights of Tenant now or hereafter arising in or to same or any part thereof; provided, however, that nothing contained herein shall be deemed to give Landlord any interest in or to require Tenant to assign to Landlord any award made to Tenant specifically for its relocation expenses or the taking of Tenant's Property, provided that such award does not diminish or reduce the amount of the award payable to Landlord.

11.5 **Proration.** In the event of a partial condemnation or other taking that does not result in a termination of this Lease as to the entire Premises, then the Base Rent and Tenant's Share shall be adjusted in proportion to that portion of the Premises taken by such condemnation or other taking.

ARTICLE 12 ASSIGNMENT AND SUBLETTING

12.1 **Assignment and Subletting.** Tenant shall not assign, mortgage, encumber or otherwise transfer this Lease or any interest herein directly or indirectly, by operation of law or otherwise, or sublet the Premises or any part thereof, or permit the use or occupancy of any portion of the Premises by any party other than Tenant (any such action, a "**Transfer**"). If at any time or from time to time during the Term, when no Event of Default has occurred and is continuing, Tenant desires to effect a Transfer, Tenant shall deliver to Landlord written notice ("**Transfer Notice**") setting forth the terms of the proposed Transfer and the identity of the proposed assignee, sublessee or other transferee (each a "**Transferee**"). Tenant shall also deliver to Landlord with the Transfer Notice an acceptable assumption agreement for Tenant's obligations under this Lease (in the case where the Transfer is a proposed assignment of this Lease) together with all relevant information requested by Landlord concerning the proposed Transferee to assist Landlord in making an informed judgment regarding the financial responsibility, creditworthiness, reputation, and business experience of the Transferee. The provisions of this Section 12.1 shall apply to a Transfer (by one or more Transfers) of a controlling portion of or interest in the stock or partnership or membership interests or other evidences of equity interests of Tenant as if such Transfer were an assignment of this Lease; provided that if equity interests in Tenant at any time are or become traded on a public stock exchange, the transfer of equity interests in Tenant on a public stock exchange shall not be deemed an assignment within the meaning of this Section 12.1.

Notwithstanding the foregoing, Landlord shall not unreasonably withhold, condition or delay its consent to an assignment of this Lease or a sublet of the Premises, provided that (a) Tenant shall deliver to Landlord at least thirty (30) days' prior written notice of such proposed Transfer together with such related information as Landlord shall reasonably request; (b) no Event of Default under this Lease shall have occurred and be continuing; (c) the financial worth and creditworthiness of the proposed transferee (if an assignment or a sublet of more than fifty percent (50%) of the Premises) shall not be less than \$35,000,000.00 and Landlord has been provided with financial statements or evidence of the same that is reasonably satisfactory to Landlord; (d) Tenant shall remain fully liable under this Lease and the transferee shall be jointly and severally liable with Tenant for all such obligations; (e) the Premises shall continue to be used for uses permitted under Section 7.1 of the Lease; (f) the proposed transferee shall not be a governmental agency, and (g) such transferee shall agree directly with Landlord to be bound by all of the obligations of Tenant hereunder pursuant to an assumption agreement satisfactory to Landlord, including, without limitation, the obligation to pay all Rent and other charges due under this Lease.

12.2 **Landlord's Options.** Landlord shall have the option, exercisable by written notice delivered to Tenant within thirty (30) days after Landlord's receipt of a Transfer Notice accompanied by the other information described in Section 12.1, to: (a) permit Tenant to effectuate the requested Transfer; or (b) disapprove the Tenant's requested Transfer and to continue the Lease in full force and effect as to the entire Premises; or (c) in the event that any such Transfer is an assignment of the Lease or a sublet of fifty percent (50%) or more of the rentable square footage of the Premises, terminate the entire Lease or, at Landlord's election with respect to a sublet, solely with respect to the portion of the Premises affected by such sublet as of the date set forth in Landlord's notice of exercise of such option, which date shall not be less than thirty (30) days nor more than ninety (90) days following the giving of such notice ("**Landlord's Recapture Right**"). Notwithstanding anything contained herein to the contrary, any purported exercise by Landlord of its right hereunder to so take back the Premises shall be ineffective if, within five (5) business days after delivery of notice from Landlord that Landlord intends to exercise such Landlord's Recapture Right, Tenant delivers written notice to Landlord withdrawing the proposed assignment or sublease. If Landlord approves of the proposed Transfer, Tenant may enter into the proposed Transfer with such proposed Transferee subject to the following conditions: (i) the Transfer shall be on the same terms set forth in the Transfer Notice; and (ii) no Transfer shall be valid and no Transferee shall take possession of the Premises until an executed counterpart of the assignment, sublease or other instrument effecting the Transfer (in the form approved by Landlord) has been delivered to Landlord pursuant to which the Transferee shall expressly assume all of Tenant's obligations under this Lease.

If Landlord exercises its option to terminate this Lease (or elects in the case of a sublease to terminate the Lease with respect to the sublet portion of the Premises), Tenant shall surrender possession of such Premises on the date set forth in Landlord's notice, and thereafter neither Landlord nor Tenant shall have any further liability with respect thereto. If this Lease shall be terminated as to a portion of the Premises only, Rent and Tenant's parking allocation shall be readjusted proportionately according to the ratio that the number of square feet and the portion of the space surrendered compares to the floor area of Tenant's Premises during the Term of the proposed sublet. The provisions of this Section 12.2 allowing Landlord to terminate the Lease by reason of any proposed Transfer shall not be applicable in any case of a Permitted Transfer.

12.3 **Additional Conditions.** Tenant shall not offer to make, or enter into negotiations with respect to any Transfer to: (a) any tenant of the Building or any entity owned by, or under the common control of, whether directly or indirectly, a tenant in the Building unless there is no "competing space" then available for leases therein (meaning for these purposes available space containing rentable square footage that is not less than 90% or more than 110% of the rentable square footage that Tenant wishes to sublease); or (b) if Landlord is then the owner of Burlington Centre, any tenant of Burlington Centre or any entity owned by, or under the common control of, whether directly or indirectly, a tenant in Burlington Centre unless there is no "competing space" then available for leases therein (meaning for these purposes available space containing rentable square footage that is not less than 90% or more than 110% of the rentable square footage that Tenant wishes to sublease); or (c) any bona fide prospective tenant with whom Landlord is then negotiating with respect to other space in the Building or if Landlord is then the owner of Burlington Centre, any bona fide prospective tenant with whom Landlord is then negotiating with respect to space in Burlington Centre; or (d) any party which would be of such type, character, or condition as to be inappropriate as a tenant for the Building. It shall not be unreasonable for Landlord to disapprove any proposed assignment, sublet or transfer to any of the foregoing entities or to an entity that does not have sufficient financial strength to meet its obligations under such assignment, sublet or transfer. Tenant agrees not to publicly list or advertise the Premises for assignment or sublease, whether through a broker, agent or representative, or otherwise at a full service rental rate which is less than Landlord's current rate in the Building for new tenants (nothing herein being deemed to prohibit Tenant from listing the Premises for sublet with rates available upon request).

12.4 **No Release.** Landlord's consent to a Transfer shall not release Tenant of Tenant's obligations under this Lease and this Lease and all of the obligations of Tenant under this Lease shall continue in full force and effect as the obligations of a principal (and not as the obligations of a guarantor or surety) except in the event of statutory transfers, or mergers, where the Tenant originally named herein is merged out of existence, provided that the successor to the Tenant originally named herein shall meet the requirements set forth above below for a Business Transferee. From and after any Transfer, the Lease obligations of the Transferee and of the original Tenant named in this Lease shall be joint and several (except in the event of statutory transfers, or mergers, where the Tenant originally named herein is merged out of existence, provided that the successor to the Tenant originally named herein shall meet the requirements set forth above below for a Business Transferee). No acceptance of Rent by Landlord from or recognition in any way of the occupancy of the Premises by a Transferee shall be deemed a consent to such Transfer, or a release of Tenant from direct and primary liability for the further performance of Tenant's covenants hereunder. The consent by Landlord to a particular Transfer shall not relieve Tenant from the requirement of obtaining the consent of Landlord to any further Transfer. Each violation of any of the covenants, agreements, terms or conditions of this Lease, whether by act or omission, by any of Tenant's permitted Transferees, shall constitute a violation thereof by Tenant. In the event of default by any Transferee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such Transferee or successor.

12.5 **Transfer Profit.** Tenant shall pay to Landlord, as Additional Rent, an amount (the "Transfer Profit") equal to fifty percent (50%) of any rent and other economic consideration (meaning consideration other than amounts and consideration fairly allocated to Tenant's property, Tenant's equity or stock, shares or ownership interests, Tenant's goodwill, Tenant's fixtures, leasehold improvements, inventory, intellectual property and/or consideration fairly allocated in the transaction as not being for rents) received by Tenant as a result of any Transfer which exceeds, in the aggregate: (a) the total of the remaining rent which Tenant is obligated to pay Landlord under this Lease (prorated to reflect obligations allocable to any portion of the Premises subleased) plus (b) any reasonable tenant fit-up costs, rent

concessions, brokerage commissions and attorneys' fees actually paid by Tenant in connection with such Transfer amortized on a straight-line basis over the term of the Transfer (specifically excluding moving or relocation costs paid to the Transferee). Tenant shall pay such Transfer Profit to Landlord on a monthly basis within ten (10) days after receipt thereof, without affecting or reducing any other obligations of Tenant hereunder. Each such payment shall be sent with a detailed statement. Landlord shall have the right to audit Tenant's books and records to verify the accuracy of the detailed statement.

12.6 **Permitted Transfers.** Notwithstanding the provisions of Section 12.1, Section 12.2, Section 12.3, Section 12.4, and Section 12.5, above, provided no monetary or material non-monetary Event of Default shall have occurred or be continuing, then Tenant shall have the right to assign this Lease or sublet all or a portion of the Premises, or otherwise grant occupancy rights in the Premises, without Landlord's consent (a "**Permitted Transfer**"), but with no less than twenty (20) days' prior notice to Landlord (unless if a transfer to a Business Transferee is confidential, then as soon as is reasonably possible, but in no event later than twenty (20) days after such transaction), to (any of the following, a "**Permitted Transferee**") (i) any person or entity that as of the date of determination and at all times thereafter directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Tenant or any entity of which Tenant is a wholly owned subsidiary (herein an "**Affiliate Transferee**"), or (ii) any entity into or with which Tenant is merged or consolidated, or to which all or substantially all of Tenant's assets are transferred as an entity sale or otherwise (any of the foregoing, a "**Business Transferee**"); provided, however, that in any such event: (i) use of the portion(s) of the Premises to be Transferred shall be permitted under Section 7.1; (ii) in the event of an assignment of the Lease or a sublet of more than 75% of the Premises, the assignee or subtenant shall have a net worth of not less than \$35,000,000.00 and Landlord has been provided with financial statements or evidence of the same that is reasonably satisfactory to Landlord; (iii) any such assignment shall be for an independent business purpose and not a means to circumvent the provisions of this Article 12, and (iv) the purpose or result of such Transfer shall not be to liquidate or substantially reduce the net worth of Tenant or such assignee. For the purposes of this Section 12.6, the term "control" shall mean the direct or indirect ownership of 50% or more of an entity and the ability to control the day-to-day operations of such entity whether through the board of directors or otherwise.

ARTICLE 13 DEFAULTS AND REMEDIES

13.1 **Events of Default.** The occurrence of any one or more of the following events shall constitute an event of default (each an "**Event of Default**") hereunder:

13.1.1 **Nonpayment of Base Rent or Additional Rent.** Failure by Tenant to pay any installment of Base Rent, Additional Rent or any other amount, deposit, reimbursement or sum due and payable hereunder, upon the date when said payment is due and such failure to pay such Rent shall continue for more than five (5) days after the giving of written notice to Tenant from Landlord specifying the amount of unpaid Rent; provided, however, that Landlord shall only be required to give Tenant two (2) written notices with respect to Tenant's non-payment on a due date during each calendar year with respect to (i) monthly Base Rent and (ii) regular recurring monthly estimates of Additional Rent for Operating Expenses and Taxes, and upon the third late payment during any calendar year with respect to (i) monthly Base Rent and/or (ii) regular recurring monthly estimates of Additional Rent for Operating Expenses and/or Taxes, no written notice need be again given by Landlord to Tenant during such calendar year and thereafter during such calendar year, non-payment on a due date of (i) monthly Base Rent and/or (ii) regular recurring monthly estimates of Additional Rent for Operating Expenses and Taxes shall be an immediate Event of Default, as Landlord shall not be obligated to give further notice to Tenant as to its non-payment on a due date of (i) monthly Base Rent and (ii) regular recurring monthly estimates of Additional Rent for Operating Expenses and Taxes during such calendar year.

13.1.2 **Certain Obligations.** Failure by Tenant to perform, observe or comply with any material non-monetary obligation contained in Section 4.6 ("**Security Deposit**"), Section 7.5 ("**No Liens**") and Article 12 ("**Assignment and Subletting**") of this Lease and such failure(s) are not cured by Tenant within three (3) business days following Landlord's written notice to Tenant specifying such failure.

13.1.3 Other Obligations. Failure by Tenant to perform any non-monetary obligation, agreement or covenant under this Lease other than those matters specified in Section 13.1.2, and such failure continues for thirty (30) days after written notice by Landlord to Tenant of such failure; *provided, however*, that if the nature of Tenant's obligation is such that more than thirty (30) days are required for performance, then Tenant shall not be in default if Tenant commences performance within such thirty (30)-day period and thereafter diligently and continuously prosecutes the same to completion within sixty (60) days following the date of Landlord's written notice with respect to such failure.

13.1.4 Assignment; Receivership; Attachment. (a) The making by Tenant of any arrangement or assignment for the benefit of creditors; (b) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or (iii) the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

13.1.5 Bankruptcy. The admission by Tenant in writing of its inability to pay its debts as they become due, the filing by Tenant of a petition in bankruptcy seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within forty-five (45) days after the commencement of any proceeding against Tenant seeking any involuntary reorganization, or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation by any of Tenant's creditors, such proceeding shall not have been dismissed.

13.2 Remedies. If an Event of Default occurs, Landlord shall have the following rights and remedies, in addition to any and all other rights or remedies available to Landlord in law or equity:

13.2.1 Notice to Quit. Landlord shall have the right to deliver written notice to Tenant to quit possession and occupancy of the Premises and to declare the Lease terminated. Upon Landlord's termination of this Lease, Tenant shall quit and peaceably surrender the Premises, and all portions thereof, to Landlord, and Landlord shall have the right to receive all rental and other income of and from the same.

13.2.2 Right of Re-Entry. Landlord shall have the right, with or without terminating this Lease, to re-enter the Premises and take possession thereof by summary proceeding, eviction, ejectment or otherwise and may dispossess all other persons and property from the Premises. Tenant's property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. No re-entry or taking possession of the Premises by Landlord pursuant to this Section 13.2.2 shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant or unless the termination thereof is decreed by a court of competent jurisdiction. Tenant thereby waives all statutory rights, including without limitation the right to a notice to quit, notice before exercise of any prejudgment remedy, and any rights of redemption, all to the extent such rights may be lawfully waived.

13.2.3 Recovery of Rent and Damages. Landlord shall have the right to recover from Tenant all loss of Rent and other payments that Landlord may incur by reason of termination of the Lease, including, without limitation: (a) all Rent and other sums due and payable by Tenant as of the date of termination; (b) all Rent that would otherwise be payable for the remainder of the Term in accordance with the terms of this Lease; (c) all of Landlord's then unamortized costs of special inducements provided to Tenant (including without limitation rent concessions, tenant construction allowances, rent waivers, above building standard leasehold improvements, and the like); (d) the costs of collecting amounts due from Tenant under the Lease and the costs of recovering possession of the Premises (including attorneys' fees and litigation costs); (e) the costs of curing Tenant's defaults existing at or prior to the date of termination; (f) all "**Reletting Expenses**" (as defined below); and (g) all Landlord's other reasonable expenditures arising from the termination. Tenant shall indemnify, defend, and hold harmless Landlord for any damages

sustained by Landlord, including any lost Rents and other payments, and any such Reletting Expenses incurred by Landlord, and the same shall be due and payable immediately from time to time upon notice from Landlord, without regard to whether the expense or damage was incurred before or after the termination.

13.2.4 Acceleration of Future Rentals. Following termination of this Lease, Landlord, at its election, may demand to be indemnified for its loss of Rent (with respect to the period following such termination) by a lump sum payment representing the then present value of the amount of Rent that would have been paid in accordance with this Lease for the remainder of the Term minus the then present value of the aggregate fair market rent and additional charges payable for the Premises for the remainder of the Term (if less than the Rent payable hereunder) estimated as of the date of termination, and taking into account Landlord's reasonable projections of vacancy and time required to re-lease the Premises. Landlord shall be entitled to recover from Tenant, and Tenant shall pay to Landlord, on demand, such amount as liquidated damages for Landlord's termination of this Lease on account of Tenant's default with respect to the Rents payable for the remainder of the Term as described above. In the computation of present value, a discount at the then market discount rate as reasonably determined by Landlord shall be employed.

13.2.5 Rents Due After Re-Entry by Landlord. If Landlord re-enters or otherwise takes possession of the Premises without terminating this Lease (but terminating only Tenant's right of possession in the Premises), then the Lease and Tenant's liabilities and obligations thereunder shall survive such action. In the event of any such termination of Tenant's right of possession, whether or not the Premises, or any portion thereof, shall have been relet, Tenant shall pay the Landlord a sum equal to the Rent and any other charges required to be paid by Tenant up to the time of such termination of such right of possession and thereafter Tenant, until the end of the Term, shall be liable to Landlord for and shall pay to Landlord: (a) the equivalent of the amount of the Rent payable under this Lease, less (b) the net proceeds of any reletting effected pursuant to the provisions hereof after deducting all of Landlord's Reletting Expenses. Tenant shall pay such amounts in accordance with the terms of this Section 13.2.5 as set forth in a written statement thereof from Landlord to Tenant (the "**Deficiency**") to Landlord in monthly installments on the days on which the Base Rent is payable under this Lease, and Landlord shall be entitled to recover from Tenant each monthly installment of the Deficiency as the same shall arise. Tenant shall also pay to Landlord upon demand the costs incurred by Landlord in curing Tenant's defaults existing at or prior to the date of such termination, the cost of recovering possession of the Premises and the Reletting Expenses. Tenant agrees that Landlord may file suit to recover any sums that become due under the terms of this Section from time to time, and all reasonable costs and expenses of Landlord, including attorneys' fees and costs incurred in connection with such suits shall be payable by Tenant on demand.

13.2.6 Certain Terms Defined. For purposes of this Section 13.2.6, "**Reletting Alterations**" shall mean all repairs, changes, improvements, alterations or additions made by Landlord in or to the Premises to the extent deemed reasonably necessary by Landlord to prepare the Premises for the re-leasing following an Event of Default; and "**Reletting Expenses**" shall mean the reasonable expenses paid or incurred by Landlord in connection with any re-leasing of the Premises following an Event of Default, including, without limitation, marketing expenses, brokerage commissions, attorneys' fees, the costs of Reletting Alterations, tenant allowances and other economic concessions provided to the new tenant.

13.3 Landlord's Right to Cure Defaults. If the Tenant shall default in the observance or performance of any condition or covenant on Tenant's part to be observed or performed under or by virtue of any of the provisions of this Lease, and such default continues beyond any applicable notice and cure period or Landlord reasonably determines that an emergency exists, the Landlord, without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of the Tenant. If the Landlord makes any expenditures or incurs any obligations for the payment of money in connection therewith, including but not limited to reasonable attorney's fees in instituting, prosecuting or defending any action or proceeding, such sums paid or obligation incurred and costs, shall be paid upon demand to the Landlord by the Tenant as Additional Rent pursuant to Section 4.4 hereof and if not so paid with interest from its due date until paid at the lesser of eighteen percent (18%) per annum or the maximum legal rate that Landlord may charge Tenant.

13.4 **Disposition of Tenant's Property.** In addition to Landlord's rights under Section 8.4 hereof, Landlord shall have the right to handle, remove, discard or store in a commercial warehouse or otherwise, at Tenant's sole risk and expense, any of Tenant's Property that is not removed by Tenant at the end of the Term. Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay to Landlord, upon demand, any and all expenses incurred in such removal and all storage charges for such property so long as the same shall be in Landlord's possession or under Landlord's control.

13.5 **Reletting.** In connection with any reletting of the Premises following an Event of Default, Landlord shall be entitled to grant such rental and economic concessions and other incentives as may be customary for similar space in the greater Burlington area. Subject to applicable law, Landlord shall not be required to accept any tenant offered by Tenant or observe any instruction given by Tenant about such reletting or do any act or exercise any care or diligence with respect to such reletting or to the mitigation of damages.

13.6 **No Accord and Satisfaction.** Landlord may collect and receive any rent due from Tenant, and the payment thereof shall not constitute a waiver of or affect any notice or demand given, suit instituted or judgment obtained by Landlord, or be held to waive, affect, change, modify or alter the rights or remedies that Landlord has against Tenant in equity, at law, or by virtue of this Lease. No receipt or acceptance by Landlord from Tenant of less than the monthly rent herein stipulated shall be deemed to be other than a partial payment on account for any due and unpaid stipulated rent; no endorsement or statement on any check or any letter or other writing accompanying any check or payment of rent to Landlord shall be deemed an accord and satisfaction, and Landlord may accept and negotiate such check or payment without prejudice to Landlord's rights to (a) recover the remaining balance of such unpaid rent, or (b) pursue any other remedy provided in this Lease.

13.7 **Claims in Bankruptcy.** Nothing herein shall limit or prejudice the right of Landlord to prove and obtain in proceeding for bankruptcy, insolvency, arrangement or reorganization by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount is greater, equal to or less than the amount of the loss or damage that Landlord has suffered. Without limiting any of the provisions of this Article 13, if pursuant to the Bankruptcy Code, as the same may be amended, Tenant is permitted to assign this Lease in disregard of the restrictions contained in Article 12, Tenant agrees that adequate assurance of future performance by the assignee permitted under the Bankruptcy Code shall mean the deposit of cash security with Landlord in any amount equal to all Rent payable under this Lease for the calendar year preceding the year in which such assignment is intended to become effective, which deposit shall be held by Landlord, without interest, for the balance of the term as security for the full and faithful performance of all of the obligations under this Lease on the part of Tenant yet to be performed. If Tenant receives or is to receive any valuable consideration for such an assignment of this Lease, such consideration, after deducting therefrom (a) the brokerage commissions, if any, and other expenses reasonably designated by the assignee as paid for the purchase of Tenant's property in the Premises, shall be and become the sole exclusive property of Landlord and shall be paid over to Landlord directly by such assignee. In addition, adequate assurance shall mean that any such assignee of this Lease shall have a net worth indicating said assignee's reasonable ability to pay the Rent, and abide by the terms of this Lease for the remaining portion thereof applying commercially reasonable standards.

13.8 **Arbitration.** Any dispute arising out of or relating to the results of an audit of Operating Expenses by Tenant under Section 5.5.2 of this Lease shall be submitted to and determined in binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall be conducted before and by a single arbitrator selected by the parties. If the parties have not selected an arbitrator within thirty (30) days of written demand for arbitration, the arbitrator shall be selected by the American Arbitration Association pursuant to the then current rules of that Association on application by either party. The arbitrator shall have authority to fashion such just, equitable and legal relief as he, in his sole discretion, may determine. The parties agree that the arbitration hearing shall be held within thirty (30) business days following notification to the parties of the appointment of such arbitrator, and that the arbitration proceedings shall be concluded within thirty (30) business days following the first scheduled arbitration hearing. Each party shall bear all its own expenses of arbitration and shall bear equally the costs and expenses of the arbitrator. All arbitration proceedings shall be

conducted in the City of Boston, Commonwealth of Massachusetts. Landlord and Tenant further agree that they will faithfully observe this agreement and rules, and that they will abide by and perform any award rendered by the arbitrator and that a judgment of the court having jurisdiction may be entered upon the award. The duty to arbitrate shall survive the cancellation or termination of this Lease.

13.9 **Waiver of Trial By Jury.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, LANDLORD AND TENANT HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER IN CONTRACT, TORT OR OTHERWISE, BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, OR ANY SUMMARY PROCESS, EVICTION OR OTHER STATUTORY REMEDY WITH RESPECT THERETO. EACH PARTY HAS BEEN REPRESENTED BY, AND HAS RECEIVED THE ADVICE OF, LEGAL COUNSEL WITH RESPECT TO THIS WAIVER.

13.10 **No Full Acceleration of Rent without a FMV Rental Offset.** Notwithstanding anything to the contrary contained in this Lease, either expressed or implied, Landlord and Tenant agree that the remedy set forth in Section 13.2.4 above for liquidated damages has been expressly agreed to by both Landlord and Tenant in consideration of Landlord's agreement under this Article 13 to waive any right Landlord may now (or hereafter) possess under any and all Applicable Laws and/or under this Lease, to pursue a claim following an Event of Default for a full and immediate acceleration of all of the Annual Base Rent and Additional Rent due under this Lease for the remainder of the Term and, without limitation of any other damages Landlord may be entitled to recover under Section 13.2.4 on account of an Event of Default, and Landlord agrees that Landlord's right to pursue a claim for acceleration of the Annual Base Rent and Additional Rent for the remainder of the Lease Term will be limited to the Landlord's remedies and recovery set forth in Section 13.2.4 above.

ARTICLE 14 SUBORDINATION; ATTORNMENT AND RIGHTS OF MORTGAGE HOLDERS

14.1 **Subordination.** Subject to the terms of this Section 14.1, this Lease and all of Tenant's rights hereunder are, and shall be, subordinate at all times to the lien of any mortgages (each, a "**Mortgage**") which may now exist or hereafter affect the Property, or any portion thereof, in any amount, and to all renewals, modifications, consolidations, replacements, and extensions of such Mortgages. In confirmation of such subordination, Tenant shall promptly execute, acknowledge and deliver any commercially reasonable instrument that Landlord or the holder of any Mortgage or its assigns or successors in interest (each such holder, a "**Mortgagee**") may reasonably request to evidence such subordination, and recognition, of the Lease. Landlord's inability to obtain a non-disturbance agreement shall not affect Tenant's subordination agreement herein.

Notwithstanding the foregoing, Landlord agrees that, (i) simultaneously with Landlord's execution of this Lease, Landlord shall obtain from its existing Mortgagee a subordination, non-disturbance and attornment agreement (an "**SNDA**") substantially in the form attached hereto as Exhibit 14.1, and (ii) with respect to any future Mortgages, the provisions of this Section 14.1 and the subordination of this Lease to any such Mortgage shall be conditioned upon the execution and delivery by and between Tenant and any such Mortgagee of an SNDA in commercially reasonable form reasonably acceptable to Tenant and such Mortgagee (it being understood and agreed the SNDA attached hereto as Exhibit 14.1 shall be deemed to be an acceptable SNDA for such purposes by Tenant and by Landlord).

14.2 **Attornment by Tenant.** In the event that any such first Mortgage is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, at the option of the Mortgagee or the grantee or purchaser in foreclosure, notwithstanding any subordination of any such lien to this Lease, attorn to and become the Tenant of the successor in interest to Landlord at the option of such successor in interest. Tenant covenants and agrees to execute and deliver, within ten (10) business days following delivery of request by Landlord, Mortgagee, or by Landlord's successor in interest and in the commercially reasonable form requested by Landlord, Mortgagee, or by Landlord's successor in interest, any additional documents that are commercially reasonable evidencing the priority or subordination of this Lease with respect to the lien of any such first Mortgage, which additional documents shall be reasonably satisfactory to Tenant, Landlord, Mortgagee, and Landlord's successors in interest, and shall be subject to the provisions of this Article 14.

14.3 **Limitation of Mortgagees' Liability.** Notwithstanding any other provision of this Lease to the contrary, no holder of any such Mortgage shall be obligated to perform or liable in damages for failure to perform any of Landlord's obligations under this Lease unless and until such holder shall foreclose such mortgage or otherwise acquire title to the Property, and then shall only be liable for Landlord's obligations arising or accruing after such foreclosure or acquisition of title. No such holder shall ever be obligated to perform or be liable in damages for any of Landlord's obligations arising or accruing before such foreclosure or acquisition of title (nothing in this sentence relieving such Mortgagee of the obligation to fulfill its obligations as Landlord from and after such foreclosure or acquisition of title). Such holder's obligations and liabilities shall in any event be subject to, and holder shall have the benefit of, Section 16.15 hereof. Tenant shall never pay the Base Rent, Additional Rent or any other charge more than thirty (30) days prior to the due date thereof, and any payments made by Tenant in violation of this provision shall be a nullity as to such holder, and Tenant shall remain liable to such holder therefor. Tenant agrees on request of Landlord to execute and deliver from time to time any commercially reasonable agreement that is reasonably satisfactory to Tenant, Landlord and such then holder of the Mortgage which may be necessary to implement the provisions of this Section 14.3, and which otherwise complies with the provisions of this Article 14.

14.4 **Estoppel Certificates.** Tenant shall at any time, and from time to time, upon not less than ten (10) business days prior written notice from Landlord execute, acknowledge and deliver to Landlord, to any prospective purchaser, or Mortgagee, a written estoppel certificate of Tenant in a commercially reasonable form. It is intended that any such certificate of Tenant delivered pursuant to this Section 14.4 may be relied upon by Landlord and any prospective purchaser or the Mortgagee of any part of the Building.

Landlord shall at any time, and from time to time, upon not less than ten (10) business days prior written notice from Tenant execute, acknowledge and deliver to Tenant a written estoppel certificate of Landlord in a commercially reasonable form. It is intended that any such certificate of Landlord delivered pursuant to this Section 14.4 may be relied upon by Tenant, and any prospective purchaser of Tenant, or any prospective assignee, transferee or subtenant.

14.5 **Quiet Enjoyment.** Upon Tenant paying the Base Rent and Additional Rent and performing all of Tenant's obligations under this Lease, Tenant may peacefully and quietly enjoy the Premises during the Term as against all persons or entities lawfully claiming by or through Landlord; subject, however, to the provisions of this Lease and to the rights of Landlord's Mortgagee.

14.6 **Title Encumbrances.** To Landlord's knowledge, Exhibit 14.6 attached hereto and made a part hereof contains a complete list of all encumbrances of record affecting the Property as of the Effective Date. Landlord warrants that Landlord holds title to the Property in fee simple absolute.

ARTICLE 15 NOTICES

15.1 **Manner of Notice.** All notices required under this Lease and other information concerning this Lease ("**Communications**") shall be personally delivered or sent by first class mail, postage prepaid, by overnight courier. Such Communications sent by personal delivery, mail or overnight courier will be sent to the addresses on the signature page of this Lease, or to such other addresses as the Landlord and the Tenant may specify from time to time in writing. Communications shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, or (ii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered or delivery is first refused by the addressee or any agent of the addressee.

Notwithstanding the foregoing, such Communications may be sent electronically by the Landlord to the Tenant (i) by transmitting the Communication to the electronic address provided by the Tenant or to such other electronic address as the Tenant may specify from time to time in writing, or (ii) by posting the Communication on a website and sending the Tenant a notice to the Tenant's postal address or electronic address telling the Tenant that the Communication has been posted, its location, and providing instructions on how to view it provided however, such electronic communications, in order to be effectively sent, shall be sent to at least two (2) persons at an address or addresses provided by Tenant. Landlord agrees that such electronic communication shall be sent to at least the following two (2) individuals: Jeff Lortz at jeff.lortz@everbridge.com and Elliot Mark at Elliot.mark@everbridge.com. Communications sent electronically to the Tenant will be effective when the Communication, or a notice advising of its posting to a website, is sent to the Tenant's electronic address as conditioned above.

16.1 **Brokers.** Landlord and Tenant warrant to each other that they have had no dealings with any broker, agent or finder in connection with this Lease except Cushman & Wakefield and CBRE/New England (together, the "**Brokers**"). Landlord agrees to pay the commissions due to the Brokers pursuant to separate agreements. Both parties hereto agree to protect, indemnify and hold harmless the other from and against any and all expenses with respect to any compensation, commissions and charges claimed by any other broker, agent or finder not identified above with respect to this Lease or the negotiation thereof that is made by reason of any action or agreement by such party.

16.2 **Building Name.** The Building and the Property may be known by such name as Landlord, in its sole discretion, may elect, and Landlord shall have the right from time to time to change such designation or name without Tenant's consent upon prior written notice to Tenant.

16.3 **Authority.** If Tenant signs as a corporation, limited liability company, or a partnership, or other business entity, Tenant hereby covenants and warrants that Tenant is a duly authorized and existing entity, that Tenant is duly qualified to do business in Massachusetts, that Tenant has full right and authority to enter into this Lease, and that each person signing on behalf of Tenant is duly authorized to do so and that no other signatures are necessary.

If Landlord signs as a corporation, limited liability company, or a partnership, or other business entity, Landlord hereby covenants and warrants that Landlord is a duly authorized and existing entity, that Landlord is duly qualified to do business in Massachusetts, that Landlord has full right and authority to enter into this Lease, and that each person signing on behalf of Landlord is duly authorized to do so and that no other signatures are necessary.

16.4 **Interpretation.** The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular. The words used in neuter gender include the masculine and feminine. If there is more than one Tenant, the obligations under this Lease imposed on Tenant shall be joint and several. The captions preceding the articles of this Lease have been inserted solely as a matter of convenience and such captions in no way define or limit the scope or intent of any provision of this Lease.

16.5 **Modifications.** Neither this Lease nor any term or provision hereof may be changed, waived, discharged or terminated orally, and no breach thereof shall be waived, altered or modified, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. Any right to change, waive, discharge, alter or modify, or terminate this Lease shall be subject to the prior express written consent of Landlord's Mortgagee.

16.6 **Severability.** If any provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Lease shall be valid and enforceable to the full extent permitted by law.

16.7 **Entire Agreement.** Landlord's employees, representatives and agents have no authority to make or agree to make a lease or any other agreement or undertaking in connection herewith. The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises, and this document shall be effective and binding only upon the execution and delivery hereof by both Landlord and Tenant. This Lease, including the Exhibits hereto, which are made part of this Lease, contain the entire agreement of the parties and all prior negotiations and agreements are merged herein. Neither Landlord nor Landlord's agents have made any representations or warranties with respect to the Premises, the Building or this Lease except as expressly set forth herein, and no rights, easements or licenses are or shall be acquired by Tenant by implication or otherwise unless expressly set forth herein.

16.8 **No Merger.** There shall be no merger of this Lease or of the leasehold estate hereby created with the fee estate in the Premises or any part thereof by reason of the fact that the same person may acquire or hold, directly or indirectly, this Lease or the leasehold estate hereby created or any interest in this Lease or in such leasehold estate as well as the fee estate in the leasehold Premises or any interest in such fee estate.

16.9 **Easements.** Landlord reserves the right, from time to time, to grant easements and rights, make dedications, agree to restrictions and record maps affecting the Property as Landlord may deem necessary or desirable, (i) so long as such easements, rights, dedications, restrictions, and maps do not unreasonably interfere with the use of the Premises by Tenant; and this Lease shall be subordinate to such instruments and (ii) so long as such easements, rights, dedications, restrictions, and maps do not change the economic terms hereof in more than a *de minimis* manner or materially and adversely affect Tenant's rights hereunder, materially increase Tenant's obligations, materially reduce Landlord's obligations hereunder, or materially impair Tenant's peaceable possession of the Premises. Landlord further reserves all rights as may be necessary or desirable to construct additional improvements and buildings in the Park, such rights remaining subject to Landlord's Assurances set forth in Section 6.4.1. In connection with any such additional development, exterior common areas and facilities in the Park may be eliminated, altered, or relocated and may also be utilized to serve the other new improvements. The rights set forth above shall include rights to use portions of the Property (other than the Premises) for the purpose of temporary construction staging and related activities. Tenant agrees not to take any action to oppose any application by Landlord or any of its affiliates for any permits, consents or approvals from any governmental authorities for any redevelopment or additional development of all or any part of the Park, and will use all commercially reasonable efforts to prevent any of Tenant's subtenants or assigns (collectively, "**Tenant Responsible Parties**") from doing so (provided, however, that nothing in this sentence shall be deemed to waive any claim that Tenant may have as a result of Landlord breaching Landlord's Assurances as set forth in Section 6.4.1). For purposes hereof, action to oppose any such application shall include, without limitation, communications with any governmental authorities requesting that any such application be limited or altered. Also for purposes hereof, commercially reasonable efforts shall include, without limitation, commercially reasonable efforts, upon receiving notice of any such action to oppose any application on the part of any Tenant Responsible Parties, to obtain injunctive relief, and, in the case of a subtenant, exercising remedies against the subtenant under its sublease.

16.10 **Bind and Inure.** The terms, provisions, covenants and conditions contained in this Lease shall bind and inure to the benefit of Landlord and Tenant, and, except as otherwise provided herein, their respective heirs, legal representatives, successors and assigns. If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each such individual, corporation, partnership or other business association to pay Rent and perform all other obligations hereunder shall be deemed to be joint and several. All agreements, covenants and indemnifications contained herein or made in writing pursuant to the terms of this Lease by or on behalf of Tenant shall be deemed material and shall survive expiration or sooner termination of this Lease.

16.11 **Remedies Cumulative; No Waiver.** No remedy or election hereunder shall be deemed exclusive, but shall wherever possible, be cumulative with all other remedies at law or in equity. No waiver of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach of the same or any other provision. No waiver of any breach shall affect or alter this Lease, but each and every term, covenant and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof. No reference to any specific right or remedy shall preclude the exercise of any other right or remedy permitted hereunder or that may be available at law or in equity. No failure by Landlord to insist upon the strict performance of any agreement, term, covenant or condition hereof, or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach, agreement, term, covenant or condition. Landlord's and Tenant's covenants herein are independent and, without limiting the generality of the foregoing, Tenant acknowledges that its covenant to pay Base Rent and Additional Rent hereunder is independent of Landlord's obligations hereunder, and that in the event that Tenant shall have a claim against Landlord, Tenant shall not have the right to deduct the amount allegedly owed to Tenant from any Base Rent or Additional Rent due hereunder, it being understood that Tenant's sole remedy for recovering upon such claim shall be to bring an independent legal action against Landlord.

16.12 **Tenant's Financial Statements.** For so long as Tenant is a publicly-traded entity and timely files its financial statements with the Securities and Exchange Commission under and with Forms 10Q and 10K, Tenant shall have no obligation to deliver financial statements to Landlord. In the event that Tenant ceases to be a publicly-traded entity for reporting purposes, Tenant shall deliver to Landlord, or any interested party designated by Landlord (an "**Interested Party**"), upon Landlord's written request given not more than once in any 12-month period (other than in connection with a financing or refinancing of the Property, a sale of the Property, a recapitalization, or following an Event of Default), Tenant's most recent audited financial statements of Tenant and Tenant's most recent unaudited quarterly financial statements, or if Tenant does not have its financials audited, Tenant shall provide financial statements certified by the appropriate accounting or finance officer of Tenant, including, but not limited to, a balance sheet, income statement and cash flow statements which financial statements shall include sufficient detail and information for Landlord to assess Tenant's financial condition. Such financial statements may, as requested by Landlord, include financial statements for the past three (3) years (if available), and any such status statement and/or financial statement delivered by Tenant pursuant to this Section 16.12 may be relied upon by any Interested Party. Landlord and any Interested Party to whom Tenant directly provides such information shall keep any non-public information provided by Tenant pursuant to this Section 16.12 confidential, and shall not disclose the same other than (i) on a need to know basis to Landlord and its investors and lenders, and their respective officers, employees and consultants (or to any other Interested Parties), all of whom shall be instructed to keep such information confidential, (ii) to the extent required by Applicable Laws or by any administrative, governmental or judicial proceeding, or (iii) in connection with a dispute between Landlord and Tenant.

16.13 **Attorney's Fees.** In the event that either Landlord or Tenant should bring suit for the possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provision of this Lease or for any other relief against the other, then all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party. A party shall be deemed to have prevailed in any such action (without limiting the generality of the foregoing) if such action is dismissed upon the payment by the other party of the sums allegedly due or the performance of obligations allegedly not complied with, or if such party obtains substantially the relief sought by it in the action, irrespective of whether such action is prosecuted to judgment. The phrase "attorneys' fees" shall specifically include the fees and expenses of the in-house legal staff of Landlord and its affiliates, as well as the in-house legal staff of Tenant and its affiliates.

16.14 **Landlord Approvals.** Whenever Tenant is required to obtain Landlord's consent hereunder with respect to Transfers under Article 12 or with respect to Alterations under Section 8.3.1, Tenant agrees to reimburse Landlord all actual, reasonable, third party out-of-pocket expenses incurred by Landlord, including reasonable attorney's fees in order to review documentation or otherwise determine whether to give its consent, provided that such reimbursement with respect to Transfers shall not exceed Two Thousand Five Hundred (\$2,500.00) Dollars if Tenant and such transferee execute Landlord's standard consent document without material changes thereto or negotiation thereof. Tenant shall pay Landlord's invoice for any such amounts within ten (10) days following Landlord's delivery of its invoice therefor.

16.15 **Landlord's and Tenant's Liability.** Tenant shall look only to Landlord's estate in the Property, the Building and/or the Premises (or the proceeds thereof), the proceeds from any insurance received by Landlord, and condemnation awards received by Landlord for the satisfaction of Tenant's remedies with respect to any liability, default or obligation of Landlord under this Lease or otherwise regarding Tenant's leasing, use and occupancy of the Premises pursuant hereto, including without limitation for the collection of any monetary obligation, judgment or other judicial process requiring the payment of money by Landlord. Neither Landlord nor any of its members, stockholders, officers, directors, partners, trustees, beneficiaries or employees shall be personally liable hereunder, nor shall any of its or their property, other than the Property, be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's said remedies. Landlord shall not under any circumstances be liable for any special, indirect or consequential damages of Tenant, including lost profits or revenues. No owner of the Property shall be liable under this Lease except for breaches of Landlord's obligations occurring while such party owns the Property.

No party other than Tenant entity itself shall be personally liable for any obligation of Tenant under this Lease, including but not limited to, any employee, principal, agent, signatory or the like. Tenant shall not under any circumstances be liable for any special, indirect or consequential damages of Landlord, including lost profits or revenues, except for special, indirect or consequential damages payable by Tenant under Section 2.2 and Section 7.6, above.

16.16 **Time of Essence.** Subject to Section 16.25 below, **TIME IS OF THE ESSENCE** with respect to the due performance of the terms, covenants and conditions herein contained; provided, however, that no delay or failure to enforce any of the provisions herein contained and no conduct or statement shall waive or affect any of Landlord's rights hereunder or any of Tenant's rights hereunder.

16.17 **Confidentiality.** Until such time as Tenant actually files this Lease as an exhibit to its Annual Report on Form 10-K for the year ended December 31, 2016, Tenant agrees: (a) to treat the terms of the Lease, and the terms of any existing and future amendments and modifications to the Lease (the "**Confidential Information**") as confidential during the term of this Lease and for the three (3) year period following the expiration or sooner termination of the Lease (the "**Non-Disclosure Period**"), and (b) not to disclose, directly or indirectly, to any third party nor permit any third party to have access to any or all of such Confidential Information during the Non-Disclosure Period, including, without limitation, any Building tenants and any brokers. Landlord acknowledges that Tenant shall have the right to disclose such Confidential Information (i) on a need to know basis to Tenant, its investors, lenders and their respective officers and employees, and Tenant's brokers, all of whom shall be instructed to keep such information confidential, (ii) to the extent required by Applicable Laws or by any administrative, governmental or judicial proceeding, or (iii) in connection with a dispute between Landlord and Tenant.

16.18 **Submission.** Submission of this instrument for examination does not constitute a reservation of or option for lease of the Premises, and it is not effective as a lease or otherwise until this Lease has been executed by both Landlord and Tenant and a fully executed copy has been delivered to each.

16.19 **Governing Law.** This Lease is governed by federal law, including without limitation the Electronic Signatures in Global and National Commerce Act (15 U.S.C. §§ 7001 *et seq.*) and, to the extent that state law applies, the laws of the Commonwealth of Massachusetts without regard to its conflicts of law rules.

16.20 **OFAC List.** (a) Tenant represents and warrants that (a) Tenant and, to Tenant's knowledge, each person or entity owning an interest in Tenant is (i) not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("**OFAC**") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "**List**"), and (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, (b) none of the funds or other assets of Tenant constitute property of, or are beneficially owned, directly or, to Tenant's knowledge, indirectly, by any Embargoed Person (as hereinafter defined), (c) no Embargoed Person has any interest of any nature whatsoever in Tenant (whether directly or indirectly), (d) none of the funds of Tenant have been derived from any unlawful activity with the result that the investment in Tenant is prohibited by law or that the Lease is in violation of law, and (e) Tenant has implemented procedures, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true and correct at all times. The term "Embargoed Person" means any person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §1701 *et seq.*, The Trading with the Enemy Act, 50 U.S.C. App. 1 *et seq.*, and any Executive Orders or regulations promulgated thereunder with the result that the investment in Tenant is prohibited by law or Tenant is in violation of law.

(b) Landlord represents and warrants that (a) Landlord and, to Landlord's knowledge, each person or entity owning an interest in Tenant is (i) not currently identified on the List, and (ii) not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, (b) none of the funds or other assets of Landlord constitute property

of, or are beneficially owned, directly or, to Landlord's knowledge, indirectly, by any Embargoed Person, (c) no Embargoed Person has any interest of any nature whatsoever in Landlord (whether directly or indirectly), (d) none of the funds of Landlord have been derived from any unlawful activity with the result that the investment in Landlord is prohibited by law or that the Lease is in violation of law, and (e) Landlord has implemented procedures, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true and correct at all times.

(c) Tenant covenants and agrees (a) to comply with all requirements of law relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, (b) to immediately notify Landlord in writing if any of the representations, warranties or covenants set forth in this paragraph or the preceding paragraph are no longer true or have been breached or if Tenant has a reasonable basis to believe that they may no longer be true or have been breached, (c) not to use funds from any "Prohibited Person" (as such term is defined in the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) to make any payment due to Landlord under the Lease and (d) at the request of Landlord, to provide such information as may be requested by Landlord to determine Tenant's compliance with the terms hereof.

(d) Tenant hereby acknowledges and agrees that Tenant's inclusion on the List at any time during the Lease Term shall be a material default of the Lease. Notwithstanding anything herein to the contrary, Tenant shall not permit the Premises or any portion thereof to be used or occupied by any person or entity on the List or by any Embargoed Person (on a permanent, temporary or transient basis), and any such use or occupancy of the Premises by any such person or entity shall be a material default of the Lease.

16.21 **Rent Not Based On Income.** No rent or other payment in respect of the Premises shall be based in any way upon net income or profits from the Premises. Tenant may not enter into or permit any sublease or license or other agreement in connection with the Premises which provides for a rental or other payment based on net income or profit.

16.22 **Counterparts; Electronic Signatures.** This Lease may be executed in counterparts, including both counterparts that are executed on paper and counterparts that are in the form of electronic records and are executed electronically. An electronic signature means any electronic sound, symbol or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or e-mail electronic signatures. All executed counterparts shall constitute one agreement, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Lease and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called pdf format shall be legal and binding and shall have the same full force and effect as if an a paper original of this Lease had been delivered had been signed using a handwritten signature. Landlord and Tenant (i) agree that an electronic signature, whether digital or encrypted, of a party to this Lease is intended to authenticate this writing and to have the same force and effect as a manual signature, (ii) intend to be bound by the signatures (whether original, faxed or electronic) on any document sent or delivered by facsimile or, electronic mail, or other electronic means, (iii) are aware that the other party will rely on such signatures, and (iv) hereby waive any defenses to the enforcement of the terms of this Lease based on the foregoing forms of signature. If this Lease has been executed by electronic signature, all parties executing this document are expressly consenting under the Electronic Signatures in Global and National Commerce Act ("E-SIGN"), and Uniform Electronic Transactions Act ("UETA"), that a signature by fax, email or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

16.23 **Amendments.** This Lease may only be amended by a writing signed by the parties hereto, or by an electronic record that has been electronically signed by the parties hereto and has been rendered tamper-evident as part of the signing process. The exchange of email or other electronic communications discussing an amendment to this Lease, even if such communications are signed, does not constitute a signed electronic record agreeing to such an amendment.

16.24 **Prohibition Against Recording in the Land Records.** In the event this Lease shall be recorded by Tenant in the land records, then such recording shall constitute a default by Tenant under Article 13 hereof entitling Landlord to immediately terminate this Lease. At the request of either Landlord or Tenant, the parties shall execute a document in the form attached as Exhibit 16.24 ("**Notice of Lease**") that may be recorded at the election of either party. All costs of preparation and recording of such Notice of Lease shall be borne by the requesting party. At the expiration or earlier termination of this Lease, Tenant shall provide Landlord with an executed termination of the Notice of Lease in recordable form, which obligation shall survive such expiration or earlier termination.

16.25 **Force Majeure.** Except with respect to Tenant's obligations as to the payment of Base Rent, Additional Rent and other charges payable hereunder, Tenant shall be excused from the performance of its obligations hereunder for such period of time as it is prevented from performing the same by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restricted governmental law or regulations, riots, insurrection, war or other reason beyond its reasonable control (collectively, "**Force Majeure**").

Except with respect to Landlord's obligations to (i) disburse the Allowance pursuant to Exhibit 3.1.1 , and (ii) to make payments, allow offsets, allow rent credits, allow rent abatements and/or the like, to Tenant, to the extent expressly provided in the Lease, Landlord shall be excused from the performance of its obligations hereunder for such period of time as it is prevented from performing the same by reason of Force Majeure.

For the purposes of the foregoing, financial inability shall never be deemed to be a cause beyond a party's reasonable control.

Each of Tenant and Landlord shall use reasonable efforts to provide notice to the other within ten (10) days of the occurrence of any event that Tenant or Landlord believes constitutes an event of Force Majeure.

16.26 **Measurement Standard.** The parties acknowledge that the usable area of the Building has been measured in accordance with Building Owners and Managers Association (BOMA) international standard method of floor measurement (ANSI/BOMA 265.1-1996) for multi-tenanted buildings (the "Measurement Standard") using a loss factor of 1.24% for multitenant floors and 1.11% for single tenant floors. Prior to the execution of any amendments to this Lease evidencing any additions to the Premises demised hereunder pursuant to Article 19 or 20, Landlord shall arrange for a re-measurement of the relevant expansion space in accordance with the Measurement Standard and memorialize the measurement of such expansion space in such amendments.

16.27 **Landlord Defaults.** Landlord shall in no event be in default in the performance of any of Landlord's obligations under the terms of this Lease unless and until Landlord shall have failed to perform such obligation within thirty (30) days after notice by Tenant to Landlord ("**Tenant Default Notice**") specifying the manner in which Landlord has failed to perform any such obligations (provided that if correction of any such matter reasonably requires longer than thirty (30) days and Landlord so notifies Tenant within thirty (30) days after such Tenant Default Notice is given together with an estimate of the reasonable time required for such cure, Landlord shall be allowed such longer period, but only if cure is begun within such thirty (30) day period and diligently prosecuted to completion). Nothing in this Section 16.27 shall operate to delay or prevent Tenant from the exercise of its express abatement rights pursuant to Section 6.1 of this Lease.

17.1 **Right to Extend.** Landlord grants Tenant the option to extend this Lease, with respect to the entire Premises only, for one (1) additional period of five (5) years (the "**Extension Period**"), subject to each and all of the following terms and conditions (the "**Extension Option**"):

17.1.1 **No Assignment or Sublease.** The Extension Option may not be exercised by, or assigned or otherwise transferred to any person or entity voluntarily or involuntarily, except the Tenant named in this Lease or an assignee as a result of a Permitted Transfer. The parties hereto agree that if Tenant assigns any of its interest in this Lease or subleases more than thirty-three percent (33%) of the Premises to any person or persons, in the aggregate, other than pursuant to a Permitted Transfer, this Extension Option shall terminate immediately without the need for any act or notice by either party to be effective.

17.1.2 **Manner of Notice.** Tenant shall have delivered to Landlord written notice (the "**Extension Notice**") of the exercise of the Extension Option not later than sixteen (16) months (but not sooner than nineteen (19) months) prior to the expiration of the current Term of this Lease, time being of the essence. If an Extension Notice is not so delivered, Tenant's Extension Option shall automatically expire. The giving of an Extension Notice shall be deemed to be a binding exercise of Tenant's extension option, subject only to the right to rescind the same as expressly provided below.

17.1.3 **Effect of Default.** Tenant's right to exercise the Extension Option shall be suspended at the election of Landlord during any period prior to such exercise by Tenant hereunder, in which a monetary or material non-monetary Event of Default has occurred and is continuing, but the period of time within which the Extension Option may be exercised shall not be extended.

17.1.4 **New Rent.** If Tenant exercises the Extension Option, all references in this Lease to the "Term" as related to the Premises shall mean the Initial Term, as extended by the Extension Term, unless the context clearly provides to the contrary, and all of the terms, covenants and conditions of this Lease shall continue in full force and effect with respect to the Premises during the Extension Term, except that (x) Base Rent for the Extension Period shall be equal to ninety-five percent (95%) of the then prevailing fair market rental rate for fixed annual base rents as of the beginning of the Extension Period for arms-length lease renewal transactions for comparable premises in comparable office buildings in the greater Burlington area, taking into account all relevant factors (the "**Market Rent**"), as set forth in the Market Rent Notice (as defined below), which Market Rent shall be escalated during the Extension Period based on market terms, (y) the Base Operating Year and the Base Tax Year shall be adjusted to the Operating Year and Tax Year, respectively, in which the Extension Term commences, and (z) Tenant will have no further right to extend the Term. Market Rent (x) may include provision for annual increases in annual Base Rent during said Extension Period, (y) shall take into account the as-is condition of the Premises, the Building and the Property (including the Park amenities), and (z) shall take account of, and be expressed in relation to, the payment in respect of Taxes and Operating Expenses and other provisions of the Lease (including but not limited to the adjusted base years for Landlord's Tax Expenses and Landlord's Operating Expenses provided for in this Lease) and for Tenant paying for so called tenant electricity as contained in the Lease.

17.2 **Market Rent Notice.** If Tenant properly exercises its Extension Option, Landlord shall provide Tenant with written notice (the "**Market Rent Notice**") of the rate of the Market Rent (as determined by Landlord in good faith for a five (5) year term) for the Extension within fifteen (15) days following receipt of Tenant's Extension Notice. Tenant shall respond in writing to Landlord within fifteen (15) days following Landlord's delivery of its Market Rent Notice (the "**Tenant Response Period**") stating either (a) that Tenant agrees with the Market Rent (i.e., the Base Rent) determined by Landlord, (b) that Tenant elects to rescind its Extension Notice (in which case Tenant's rights under this Article 17 shall terminate and be of no further force and effect), or (c) Tenant elects to dispute Landlord's determination of Market Rent pursuant to Section 17.3, below. If the parties agree on the Market Rent for the Extension Period during the Tenant Response Period or Tenant gives (or is deemed to give) the notice described in clause (a) of the immediately preceding sentence, they shall execute an amendment to this Lease within

ten (10) business days stating the Market Rent to be paid during the Extension Period, and any related terms and conditions. If Tenant gives the notice described in clause (c), above, then the Market Rent shall be determined in accordance with Section 17.3. **If Tenant fails to respond within the Tenant Response Period, then Tenant shall be deemed to have given the notice described in clause (a) above.**

17.3 **Dispute.** If the determination of Market Rent is to be made pursuant to this Section 17.3, then the Market Rent shall be determined by arbitration as set forth below in order to establish the Base Rent for the Extension Period and Landlord and Tenant shall be bound by the results of the arbitration with respect to the determination of Market Rent. Notwithstanding the submission of the issue of Market Rent to arbitration, if such Base Rent has not been established pursuant to Section 17.4 prior to the commencement of the Extension Period, Base Rent for the next ensuing year of the Term shall be paid at the Base Rent established by Landlord in its Market Rent Notice until the arbitration is completed. If, upon completion of the arbitration, it is determined that Market Rent is less or more than that set by Landlord, then an adjustment based upon such lower or greater rent shall be made based on the number of months therefor paid by Tenant and Tenant shall promptly pay such difference or Tenant shall promptly be credited such difference, as the case may be. In no event shall the extension of the Term be affected by the determination of the Base Rent, such exercise of the Extension Option being fixed at the time at which Tenant delivers the Extension Notice except as expressly set forth in Section 17.2(b), above.

17.4 **Determination of Market Rent.** When the terms of this Lease provide that Market Rent shall be determined by reference to this Section 17.4, the following procedures shall apply:

17.4.1 **Selection of Arbitrators.** Within five (5) business days following the end of the Tenant Response Period, each of Tenant and Landlord shall choose a real estate broker who has at least fifteen (15) years' commercial real estate leasing brokerage experience on behalf of large tenants and/or landlords along Route 128 from Needham to Woburn (an "**Advocate Arbitrator**") and shall notify the other party in writing of its selection. Within two (2) business days following appointment of their respective Advocate Arbitrators, each party shall notify the other of such appointment, which notice shall include the name and address of the appointed Advocate Arbitrator and a brief description of such Advocate Arbitrator's experience and qualifications. Each Advocate Arbitrator shall make his or her own independent determination of the Market Rent for the Extension Term. Within thirty (30) days after the date of appointment of the last appointed Advocate Arbitrator, each Advocate Arbitrator shall prepare and deliver to Landlord and Tenant his or her determination of the Market Rent (i.e., Base Rent). If the higher of the two determinations of the Market Rent by the Advocate Arbitrators is not more than one hundred five percent (105%) of the lower of such determinations, then the Market Rent shall be the average of the two (2) determinations.

17.4.2 **Selection of Third Arbitrator.** If the higher determination is more than one hundred five percent (105%) of the lower determination, then the two (2) Advocate Arbitrators shall then appoint a third arbitrator (the "**Neutral Arbitrator**") who shall also be a broker meeting the qualifications above and who shall not have been engaged by either party or by either party's affiliates, parents or subsidiaries during the five (5) year period immediately prior to his or her appointment. Neither Landlord nor Tenant nor their respective Advocate Arbitrators may, directly or indirectly, consult with the Neutral Arbitrator prior to or after his or her appointment, except in the presence of the other party. If the two Advocate Arbitrators cannot agree upon the appointment of the Neutral Arbitrator within ten (10) business days following delivery of the last determination by an Advocate Arbitrator, either Landlord or Tenant, or both, shall apply to the President of the Greater Boston Real Estate Board or, if it ceases to exist, the Boston office of the American Arbitration Association ("**AAA**") to select a broker meeting the foregoing qualifications and who shall have relatively equal experience representing tenants and landlords. The Neutral Arbitrator shall be retained pursuant to an engagement letter jointly prepared by Landlord's counsel and Tenant's counsel.

17.4.3 **Decision by Neutral Arbitrator.** The Neutral Arbitrator shall decide whether the determination of the Market Rent by Landlord's Advocate Arbitrator or Tenant's Advocate Arbitrator more closely reflects the Market Rent. The Advocate Arbitrators shall submit their initial determinations ("**Initial Determinations**") to the Neutral Arbitrator within five (5) business days after the selection of the Neutral Arbitrator. The Neutral Arbitrator may elect to meet with Landlord's Advocate Arbitrator and Tenant's Advocate Arbitrator to discuss the market rent analysis and conclusions of the two (2) Advocate Arbitrators. The Neutral Arbitrator must select either the Initial Determination of Landlord's Advocate Arbitrator or Tenant's Advocate Arbitrator as the Market Rent, and shall have no right to propose a middle ground or to modify either of the two (2) Initial Determinations or the provisions of this Lease. The Neutral Arbitrator shall render a decision within thirty (30) days after appointment, which decision shall be in writing with full explanation of the decision, taking into account such information as the Neutral Arbitrator deems relevant. The Market Rent determined by the Neutral Arbitrator shall be final and binding upon the parties, and may be enforced in accordance with the provisions of applicable law for the jurisdiction within which the Property is located. In the event of the failure, refusal or inability of any Advocate Arbitrator or the Neutral Arbitrator to act, a successor shall be appointed in the manner that applies to the selection of the person being replaced.

17.4.4 **Allocation of Expenses.** Each party shall pay the fees and expenses of the Advocate Arbitrator designated by such party, and one-half of the fees and expenses of the Neutral Arbitrator.

17.5 **Amendment.** Within ten (10) days following the establishment of the Market Rent and the resulting Base Rent with respect to the Extension Period pursuant to the procedure set forth above, Landlord and Tenant shall execute an amendment to this Lease confirming the Base Rent payable with respect to the Extension Period and any related terms and conditions.

17.6 **Letter of Credit.** The exercise of Tenant's rights to extend the Term pursuant to this Article 17 are conditioned upon a Letter of Credit that satisfies the requirements for a Letter of Credit stated in Section 4.6.2 being in effect for the Extension Period. If the then-effective Letter of Credit has an outside expiration date that does not comply with the terms of this Lease after taking into account the Extension Period, Tenant shall either, at Tenant's election (i) obtain an extension of such outside expiration date or (ii) deliver a compliant Letter of Credit, no later than six (6) months prior to the commencement of the Extension Period and Tenant's failure to do so shall, at Landlord's election, be treated as an Event of Default. The Security Deposit evidenced by the Letter of Credit, during the Extension Period, shall remain subject to the terms and provisions of Section 4.6.

ARTICLE 18 ROOFTOP RIGHTS

18.1 **Rooftop Rights.**

Landlord grants Tenant the appurtenant, non-exclusive, and irrevocable (except upon the expiration or earlier termination of this Lease) license at no additional charge (other than to the extent costs are included in Operating Expenses), but otherwise subject to the terms and conditions of this Lease, to use a portion of the roof of the Building reasonably approved by Landlord (the "**Rooftop Installation Area**") to operate, maintain, repair and replace a satellite device or other telecommunications dish appurtenant to Tenant's Permitted Use (and not for the benefit of any third party) ("**Rooftop Equipment**"). The exact location and layout of the Rooftop Installation Area shall be approved by Landlord and Tenant in their reasonable discretion and the square footage of the Rooftop Installation Area shall equal to Tenant's proportionate share of total rooftop areas made available to tenants in the Building for similar purposes (unless Tenant desires to use a smaller area). Any electricity consumed by the Rooftop Equipment shall be separately or check-metered by Tenant and Tenant shall pay all of such costs in the manner applicable to electricity to the Premises under the Lease.

Tenant shall install Rooftop Equipment at its sole cost and expense, at such times and in such manner as Landlord may reasonably designate and in accordance with all of the provisions of this Lease, including without limitation Section 8.3. Tenant shall not install or operate Rooftop Equipment until it receives prior written approval of the plans for such work in accordance with Section 8.3. Landlord may withhold approval if the installation or operation of Rooftop Equipment reasonably would be expected to

damage the structural integrity of the Building. Landlord may condition its approval of Rooftop Equipment upon Tenant's structural re-enforcement of the roof as reasonably deemed necessary or desirable by Landlord in order to accommodate the Rooftop Equipment. Tenant shall cooperate with Landlord as reasonably required to accommodate any re-roofing of the Building during the Term and Tenant shall be responsible for any costs associated with working around, moving or temporarily relocating Tenant's Roof Equipment. Landlord shall use commercially reasonable efforts to complete any such re-roofing as soon as is practicable.

Tenant shall engage Landlord's roofer before beginning any rooftop installations or repairs of Rooftop Equipment, whether under this Article 18 or otherwise, and shall always comply with the roof warranty governing the protection of the roof and modifications to the roof. Tenant shall obtain a letter from Landlord's roofer following completion of such work stating that the roof warranty remains in effect. Tenant, at its sole cost and expense, shall cause a qualified employee or contractor to inspect the Rooftop Installation Area at least quarterly and as often as recommended by the manufacturer of any Rooftop Equipment and correct any loose bolts, fittings or other appurtenances and shall repair any damage to the roof caused by the installation or operation of Rooftop Equipment. Tenant shall pay Landlord following a written request therefor, with the next payment of Base Rent, (i) all applicable taxes or governmental charges, fees, or impositions imposed on Landlord because of Tenant's use of the Rooftop Installation Area and (ii) the amount of any increase in Landlord's insurance premiums as a result of the installation of Rooftop Equipment. All Rooftop Equipment shall be screened or otherwise designed so that it is not visible from the ground level of the Property.

To the maximum extent permitted pursuant to Applicable Law, Tenant agrees that the installation, operation and removal of Rooftop Equipment shall be at its sole risk. Tenant shall indemnify and defend Landlord and Landlord's agents and employees against any liability, claim or cost, including reasonable attorneys' fees, incurred in connection with the loss of life, personal injury, damage to property or business or any other loss or injury arising out of the installation, use, operation, or removal of Rooftop Equipment by Tenant or its employees, agents, or contractors, including any liability arising out of Tenant's violation of this Article 18. Landlord assumes no responsibility for interference in the operation of Rooftop Equipment caused by other tenants' equipment, or for interference in the operation of other tenants' equipment caused by Rooftop Equipment, and Tenant hereby waives any claims against Landlord arising from such interference. The provisions of this paragraph shall survive the expiration or earlier termination of this Lease.

Landlord may have granted and may hereafter grant roof rights to other parties, and permit installations on the rooftop by other Building tenants or occupants, provided that Tenant's rooftop rights shall not be materially and adversely affected and that such rights granted to others do not materially and adversely interfere with any rooftop equipment then existing on the roof of the Building. If Rooftop Equipment (i) causes physical damage to the structural integrity of the Building, (ii) materially interferes with any telecommunications, mechanical or other systems located at or servicing the Building or any building, premises or location in the vicinity of the Building, (iii) interferes with any other service provided to other tenants in the Building by rooftop installations installed prior to the installation of Rooftop Equipment or (iv) interferes with any other tenants' business in excess of that permissible under Laws, including F.C.C. or other regulations (to the extent that such regulations apply and do not require such tenants or those providing such services to correct such interference or damage) (each of (i) through (iv) above being a "**Rooftop Interference**"), Tenant shall within two (2) business days of notice of a claim of Rooftop Interference cooperate with Landlord or any other tenant or third party making such claim to determine the source of the Rooftop Interference and effect a prompt solution at Tenant's expense (to the extent Tenant's Rooftop Equipment caused such interference or damage). Landlord shall use commercially reasonable efforts to include provisions substantially similar to the foregoing in future tenant leases that permit tenants to install and to use any portion of the roof of the Building for satellite devices or other telecommunications equipment.

Based on Landlord's good faith determination that such relocation is necessary, Landlord reserves the right to cause Tenant to relocate Rooftop Equipment located on the roof to comparably functional space on the roof by giving Tenant prior notice of such intention to relocate. If within thirty (30) days after receipt of such notice Tenant has not agreed with Landlord on the space to which Rooftop Equipment is to be relocated, the timing of such relocation, and the terms of such relocation, then Landlord shall have the right to make all such determinations in its reasonable judgment. Landlord

agrees to pay the reasonable cost of moving Rooftop Equipment to such other space, taking such other steps necessary to ensure comparable functionality of Rooftop Equipment, and finishing such space to a condition comparable to the then condition of the current location of Rooftop Equipment. Tenant shall arrange for the relocation of Rooftop Equipment within sixty (60) days after a comparable space is agreed upon or selected by Landlord, as the case may be. In the event Tenant fails to arrange for said relocation within the sixty (60) day period, Landlord shall have the right to arrange for the relocation of Rooftop Equipment at Landlord's expense, all of which shall be performed in a manner designed to minimize interference with Tenant's business.

ARTICLE 19 RIGHT OF FIRST OFFER

19.1 **Grant of Right of First Offer.** Subject to the terms and conditions of this Article 19 and the Exempt Transactions, following December 31, 2017, if any space in the Building becomes available for lease (other than the initial lease of such space to the extent that such space is vacant as of the Effective Date (any such lease, an "**Initial Lease**"), Landlord shall provide written notice of such availability (the "**Landlord's Offer Notice**") to Tenant and Tenant shall have an ongoing right of first offer ("**ROFO**") to add such space (the "**ROFO Space**") to the Premises on the then-existing terms of this Lease, except as otherwise provided in this Article. Landlord's ROFO Notice shall set forth the approximate size, approximate configuration and approximate location (but including the specific floors) of the ROFO Space, Landlord's quotation of a proposed Base Rent, tenant improvement allowance, and free rent, if any, for the ROFO Space, and the date estimated by Landlord as the anticipated commencement date (the "**Anticipated Inclusion Date**") for such ROFO Space. The term for the ROFO Space shall be coterminous with the Term for the Premises (including the Extension Option pursuant to Article 17), provided, however, if as of the date of either Landlord's Offer Notice or the Anticipated Inclusion Date there is or will be less than five (5) full years remaining in the then Term of this Lease, then (1) Tenant shall have no right to lease the ROFO Space unless Tenant simultaneously with Tenant's delivery of its Offer Response Notice to Landlord exercises the Extension Option pursuant to Article 17, and (2) if the time period for Tenant to exercise the Extension Option has expired without exercise by Tenant, Landlord shall have no obligation to offer the ROFO Space to Tenant and Tenant shall have no right to lease such space. As used in this Article, the term "available for lease" shall mean office space in the Building which is anticipated to, or becomes, vacant and is not an Exempt Transaction.

19.2 **Conditions to ROFO.** The ROFO granted herein shall be conditioned upon all of the following terms and conditions being satisfied at the time that the ROFO is exercised and upon Tenant's taking occupancy of the ROFO Space:

19.2.1 **No Default.** No monetary or material non-monetary Event of Default shall then exist under this Lease;

19.2.2 **No Transfer.** No Transfer shall then be in effect, other than an Permitted Transfer or subleases of less than twenty five percent (25%) of the Premises in the aggregate; and

19.2.3 **Remaining Term.** There shall be not less than five (5) full calendar years remaining in the then-current Term (except if Tenant has an unexercised extension option and elects to extend this Lease at the time of such ROFO offer, in which event, any limit on early exercise of such extension option shall be deemed waived by Landlord).

19.3 **Exercise of ROFO.** Tenant shall have ten (10) days following receipt of any Landlord's Offer Notice within which to notify Landlord in writing (an "**Acceptance Notice**") that Tenant is irrevocably committed to lease the applicable ROFO Space, time being of the essence. If Tenant timely delivers an Acceptance, then, on the date on which Landlord delivers such ROFO Space to Tenant in the Delivery Condition, as defined in Section 20.3 below (the "**ROFO Space Commencement Date**"), the ROFO Space shall become part of the Premises upon the terms set forth in Landlord's Offer Notice and otherwise upon all of the same terms and conditions of the Lease, except that Tenant's Share shall thereafter be a fraction, expressed as a percentage, the numerator of which is rentable area of the Premises including the ROFO Space and the denominator of which is the rentable area of the Building. Within fifteen (15) business days following delivery from Landlord of an amendment accurately evidencing the lease of the ROFO Space on such terms set forth in the Landlord's Offer Notice, Tenant and Landlord shall execute an amendment to this Lease incorporating such terms for the ROFO Space into this Lease.

19.4 **Rejection by Tenant.** If Tenant shall fail timely to deliver an Acceptance Notice to Landlord, or if Tenant does not timely execute such amendment (provided the same was accurate), Tenant shall be deemed to have elected to not lease the ROFO Space and Tenant will have no further right to lease such ROFO Space pursuant to this Article 19 unless such ROFO Space again becomes available for lease, it being agreed and acknowledged by the parties hereto that in the event of any failure by Tenant to timely exercise its right to lease the ROFO Space Landlord shall have the right to lease such ROFO Space to any third party upon terms acceptable to Landlord and such third party and this ROFO shall terminate as to such ROFO Space so long as the Base Rent paid by such third party, taking into account any free rent and tenant improvement allowance, is no less than ninety percent (90%) of the Base Rent (taking into account any free rent and tenant improvement allowance) set forth in Landlord's Offer Notice. If Landlord wishes to lease the ROFO Space for less than ninety percent (90%) of the Base Rent (taking into account any free rent and tenant improvement allowance) contained in Landlord's Offer Notice, then Landlord shall first re-offer the ROFO Space to Tenant in accordance with this Article 19 with such revised Base Rent and Tenant shall then have five (5) days within which to elect to lease the ROFO Space.

19.5 **Delivery of ROFO Space.** If the ROFO Space is not available for Tenant's occupancy on the date estimated by Landlord as the Anticipated Inclusion Date therefor for any reason, including, but not limited to, the holding over of the prior tenant, then Landlord agrees to use reasonable efforts and due diligence to deliver possession of the ROFO Space to Tenant and the commencement date of the ROFO Space shall be delayed, and as well any Rents applicable to such ROFO space shall not commence, nor shall Tenant have any obligation to insure, repair, maintain, indemnify or the like as to the ROFO Space under the Lease, as amended, or to take possession of the ROFO Space, until such ROFO Space is delivered. If Landlord does not deliver possession of the ROFO Space to Tenant within six (6) months following the Anticipated Inclusion Date therefor for any reason, then Tenant may, within ten (10) business days after such date, as Tenant's sole remedy at law, equity or under this Lease, elect to either (i) cancel the exercise of its option to lease the ROFO Space by giving to Landlord a written cancellation notice; provided, however, if Landlord delivers the ROFO Space to Tenant on or before the date that is thirty (30) days after Landlord receives such cancellation notice, such cancellation notice shall be void and without further force or effect; or (ii) receive a credit equal to one day of Base Rent with respect to the ROFO Space for each day commencing on the 61st day following the Anticipated Inclusion Date that the ROFO Space has not been delivered until such ROFO Space is actually delivered to Tenant.

19.6 **Termination of Right of First Offer.** The ROFO granted herein is personal to the Tenant named in this Lease and is non-transferable to any Transferee, other than to an assignee of this Lease pursuant to a Permitted Transfer. Notwithstanding anything to the contrary contained herein, (a) any assignment or subletting of more than thirty-three percent (33%) of the Premises by Tenant pursuant to the provisions of this Lease, other than a Permitted Transfer, shall terminate the ROFO contained herein and the same shall be null and void and without recourse to either party hereto, and (b) the ROFO granted hereby shall expire by its own terms fifteen (15) months prior to the expiration of the Term.

19.7 **Exempt Transactions.** In no event shall Tenant's ROFO under this Article 19 apply to (a) any space offered to lease for use as a Building amenity, such as a cafeteria or fitness center, (b) the initial lease to a third party of any space subject to any of Tenant's expansion rights pursuant to Article 20 following the date that Tenant waives such applicable expansion rights or such applicable rights otherwise expire, (c) any renewal or extension of leases by then existing tenants of the ROFO Space, (d) rights of other tenants (and their successors and assigns as tenants) existing as of the Effective Date, as noted on Exhibit 19.7 attached hereto, or (e) the expansion, renewal or extension rights granted to future tenants leasing or occupying the ROFO Space after Tenant declines or is deemed to have declined to lease such ROFO Space in accordance with this Article 20 or under any Initial Lease.

20.1 **Option A Expansion Right.**

(a) Subject to the terms and conditions of this Article, and provided that at the time of delivery of Tenant's Option A Expansion Notice (as hereinafter defined) and as of the Option A Expansion Premises Commencement Date (as hereinafter defined), (x) this Lease is in full force and effect and (y) no monetary or material non-monetary Event of Default of Tenant shall have occurred and be continuing, Tenant shall have the one-time right (the "**Option A Expansion Right**") to expand the Premises within the Building as follows (the expansion premises chosen by Tenant, referred to hereinafter as the "**Option A Expansion Premises**"):

(i) certain space on the third (3rd) floor of the Building containing approximately 13,956 rentable square feet in area (the "**Intrinsiq Space**") as further identified on Exhibit 20.1(a); or

(ii) the Intrinsiq Space plus certain additional space on the third (3rd) floor of the Building containing approximately 7,838 rentable square feet in area (the "**Vacant Space**") (for a total of approximately 21,794 rentable square feet in area) as further identified on Exhibit 20.1(a).

In order to exercise such expansion right, Tenant shall give Landlord written notice ("**Tenant's Option A Expansion Notice**") on or before November 30, 2017 (the "**Option Expiration Date**"), *time being of the essence*, of Tenant's election to expand the Premises in accordance with this Section 20.1(a) and whether Tenant elects to exercise the expansion right set forth in clause (i) or (ii) above (Tenant having the right to elect only one of such options). If Tenant exercises its option pursuant to this Section 20.1(a), Landlord shall use commercially reasonable efforts to deliver the Option A Expansion Premises to Tenant on October 1, 2018 (the "**Estimated Expansion Date**") in the condition required by Section 20.3, below. The Option A Expansion Premises Commencement Date shall be the later of (i) October 1, 2018 and (ii) the date that the Option A Expansion Premises are delivered to Tenant in condition required by Section 20.3 (except as further set forth below with respect to the Tenant's election to accelerate delivery of the Vacant Space). Notwithstanding the foregoing, if Tenant elects to exercise the expansion right set forth in clause (ii) above, Tenant may elect to take delivery of the Vacant Space prior to September 1, 2018 by specifying Tenant's desired earlier delivery date in Tenant's Option A Expansion Notice, in which event Landlord shall use commercially reasonable efforts to deliver the Vacant Space to Tenant in the condition required by Section 20.3 on such earlier delivery date, and there shall be two Option A Expansion Premises Commencement Dates, one for each of the spaces referenced in clauses (i) and (ii) above. In the event that Tenant exercises the expansion right set forth in clause (i) or (ii) above and Landlord fails to deliver all of the Option A Expansion Premises by (x) the date that is 60 days after the Estimated Expansion Date, other than for Force Majeure, then Tenant shall receive a rent credit of one (1) day of Base Rent with respect to the applicable portion of the Option A Expansion Premises for each day during which Landlord so failed to deliver to Tenant the respective portion of the Expansion Premises in the Delivery Condition provided in Section 20.3 beyond such sixty (60) day period or (y) February 28, 2019, for any reason, including, but not limited to, the holding over of any prior tenant, then Tenant may, as its sole remedy, at any time after such date and prior to Landlord's actual delivery of the Option A Expansion Premises, cancel the exercise of its option to lease the Option A Expansion Premises by giving to Landlord a written cancellation notice; provided, however, if Landlord delivers all of the Option A Expansion Premises to Tenant on or before the date that is thirty (30) days after Landlord receives such cancellation notice, such cancellation notice shall be void and without further force or effect.

For purposes of clarity, Tenant must exercise the Option A Expansion Right as to the Intrinsiq Space in order to exercise the Option A Expansion Right as to the Vacant Space.

Additionally, Tenant may not exercise the Option A Expansion Right if it has previously exercised the Option B Expansion Right (as defined below) since the Option A Expansion Premises is a substantial part of the composition of the Option B Expansion Premises; Tenant may only elect one of the two of such expansion rights.

(b) If Tenant exercises its Option A Expansion Right pursuant to Section 20.1(a), above, the Initial Term of the Lease shall be deemed to have been extended to the date that is four (4) years following the last Option A Expansion Premises Commencement Date to occur, but in any event to a date that is no earlier than May 31, 2023. Tenant's lease of the Option A Expansion Premises shall be coterminous with the Term of this Lease for the Premises originally leased hereunder by Tenant and shall be upon and subject to all of the same terms and conditions as this Lease, except that (i) Tenant shall have no further option to expand the Premises pursuant to this Section 20.1, (ii) the Base Rent per rentable square foot payable by Tenant with respect to the Option A Expansion Premises shall be equal to the Base Rent per rentable square foot applicable to the Premises initially leased hereunder as provided in Section 4.1 of this Lease through May 31, 2022, and the Base Rent for the entire Premises, meaning including the Option A Expansion Premises, shall increase annually thereafter in the amount of \$.75 per square foot of rentable area, (iii) Tenant's Share shall be increased by 11.83% if Tenant elects option (a)(i) and 18.48% if Tenant elects option (a)(ii), above, to reflect the addition of the Option A Premises effective upon the applicable Option A Expansion Premises Commencement Date, (v) Landlord shall not be required to perform any leasehold improvements, alterations or any other work to make the Option A Expansion Premises ready for Tenant's use or occupancy, and Tenant shall accept the Option A Expansion Premises in its "as is" condition on the Option A Expansion Premises Commencement Date, except that Landlord shall deliver the Option A Expansion Premises to Tenant in the Delivery Condition, and (vii) Landlord shall not be required to provide any abatement, tenant improvement allowance or other tenant inducements for the Option A Expansion Premises other than the Option A Improvement Allowance (as defined below) set forth in Section 20.3 below.

(d) If Tenant shall fail to timely deliver Tenant's Option A Expansion Notice, Tenant shall be deemed to have waived such right and the provisions of this Section 20.1 shall terminate and be of no further force and effect.

(e) Tenant shall commence the payment of Rent with respect to each applicable Option A Expansion Premises on the date that is the earlier of (i) 120 days after the Option A Expansion Premises Commencement Date such space, and (ii) the date that Tenant occupies the applicable Option A Expansion Premises for the conduct of Tenant's business.

20.2 **Option B Expansion Right.**

(a) Subject to the terms and conditions of this Article, and provided that at the time of delivery of Tenant's Option B Expansion Notice (as hereinafter defined) and as of the Option B Expansion Premises Commencement Date (as hereinafter defined), (y) this Lease is in full force and effect and (z) no monetary or material non-monetary Event of Default of Tenant shall have occurred and be continuing, Tenant shall have the one-time right (the "**Option B Expansion Right**") to expand the Premises to include all (but not less than all) of the following spaces within the Building (hereinafter, the "**Option B Expansion Premises**"; the Option A Expansion Premises and/or the Option B Expansion Premises, as applicable, are sometimes referred to herein as the "**Expansion Premises**");

(i) the Intrinsiq Space;

(ii) the Vacant Space; and

(iii) certain additional space on the third (3rd) floor of the Building containing approximately 5,420 rentable square feet in area and referenced as the "Additional Expansion Space" on Exhibit 20.1(a) (the "**Additional Expansion Space**") for a total of 27,214 rentable square feet.

In order to exercise such expansion right, Tenant shall give Landlord written notice ("**Tenant's Option B Expansion Notice**") on or before the Option Expiration Date, *time being of the essence*, of Tenant's election to expand the Premises in accordance with this Section 20.2(b). If Tenant exercises its option pursuant to this Section 20.2(b), Landlord shall use commercially reasonable efforts to deliver the Option B Expansion Premises to Tenant in the condition required by Section 20.3, on September 1, 2018 (October 1, 2018 with respect to the Intrinsiq Space) (as applicable, the "**Estimated Expansion B Delivery Date**"). The Option B Expansion Premises Commencement Date shall be the later of (i) October 1, 2018 and (ii) the date that the Option B Expansion Premises are delivered to Tenant in the condition

required by Section 20.3. In the event that Tenant exercises the expansion right set forth above and Landlord fails to deliver (x) any portion of the Option B Expansion Premises by the date that is ninety (90) days after the Estimated Expansion B Delivery Date for occupied space and sixty (60) days after the Estimated Expansion B Delivery Date for unoccupied space, in each case other than for Force Majeure, then Tenant shall receive a rent credit of one (1) day of Base Rent with respect to the applicable portion of the Option B Expansion Premises for each day during which Landlord so failed to deliver to Tenant the respective portion of the Expansion Premises in the Delivery Condition provided in Section 20.3 beyond such sixty (60) or ninety (90) day period, as applicable, or (y) the Intrinsic Space and/or the Vacant Space by February 28, 2019 or the Additional Expansion Space by May 31, 2019, for any reason, including, but not limited to, the holding over of any prior tenant, then Tenant may, as its sole remedy, at any time after such respective dates and prior to Landlord's actual delivery of the respective portion(s) of the Option B Expansion Premises, cancel the exercise of its option to lease the entire Option B Expansion Premises by giving to Landlord a written cancellation notice; provided, however, if Landlord delivers the respective portion(s) of the Option B Expansion Premises to Tenant on or before the date that is thirty (30) days after Landlord receives such cancellation notice, such cancellation notice shall be void and without further force or effect.

For purposes of clarity, Tenant may not exercise the Option B Expansion Right if it has previously exercised the Option A Expansion Right; Tenant may only elect one of the two of such expansion rights.

(b) If Tenant exercises its Option B Expansion Right pursuant to Section 20.2(a), above, the Initial Term of the Lease shall be deemed to have been extended to the date that is five (5) years following the Option B Expansion Premises Commencement Date (as defined below), but in any event to a date that is no earlier than May 31, 2024. Tenant's lease of the Option B Expansion Premises shall be coterminous with the Term of this Lease for the Premises originally leased hereunder by Tenant (including for purposes of Tenant's Extension Option) and shall be upon and subject to all of the same terms and conditions as this Lease, except that (i) Tenant shall have no further option to expand the Premises pursuant to this Section 20.2, (ii) the Base Rent per rentable square foot payable by Tenant with respect to the Option B Expansion Premises shall be equal to the Base Rent per rentable square foot applicable to the Premises initially leased hereunder as provided in Section 4.1 of this Lease through May 31, 2022 and the Base Rent for the entire Premises, including the Option B Expansion Premises, shall increase annually thereafter in the amount of \$.75 per square foot of rentable area, (iii) Tenant's Share shall be increased by 23.09% to reflect the addition of the Option B Premises effective upon the Option B Expansion Premises Commencement Date, (iv) Landlord shall not be required to perform any leasehold improvements, alterations or any other work to make the Option B Expansion Premises ready for Tenant's use or occupancy, and Tenant shall accept the Option B Expansion Premises in its "as is" condition on the Option B Expansion Premises Commencement Date, except that Landlord shall deliver the Option B Expansion Premises to Tenant in the Delivery Condition, and (v) Landlord shall not be required to provide any abatement, tenant improvement allowance or other tenant inducements for the Option B Expansion Premises other than the Option B Improvement Allowance (as defined below).

(d) If Tenant shall fail to timely deliver Tenant's Option B Expansion Notice, Tenant shall be deemed to have waived such right and the provisions of this Section 20.2 shall terminate and be of no further force and effect.

(e) Tenant shall commence the payment of Rent with respect to the Option B Expansion Premises on the date that is the earlier of (i) 150 days after the Option B Expansion Premises Commencement Date, and (ii) the date that Tenant occupies the Option B Expansion Premises for the conduct of Tenant's business.

20.3 Condition of Expansion Premises; Expansion Premises Improvement Allowance.

(a) Landlord shall deliver possession of the Expansion Premises broom clean, free and clear of tenants or other occupants, in a structurally sound condition, and otherwise "as is" (the "**Delivery Condition**").

(b) Landlord shall not be required to perform any leasehold improvements, alterations or any other work to make the Expansion Premises ready for Tenant's use or occupancy, and Tenant shall be solely responsible for preparing the Expansion Premises for Tenant's use and occupancy. All Alterations in the Expansion Premises necessary to prepare the same for Tenant's occupancy (the "**Expansion Improvements**") shall be constructed by Tenant and shall be consistent with first class office use and performed in accordance with this Lease including Section 8.3.

The Expansion Improvements shall be performed at Tenant's sole cost and expense, subject to the Expansion Improvement Allowance (as defined below).

(c) Landlord shall provide Tenant with an allowance (the "**Expansion Improvement Allowance**") for the Expansion Improvements in an amount not to exceed the product of (x) \$8.40 times (y) the rentable square footage of the Expansion Premises as set forth above times (z) four (with respect to the Option A Expansion Premises) or five (with respect to the Option B Expansion Premises), as applicable. Any amounts to design and construct the Expansion Improvements in excess of the Expansion Improvement Allowance shall be paid by Tenant. Landlord shall receive a one percent (1%) percent construction oversight fee, payable out of the Expansion Improvement Allowance, in connection with the Expansion Improvements, which fee shall be calculated based only on the so-called "hard costs" of construction for the Expansion Improvements. The Expansion Improvement Allowance shall be advanced by Landlord on the terms and conditions set forth in Section 6 of the Work Letter, which are incorporated herein by reference, and any amounts not requisitioned by the first anniversary of the date upon which Rent payments commence with respect to the applicable Expansion Space Commencement Date shall be retained by Landlord with no further obligation to advance the same.

[remainder of page left intentionally blank – signatures on following page]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease the day and year first above written.

LANDLORD:

BURLINGTON CENTRE OWNER LLC, a Delaware limited liability company

By: **BURLINGTON CENTRE JV LLC**, a Delaware limited liability company,
its sole member

By: **DIV FUND II GP, LLC**, a Delaware limited liability company, as agent
for the managing member

By: /s/ Richard McCready
Name: Richard McCready
Title: President

and

By: **BURLINGTON GAVI MEMBER, LLC**, a Delaware limited liability
company, its co-managing member

By: **PRINCIPAL REAL ESTATE INVESTORS, LLC**, a Delaware limited
liability company, its authorized signatory

By: /s/ Ronnie J. Billy
Name: Ronnie Billy
Title: Investment Director-Asset Management

By: /s/ Robert T. Klinkner
Name: Robert T. Klinkner
Title: Managing Director -Asset Management

Landlord's Notice Address:
Burlington Centre Owner LLC
c/o The Davis Companies
125 High Street, 21st Floor
Boston, MA 02110
Attention: General Counsel
Email: sspelfogel@TheDavisCompanies.com

With copies to:

Burlington Centre Owner LLC
c/o The Davis Companies
125 High Street, 21st Floor
Boston, MA 02110
Attention: Asset Manager
Email: ghofstetter@TheDavisCompanies.com

[Signatures Continued From the Previous Page]

TENANT:

EVERBRIDGE, INC., a Delaware corporation

By: /s/ Kenneth S. Goldman

Name: Kenneth S. Goldman

Title: Treasurer

By: /s/ Jaime Ellertson

Name: Jaime Ellertson

Title: President and CEO

Tenant's Notice Address:

Everbridge, Inc.

25 Corporate Drive, Suite 400

Burlington, MA 01803

Attention: Chief Information Officer

Email: Jeff.lortz@everbridge.com

with a copy to:

Everbridge, Inc.

25 Corporate Drive, Suite 400

Burlington, MA 01803

Attention: General Counsel

Email: Elliot.mark@everbridge.com

SECRETARY'S CERTIFICATE

I, Elliot J. Mark, Secretary of **EVERBRIDGE, INC.**, a Delaware corporation (the "Company"), hereby certify that Jaime Ellertson, as President and CEO of the Company, has authority to execute and deliver to Burlington Centre Owner, LLC the Lease related to the building located at, known as and numbered 25 Corporate Drive, Burlington, Massachusetts, a copy of which Lease is attached hereto and made a part hereof on behalf of the Company.

Witness my signature on this 16th day of December, 2016.

EVERBRIDGE, INC., a Delaware corporation

By: /s/ Elliot J. Mark

Name: Elliot K. Mark

Title: Secretary

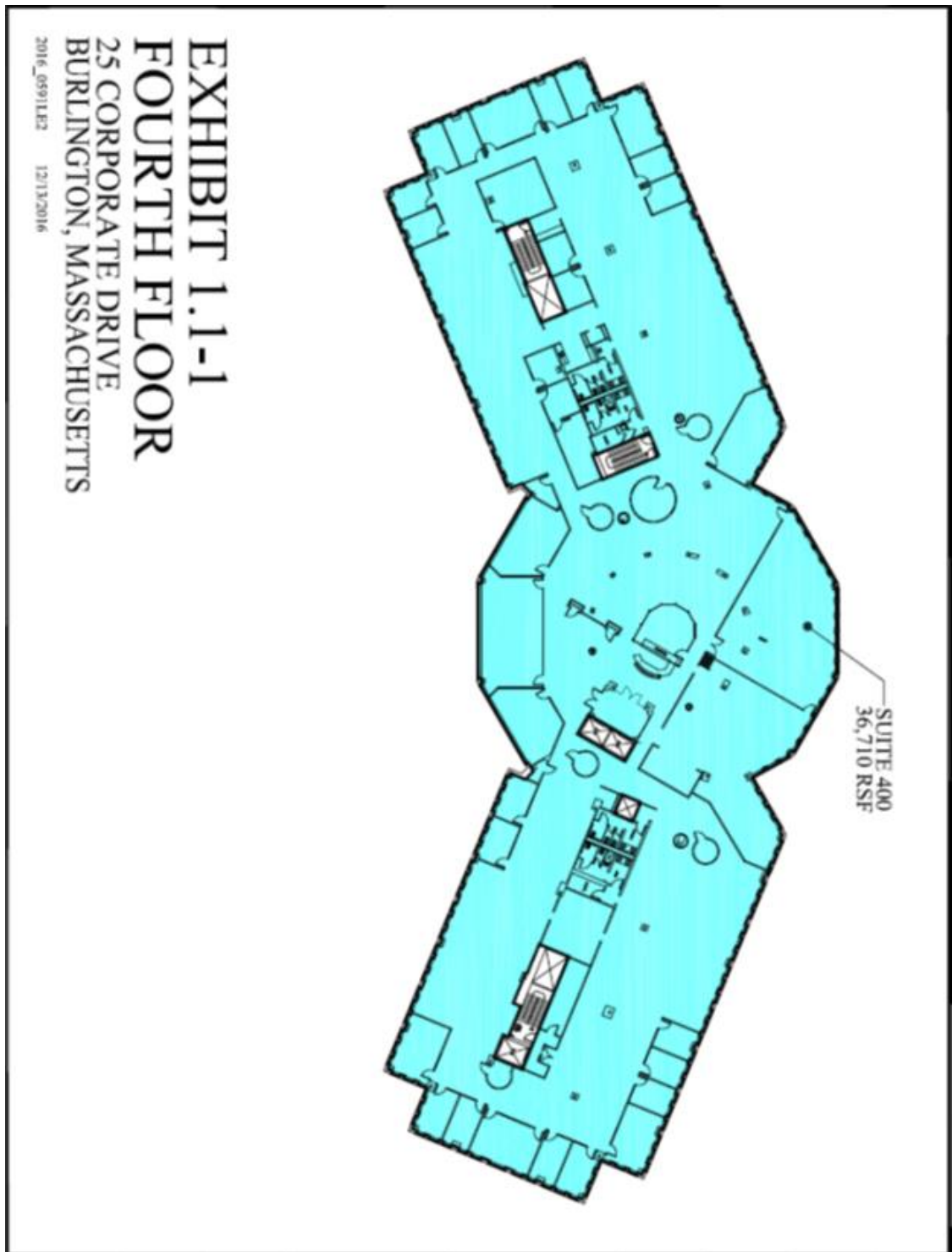




EXHIBIT 1.1-1
THIRD FLOOR
25 CORPORATE DRIVE
BURLINGTON, MASSACHUSETTS
2016_05911E1 12/14/2016

LEGAL DESCRIPTION

Parcel III (25 Corporate Drive)

Hand
Rec

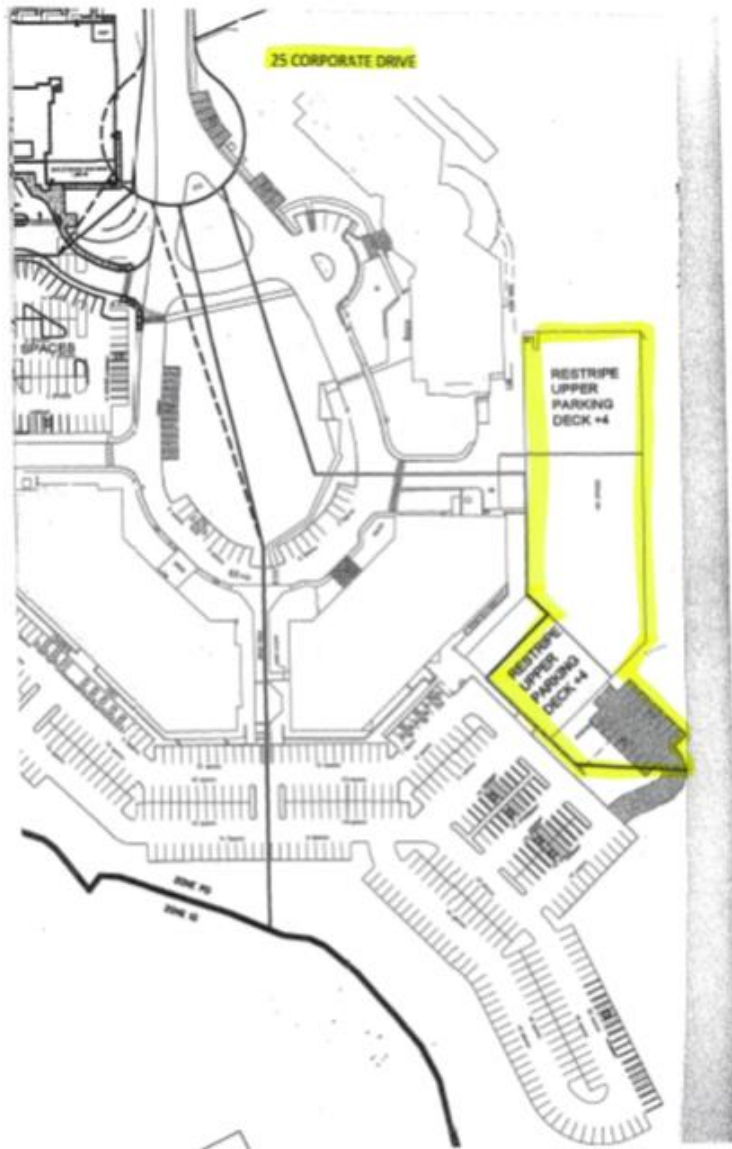
The land shown as Lot 12 on Land Court Plan No. 26423D filed with the Middlesex County Registry District of the Land Court.

Included within Parcel III is a parcel of recorded land marked "Lot 12 unregistered" on Land Court Plan No. 26423D.

The unregistered parcel is also shown as an unregistered portion of Lot 4 containing 9.29 acres on plan entitled "Definitive Subdivision Plan, Burlington Centre in Burlington, Mass.", dated December 11, 1985, revised through March 30, 1989 by BCS Group - Surveying & Mapping, Inc., recorded with Middlesex South District Registry of Deeds as Plan No. 923 of 1989 in Book 20019, Page 26.

EXHIBIT 1.3

Building Parking



Work Letter

1. Design of Finish Work. Tenant shall prepare complete, coordinated space plan, schematic design, design development, and construction drawings and specifications (collectively, the **"Construction Documents"**) for the initial improvements to the Third Floor Premises necessary to make the Third Floor Premises ready for Tenant's occupancy and any refurbishments to the Fourth Floor Premises desired by Tenant in connection with the work described herein (collectively, the **"Finish Work"**) in accordance with the procedures set forth in this Work Letter.

(a) Tenant's Architect. Tenant has retained, and Landlord has approved, Spagnolo Gisness & Associates (**"Tenant's Architect"**) as Tenant's architect for the preparation of the Construction Documents. Tenant shall cause Tenant's Architect, engineers and other professionals to comply with the provisions of this Work Letter and of Article 8 of the Lease. Tenant's Architect shall retain the services of (i) Landlord's mechanical, electrical and plumbing (MEP) engineers, AHA Consulting Engineers, Inc., and, (ii) to the extent necessitated by the Construction Documents, Landlord's structural engineer, McNamara Salvia, Structural Engineers, or such replacement MEP or structural engineers as are reasonably and timely identified by Landlord. Even though such architect and engineers may have been otherwise engaged by Landlord in connection with the Building, Tenant shall be responsible for the expenses of all architectural and engineering services relating to the design or engineering of the Finish Work (subject to use of the Allowance as further described below). Landlord shall approve Tenant's contract with Tenant's Architect (the **"FW Architect's Agreement"**), which approval shall not be unreasonably withheld, conditioned or delayed, and Tenant shall not materially amend the FW Architect's Agreement without Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) Preliminary Space Plan. Tenant shall prepare a preliminary space plan for the Finish Work consistent with first class office use and the level of fit and finish of Tenant's existing space in the Building (the **"Preliminary Plans"**).

(c) Schematic Design Documents. Tenant shall, at Tenant's sole cost (subject to reimbursement out of the Allowance as set forth below), cause Tenant's Architect to prepare and submit to Landlord for Landlord's review schematic design documents for the Finish Work (the **"Schematic Design Documents"**) no later than January 6, 2016. The Schematic Design Documents shall be based on the Preliminary Plans and shall not deviate therefrom in any material respect without Landlord's consent, such consent not to be unreasonably withheld, conditioned or delayed. Landlord shall consent to or reject the Schematic Design Documents within ten (10) days after submittal by Tenant in accordance with the standards for plan approval set forth in Section 1(e), below. If Landlord disapproves the Schematic Design Documents, Landlord shall explain in reasonable detail the reason for such disapproval. Tenant shall then cause the Schematic Design Documents to be revised accordingly and re-submitted to Landlord within ten (10) days thereafter, whereupon the procedure set forth in this paragraph shall begin again (provided that Landlord's period for approval on any resubmission shall be five (5) business days).

(d) Final Construction Documents. Following the approval of the Schematic Design Documents, and on or before February 1, 2017, Tenant shall, at Tenant's sole cost (subject to reimbursement out of the Allowance as set forth below), cause Tenant's Architect to prepare and submit to Landlord for Landlord's review (and approval or disapproval, as further set forth below) the Construction Documents. The Construction Documents shall be based on the approved Schematic Design Documents and shall not deviate therefrom in any material respect without Landlord's consent, such consent not to be unreasonably withheld, conditioned or delayed. Landlord shall approve or disapprove the Construction Documents within ten (10) days after submittal by Tenant in accordance with the standards for plan approval set forth in Section 1(e), below (provided that Landlord shall not have the right to disapprove matters shown that were previously approved as part of the Schematic Design Documents). If Landlord disapproves the Construction Documents, Landlord shall explain in reasonable detail the reason for such disapproval. Tenant shall then cause the Construction Documents to be revised accordingly and re-submitted to Landlord within ten (10) days thereafter, whereupon the procedure set forth in this paragraph shall begin again (provided that Landlord's period for approval on any resubmission shall be five (5) business days).

(e) Generally. Tenant's Construction Documents shall be consistent with first-class design standards for general offices in the greater Burlington area. All approvals, inspections, and requirements of Landlord with respect to the Construction Documents or other plans and specifications and the Finish Work shall be for Landlord's benefit only. Landlord has no obligation to approve any Finish Work Change Order (as defined below) or any Finish Work not shown on plans previously approved by Landlord or reasonably inferable therefrom if, in Landlord's reasonable judgment, such Finish Work Change Order or such Finish Work (i) would materially increase the cost of operating the Building or increase the cost of performing any other work in the Building, (ii) is incompatible with the design, quality, equipment or systems of the Building, (iii) would require unusual expense to readapt the Premises for the Permitted Uses or (iv) otherwise do not comply with the provisions of this Lease (including, without limitation, Sections 8.3.1 and 8.3.2). By its execution of the Lease, and submission of any Construction Documents and Finish Work Change Orders, Tenant will be deemed to have approved of, and shall be legally responsible for, such Construction Documents and Finish Work Change Orders.

2. Performance of the Finish Work by Tenant. The Finish Work shall be constructed by Tenant in accordance with, and subject to, the provisions of this Exhibit 3.1.1 and Section 8.3 of the Lease. Tenant shall use a general contractor acceptable to Landlord for construction of the Finish Work, such approval therefor not to be unreasonably withheld or conditioned by Landlord (Landlord acknowledging that either of Bowdoin Construction and J. Calnan & Associates, Inc. are hereby approved as Tenant's general contractor) and to be granted or denied within five (5) business days following Tenant's request. Landlord shall not be responsible for any aspects of the design or construction of Finish Work, the correction of any defects therein, or any delays in the completion thereof, except as expressly set forth below, with respect to Landlord Delays (as defined below). Tenant shall pay Landlord or its affiliate a construction coordination fee equal to one percent (1%) of all Hard Costs, which fee shall be paid as the Finish Work progresses.

Tenant shall construct the Finish Work in a good and workmanlike manner, using new or like new materials of first quality, and shall comply with applicable laws and all applicable ordinances, orders and regulations of governmental authorities applicable to the Finish Work. Tenant shall obtain all permits necessary for the prosecution of the Finish Work. Landlord shall cooperate, at no out-of-pocket cost to Landlord, in obtaining any such permits, it being expressly understood that Landlord shall execute, and/or notarize, and deliver to Tenant and/or to applicable governmental authorities, such customary forms, customary certifications, customary declarations and such customary applications as required by and/or provided by applicable governmental authorities from the owner of the Property with respect to customary permitting of Finish Work provided, however, in no event shall Landlord be required to incur any liability on account of conditions imposed upon such permits or be deemed to be responsible for such Finish Work. No Finish Work shall be performed except in accordance with the approved Construction Documents for the Finish Work, and any Finish Work Change Orders, approved by Landlord in accordance with this Work Letter. Tenant shall obtain a full, permanent certificate of occupancy from the Town of Burlington for the Finish Work within twelve (12) months following the date that Landlord approves Tenant's Construction Documents (subject to extension for force majeure events described in Section 16.25 of the Lease). Tenant shall be responsible for costs of Building services or facilities (such as electricity, HVAC, and cleaning) required to implement the Finish Work (subject to Tenant's use of the Allowance as provided below).

3. Finish Work Change Orders. Subject to the provisions of Section 1 of this Work Letter, following the approval of the Construction Documents, Tenant may, from time to time, by written order to Landlord on a form reasonably specified by Landlord (a "**Finish Work Change Order**"), request Landlord's approval of a change in the Finish Work shown on the Construction Documents, which approval shall not be unreasonably withheld, conditioned or delayed in accordance with the standards applicable under Section 1. The Construction Documents for the Finish Work shall not be modified in any material respect except with Landlord's prior written approval in accordance with the standards for plan approval set forth in Section 1(e), above, such approval or disapproval to be given within ten (10) days following submission of any Finish Work Change Order; and all modifications to the Construction Documents for the Finish Work (other than de minimis changes on account of field conditions) shall be made only by Finish Work Change Order properly submitted in timely fashion to Landlord.

4. Costs of the Finish Work; Allowance. The Finish Work shall be performed at Tenant's sole cost and expense, subject to reimbursement from the Allowance. Landlord shall provide Tenant with an allowance for the costs (the "**Allowance Costs**") of constructing the Finish Work (the "**Hard Costs**") and for architectural and engineering fees incurred in the design of the Finish Work, the Construction Fee, Tenant's costs incurred with respect to purchasing and installing Tenant's security systems, furniture, fixtures and telecommunications and business equipment, Tenant's out of pocket costs for moving into the Third Floor Premises, development consulting fees, permitting, documentation costs, and Tenant's costs to install wiring and cabling in the Premises after the Effective Date and a third-party consultants fee for construction management, supervision, and/or the like performed by a consultant reasonably approved by Landlord, in an aggregate amount not to exceed \$1,076,326.00 (the "**Allowance**"), which amount was determined at the rate of \$17.00 per rentable square foot for the Fourth Floor (\$17 x 36,710) and \$48.00 per rentable square foot for the Third Floor Premises (\$48 x 9,422) as stated on the Effective Date. At least seventy-five percent (75%) of the Allowance must be spent on Tenant's Hard Costs for the Finish Work (the "**Tenant Finish Work Standard**"). As further noted in this Section 4, below, a portion of the Allowance is available for use as a credit against Rent.

All construction and design costs for the Finish Work in excess of the Allowance shall be paid for entirely by Tenant, and Landlord shall not provide any reimbursement therefor. In the event that the total cost to design, develop, permit, document and construct the Finish Work (as reasonably determined by Landlord in consultation with Tenant prior to the disbursement of any portion of the Allowance, based on such information regarding the Finish Work as Landlord may reasonably request of Tenant), together with any related costs reasonably estimated by Landlord in consultation with Tenant, exceeds the Allowance, then Tenant shall pay its pro-rata share of the costs to construct the applicable Finish Work (based on the ratio of the costs of the Finish Work in excess of the Allowance to the estimated total cost of the Finish Work) with each requisition by Tenant. For example, if the reasonably estimated costs of the Finish Work were equal to 200% of the Allowance, Landlord would have no obligation to fund more than 50% of any requisition for Allowance submitted by Tenant each month.

Landlord shall reimburse Tenant for the actual third-party Allowance Costs in an aggregate amount not to exceed the Allowance within forty-five (45) days of Tenant's request (which request may not be made more than once per month) if such request is accompanied by (x) a written statement from Tenant's Architect that the Finish Work subject to the requisition has been Substantially Completed (as defined below) in accordance with the approved Construction Documents therefor and setting forth the percentage of Finish Work then complete, and (y) an itemized statement of the actual third-party cost to Tenant of the Finish Work to date, together with copies of invoices and other appropriate back-up documentation, including mechanics lien waivers from Tenant's Architect and engineers, contractor, any subcontractors (other than from Minor Subcontractors, as defined below), and any other third parties submitting bills with such requisition, and then only if the following conditions have been satisfied: (a) at all times prior to submitting its request for payment and at the time payment is to be made, Tenant shall have paid in full any Rent due and payable, if any, to Landlord under this Lease at the time that such requisition is made within applicable grace periods and this Lease is otherwise current and no Event of Default then exists; and (b) Landlord shall have no good faith reason to believe that any work for which payment is requisitioned has not been properly Substantially Completed. Requests for disbursement of the Allowance that are not timely submitted, or for which any of the conditions to payment of the Allowance have not be satisfied, shall be included in Tenant's next requisition and shall be paid to Tenant within forty-five (45) days following submission of the same to Landlord, provided that the conditions to payment are then satisfied. Requests for disbursement of the Allowance for which any of the conditions to payment of the Allowance have not been satisfied with respect to a particular aspect of Finish Work shall be funded to the extent that such requests otherwise comply with the conditions for payment.

Tenant shall withhold five percent (5%) retainage from each requisition from its general contractor. Landlord shall not be required to disburse the portions of the Allowance attributable to such retainage until after submission by Tenant of (i) final mechanic's lien waivers from Tenant's contractor and all of its subcontractors (other than Minor Subcontractors), (ii) a written statement from Tenant's Architect or engineer that the Finish Work has been finally completed in accordance with the approved Construction Documents, (iii) a copy of the permanent certificate of occupancy for the Finish Work (provided, however, that a temporary certificate of occupancy will be acceptable if a permanent certificate is not available due to the status of other work in the Building that is not being performed by or on behalf of Tenant), (iv) an itemized statement of the actual third-party costs to Tenant of the Finish Work, together with copies of invoices and other appropriate back-up documentation, (v) three (3) sets of "as built" plans (including a CAD disk of all such plans that are on a CAD system), and (vi) copies of all warranties for such work.

Tenant's final requisition for the Allowance shall be submitted within one (1) year following the Rent Commencement Date (the "**Outside Requisition Date**"). Tenant shall not have any right to utilize amounts of Allowance not requisitioned by the Outside Requisition Date, except that up to \$273,102 of the remaining Allowance, if any, may be applied towards Base Rent upon Tenant's written request at any time during the initial term of the Lease.

If Landlord fails timely to pay any portion of the Allowance when due, and, following a second notice to Landlord referencing this Section and stating in bold and prominent print that "FAILURE TO MAKE PAYMENT OF AMOUNTS SET FORTH HEREIN MAY RESULT IN THE RIGHT OF TENANT TO OFFSET RENT" and an additional five day period to cure such failure, then until such past due amount is paid or recouped hereunder it shall accrue interest at the Default Rate, and Tenant shall have the right to deduct any such past due amount, together with such interest, from the next installment(s) of Base Rent due under this Lease until Tenant has received full credit or otherwise has been fully reimbursed for the amount due to Tenant. Notwithstanding the foregoing, if Landlord disputes Tenant's right to abate Base Rent, or the amount of the abatement, such dispute shall be resolved in accordance with 13 of this Work Letter prior to any abatement of disputed amounts by Tenant.

5. Authorized Representatives. Tenant's Authorized Representative shall have full power and authority to act on behalf of Tenant on any matters relating to Finish Work. Tenant's Authorized Representative shall be Jeff Lortz (phone no. 781-373-9817, e-mail address Jeff.Lortz@everbridge.com). Landlord's Authorized Representative shall have full power and authority to act on behalf of Landlord on any matters relating to Finish Work. Landlord's Authorized Representative shall be Larry Lenrow (phone no. 617-451-1300; e-mail address:llenrow@TheDavisCompanies.com). Either Landlord or Tenant may designate a new Authorized Representative to act on their behalf by written notice to the other.

6. Entry Prior to Commencement. Tenant may, on a reasonable schedule approved by Landlord, and at Tenant's sole risk and expense, enter the Third Floor Premises on a date (the "**Early Access Date**") prior to the Third Floor Premises Commencement Date for the purposes of undertaking the Finish Work. The provisions of this Section 6 shall apply only during the period prior to the Commencement Date. Prior to the Commencement Date Tenant shall comply with and perform, and shall cause its employees, agents, contractors, subcontractors, material suppliers and laborers to comply with and perform, all of Tenant's obligations under this Lease, except for: the obligations to pay Base Rent and Tenant's Share of Operating Expenses and Taxes with respect to the Third Floor Premises, including without limitation Tenant's obligations under Article 9 of this Lease. Any contractor or vendor of Tenant (or any employee or agent of Tenant) performing any work in the Third Floor Premises prior to the Third Floor Premises Commencement Date shall be subject to all of the terms, conditions and requirements contained in this Section 6. Any requirements of, or written requests from, any such Tenant contractor or Tenant vendor for services to be provided from Landlord shall be paid for by Tenant and arranged between such Tenant contractor and Landlord, as applicable, any such charges by Landlord to be without mark-up by Landlord.

7. Labor Harmony. Landlord represents and warrants to Tenant that the Building is maintained as an open shop. Tenant shall use best efforts to cause its contractors to conduct operations at the Property to avoid any labor disharmony during the construction of the Finish Work. Landlord shall provide written notice (which may be via email) of any actions by Tenant's contractors that Landlord reasonably believes are causing labor disharmony. If Tenant fails to address such labor disharmony within twenty-four (24) hours following delivery of such notice, then Tenant shall reimburse Landlord for any loss or expense arising out of any such labor disharmony. In the event that a claim is made by a third party against Landlord relating to any labor disharmony caused by Tenant's contractors during the construction of the Finish Work, Tenant shall indemnify, defend and hold harmless Landlord from any and all liabilities, obligations, damages, penalties, claims, causes of action, costs, charges and expenses, including all reasonable attorneys' fees and expenses of employees resulting from such third party claim.

9. Cooperation. Landlord and Tenant shall act in good faith with respect to the submission, review, and approval (or disapproval) and in the performance of any obligation pursuant to this Lease concerning the Finish Work and any Change Orders and each shall diligently act with all reasonable speed in doing so, including, without limitation, the granting or not of approvals and conducting reviews, of submittals with the objective of facilitating the design and construction of Finish Work as quickly as reasonably possible. Landlord shall use commercially reasonable efforts, consistent with the operation and management of a first class multi-tenant office Building, not to unreasonably interfere with the progress of the Finish Work once construction commences (the parties acknowledging that the exercise of Landlord's rights under this Lease, such as enforcement of Tenant's Lease covenants, shall not be deemed to interfere).

10. Substantial Completion. "Substantially Completed" shall mean that all of the applicable Finish Work has been substantially performed, other than any minor details of construction, mechanical adjustment or any other similar matter, the non-completion of which does not materially interfere with Tenant's Permitted Use of the Premises, which matters can reasonably be completed within thirty (30) days, as reasonably determined in good faith by the Architect.

11. Minor Subcontractor. A "Minor Subcontractor" shall mean an independent subcontractor that provides work, services, materials and/or supplies, and/or the like, to Tenant with respect to Finish Work in an amount less than Five Thousand Dollars (\$5,000.00) in the aggregate as to all of such Finish Work, services, materials and/or supplies provided by such subcontractor.

12. Landlord Delay. For the purposes of this Exhibit 3.1.1, a "Landlord Delay" shall occur if (i) Landlord has been provided with any and all information reasonably required for Landlord to approve or comment upon the Construction Documents, the Schematic Design Documents, and Specifications and/or Final Plans for Permitting within the timeframe(s) set forth in this Exhibit 3.1.1, (ii) Landlord fails to respond within the timeframe(s) set forth in Section 1, above, (iii) Landlord fails to remedy such non-compliance within two (2) business days of delivery of Tenant's notice of such failure, and (iv) Tenant is actually delayed in the performance of the Finish Work as a result of such failure by Landlord. The length of any Landlord Delay shall be the actual number of days that the Finish Work is delayed in the Premises following notice of the Landlord Delay by Tenant to Landlord. Tenant's sole remedy for any Landlord Delay shall be an extension of the Outside Requisition Date on a day-for-day basis for each day that the Finish Work is so delayed.

13. All disputes regarding the amount of, and right to, any offset pursuant to Section 4, above, or the occurrence of any Landlord Delay, shall be resolved by the arbitration procedure set forth in this paragraph. All such disputes shall be submitted to arbitration within three (3) business days after either party receives timely notice from the other that a dispute or disagreement exists and requesting that the dispute be submitted to arbitration (the "Notice of Dispute") in accordance with this Section 13. Landlord and Tenant shall each designate an arbitrator within ten (10) days after the receipt of the Notice of Dispute. The arbitrators shall be reputable contractors or construction consultants with at least ten (10) years' experience in resolving construction disputes with respect to first class office buildings located in the Burlington submarket of Route 128 and who have not worked for or on behalf of Landlord or Tenant (or any principal or affiliate of the same) or any principals of Landlord and/or Tenant, within the preceding five (5) years. Such arbitrators shall within ten (10) days select a third arbitrator. In the event that the first and second arbitrator are unable to agree, for any reason, on the choice of the third arbitrator within such ten (10) day period, the first and second arbitrator shall request the Boston office of the American Arbitration Association to designate a qualified party (as set forth above) to act as the third arbitrator and such choice shall be deemed consented to by all parties. The third arbitrator shall conduct the arbitration under the expedited construction rules of the American Arbitration Association then in effect, and the decision of the third arbitrator as to any matter shall be determinative. Landlord and Tenant shall provide, at each party's own expense, such information and/or materials to the third arbitrator as are so requested, all within ten (10) business days after such written requests therefor. The third arbitrator may award costs (including professional fees) to the prevailing party.

13. Except as expressly set forth in the Lease (i.e., as incorporated by reference in Article 20 with respect to the method for funding allowances), this Exhibit shall not be deemed applicable to any additional space added to the Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the original Term of the Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease.

List of Subsidiaries of Everbridge, Inc.

Company Name	Jurisdiction
Beijing Wan Qiao Da Guan Information & Technology Ltd.	China
Everbridge Holdings Limited	United Kingdom
Everbridge Europe Limited	United Kingdom
Everbridge Securities Corporation	Massachusetts
IDV Solutions, LLC	Michigan
Microtech USA LLC	Delaware
Microtech Limited	Guernsey
Svensk Krisledning AB	Sweden

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Everbridge, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-213679) on Form S-8 of Everbridge, Inc. of our report dated March 23, 2017, with respect to the consolidated balance sheets of Everbridge, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2016, which report appears in the December 31, 2016 annual report on Form 10-K of Everbridge, Inc.

/s/ KPMG LLP

Los Angeles, California
March 23, 2017

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jaime Ellertson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everbridge, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: March 23, 2017

By: /s/ Jaime Ellertson

Name: Jaime Ellertson

Title: President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kenneth S. Goldman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Everbridge, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 23, 2017

By: /s/ Kenneth S. Goldman

Name: Kenneth S. Goldman

Title: Senior Vice President and
Chief Financial Officer

*(Principal Financial Officer and Principal Accounting
Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jaime Ellertson, President, Chief Executive Officer of Everbridge, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Annual Report on Form 10-K of Everbridge, Inc. for the year ended December 31, 2016 (the "Report"):

- (1) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Everbridge, Inc.

Date: March 23, 2017

By: /s/ Jaime Ellertson

Name: Jaime Ellertson

Title: President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kenneth S. Goldman, Chief Financial Officer of Everbridge, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Annual Report on Form 10-K of Everbridge, Inc. for the year ended December 31, 2016 (the "Report"):

- (1) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Everbridge, Inc.

Date: March 23, 2017

By: /s/ Kenneth S. Goldman

Name: Kenneth S. Goldman

Title: Senior Vice President and
Chief Financial Officer

*(Principal Financial Officer and Principal Accounting
Officer)*