

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

**FORM S-1  
 REGISTRATION STATEMENT**  
*Under  
 The Securities Act of 1933*

**Udemy, Inc.**

(Exact name of Registrant as specified in its charter)

Delaware  
 (State or other jurisdiction of  
 incorporation or organization)

7372  
 (Primary Standard Industrial  
 Classification Code Number)

27-1779864  
 (I.R.S. Employer  
 Identification Number)

600 Harrison Street, 3rd Floor  
 San Francisco, California 94107  
 (415) 813-1710

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

Gregg Coccari  
 President and Chief Executive Officer  
 600 Harrison Street, 3rd Floor  
 San Francisco, California 94107  
 (415) 813-1710

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

*Copies to:*

Tony Jeffries  
 Yoichiro Taku  
 Christina Poulsen  
 Wilson Sonsini Goodrich & Rosati  
 Professional Corporation  
 650 Page Mill Road  
 Palo Alto, California 94304  
 (650) 493-9300

Ken Hirschman, SVP Operations and General Counsel  
 Victoria Nemiah, Associate General Counsel  
 Udemy, Inc.  
 600 Harrison Street, 3rd Floor  
 San Francisco, California 94107  
 (415) 813-1710

Daniel N. Webb  
 Simpson Thacher & Bartlett LLP  
 2475 Hanover Street  
 Palo Alto, California 94304  
 (650) 251-5000

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

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

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

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

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

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

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  Smaller reporting company   
 Emerging growth company

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

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price <sup>(1)(2)</sup>	Amount of Registration Fee
Common Stock, \$0.00001 par value	\$	\$

(1) Includes offering price of any additional shares of common stock that the underwriters have the option to purchase.  
 (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated \_\_\_\_\_, 2021

Preliminary prospectus



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## Common stock

shares

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This is an initial public offering of shares of common stock by Udemy, Inc. We are offering \_\_\_\_\_ shares of our common stock to be sold in the offering. The initial public offering price is expected to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share.

Prior to this offering, there has been no public market for our common stock. We intend to apply to list our common stock on the \_\_\_\_\_ under the symbol "UDMY".

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

	Per share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discounts and commissions <sup>(1)</sup>	\$ _____	\$ _____
Proceeds to Udemy, Inc., before expenses	\$ _____	\$ _____

(1) See "Underwriters" for a description of the compensation payable to the underwriters.

We have granted the underwriters an option for a period of 30 days to purchase up to \_\_\_\_\_ additional shares of common stock.

Investing in our common stock involves a high degree of risk. See "[Risk factors](#)" beginning on page 14.

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

The underwriters expect to deliver the shares to purchasers on or about \_\_\_\_\_, 2021.

**Morgan Stanley**

**J.P. Morgan**

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, 2021

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

Neither we nor the underwriters have authorized anyone to provide you any information or make any representations other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations, and prospects may have changed since that date.

For investors outside of the United States: we have not, and the underwriters have not, done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside of the United States.

## Prospectus summary

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, especially “Risk factors” and our consolidated financial statements and the related notes appearing elsewhere in this prospectus, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to “we,” “us,” “our,” “our company,” and “Udemy” refer to Udemy, Inc.*

### Overview

Our mission is to create new possibilities for people and organizations everywhere by connecting them to the knowledge and skills they need to succeed in a changing world. Our marketplace platform, with thousands of up-to-date courses in dozens of languages, provides the tools that learners, instructors, and enterprises need to achieve their goals and reach their full potential.

We believe traditional education and training methods are fast becoming outdated. Technological advancements and novel industries have significantly altered the types of skills required of workers, and lifelong training and continuous skills acquisition are becoming the norm. There is a clear need to expand access to learning across traditional barriers such as geography and social demographics.

Udemy operates a two-sided marketplace where our instructors develop content to meet learner demand. Courses can be accessed through our direct-to-consumer or Udemy Business, or UB, offerings. Our platform provides over 39 million learners with access to over 158,000 courses in over 65 languages and 180 countries.

Udemy courses address learning objectives such as reskilling or upskilling in technology and business, enhancing soft skills, and personal development. We analyze platform data to better determine our learners’ needs, helping us match individuals with relevant courses and, within UB, learning paths for a more personalized experience. Our learners also receive access to superior, interactive learning tools such as quizzes, exercises, and instructor questions-and-answers, or Q&A.

Within our marketplace and UB catalog, we provide learners with high-quality content by prioritizing courses based on factors such as learner feedback and ratings, topic relevance, content quality, and instructor engagement.

Our business has experienced rapid growth. From 2019 to 2020, our revenue grew 55.6% to \$429.9 million, which includes over 100% growth in UB revenue.

### Industry

As technological advancements, new fields of study, and novel industries render existing skill sets obsolete, the need for a new model for learning and teaching skills is urgent. According to the World Economic Forum, companies surveyed estimate that around 40% of workers will require short-cycle reskilling (i.e., six months or less), and 94% of business leaders report that they expect employees to pick up new skills on the job.

The shift to online learning has been ongoing for years, and the COVID-19 pandemic has further accelerated this shift. According to the World Economic Forum, 84% of employers surveyed report that the COVID-19 pandemic has increased the need to digitize.

Unfortunately, many of today’s options have a number of shortcomings:

- **Relevance:** Traditional learning solutions rely on the so-called publisher model, which does not incentivize continuous course creation or improvement post-publication. We believe this limits the speed of course development and the cost-effectiveness of localized content production.

- **Breadth:** Due to cost and timing constraints, existing solutions often focus on a few popular learning areas such as technical skills or creative skills. These training options may lack the content breadth and instructor diversity to meet the interdisciplinary objectives of modern learners.
- **Quality:** Because traditional providers often lack quality indicators such as ratings, reviews, and past performance, finding high-quality content can prove difficult and time consuming for learners.
- **Scalability:** Existing solutions have proven ineffective at operating on a global scale. Many rely on in-person training and have been slow to leverage technology, making them difficult to reproduce at scale. Other digital solutions, despite being more scalable than in-person training, have also struggled to provide local content for international communities.
- **Affordability:** The high cost of learning solutions prevents many individual learners from advancing or upgrading their skills. Likewise, pricing for existing solutions is often standardized globally, further limiting access in many geographies.

Udemy offers a new approach, one that addresses these shortcomings and effectively connects the global ecosystem of learners to up-to-date knowledge from experts and practitioners around the world. We are creating a better learning experience.

## **Our market opportunity**

According to a HolonIQ study, the global online and offline education market was \$2.6 trillion across higher education, corporate training, and online learning in 2019. Before the COVID-19 pandemic, the majority of corporate training occurred offline, and we believe that online education is well placed to address the scalability and affordability limitations of offline education. With the increase of internet connectivity, technological advances, and interactive tools at a low cost, we expect a massive shift from offline to online.

Based on data from Arizton, we estimate our market opportunity in online learning to be \$223 billion. We calculate this estimate by aggregating the global corporate opportunity of \$71 billion and the global consumer opportunity of \$152 billion in 2021. We believe that our market opportunity could grow to be multiples of today's estimate as learning continues to transition online.

Further, we believe that online education can address the rising demand for lifelong learning in the rapidly evolving world economy, a development that would expand our market opportunity to include the majority of the global adult population.

## **Our solution: the world's learning platform**

Our platform allows individual learners and organizations all over the world to access affordable, relevant, and up-to-date content from experts and experienced practitioners in nearly every field. We combine high-quality content with data insights and technology to create a platform purpose-built for the needs of learners, instructors, and enterprises.

Our platform delivers a powerful flywheel of content creation, engagement, and continuous content optimization. Our expert instructors continuously generate new courses and update existing ones, while our marketplace encourages engagement on the most in-demand topics. The volume and frequency of these interactions allow us to generate meaningful insights and provide real-time feedback and analytics for our instructors. These data insights in turn improve content quality, enhance course personalization, and optimize productivity and satisfaction for our learners.

One way that we foster access to courses for individual learners and enterprises is through broad content distribution across our various channels. We leverage machine learning, or ML, to increase learner retention and conversion using enhanced personalization. At the same time, our model encourages superior content

through well-aligned incentives for our instructors, supported by consistent improvement from the feedback and data collected from individual learners and enterprise customers.

Individual learners have access to thousands of free courses on our platform, which represents an important source of customer acquisition. Once learners interact with our platform, our ML algorithms then recommend courses for learners to purchase based on topic, quality, instructor rating, number of enrollments, learner's country of origin, and more. The algorithms help Udemy to maximize revenue while offering the best value to learners.

We also offer unlimited access to a curated catalog of courses through our Consumer, Enterprise, and Team plan subscriptions. The courses selected for the subscription plans are among the highest quality, most relevant, and most popular on our platform. Learners can access the Consumer subscription plan for a monthly fee, whereas Enterprise plans have annual licenses that are priced based on volume. Our Team plan offers enterprises access to 5,500 top-rated courses for 5-20 seats at an annual rate starting at \$360 per seat. The Enterprise plan begins with the same offering as the Team plan and supplements it with administrative tools, insights, learning playbooks, and additional courses through our language packages.

In addition to these subscriptions, we offer immersive learning experiences, which are premium services such as labs, interactive assessments, and workflow integrations to a range of verticals.

#### ***What we offer our learners***

We provide 39 million learners with relevant, affordable, and high-quality content, and we do this on a platform that enables the constant improvement of our courses by leveraging the social validation of 486 million course enrollments, as well as thousands of ratings and reviews. With Udemy, learners can fulfill objectives involving:

- *Technical skills:* Learners often seek to gain proficiency in the latest technology, which helps them stay competitive through upskilling or reskilling their capabilities.
- *Business skills:* Business and professional soft skills, such as negotiation strategy or team leadership, are in constant demand as individuals look to advance their careers, react to new workplace environments, or take on new responsibilities.
- *Personal development:* Learners like to complement their primary skills with discovery of new interests or hobbies such as music, drawing, and wellness.

Learners on Udemy receive a comprehensive and immersive experience through interactive exercises and the ability to communicate directly with instructors through Q&A functionality.

#### ***What we offer our enterprise customers***

UB's revenue grew over 100% year-over-year in 2020 with a global list of over 7,000 enterprise customers, including 41 of the Fortune 100. Enterprise customers typically express high satisfaction with their UB experience, resulting in our average net promoter score of 49.

Our curated UB offering begins with 5,500 of the most engaging and relevant courses available on our platform. Udemy also offers an extensive non-English language collection, which includes courses in Spanish, Portuguese, German, Japanese, and French. Arabic, Mandarin, and Turkish language packages were launched in 2021, and we plan to launch Korean and Italian language packages later in the year.

We use a rigorous selection process across a wide set of criteria to determine the courses that will be offered as part of UB, including:

- *User behavior*: Learner feedback and ratings, as well as content searches, help us determine which courses to maintain or add to UB.
- *Customer input*: Specific content requests, prospects' requests for proposal, and customer success stories are evaluated to identify new areas of focus that help ensure the continued strong relevance of our offering.
- *Market research*: Industry trends and instructor interviews help us determine relevant topics and new technologies valued by enterprises and their employees.
- *Competitor analysis*: We monitor market data and analyst reports on an ongoing basis to stay at the forefront of market demand and quickly address any applicable gaps within the topics offered.

As of December 31, 2020, the UB course catalog included over 32,000 hours of technical content and over 10,000 hours of business and professional skills content. On average, over 130 new courses are added each month. Our overall UB course catalog has increased from fewer than 2,500 courses in 2017 to over 8,000 today.

We offer enterprise customers learning paths, which allow organizations to assemble customized learning series made up of Udemy courses, the organization's own material, and links to external resources. Learning paths are only visible within the organization that creates them and offer a unique benefit to administrators and employees. As of December 31, 2020, our enterprise customers have generated over 210,000 learning paths.

We also offer enterprise customers a comprehensive analytics dashboard and other powerful tools through which they gain high visibility into the progress, areas of focus, and feedback of their employees. This strong set of tools, which includes our learning playbooks, helps our enterprise customers better understand and optimize learning experiences for their employees and ensure they are delivering a strong and measurable return on their investment in learning skills.

#### ***What we offer our instructors***

Udemy offers instructors from around the world access to a global audience of over 39 million learners. Our aligned incentive model allows our instructors to share in the economic upside of the course content they contribute and the growth of our platform. In 2020, our instructors earned \$161.4 million from Udemy for their courses.

We provide strong incentives for our instructors to drive innovation and ongoing engagement on our platform. Instructors can use platform insights, review feedback from learners, and harness analytics dashboards to manage their course content, brand, and course marketing. Our performance marketing engine identifies and selects the best courses to be featured to each learner around the world. In addition, we offer instructors insight on the revenue opportunity and existing content for any given topic, and we provide auto-generated translated captions from English to Spanish, Portuguese, French, German, Italian, and Polish.

When an instructor's course is added to the UB catalog, instructors are subject to an exclusivity clause for the use of their content on our platform. We believe these exclusivity arrangements increase the value of our offerings by increasing the amount of unique content on Udemy.

We believe that, on average, the value we offer instructors ultimately delivers a far higher return on investment relative to other content creation and online learning competitors.

## Our competitive strengths

We believe our business model benefits from several competitive advantages:

**Global distribution and reach with strong brand value:** In 2020, 61% of our revenue was generated outside North America. We are adept at quickly and efficiently entering new markets in local languages, which allows us to expand our base of individual learners and enterprises on an ongoing basis.

### **Unmatched content generation engine:**

- **Premium quality:** Our platform encourages instructors to react constantly to learner feedback by continuously updating their courses. This continuous updating, along with personalized recommendations and advanced search capabilities, provides learners with the most up-to-date, high-quality, and relevant content.
- **Relevance and speed to market:** Our platform rewards instructors for being first to address in-demand topics and for refreshing existing topics. As such, Udemy courses are updated at a much higher rate than those of competitors using traditional publisher models. In the UB course catalog, 60% of courses were updated in 2020.
- **Breadth of content:** Many of our competitors offer limited course catalogs specializing in a specific category. We provide access to over 158,000 courses (14,820 of which are offered for free), including over 56,000 courses in languages other than English. We also offer a broad set of personal enrichment courses in the Wellness, Music, and Lifestyle categories, among others. On average, instructors publish more than 5,000 courses a month on the Udemy platform.
- **Affordability:** Our ML pricing algorithms constantly analyze supply and demand for each content category, topic, and course on our platform, and determine optimal price on a per-country basis. This helps us understand individual learner willingness to pay, optimize overall pricing, and adjust prices when necessary to maximize overall revenue while maintaining competitive pricing.

**Self-reinforcing flywheel with powerful network effects:** The growing number of individual learners and enterprises on our platform attracts instructors who recognize significant earning potential in our unparalleled global audience. In turn, the increasing number of relevant, high-quality, and up-to-date courses offered by world-class experts and practitioners attracts more individual learners and enterprises.

Our direct-to-consumer offering is synergistic with UB. As individual learners experience firsthand the quality and benefits of Udemy's platform, they recommend Udemy to their organizations. We have been very successful at driving high-converting leads to UB, with over half of leads coming from our direct-to-consumer platform in 2020.

**Powerful data insights and analytics:** With over 1.2 billion unique visitors, more than 486 million course enrollments, and in 2020 alone, almost 11 billion minutes of learning, we believe that the volume of the data our platform collects provides unparalleled insights into the behaviors and needs of our learners and instructors. We leverage that data to provide personalization for learners as well as to promote high-quality and relevant content from instructors.

We capture user behavioral data on the learning objectives and interests of our learners to better address their needs and recommend the right courses. We also analyze enrollment data, market insights, and feedback from learners to identify new topics of focus within our content catalog. We share this information with our instructors in real time so they can improve their course offerings.

**Flexible technology platform:** Our technology platform is modern, agile, accessible from a variety of online and mobile channels, and built to scale with our global growth. We use algorithmic innovations including contextual bandits, deep learning, and reinforcement learning as well as advanced applications including personalized promotions, lifecycle marketing, and content personalization. In addition, our flexible technology will allow us to build new features, such as interactive exercises and immersive learning experiences.



## Our growth strategies

We are still in the early stages of our long-term growth strategy. We expect to continue expanding our consumer and enterprise customer base, instructor network, and content catalog while increasing our market opportunities through the following strategies:

### **Accelerate the growth of our enterprise business through:**

- *Successfully executing on our land-and-expand strategy:* With fewer than 10% of total available seats contracted in our enterprise customer base, we see a large opportunity for growth. We intend to continue to expand our sales team footprint globally and to improve our upselling tactics with the assistance of better tools and systems. We have also developed a strong outbound lead-generation process with effective account-based marketing operations, allowing us to target, develop, and nurture key accounts in large organizations.
- *Improving quality and relevance of our courses:* We curate our enterprise catalog by selecting the highest-rated and most engaging courses from our consumer business. We intend to continue leveraging our large platform to source high-quality and relevant curricula. We will also continue to improve the speed and efficiency of our curation processes, enabling us to quickly discern the content most relevant to our enterprise customers.
- *Integrating our UB offering with employees' workflow:* We provide easy-to-implement learning playbooks, which enable customers to combine UB courses with their own in-house training to create blended learning programs. Enterprise learners can also take advantage of our personalized content recommendations, which we derive from the data we collect. Looking forward, we intend to expand our offering to integrate with existing employee learning-and-development workflows and to introduce career services for employees, thus expanding UB usage within our enterprise customers.
- *Deliver immersive learning experiences:* Our platform currently offers powerful learning experiences including practice tests, coding exercises, and quizzes. We intend to expand our offerings to include additional enterprise subscriptions, deeper skills assessments, projects, labs, and enhanced learning support. We will also consider acquisitions to further expand the immersive learning experiences we offer, with a goal of improving learner outcomes and ultimately increasing retention.

### **Increase learner retention through:**

- *Building a global personalization engine:* Since the beginning of 2020, we have invested considerable resources in developing a personalization-based technology platform, which includes our:
  - State-of-the-art eventing platform to track and store every learner interaction with our site and apps;
  - Customer data platform to structure and analyze all of our learner data;
  - Lifecycle marketing platform to develop, train, and operationalize personalization algorithms; and
  - Campaign management platform to link personalization algorithms with customer-facing touch-points, such as website placements, emails, and push notifications among others.

Our personalization efforts are only beginning. We believe that these investments will yield high returns around customer engagement, retention, and lifetime value in the quarters and years to come.

- *Expanding our subscription offering:* In early 2021, we launched a direct-to-consumer subscription, currently in beta testing. We believe there is broad demand for learning subscriptions, and we are uniquely positioned to provide a compelling and highly competitive product. We believe that consumer subscriptions, in the absence of employer-sponsored access, will increase the retention of individual learners who seek to continuously acquire new skills and value greater ongoing access to content.

Offering different subscription packages based on area of expertise or added features, for example, will allow us to capture different types of individual learners at different price points, all while increasing their engagement with Udemy.

**Expand our geographic footprint through:**

- *Organic expansion:* All of our courses are discoverable everywhere in the world. We enter new countries via courses taught in English. As the platform grows in popularity, local instructors create courses in their native languages. In 2020, we offered approximately 56,000 courses in languages other than English. We will continue to invest in our technology and our brand to drive search engine optimization and word of mouth in order to continue the organic growth.
- *Executing our international playbook:* As the content catalog expands in each country, we start investing in additional growth levers such as local payment methods, local currency pricing, and local marketing. These investments drive higher traffic, enrollments, revenue, and leads for UB. Once we reach a steady volume of leads to UB, we build in-country go-to-market sales teams to grow and expand our enterprise customer base. We also may partner with local companies. This international playbook will continue to allow us to build a targeted list of countries in which we anticipate we will expand with a high likelihood of success.

**Risk factors summary**

Our business is subject to a number of risks and uncertainties of which you should be aware before deciding to invest in our common stock. These risks are more fully described in “Risk factors” immediately following this prospectus summary. These risks include, among others, the following:

- We have a history of losses, and we may not be able to generate sufficient revenue to achieve or maintain profitability in the future. We incurred net losses of \$69.7 million and \$77.6 million during the years ended December 31, 2019 and 2020, respectively, and, as of December 31, 2020, we had an accumulated deficit of \$378.5 million.
- We have a limited history in an emerging and dynamic market, which makes it difficult to evaluate our prospects and future results of operations.
- Our results of operations may fluctuate significantly from period to period due to a wide range of factors, which makes our future results difficult to predict.
- Our rapid growth may not be sustainable and depends on our ability to attract new learners, instructors, and enterprises and retain existing ones.
- Our platform relies on a limited number of key instructors, and the loss of one or more key instructor relationships could adversely affect our business, financial condition, and results of operations.
- If we fail to maintain and expand our relationships with enterprise customers, our ability to grow our business and revenue will suffer.
- We operate in a highly competitive market, and we may not be able to compete successfully against current and future competitors.
- The market for online learning solutions is relatively new and may not grow as we expect, which may harm our business, financial condition, and results of operations.
- Adherence to our values and our focus on long-term sustainability may negatively impact our short- or medium-term financial performance.
- The COVID-19 pandemic could affect our business, financial condition, and results of operations in volatile and unpredictable ways.

- Any failure to successfully execute and integrate future acquisitions could materially adversely affect our business, financial condition, and results of operations.
- Changes in laws or regulations relating to privacy, data protection, or cybersecurity, including those relating to the protection or transfer of data relating to individuals, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations could adversely affect our business.
- We may be unable to adequately obtain, maintain, protect, and enforce our intellectual property and proprietary information, which could adversely affect our business, financial condition, and results of operations.
- We could face liability, or our reputation might be harmed, as a result of courses posted to our platform.
- Intellectual property litigation, including litigation related to content available on our platform, could result in significant costs and adversely affect our business, financial condition, results of operations, and reputation.
- We are an emerging growth company, and any decision to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.
- The trading price of our common stock may be volatile, and you could lose all or part of your investment.

## **Corporate information**

We were incorporated in January 2010 as a Delaware corporation. Our principal executive offices are located at 600 Harrison Street, 3rd Floor, San Francisco, California 94107, and our telephone number is (415) 813-1710. Our website address is [www.udemy.com](http://www.udemy.com). Information contained on, or that can be accessed through, our website does not constitute part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only. Investors should not rely on any such information in deciding whether to purchase our common stock.

“Udemy,” our logo, and our other registered or common law trademarks, service marks, or trade names appearing in this prospectus are the property of Udemy, Inc. Other trademarks and trade names referred to in this prospectus are the property of their respective owners.

## **Implications of being an emerging growth company**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. We will remain an emerging growth company until the earliest to occur of: the last day of the fiscal year in which we have more than \$1.07 billion in annual revenue; the date we qualify as a “large accelerated filer,” with at least \$700 million of equity securities held by non-affiliates; the issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities; and the last day of the fiscal year ending after the fifth anniversary of our initial public offering. As a result of this status, we have taken advantage of reduced reporting requirements in this prospectus and may elect to take advantage of other reduced reporting requirements in our future filings with the Securities and Exchange Commission. In particular, in this prospectus, we have provided only two years of audited consolidated financial statements and have not included all of the executive compensation related information that would be required if we were not an emerging growth company. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. We have elected to use this extended transition period to enable us to comply with new or

revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

## The offering

<b>Common stock offered by us</b>	shares.
<b>Option to purchase additional shares</b>	We have granted the underwriters an option for a period of 30 days to purchase up to additional shares of our common stock.
<b>Common stock to be outstanding immediately after this offering</b>	shares (or shares if the underwriters exercise their option to purchase additional shares in full).
<b>Use of proceeds</b>	The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our common stock, and enable access to the public equity markets for us and our stockholders. We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time. See “Use of proceeds” for additional information.
<b>Risk factors</b>	See “Risk factors” for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
<b>Proposed trading symbol</b>	“UDMY”

The number of shares of our common stock to be outstanding after this offering is based on 121,018,841 shares of our common stock outstanding as of December 31, 2020, and excludes:

- 18,932,979 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2020 with a weighted-average exercise price of \$5.23 per share, which excludes 95,475 stock appreciation rights outstanding that will be settled in cash upon exercise;
- 3,917,161 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, as amended, or our 2010 Plan, as of December 31, 2020, provided that we will cease granting awards under our 2010 Plan upon the effectiveness of our 2021 Equity Incentive Plan, or our 2021 Plan;
- 12,595 warrants to purchase shares of our redeemable convertible preferred stock outstanding as of December 31, 2020 with a weighted-average exercise price of \$0.196 per share, which were fully exercised in January 2021;
- shares of common stock reserved for future issuance under our 2021 Plan, which will become effective in connection with this offering; and
- shares of common stock reserved for future issuance under our 2021 Employee Stock Purchase Plan, or our 2021 ESPP, which will become effective in connection with this offering.

Our 2021 Plan and our 2021 ESPP each will provide for annual automatic increases in the number of shares reserved thereunder, and our 2021 Plan will also provide for increases to the number of shares that may be granted thereunder based on awards under our 2010 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in “Executive compensation—Employee benefit and stock plans.”

Unless otherwise indicated, this prospectus assumes or gives effect to the following:

- no exercise of outstanding options or stock warrants;
- no exercise by the underwriters of their option to purchase additional shares of common stock from us in this offering;
- the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of December 31, 2020 into an aggregate of 85,391,338 shares of our common stock immediately prior to the completion of this offering; and
- the filing and effectiveness of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, each of which will occur immediately prior to the completion of this offering.

## Summary consolidated financial and other data

The following tables summarize our consolidated financial and other data for the periods and as of the dates indicated. We have derived our summary consolidated statements of operations data for the years ended December 31, 2019 and 2020, and consolidated balance sheet data as of December 31, 2020, from our audited consolidated financial statements appearing elsewhere in this prospectus. You should read the following summary consolidated financial and other data together with our consolidated financial statements and the related notes appearing elsewhere in this prospectus and the information in “Selected consolidated financial and other data” and “Management’s discussion and analysis of financial condition and results of operations.”

	Year ended December 31,	
	2019	2020
(in thousands, except share and per share amounts)		
<b>Consolidated statements of operations data:</b>		
Revenues	\$ 276,327	\$ 429,899
Cost of revenues <sup>(1)</sup>	143,510	209,253
Gross profit	132,817	220,646
Operating expenses:		
Sales and marketing <sup>(1)</sup>	126,436	192,600
Research and development <sup>(1)</sup>	34,379	50,643
General and administrative <sup>(1)</sup>	40,033	50,783
Total operating expenses	200,848	294,026
Operating loss	(68,031)	(73,380)
Other income (expense), net:		
Interest income (expense), net	87	(1,146)
Other income (expense), net	(384)	55
Total other income (expense), net	(297)	(1,091)
Net loss before taxes	(68,328)	(74,471)
Income tax provision	(1,375)	(3,149)
Net loss	(69,703)	(77,620)
Net loss per share attributable to common stockholders, basic and diluted <sup>(2)</sup>	\$ (2.57)	\$ (2.33)
Weighted-average shares used to calculate net loss per share attributable to common stockholders—basic and diluted <sup>(2)</sup>	27,096,379	33,384,438
Pro forma net loss per share attributable to common stockholders—basic and diluted <sup>(2)</sup>		
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders—basic and diluted <sup>(2)</sup>		

(1) Stock-based compensation expense included in the consolidated statements of operations data above was as follows:

	Year Ended December 31,	
	2019	2020
Cost of revenues	\$ 299	\$ 418
Sales and marketing	3,001	7,518
Research and development	2,357	5,232
General and administrative	3,306	18,450
Total stock compensation expense	\$ 8,963	\$ 31,618

- (2) See Note 2 and Note 14 to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our net loss per share attributable to common stockholders, basic and diluted and the weighted-average shares used to compute these amounts. Pro forma basic net loss per share attributable to common stockholders, basic and diluted is computed to give effect to the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 85,391,338 shares of common stock immediately prior to the completion of this offering. Incremental stock-based compensation incurred in connection with the completion of this offering is immaterial.

	As of December 31, 2020		
	Actual	Pro forma <sup>(1)</sup> (in thousands)	Pro forma as adjusted <sup>(2)(3)</sup>
<b>Consolidated balance sheet data:</b>			
Total current assets	236,964		
Total assets	282,096		
Total current liabilities	263,813		
Total liabilities	268,677		
Redeemable convertible preferred stock	274,104		
Additional paid-in capital	117,818		
Accumulated deficit	(378,503)		

- (1) The pro forma balance sheet data gives effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 85,391,338 shares of our common stock which will occur immediately prior to the completion of this offering, resulting in an aggregate of 121,018,841 outstanding shares of our common stock. Incremental stock-based compensation incurred in connection with the completion of this offering is immaterial.
- (2) The pro forma as adjusted column in the balance sheet data table above gives effect to (a) the pro forma adjustments described in footnote (1) above and (b) the issuance and sale of \_\_\_\_\_ shares of common stock in this offering at the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.
- (3) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the pro forma as adjusted amount of each of our cash and cash equivalents, total assets and stockholders' deficit by \$ \_\_\_\_\_ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares offered by us at the assumed initial public offering price would increase or decrease, as applicable, each of our cash and cash equivalents, total assets, and stockholders' deficit by \$ \_\_\_\_\_ million. The pro forma as adjusted information set forth above is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing.



## Risk factors

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this prospectus, including our consolidated financial statements and the related notes and the section of this prospectus titled "Management's discussion and analysis of financial condition and results of operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.*

### Risks related to our business and operations

***We have a history of losses, and we may not be able to generate sufficient revenue to achieve or maintain profitability in the future.***

We incurred net losses of \$69.7 million and \$77.6 million during the years ended December 31, 2019 and 2020, respectively, and, as of December 31, 2020, we had an accumulated deficit of \$378.5 million. We expect our losses to continue as we make significant investments towards growing our business and operating as a public company. We have invested, and expect to continue to invest, substantial financial and other resources in developing our platform, including expanding our platform offerings, developing or acquiring new platform features and services, expanding into new markets and geographies, and increasing our sales and marketing efforts. These expenditures will make achieving and maintaining profitability more difficult, and these efforts may also be more costly than we expect and may not result in increased revenue or growth in our business. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving or maintaining profitability or positive cash flow on a consistent basis. As a result, we can provide no assurance as to whether or when we will achieve profitability. If we are not able to achieve and maintain profitability, the value of our company and our common stock could decline significantly, and you could lose some or all of your investment.

***We have a limited history and operate in an emerging and dynamic market, which makes it difficult to evaluate our prospects and future results of operations.***

We commenced operations in 2010 and the market for online learning solutions is relatively new. These factors may make it difficult to accurately assess our future prospects and the risks, challenges, and uncertainties that we may encounter. These risks include:

- maintaining and increasing a base of learners, instructors, and enterprise customers using our platform;
- successfully competing with existing and future participants in the market for online learning solutions;
- successfully expanding our business in existing markets and entering new markets and geographies;
- anticipating and responding to market and broader economic conditions;
- avoiding interruptions or disruptions in the service of our platform;
- accurately forecasting our revenue and operating expenses on a quarterly and annual basis;
- maintaining and enhancing the value of our reputation and brand;
- attracting, hiring, and retaining qualified personnel to manage our operations and further develop our platform;
- effectively managing rapid growth in our operations, including personnel; and
- successfully implementing and executing our business strategies.

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Additionally, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more established and predictable market. We have encountered in the past, and will encounter in the future, risks, challenges, and uncertainties frequently experienced by growing companies. If our assumptions regarding any of these risks, challenges, or uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address them successfully, our results of operations could differ materially from our expectations and our business, financial condition, and results of operations could be adversely affected.

***Our results of operations may fluctuate significantly from period to period due to a wide range of factors, which makes our future results difficult to predict.***

Our results of operations have historically varied from period to period, and we expect that our results of operations will continue to vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. As a result, comparing our results of operations on a period-to-period basis may not be meaningful. Factors that may contribute to the variability of our quarterly and annual results include, but are not limited to:

- our ability to attract and retain learners, instructors, and enterprises that use our platform in a cost-effective manner;
- our ability to accurately forecast revenue and operating expenses;
- the effects of increased competition on our business;
- our ability to successfully expand in existing markets and successfully enter new markets;
- changes in learner or customer behavior with respect to online learning solutions;
- increases in marketing, sales, and other operating expenses that we may incur to grow and acquire new learners, instructors, and customers;
- the revenue mix between our consumer and enterprise offerings;
- the impact of worldwide economic conditions, including the resulting effect on consumer and business spending on online learning solutions;
- our ability to maintain an adequate rate of growth and effectively manage that growth;
- the effects of changes in search engine placement and prominence;
- our ability to keep pace with technology changes in our industry;
- the success of our sales and marketing efforts;
- our ability to protect, maintain, and enforce our intellectual property rights;
- costs associated with defending claims, including intellectual property infringement claims, and related judgments or settlements;
- changes in governmental or other regulations affecting our business;
- interruptions in service and any related impact on our business, reputation, or brand;
- the attraction and engagement of qualified employees and key personnel;
- our ability to choose and effectively manage third-party service providers;
- the effects of natural or man-made catastrophic events;
- the impact of a pandemic or an outbreak of disease or similar public health concern, such as the recent COVID-19 pandemic, or fear of such an event;

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- potential volatility in our gross margins, including due to revenue mix shifts between our enterprise and consumer segments, changes in our pricing policies, increased use of subscriptions in our consumer segment, and timing differences between recognition of revenue and related content costs for courses;
- the effectiveness of our internal controls over financial reporting;
- the impact of payment processor costs and procedures; and
- changes in our tax rates or exposure to additional tax liabilities.

The unpredictability of our results of operations could cause our results to vary from period to period or to fall below expected levels for a given period, which will adversely affect our business, financial condition, and results of operations.

### ***Our rapid growth may not be sustainable and depends on our ability to attract new learners, instructors, and enterprises and retain existing ones.***

Our success depends, in part, on growing the number of learners and instructors engaging with our platform. We believe the increase in the number of instructors increases the quality and quantity of the content available on our platform, in turn making our platform more appealing and engaging to learners in both our consumer and enterprise segments. This increase in learners then attracts more instructors to our platform. This dynamic marketplace model takes time to build and may grow at a slower pace than we expect. In addition, although the number of individual and enterprise learners and instructors engaging with our platform has grown in recent years, there can be no assurance that this growth will continue at its current pace or at all. For example, in 2020 we experienced a significant increase in engagement with our platform as a result of the COVID-19 pandemic and the shelter in place orders and other efforts that were deployed by governments to mitigate its spread. This level of demand may decline as vaccines become more widely distributed and government restrictions are lifted. If we fail to grow or maintain the number of learners and instructors engaging with our platform, the value of our platform will diminish.

We believe that many of our new learners find us by word of mouth and other non-paid referrals from existing learners. If existing learners are dissatisfied with their experience on our platform, they may stop accessing our content and referring others to us. Likewise, if existing learners do not find our content appealing and engaging, whether because of a negative experience with, declining interest in or relevancy of the content, they may stop referring others to us. In turn, if instructors perceive that our platform lacks an adequate learner audience, instructors may be less willing to provide content for our platform, and the experience of learners could be further negatively impacted. The willingness or ability of instructors to provide content for our platform could also be negatively impacted by other factors, such as:

- complaints or negative publicity about us or our platform, even if factually incorrect or based on isolated incidents;
- changes to our terms and policies that our instructors find, or even perceive, to be unpopular or that are not clearly articulated to them; or
- our failure to enforce our policies fairly and transparently.

In addition, the costs associated with retaining learners and instructors are substantially lower than those associated with acquiring new learners and instructors. As a result, if we are unable to retain existing learners and instructors, even if such losses are offset by an increase in revenue resulting from new learners and instructors, it could have a material adverse effect on our results of operations. Consequently, if we are unable to retain existing learners and instructors and attract new learners and instructors who contribute and engage with our platform, our growth prospects would be harmed and our business, financial condition, and results of operations could be adversely affected.

***Our platform relies on a limited number of key instructors, and the loss of one or more key instructor relationships could adversely affect our business, financial condition, and results of operations.***

As part of our instructor community, we strive to build meaningful connections with instructors ranging from those that are well known and have created extensively to those that have just begun the process of creating courses. Although we have relationships with over 56,000 instructors as of December 31, 2020, a significant portion of the content on our platform and our revenue is attributable to our top instructors. If we fail to retain one of these key instructors for any reason, our ability to provide high-quality, engaging, and relevant content for one or more subject matters, and the pace in which we provide such content, could be adversely affected, which could reduce the attractiveness of our platform to learners and customers and, in turn, negatively impact our business, financial condition, and results of operations.

***If we fail to maintain and expand our relationships with enterprise customers, our ability to grow our business and revenue will suffer.***

Revenue from our enterprise segment represented 18% and 24% of our revenue during the fiscal years ended December 31, 2019 and 2020, respectively, and we believe that our future success depends, in part, on our ability to grow this offering, both by retaining and expanding our relationship with existing customers and attracting new customers. Many customers initially use our platform within specific groups or departments within their organizations, or for specific use cases. Our ability to grow our enterprise business depends, in part, on our ability to persuade these customers to expand their use of our platform to address additional use cases. Further, to continue to grow our business, it is important that our customers renew their subscriptions when existing contracts expire and that we expand our relationships with our existing customers. Customers have no obligation to renew their subscriptions, and they may decide not to renew their subscriptions with a similar contract period, at the same prices and terms, with the same or a greater number of users, or at all. We have had some customers elect not to renew their subscriptions with us in the past, and it is difficult to accurately predict whether we will have future success in retaining customers or expanding our relationships with them. We have experienced significant growth in the number of customers subscribing to our enterprise offerings, but we do not know whether we will continue to achieve similar growth, or achieve any growth at all, in the future. Our ability to retain enterprise customers and expand our deployments with them may decline or fluctuate as a result of a number of factors, including customers' satisfaction with our platform, the quality and timeliness of our customer success and customer support services, our prices, the prices and features of competing solutions, reductions in customers' spending levels, insufficient adoption of our platform by our customers' constituents, and new feature releases. If customers do not purchase additional subscriptions or renew their existing subscriptions, renew on less favorable terms, or fail to continue to expand their engagement with us, our revenue may decline or grow less quickly than anticipated, which would harm our business, financial condition, and results of operations.

***We operate in a highly competitive market, and we may not be able to compete successfully against current and future competitors.***

We operate in a highly competitive environment, as the market for online learning is relatively new, highly fragmented, and rapidly evolving, with limited barriers to entry. We compete for learners, enterprise customers, and instructors:

- *Learners:* We compete for learners based on our course catalog, instructors, and learning tools.
- *Enterprise customers:* We compete for enterprise customers based on our up-to-date content, the breadth and depth of that content across the full range of core business functions, and advanced product features that optimize self-paced learning and enable organizations to effectively drive programmatic learning.
- *Instructors:* We compete for instructors based on our ability to promote monetization opportunities.

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Our competition includes corporate training offerings (such as those from Pluralsight, Skillssoft, and LinkedIn Learning), direct-to-consumer training offerings (such as those from Coursera and edX), specialized content training offerings (such as those from A Cloud Guru and Skillshare), and free online resources used to gather and share knowledge and skills.

We expect our existing competitors and new entrants to the online learning market to continually evolve and improve their business models. If these or other market participants introduce new or improved delivery of online education and technology-enabled services that are more compelling or widely accepted than ours, our ability to grow our revenue and achieve profitability could suffer. Several new and existing companies in the online education industry provide or may provide offerings similar to what we offer on our platform, and these companies may pursue relationships with our instructors that may reduce, or stop altogether, the content our instructors produce for our platform. In addition, customers may choose to continue using or develop their own online learning or training solutions in-house rather than pay for our platform.

We believe that our competitiveness depends on a range of factors, both within and beyond our control, including:

- the availability or development of alternative online learning platforms that are more compelling to learners, instructors, or enterprise customers than ours;
- changes in pricing policies and terms offered by our competitors or by us;
- the ability to adapt to new technologies and changes in requirements of our learners, instructors, and customers;
- costs associated with acquiring and retaining learners, instructors, and customers;
- the ability of our current and future competitors to establish relationships with customers; and
- industry consolidation and the number and rate of new entrants.

Current and potential competitors (including any new entrants into the market) may enjoy substantial competitive advantages over us, such as greater name recognition, longer operating histories, market- or industry-specific knowledge, more successful marketing capabilities, and substantially greater financial, technical, and other resources than we have. Our current or new competitors may adopt certain aspects of our business model, which could reduce our ability to differentiate our services. Furthermore, online educational content is not typically marketed exclusively through any single channel and, accordingly, our competitors could aggregate a set of online learning courses similar to ours. Competition may intensify as our competitors raise additional capital or as new participants, including established companies, enter the markets in which we compete. Our ability to grow our business and achieve profitability could be impaired if we cannot compete successfully.

***The market for online learning solutions is relatively new and may not grow as we expect, which may harm our business, financial condition, and results of operations.***

Our future success will depend in part on the growth, if any, in the demand for online learning solutions. Although the COVID-19 pandemic has accelerated the demand for online learning solutions from both individuals and businesses alike, the online learning market is less mature than the market for in-person instruction and continues to evolve rapidly. Consequently, it is difficult to predict demand for and continued use of our platform by learners, instructors, and customers, the rate at which existing learners and instructors expand their engagement with our platform, the size and growth rate of the market for our platform, the entry of competitive offerings into the market, or the success of existing competitive offerings. Furthermore, even if learners or enterprise customers want to adopt an online learning solution, it may take them a substantial amount of time to fully transition to this type of learning solution or they could be delayed due to budget constraints, weakening economic conditions, or other factors. Even if market demand for online learning solutions generally increases, we cannot assure you that adoption of our platform will also increase. If the market for online learning solutions does not grow as we expect or our platform does not achieve widespread adoption, it could result in reduced learner and customer spending,

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reduced engagement from instructors, attrition by learners, instructors, and customers, and decreased revenue, any of which would adversely affect our business, financial condition, and results of operations.

### ***Adherence to our values and our focus on long-term sustainability may negatively impact our short- or medium-term financial performance.***

Our values motivate everything we do, and we accordingly intend to focus on the long-term sustainability of our business and platform. We may take actions that we believe will benefit our business and our ecosystem and, therefore, our stockholders over a period of time, even if those actions do not maximize short- or medium-term financial results. However, these longer-term benefits may not materialize within the timeframe we expect or at all. For example:

- we may choose to prohibit certain content from our platform that we believe is inconsistent with our values even though we could benefit financially from the sale of that content;
- we may choose to revise our policies in ways that we believe will be beneficial to our learners, instructors, and enterprise customers in the long term even though the changes are perceived unfavorably among our existing learners, instructors, and customers; or
- we may take actions, such as locating our servers in low-impact data centers, that reduce our environmental footprint even though these actions may be more costly than other alternatives.

### ***The COVID-19 pandemic could affect our business, financial condition, and results of operations in volatile and unpredictable ways.***

In March 2020, the World Health Organization declared that the outbreak of COVID-19 was a global pandemic. To limit the spread of the virus, governments have imposed various restrictions, including emergency declarations at the federal, state, and local levels, school and business closings, quarantines, “shelter at home” orders, restrictions on travel and trade, limitations on social or public gatherings, and other social distancing measures.

The full extent of the impact of the pandemic on our business, financial condition, and results of operations depends on future developments that are uncertain and unpredictable, including the duration and scope of the pandemic (including any potential future waves of the pandemic domestically and globally); governmental, business, and individual actions that have been and continue to be taken in response to the pandemic, including the availability, adoption, and effectiveness of COVID-19 vaccines; the effect on our learners, instructors, and enterprise customers; disruptions or restrictions on our employees’ ability to work and travel; the availability and cost to access capital markets; and interruptions related to our cloud networking and mobile app infrastructure that impact our learners, instructors, and customers. We have taken precautionary measures intended to help minimize the risk of COVID-19 to our employees, including transitioning the majority of our employees to remote work and restricting business travel. As we continue to actively monitor issues arising from the COVID-19 pandemic, we may take further actions that alter our business operations, including as may be required by federal, state, local, or foreign authorities or that we determine are in the best interests of our employees, learners, instructors, customers, business partners, and stockholders.

We have also seen significant and rapid shifts in the traditional models of education and training as the COVID-19 pandemic has progressed. Although we believe the COVID-19 pandemic has increased the need or willingness of businesses, governments, institutions, and individuals to adopt remote, online, and asynchronous learning and training, we cannot predict whether this trend will continue as the pandemic subsides, restrictions ease and the risk and barriers associated with in-person learning and training decrease. In addition, the COVID-19 pandemic may negatively impact the financial resources available to learners and customers, which could in turn negatively impact our business, financial condition, and results of operations.

***We may need to change our pricing model for our platform's offerings, which in turn could adversely impact our results of operations.***

We have limited experience with respect to determining the optimal prices and contract length for our platform's offerings, and as a result, we have in the past, and expect that we may in the future, need to change our pricing model or target contract length from time to time, which could impact our financial results. As the market for our learning platform develops, as new competitors introduce competitive applications or services, or as we enter into new international markets, we may be unable to attract new learners or enterprise customers at the same price or based on the same pricing models we have historically used, or for contract lengths consistent with our historical averages. In addition, we have only recently launched our consumer subscription offering, and we may not be successful in developing subscription pricing and contract models that appeal to consumer learners. Pricing and contract length decisions may also impact the mix of adoption among our offerings and negatively impact our overall revenue. Moreover, competition may require us to make substantial price concessions. Our results of operations may be adversely affected by any of the foregoing, and we may have increased difficulty achieving or maintaining profitability.

***Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our base of learners and enterprise customers and achieve broader market acceptance.***

Our ability to broaden our base of both consumer learners and enterprise customers, and achieve broader market acceptance of our marketplace platform, will depend to a significant extent on the ability of our sales and marketing organizations to work together to drive our sales pipeline and cultivate customer relationships. Our marketing efforts include the use of search engine optimization, paid search, email marketing, and television.

We have invested in and plan to continue expanding our sales and marketing organizations, both domestically and internationally. Identifying, recruiting, and training sales personnel will require significant time, expense, and attention. If we are unable to hire, develop, and retain talented sales or marketing personnel, if our new sales or marketing personnel are unable to achieve desired productivity levels in a reasonable period of time (including as a result of working remotely in connection with the COVID-19 pandemic), or if our sales and marketing programs are not effective, our ability to broaden our customer base and achieve broader market acceptance of our platform could be harmed. In addition, the investments we make in our sales and marketing organizations will occur in advance of experiencing benefits from such investments, making it difficult to determine in a timely manner if we are efficiently allocating our resources in these areas.

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

The markets in which we compete are and will continue to be characterized by constant change and innovation. Our success is predicated on our ability to identify and anticipate the needs of learners, instructors, and customers and design a scalable learning experience platform that allows them to easily create and access high-quality, in-demand educational content. Our ability to attract new and retain existing learners, instructors and customers to our platform, and to deepen their relationships with our platform, depends in large part on our ability to continue improving and enhancing our offerings.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of platform modifications and enhancements. Software development involves a significant amount of time for our technology team, as it can take developers months to update, code, and test new and upgraded features and integrate them into our platform. We must also continually update, test, and enhance our platform. The continual improvement and enhancement of our platform requires significant investment and we may not have the resources to continue making these investments. Further, there can be no assurance that the platform modifications and enhancements in which we invest will result in additional revenue sufficient to cover the cost of developing those modifications and enhancements, if any. If we are not able to



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improve and enhance our platform in an effective manner, our business, financial condition, and results of operations will be adversely affected.

### ***If we are not able to maintain and enhance our brand, our reputation and business may suffer.***

We believe that maintaining and enhancing our reputation and brand recognition is critical to our ability to attract and retain learners, instructors, customers, and partners, and that the importance of our reputation and brand recognition will continue to increase as competition in the markets in which we operate continues to develop. Our success in this arena will depend on a range of factors, both within and beyond our control. Factors affecting our reputation and brand recognition that are within our control include our ability to:

- market our platform effectively and efficiently;
- maintain a useful, innovative, and reliable platform;
- maintain a high satisfaction among learners, instructors, and enterprise customers;
- provide a high quality and perceived value for our platform;
- successfully differentiate our platform from competing offerings;
- maintain a consistently high level of customer service; and
- prevent any actual or perceived data breach or data loss, or misuse or perceived misuse of our platform.

Additionally, our reputation and brand recognition may be affected by factors that are beyond our control, such as:

- the actions of competitors or other third parties;
- the quality and quantity of, as well as the nature and subject matter of, content available from instructors on our platform;
- positive or negative publicity, including with respect to events or activities attributed to us, our employees, instructors, or our commercial partners;
- interruptions, delays, or attacks on our platform; and
- litigation or legal developments.

Damage to our reputation and brand, from the factors listed above or otherwise, may reduce demand for our platform and have an adverse effect on our business, operating results and financial condition. Moreover, any attempts to rehabilitate our reputation and brand recognition may be costly and time-consuming, and there can be no assurance that any such efforts will ultimately be successful.

### ***We could face liability, or our reputation might be harmed, as a result of courses posted to our platform.***

Instructors at times post courses and related materials to our platform that contain content owned by third parties. The laws governing the fair use of these third-party materials are imprecise and adjudicated on a case-by-case basis, which makes it challenging to adopt and implement appropriately balanced institutional policies governing these practices. As a result, we are subject to potential liability to third parties for the unauthorized duplication, distribution, or other use of this material. In addition, third parties have alleged, and in the future may allege, misappropriation, plagiarism, or similar claims related to content appearing on our platform. Any such claims, including claims of defamation, disparagement, negligence, warranty, misappropriation, or personal harm, could subject us to costly litigation and impose a significant strain on our financial resources and management personnel, regardless of whether the claims have merit. Our various liability insurance coverages may not cover potential claims of this type adequately or at all, and we may be required to alter or cease our uses of such material, which may include removing course content or altering the functionality of our platform, or be required to pay monetary damages.



While we rely on a variety of statutory and common law frameworks and defenses, including those provided by the Digital Millennium Copyright Act of 1998, or the DMCA, the Communications Decency Act, or the CDA, the fair-use doctrine in the United States and the E-Commerce Directive in the European Union, or the E.U., differences between statutes, limitations on immunity, requirements to maintain immunity, and moderation efforts in the many jurisdictions in which we operate may affect our ability to rely on these frameworks and defenses, or create uncertainty regarding liability for content posted to our platform. As an example, Article 17 of the Directive on Copyright in the Digital Single Market was passed in the E.U., which affords copyright owners some enforcement rights that may conflict with U.S. safe harbor protections afforded to us under the DMCA. Member states in the E.U. are in the process of determining how Article 17 will be implemented in their particular country. In addition, the E.U. is also reportedly reviewing the regulation of digital services, and it has been reported that the E.U. plans to introduce the Digital Services Act, a package of legislation intended to update the liability and safety rules for digital platforms, products, and services, which could negatively impact the scope of the limited immunity provided to us by the E-Commerce Directive. In countries in Asia and Latin America, generally there are not similar statutes to the CDA or E-Commerce Directive. The laws of countries in Asia and Latin America generally provide for direct liability if a platform is involved in creating such content or has actual knowledge of the content without taking action to take it down. Further, laws in some Asian countries also provide for primary or secondary liability, which can include criminal liability, if a platform failed to take sufficient steps to prevent such content from being uploaded. Although these and other similar legal provisions provide limited protections from liability for platforms like ours, if we are found not to be protected by the safe harbor provisions of the DMCA, CDA, or other similar laws, or if we are deemed subject to laws in other countries that may not have the same protections or that may impose more onerous obligations on us, including Article 17, we may owe substantial damages and our brand, reputation, and financial results may be harmed. Moreover, regulators in the United States and in other countries in which we operate may introduce new regulatory regimes that increase potential liability for information or content available on or through our platform, or which impose additional obligations to monitor such information or content, which could increase our costs.

***Failure of our resellers or other commercial partners to use acceptable ethical business practices or comply with applicable laws could negatively impact our business.***

In certain jurisdictions, such as Japan, we rely on third-party resellers and other commercial partners to distribute and market our offerings. We expect these resellers and partners to operate in compliance with applicable laws, rules, and regulations, but we cannot control their conduct. If any of our resellers or partners violates applicable laws or implements business practices that are regarded as unethical, the distribution of our platform in those jurisdictions could be interrupted, usage of our platform could decline, our reputation could be damaged and we may be subject to liability. Any of these events could have a negative impact on our business, financial condition, and results of operations.

***Our revenue, results of operations, and financial condition could be negatively affected by general economic conditions.***

Our business is sensitive to trends in the general economy, which is unpredictable. Therefore, our operating results, to the extent they reflect changes in the broader economy, may be subject to significant fluctuations. Since online learning is generally dependent on discretionary spending, negative general economic conditions could significantly reduce the overall amount that learners and customers spend on, and the frequency of, online learning. Any or all of these factors could reduce the demand for our services, reducing our revenues. In addition, the occurrence of any of these events could increase our need to make significant expenditures to continue to attract learners and enterprise customers to our platform.

***Our business and operations could be materially and adversely affected by natural disasters, public health crises, political crises, or other catastrophic events.***

Our business and operations could be materially and adversely affected in the event of earthquakes, floods, fires, telecommunications failures, blackouts, or other power losses, break-ins, acts of terrorism, political crises,

inclement weather, public health crises, pandemics or endemics, or other catastrophic events. In particular, our corporate headquarters are located in San Francisco, California, an earthquake-sensitive area and one that has been increasingly vulnerable to wildfires, and damage to or total destruction of our executive offices resulting from earthquakes may not be covered in whole or in part by any insurance we may have. If floods, fire, inclement weather including extreme rain, wind, heat, or cold, or accidents due to human error were to occur and cause damage to our properties, or if our operations were interrupted by telecommunications failures, blackouts, acts of terrorism, political or geopolitical crises, or public health crises, our results of operations would suffer, especially if such events were to occur during peak periods. We may not be able to effectively shift our operations due to disruptions arising from the occurrence of such events, and our business could be affected adversely as a result.

***Our business could be harmed if we fail to manage our growth effectively.***

The rapid growth we have experienced, and may continue to experience, in our business places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and our ability to handle increased traffic and demand for bandwidth. The growth in the number of learners and instructors using our platform and the amount of educational content available through our platform has increased the amount of data and requests that we process. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance our scalability in order to maintain the performance of our platform. Our growth has placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial, and other resources. We have grown from 230 full-time employees in May 2016 to 888 full-time employees in December 2020. We intend to further expand our overall business, including headcount, with no assurance that our revenues will continue to grow. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures and we may not be able to do so effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses.

***Our future success depends on our ability to retain our senior management team and other highly skilled employees and to attract, retain, and motivate our qualified personnel.***

We depend on the continued services and performance of our senior management team, key technical employees, and other key personnel. Although we have entered into employment agreements with senior management team members, each of them may terminate their employment with us at any time or not be able to perform the services we require in the future. We do not maintain “key person” insurance for any of our executives or other employees. Similarly, third parties may attempt to encourage our senior management team or other key employees to leave for other employment. The loss of one or more of the members of our senior management team or other key personnel for any reason could disrupt our operations, create uncertainty among investors, adversely impact employee retention and morale and significantly harm our business.

To execute our growth plan, we must hire many employees over the next few years. In addition, we must retain our highly qualified employees. Competition for highly qualified employees is intense, particularly from other high growth technology companies and in the San Francisco, California labor market, where our corporate headquarters are located.

From time to time we have experienced, and may continue to experience, difficulty in hiring and retaining employees with the appropriate level of qualifications. The companies with which we compete for qualified employees may have greater resources than we have and may offer compensation packages that are perceived to be better than ours. Additionally, changes in our compensation structure may be negatively received by employees and result in attrition or cause difficulty in the recruiting process. If we fail to attract new employees or fail to retain and motivate our current employees, our business and future growth prospects could be adversely affected.

***Any failure to successfully execute and integrate future acquisitions could materially adversely affect our business, financial condition, and results of operations.***

We may in the future pursue acquisitions of businesses, technologies, services and other assets and strategic investments that complement our business. We have limited experience as an organization with successfully executing and integrating acquisitions. Acquisitions involve numerous risks, including the following:

- difficulties in integrating and managing the combined operations, technology platforms, or offerings of any company we acquire and realizing the anticipated economic, operational and other benefits of the acquisition in a timely manner, which could result in substantial costs and delays, and failure to execute on the intended strategy and synergies;
- failure of the acquired businesses to achieve anticipated revenue, earnings, or cash flow;
- diversion of management's attention or other resources from our existing business;
- our inability to maintain the key customers, business relationships, suppliers, and brand potential of acquired businesses;
- uncertainty of entry into businesses or geographies in which we have limited or no prior experience or in which competitors have stronger positions;
- unanticipated costs associated with pursuing acquisitions or greater than expected costs in integrating the acquired businesses;
- responsibility for the liabilities of acquired businesses, including those that were not disclosed to us or exceed our estimates, such as liabilities arising out of the failure to maintain effective privacy, data protection and cybersecurity controls, and liabilities arising out of the failure to comply with applicable laws and regulations, including tax laws;
- difficulties in or costs associated with assigning or transferring to us or our subsidiaries the acquired companies' intellectual property or its licenses to third-party intellectual property;
- inability to maintain our culture and values, ethical standards, controls, procedures, and policies;
- challenges in integrating the workforce of acquired companies and the potential loss of key employees of the acquired companies;
- challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with generally accepted accounting principles in the United States, or GAAP; and
- potential accounting charges to the extent goodwill and intangible assets recorded in connection with an acquisition, such as trademarks, customer relationships, or intellectual property, are later determined to be impaired and written down in value.

We may not succeed in addressing these or other risks in connection with acquisitions. The inability to integrate successfully, or in a timely fashion, the business, technologies, products, personnel, or operations of any acquired business, could have a material adverse effect on our business, financial condition, and results of operations.

***We may need to raise additional funds to pursue our growth strategy or continue operations, and we may be unable to raise capital when needed or on acceptable terms.***

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures, or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand its business at the rate desired and our results of operations may suffer.

***We operate internationally and we plan to continue expanding our international operations, which exposes us to risks inherent in international operations.***

Managing a global organization requires significant resources and management attention. We currently maintain offices outside of the United States in Turkey and Ireland, and we plan to expand our international operations in the future.

We generated 59% and 61% of our revenue outside North America in 2019 and 2020, respectively, and, based on our instructor registration records, we estimate that a majority of our instructors are located outside the United States. Any further international expansion efforts that we may undertake may not be as successful as we expect or at all.

Additionally, conducting international operations subjects us to risks that we have not generally faced in the United States. These risks include:

- the cost and resources required to localize our services, which requires the translation of our websites into foreign languages and adaptation for local practices and regulatory requirements;
- competition with local market participants who understand the local market better than we do or who have pre-existing relationships with our potential learners and customers in those markets;
- legal uncertainty regarding our liability for the content and services provided by our instructors, including as a result of local laws or a lack of clear precedent of applicable law;
- the burdens of complying with a wide variety of foreign laws and legal standards;
- lack of familiarity with and unexpected changes in foreign regulatory requirements;
- adapting to variations in payment forms from learners and customers;
- difficulties in managing and staffing international operations;
- fluctuations in currency exchange rates;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems and restrictions on the repatriation of earnings;
- increased financial accounting and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;
- political, social and economic instability abroad, terrorist attacks, and security concerns in general;
- reduced or varied protection for intellectual property rights in some countries; and
- higher telecommunications and internet service provider costs.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Our strategic and other relationships with partners overseas may also subject us to additional regulatory scrutiny in the United States and other jurisdictions. For example, the Committee on Foreign Investment in the U.S. has continued to apply a more stringent review of certain foreign investment in U.S. companies, and has made inquiries to us with respect to equity investments in us by foreign investors.

Further, as we continue to expand internationally, we could also become subject to increased difficulties in collecting accounts receivable, repatriating money without adverse tax consequences, and risks relating to foreign currency exchange rate fluctuations. We have not engaged in currency hedging activities to limit risk of exchange rate fluctuations, and while we may decide to do so in the future, the availability and effectiveness of these hedging transactions may be limited. Changes in exchange rates affect our costs and earnings, and may also affect the book value of our assets located outside the United States and the amount of our stockholders' equity.

***We are subject to laws and regulations worldwide, and failure to comply with such laws and regulations could subject us to claims or otherwise adversely affect our business, financial condition and results of operations.***

We are subject to a variety of laws in the U.S. and abroad that affect our business. As a global platform with learners and instructors in over 180 countries, we are subject to a wide range of laws and regulations regarding consumer protection, advertising, electronic marketing, privacy, data protection and cybersecurity, data localization requirements, online services, freedom of speech, labor, real estate, taxation, intellectual property ownership and infringement, tax, export and national security, tariffs, anti-corruption and telecommunications, all of which are continuously evolving and developing.

The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting, particularly laws outside the U.S., and compliance with laws, regulations and similar requirements may be burdensome and expensive. Because these laws and regulations are subject to change over time, we must continue to dedicate resources to monitoring developments in the law and ensuring compliance. Laws and regulations may be inconsistent from jurisdiction to jurisdiction, and certain jurisdictions may impose more stringent regulatory requirements than the U.S., which may increase the cost of compliance and doing business and expose us to possible litigation, penalties, or fines. Any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation, could make our platform less attractive to learners, instructors, or enterprise customers or cause us to change or limit our ability to make available our platform. We have policies and procedures designed to ensure compliance with applicable laws and regulations, but we cannot assure you that we will not experience violations of such laws and regulations or our policies and procedures. Any such violations could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, or injunctions. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, operating results, 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, operating results and financial condition.

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

Our business activities are subject to various restrictions under U.S. export and similar laws and regulations, including trade and economic sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control and, in some cases, the U.S. Department of Commerce's Export Administration Regulations. The U.S. export control and economic sanctions laws and regulations include restrictions or prohibitions on the sale of certain services to U.S. embargoed or sanctioned countries, governments, persons, and entities which in some cases might apply to our activities. In addition, various countries regulate the import of certain technology and have enacted or could enact laws that could limit our ability to provide learners access to our platform or could limit our learners' ability to access or use our services in those countries.

Although we take precautions to prevent our platform from being provided in violation of such laws, our platform could be provided inadvertently in violation of such laws, despite the precautions we take. Complying with these laws and regulations could be particularly difficult because our products are widely available worldwide, in some cases, by providing only minimal information at registration. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to civil or criminal penalties, including the possible loss of export privileges and fines. We also may be adversely affected through penalties, reputational harm, loss of access to certain markets, or otherwise. In addition, various countries regulate the import and export of certain encryption and other technology, including import and export permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our platform or could limit our learners' ability to access our platform in those countries. Changes in our platform, or future changes in export and import regulations, may

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prevent our international learners or instructors from using our platform or, in some cases, prevent the export or import of our platform to certain countries, governments, or persons altogether. Any change in export or import regulations, economic sanctions, or related legislation or changes in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased use of our platform.

***Failure to comply with anti-bribery and anti-corruption and anti-money laundering laws, and similar laws, could subject us to penalties and other adverse consequences.***

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, and possibly other anti-bribery laws and anti-money laundering laws in countries outside of the United States in which we conduct our activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We sometimes engage third parties to sell our products and conduct our business abroad. We and our employees, agents, representatives, business partners or third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners or third-party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that none of our employees and agents will take actions in violation of applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any allegations or violation of the FCPA or other applicable anti-bribery and anti-corruption laws and anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, financial condition, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

***We are from time to time involved in claims, lawsuits, government investigations, and other proceedings that could adversely affect our business, financial condition, and results of operations.***

We are involved in litigation matters from time to time, such as matters incidental to the ordinary course of our business, including intellectual property, commercial, employment, class action, whistleblower, accessibility, and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, cause us to incur significant expenses or liability, or require us to change our business practices. In addition, the expense of litigation and the timing of these expenses from period to period are difficult to estimate, subject to change, and could adversely affect our financial condition and results of operations. Because of the potential risks, expenses, and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses, by agreeing to settlement agreements. Any of the foregoing could adversely affect our business, financial condition, and results of operations.

***Increased scrutiny and changing expectations from investors, customers, employees, and others regarding our environmental, social and governance practices and reporting could cause us to incur additional costs, devote additional resources and expose us to additional risks, which could adversely impact our reputation, customer acquisition and retention, access to capital and employee retention.***

Companies across all industries are facing increasing scrutiny related to their environmental, social and governance, or ESG, practices and reporting. Investors, customers, employees and other stakeholders have focused increasingly on ESG practices and placed increasing importance on the implications and social cost of their investments, purchases and other interactions with companies. For example, many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company's ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions on this basis. With this increased focus and demand, public reporting regarding ESG practices is becoming more broadly expected. If our ESG practices and reporting do not meet investor, customer, or employee expectations, which continue to evolve, our brand, reputation, and learner and customer retention may be negatively impacted. Any disclosure we make may include our policies and practices on a variety of ESG matters, including corporate governance, environmental compliance, employee health and safety practices, human capital management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG reporting, our ESG practices or our speed of adoption. We could also incur additional costs and devote additional resources to monitor, report and implement various ESG practices. If we fail, or are perceived to be failing, to meet the standards included in any sustainability disclosure or the expectations of our various stakeholders, it could negatively impact our reputation, customer and learner acquisition and retention, access to capital and employee retention.

## **Risks related to technology, privacy and cybersecurity**

***Changes in laws or regulations relating to privacy, data protection, or cybersecurity, including those relating to the protection or transfer of data relating to individuals, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations could adversely affect our business.***

We receive, transmit and store personally identifiable information and other data relating to our learners, instructors and other individuals, such as our employees. Numerous local, municipal, state, federal and international laws and regulations address privacy, data protection, cybersecurity and the collection, storing, sharing, use, disclosure and protection of certain types of data, including the California Online Privacy Protection Act, the Personal Information Protection and Electronic Documents Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act, Canada's Anti-Spam Legislation, the E.U. General Data Protection Regulation, or GDPR, the Telephone Consumer Protection Act (restricting telemarketing and the use of automated SMS text messaging), Section 5 of the Federal Trade Commission Act, and the California Consumer Privacy Act, or the CCPA. These laws, rules and regulations evolve frequently and their scope may continually change, through new legislation, amendments to existing legislation and changes in enforcement and may be inconsistent from one jurisdiction to another.

For example, the GDPR, which became effective on May 25, 2018, has resulted and will continue to result in significantly greater compliance burdens and costs for companies like ours. The GDPR regulates our collection, control, processing, sharing, disclosure and other use of data that can directly or indirectly identify a living individual that is a resident of the E.U. and imposes stringent data protection requirements with significant penalties and the risk of civil litigation, for noncompliance. Failure to comply with the GDPR may result in fines of up to 20 million euros or up to 4% of the annual global revenue of the infringer, whichever is greater. It may also lead to civil litigation, with the risks of damages, injunctive relief, or regulatory orders adversely impacting the ways in which our business can use personal data.



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In addition, in January 2021, the United Kingdom transposed the GDPR into domestic law with a United Kingdom version of the GDPR (combining the GDPR and the United Kingdom Data Protection Act of 2018), referred to as the U.K. GDPR, which provides for fines of up to 17.5 million British pounds sterling or 4% of global turnover, whichever is greater. The relationship between the United Kingdom and the E.U. in relation to certain aspects of data protection law remains unclear. An example is the regulation of data transfers between E.U. member states and the United Kingdom and the role of the United Kingdom's Information Commissioner's Office with respect to the E.U. These changes will lead to additional costs and increase our overall risk exposure.

Additionally, we are or may become subject to laws, rules and regulations regarding cross-border transfers of personal data, including those relating to transfer of personal data outside the European Economic Area, or the EEA. Recent legal developments have created complexity and uncertainty regarding transfers of personal data from the EEA to the U.S. and other jurisdictions. For example, on July 16, 2020, the Court of Justice of the European Union, or CJEU, invalidated the E.U.-U.S. Privacy Shield Framework, or the Privacy Shield, under which personal data could be transferred from the EEA to U.S. entities that had self-certified under the Privacy Shield scheme. While the CJEU upheld the adequacy of the standard contractual clauses (a standard form of contract approved by the European Commission as an adequate personal data transfer mechanism and potential alternative to the Privacy Shield), it noted that reliance on them may not necessarily be sufficient in all circumstances. In addition to other mechanisms (particularly standard contractual clauses), in limited circumstances we may rely on Privacy Shield certifications of third parties (for example, vendors and partners). These developments regarding cross-border data transfers have created uncertainty and increased the risk around our international operations and may require us to review and amend the legal mechanisms by which we make or receive personal data transfers to the U.S. and other jurisdictions.

The CCPA, which went into effect on January 1, 2020, among other things, requires covered companies to provide new disclosures to California consumers and affords such consumers the ability to opt out of certain types of data sharing and sales of their personal information. The CCPA also prohibits covered businesses from discriminating against consumers (for example, charging more for services) for exercising their rights. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Additionally, in November 2020, California voters passed the California Privacy Rights and Enforcement Act of 2020, or the CPRA. The CPRA further expands the CCPA with additional data privacy compliance requirements that may impact our business and establishes a regulatory agency dedicated to enforcing those requirements. Aspects of the interpretation and enforcement of the CCPA and CPRA remain uncertain. The enactment of the CCPA has prompted a wave of similar legislative developments in other states in the U.S., which creates the potential for a patchwork of overlapping but different state laws and could mark the beginning of a trend toward more stringent privacy legislation in the U.S., which could increase our potential liability and adversely affect our business, financial condition and results of operations. For example, in March 2021, Virginia enacted the Virginia Consumer Data Protection Act, or CDPA, a comprehensive privacy statute that becomes effective on January 1, 2023 (at the same time as the CPRA) and shares similarities with the CCPA, the CPRA, and legislation proposed in other states. The effects of the CPRA, CCPA, CDPA and other similar state or federal laws are significant and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. Additionally, many laws and regulations relating to privacy and the collection, storing, sharing, use, disclosure and protection of certain types of data are subject to varying degrees of enforcement and new and changing interpretations by courts. These laws and other changes in laws or regulations relating to privacy, data protection and cybersecurity, particularly any new or modified laws or regulations, or changes to the interpretation or enforcement of such laws or regulations, that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer, or disclosure, could greatly increase the cost of providing our platform, require significant changes to our operations, or even prevent us from providing our platform in jurisdictions in which we currently operate and in which we may operate in the future.

Additionally, we have incurred, and may continue to incur, significant expenses in an effort to comply with privacy, data protection and cybersecurity standards and protocols imposed by law, regulation, industry standards, or



contractual obligations. Publication of our privacy statement and other policies regarding privacy, data protection and cybersecurity may subject us to investigation or enforcement actions by regulators if those statements or policies are found to be deficient, lacking transparency, deceptive, unfair, or misrepresentative of our practices. We are also bound by contractual obligations related to privacy, data protection and cybersecurity and our efforts to comply with such obligations may not be successful or may have other negative consequences. The various privacy, data protection and cybersecurity legal obligations that apply to us may evolve in a manner that relates to our practices or the features of our mobile applications or website and we may need to take additional measures to comply with the new and evolving legal obligations, including but not limited to training efforts for our employees, contractors and third party partners. Such efforts may not be successful or may have other negative consequences. In particular, with laws and regulations such as the CCPA, CPRA and CDPA imposing new and relatively burdensome obligations and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices and may incur significant costs and expenses in an effort to do so. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and cybersecurity, it is possible that our interpretations of the law, practices, policies, or platform or other services or offerings could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations, or obligations. Any failure, or consequences associated with our efforts to comply with applicable laws or regulations or any other obligations relating to privacy, data protection, or cybersecurity, or any compromise of security that results in unauthorized access to, or use or release of data relating to learners, instructors or other individuals, or the perception that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing learners, instructors and customers from using our platform, or result in fines, investigations, or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, financial condition and operating results. Even if not subject to legal challenge, the perception of concerns relating to privacy, data protection, or cybersecurity, whether or not valid, may harm our reputation and brand adversely affect our business, financial condition, and operating results.

***A cybersecurity attack or other security breach or incident could delay or interrupt service to our learners, instructors and enterprise customers, harm our reputation or subject us to significant liability.***

Our platform involves the processing of significant amounts of data relating to the learners, instructors, and enterprise customers interacting with our platform, including personal data and personal information. Additionally, we collect and store certain sensitive and proprietary information, and personal data and personal information, in the operation of our business, including trade secrets, intellectual property, employee data, and other confidential data.

We engage third-party service providers to store and otherwise process certain data, including sensitive and personal information. Our service providers have been, and in the future may be, the targets of cyberattacks, malicious software, phishing schemes, fraud, and other risks to the confidentiality, security, and integrity of their systems and the data they process for us. Our ability to monitor our service providers' cybersecurity is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized access to, misuse, disclosure, loss, or destruction of data they process for us, including sensitive and personal information. There have been and may continue to be significant supply chain attacks, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services.

While we have taken measures to protect our own proprietary and confidential information, as well as the personal information, personal data, and confidential information that we otherwise obtain, and measures to protect our platform, we, the networks and systems used in our business, including those of third-party service providers, we and our third-party service providers have experienced, and we, our service providers and our platform may in the future experience, cybersecurity attacks or other security breaches. Cybersecurity attacks may take the form of denial of service attacks, ransomware attacks or other attacks, and can come from individual

hackers, criminal groups, and state-sponsored organizations. These sources can also implement social engineering techniques to induce our employees, contractors, or customers to disclose passwords or other sensitive information or take other actions to gain access to data, and we and our platform otherwise may be subject to security breaches and incidents resulting from employee or contractor error or malfeasance. We may be more susceptible to cyberattacks and other security breaches and other security incidents while social distancing measures restricting the ability of our employees to work at our offices are in place to combat the COVID-19 pandemic because we have less capability to implement, monitor and enforce our information security and data protection policies.

More generally, we cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms, and other procedures of ourselves or our third-party service providers are or will be adequate to prevent network and service interruption, system failure or loss, corruption, or unauthorized access to, or disclosure or acquisition of, data, including personal data, personal information, and other sensitive information that we or they process or maintain. Moreover, our platform could be breached or disrupted if vulnerabilities in our platform are exploited by unauthorized third parties. Since techniques used to obtain unauthorized access change frequently and the size of cybersecurity attacks and of security breaches and incidents are increasing, we and our third-party service providers may be unable to implement adequate preventative measures or stop the attacks while they are occurring. A cybersecurity attack or security breach or incident could delay or interrupt service to our learners, instructors, or organizations and may deter learners, instructors, or organizations from using our platform, and we and our service providers may face difficulties or delays in identifying, remediating, and otherwise responding to any cybersecurity attack or other security breach or incident. In addition, any actual or perceived cybersecurity attack or security breach or incident could damage our reputation and brand, expose us to a risk of claims, litigation, regulatory investigations or other proceedings and possible fines, penalties, or other liability and require us to expend significant capital and other resources to alleviate problems caused by the cybersecurity attack or security breach. We incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, and we expect our costs will increase as we make improvements to our systems and processes to prevent future breaches and incidents. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Such mandatory disclosures could lead to negative publicity and any such disclosures, or any belief that a cybersecurity attack, or a security breach or incident, has impacted us, our platform, or our service providers may cause our learners, instructors, or enterprise customers to lose confidence in the security of our platform and the effectiveness of the cybersecurity measures we and our service providers utilize.

Further, any limitations of liability provisions in our customer and user agreements, contracts with third-party service providers, or other contracts may not be enforceable or adequate or otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. While our insurance policies include liability coverage for certain of these matters, subject to applicable deductibles, if we experienced a cybersecurity attack or other security breach or other incident, we could be subject to claims or damages that exceed our insurance coverage. If such an attack or other breach or incident occurred, our insurance coverage might not be adequate for liabilities actually incurred, such insurance may not continue to be available to us in the future on economically reasonable terms, or at all, and insurers may deny us coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

***Interruptions or performance problems associated with our technology and infrastructure could adversely affect our business and results of operations.***

Our continued growth partially depends on the ability of learners and instructors to access our platform at any time. Our platform has encountered, and may in the future encounter, disruptions, outages, and other performance problems due to a variety of factors, including infrastructure changes, introductions of new

capabilities, human or technology errors, distributed denial of service attacks, or other security related incidents. In some instances, we may not be able to identify the cause or causes of these performance problems in a timely manner. It may become increasingly difficult to maintain and improve the performance of our platform as it grows and becomes more complex, and in the future we may be required to allocate significant resources to augment and update our technology and network infrastructure. If learners or instructors are unable to access our platform within a reasonable amount of time, or at all, our business will be harmed.

***Our business depends significantly on continued access to the internet and mobile networks.***

Our learners and instructors rely on access to the internet and mobile networks to access our platform. Internet service providers may choose to disrupt or degrade our access to our platform or increase the cost of such access. Internet service providers or mobile network operators could also attempt to charge us for providing access to our platform. In 2015, rules approved by the Federal Communications Commission, or FCC, went into effect that prohibited internet service providers from charging content providers higher rates in order to deliver their content over certain “fast traffic” lanes; however, those rules were repealed in June 2018, and efforts to challenge the repeal in the courts have failed to reverse the FCC’s 2018 decision, and in October 2019, the U.S. Court of Appeals for the District of Columbia Circuit issued a mixed ruling that did not reverse the FCC’s 2015 decision in its entirety. Although this recent court ruling allows states to enact their own net neutrality rules, the repeal of federal protections may make it more difficult or costly for many buyers or instructors to access our platform and may result in increased costs for us, which could significantly harm our business. Outside the United States, government regulation of the internet, including the idea of network neutrality, may be developing or non-existent. It is possible that governments of one or more foreign countries may seek to censor content available on our platform or may even attempt to block access to our platform. If we are restricted from operating in one or more countries, our ability to attract and retain learners, instructors, and customers may be adversely affected and we may not be able to grow our business as we anticipate.

***We rely on Amazon Web Services for a substantial portion of our platform services. Any disruption of, or interference with, our use of Amazon Web Services could negatively impact our business and operations.***

Amazon Web Services provides distributed computing infrastructure platforms for business operations, commonly referred to as “cloud” computing services. We currently run a significant portion of our platform’s computing on Amazon Web Services, and any significant disruption of, or interference with, our use of Amazon Web Services would negatively impact our operations and our business would be seriously harmed. If learners or instructors are unable to access our platform through Amazon Web Services or encounter difficulties in doing so, we may lose learners, instructors, and enterprise customers. The level of service provided by Amazon Web Services may also impact the adoption and perception of our platform. If Amazon Web Services experiences interruptions in service regularly or for a prolonged basis, or other similar issues, our business would be seriously harmed. Hosting costs will also increase if and as our base of learners, instructors, and enterprise customers grows, and our business, financial condition, and results of operations may be adversely affected if we are unable to grow our revenues faster than the cost of using Amazon Web Services or similar providers increases.

Amazon Web Services may take actions beyond our control that could seriously harm our business, including discontinuing or limiting access to Amazon Web Services, increasing pricing terms, terminating our contract, establishing more favorable relationships or pricing terms with one or more of our competitors, and modifying or interpreting its terms of service or other policies in a manner that impacts our ability to administer our business and operations.

***Our payments system depends on third-party providers and is subject to evolving laws and regulations.***

We rely on third-party payment processors to process payments made by learners and customers, and to instructors, on our platform. We have engaged third-party service providers to perform underlying card processing, currency exchange, identity verification, and fraud analysis services. If these service providers do not

perform adequately or if they terminate their relationships with us or refuse to renew their agreements with us on commercially reasonable terms, we will need to find an alternate payment processor and may not be able to secure similar terms or replace such payment processors in an acceptable time frame. Further, the software and services provided by our third-party payment processors may not meet our expectations, contain errors or vulnerabilities, be compromised, or experience outages. Any of these risks could cause us to lose our ability to accept online payments, make payments to our instructors or conduct other payment transactions, any of which could make our platform less convenient and attractive and harm our ability to attract and retain learners, instructors, and customers. In addition, if these providers increase the fees they charge us, our operating expenses could increase.

The laws and regulations related to payments are complex and vary across different jurisdictions in the United States and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third-party service providers to comply, could cost us substantial resources, result in liabilities, or force us to stop offering certain third-party payment services. In addition, as we expand our international operations, we will need to accommodate international payment method alternatives. As we expand the availability of new payment methods in the future, including internationally, we may become subject to additional regulations and compliance requirements.

Further, through our agreement with our third-party credit card processors, we are indirectly subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard. We are also subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to additional fines and higher transaction fees and lose our ability to accept credit and debit card payments from our learners and customers, process electronic funds transfers or facilitate other types of online payments, and our business and operating results could be adversely affected.

***The use of our platform could be adversely affected if our mobile solutions are not effective.***

Learners have been increasingly accessing our platform on mobile devices through our Udemy and UB apps in recent years. The smaller screen size and reduced functionality associated with some mobile devices may make the use of our platform more difficult. Those accessing our platform primarily on mobile devices may not enroll in the courses offered on our platform as often as those accessing our platform through personal computers, which could result in less revenue for us. If we are not able to provide a rewarding experience on mobile devices, our ability to attract learners to our platform could be impaired, and consequently our business may suffer.

As new mobile devices and mobile features are released, we may encounter problems in developing or supporting apps for them. In addition, supporting new devices and mobile device operating systems may require substantial time and resources.

The success of our mobile apps could also be harmed by factors outside our control, including:

- actions taken by mobile app distributors, including the Apple App Store and the Google Play Store;
- unfavorable treatment received by our mobile apps, especially as compared to competing apps, such as the placement of our mobile apps in a mobile app download store;
- increased costs in the distribution and use our mobile app; or
- changes in mobile operating systems, such as iOS and Android, that degrade the functionality of our mobile website or mobile apps or that give preferential treatment to competitive offerings.

If our learners encounter difficulty accessing or using, or if they choose not to use, our mobile platform, our business and results of operations may be adversely affected.

***Internet search engines drive traffic to our platform and, if we fail to appear prominently in search results, our growth rate could decline and our business, financial condition and results of operations could be adversely affected.***

Many learners find our website through internet search engines, like Google. A critical factor in attracting learners to our website is how prominently we are displayed in response to search queries. Search engine companies typically provide two types of search results: algorithmic listings and paid advertisements. We rely on both types of search results to attract visitors to our website. Algorithmic search result listings are determined and displayed in accordance with a set of proprietary formulas or algorithms developed by particular search engine companies. From time to time, these companies revise their algorithms without notice. In some instances, these modifications have caused our website to be listed less prominently in search results. In addition, search engine companies retain broad discretion to remove from search results any company whose marketing practices are deemed to be inconsistent with the search engine companies' guidelines. If our marketing practices violate or appear to violate search engine company guidelines, we may, without warning, not appear in search result listings at all. If we are listed less prominently or fail to appear in search result listings for any reason, visits by prospective learners to our website would likely decline. We may not be able to replace this traffic and any attempt to do so may require us to increase our sales and marketing expenditures, which may not be offset by additional revenue and could adversely affect our operating results.

## **Risks related to our intellectual property**

***We may be unable to adequately obtain, maintain, protect, and enforce our intellectual property and proprietary information, which could adversely affect our business, financial condition, and results of operations.***

Our business depends on our intellectual property, the protection of which is critical to our success. We rely on a combination of intellectual property rights, including patents, trade secrets, trade dress, domain names, copyrights, and trademarks to protect our competitive advantage, all of which offer only limited protection. The steps we take to protect our intellectual property, including physical, operational, and managerial protections of our confidential information, contractual obligations of confidentiality, assignment agreements with our employees and contractors, license agreements, and the prosecution and maintenance of registrations and applications for registration of intellectual property rights, require significant resources and may be inadequate. We will not be able to protect our competitive advantage if we are unable to establish, protect, maintain, or enforce our rights or if we do not detect or are unable to address unauthorized use of our intellectual property. We may be required to use significant resources to monitor and protect these rights. Despite our precautions, it may be possible for unauthorized third parties to copy portions or all of our platform and use information that we regard as proprietary to create services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer, and disclosure of our proprietary information may be unenforceable under the laws of certain jurisdictions.

As of December 31, 2020, we held 12 registered trademarks in the United States and 23 registered trademarks in foreign jurisdictions. We also have common law rights in some trademarks and pending trademark applications in the United States and foreign jurisdictions. In addition, we have registered domain names for websites that we use in our business, such as [www.udemy.com](http://www.udemy.com) and some other variations. Competitors may adopt service names or domain names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, our registered or unregistered trademarks or trade names could be declared generic, and there could be potential trade name or trademark infringement claims brought by owners of other trademarks that are similar to our trademarks. If our trademarks and trade names are not adequately protected, then we may not be able to build and maintain name recognition in our markets of interest and our business may be adversely affected. Effective trademark protection may not be available or may not be sought in every country in which our products are made available, in every class of goods and services in which we operate, and contractual disputes

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may affect the use of marks governed by private contract. Further, we hold a small number of issued patents and thus have a limited ability to exclude or prevent our competitors from implementing technology, methods, and processes similar to our own. Litigation or proceedings before the U.S. Patent and Trademark Office or other governmental authorities and administrative bodies in the United States and abroad may be necessary in the future to enforce our intellectual property rights and to determine the validity and scope of our rights and the proprietary rights of others. Further, we may not timely or successfully apply for a patent or register its trademarks or otherwise secure rights in our intellectual property. We expect to continue to expand internationally and, in some foreign countries, the mechanisms to establish and enforce intellectual property rights may be inadequate to protect our technology, which could harm our business.

It is our policy to enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships. No assurance can be given that these agreements will be effective in controlling access to our proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets, and proprietary technologies, and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets, or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing products that are substantially equivalent or superior to ours. In addition, others may independently discover our trade secrets and confidential information, and in such cases we may not be able to assert any trade secret rights against such parties. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including trademarks. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar marks for services that also address our market. We rely on our brand and trademarks to identify our platform and to differentiate our platform and services from those of our competitors, and if we are unable to adequately protect our trademarks, third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion in the market, which could decrease the value of our brand and adversely affect our business and competitive advantages.

Our intellectual property rights and the enforcement or defense of such rights may be affected by developments or uncertainty in laws and regulations relating to intellectual property rights. Moreover, many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, which could make it difficult for us to stop the infringement, misappropriation, or other violation of our intellectual property or marketing of competing products in violation of our intellectual property rights generally.

Policing unauthorized use of our intellectual property and misappropriation of our technology and trade secrets is difficult and we may not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy, or otherwise obtain and market or distribute our technology or otherwise develop services with the same or similar functionality as our platform. If our competitors infringe, misappropriate, or otherwise violate our intellectual property rights and we are not adequately protected, or if our competitors are able to develop a platform with the same or similar functionality as ours without infringing our intellectual property, our competitive advantage and results of operations could be harmed. 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. As a result, we may be aware of infringement by our competitors but may choose not to bring litigation to protect our intellectual property rights due to the cost, time, and distraction of bringing such litigation. Furthermore, if we do decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services, and technology or the enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any



costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our solutions, impair the functionality of our platform, prevent or delay introductions of new or enhanced solutions, result in us substituting inferior or more costly technologies into our platform, or injure our reputation. Furthermore, many of our current and potential competitors may have the ability to dedicate substantially greater resources to developing and protecting their technology or intellectual property rights than we do.

***Intellectual property litigation, including litigation related to content available on our platform, could result in significant costs and adversely affect our business, financial condition, results of operations, and reputation.***

Companies in the technology industry are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. We periodically receive notices that claim we have infringed, misappropriated, or misused other parties' intellectual property rights, including with respect to the content. As we gain greater public recognition, we may face a higher risk of being the subject of intellectual property claims. Any intellectual property claims against us, with or without merit, could be time consuming and expensive to settle or litigate and could divert the attention of our management. Some of our competitors have extensive portfolios of issued patents. Many potential litigants, including some of our competitors and patent holding companies, have the ability to dedicate substantial resources to enforcing their intellectual property rights. Litigation regarding intellectual property rights is inherently uncertain due to the complex issues involved, and we may not be successful in defending ourselves in such matters. Furthermore, we may not qualify for the safe harbors established by laws in the United States and other countries protecting online service providers from claims related to content posted by users, or those laws could change in a manner making them difficult or impossible to qualify for such protection, increasing our exposure. For more information, see “—Risks related to our business and operations—We could face liability, or our reputation might be harmed, as a result of courses posted to our platform.”

Any claims successfully brought against us could subject us to significant liability for damages and we may be required to stop using technology or other intellectual property alleged to be in violation of a third party's rights. We also might be required to seek a license for third-party intellectual property. Even if a license is available, we could be required to pay significant royalties or submit to unreasonable terms, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, which could require significant time and expense. If we cannot license or develop technology for any allegedly infringing aspect of our business, we would be forced to limit our service and may be unable to compete effectively. Any of these results could harm our business.

***Our platform contains third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to provide our platform.***

We use open source software in our platform and expect to continue to use open source software in the future. In addition, we contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses and anticipate continuing to do so in the future. Additionally, under some open source licenses, if we combine our proprietary software with open source software in a certain manner, certain proprietary software (including our own software) or other intellectual property rights could become subject to obligations to be disclosed in source code form and licensed, including for the purpose of enabling further modification and distribution, and at no charge or for only a nominal fee. Third parties may also seek to enforce the terms of the applicable open source license through litigation which, if successful, could subject us to liability and require us to make our proprietary software source code available under an open source license, seek to purchase a license (which, if available, could be costly), and cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. Many of the terms of many open source licenses to which we are subject have not been interpreted

by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. While we try to insulate our proprietary code from the effects of such open source license provisions, we cannot guarantee that we will be successful, that all open source software is reviewed prior to use in our products, that our developers have not incorporated open source software into our products in potentially disruptive ways, or that they will not do so in the future. In addition to risks related to open source license requirements, use of certain open source software may pose greater risks than use of third-party commercial software, since open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely affect our business, financial condition, and results of operations.

## **Risks related to financial reporting, taxation, and operations as a public company**

***We are an emerging growth company, and any decision to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including:

- our independent registered public accounting firm will not be required to provide an attestation report on the effectiveness of our internal control over financial reporting, which may increase the risk that weaknesses or deficiencies in our internal control over financial reporting go undetected;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and
- exemptions from the requirements of holding non-binding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As a result, our stockholders may not have access to certain information that they may deem important. We will remain an emerging growth company until the earliest of:

- the last day of the fiscal year in which we have at least \$1.07 billion in annual revenue;
- the last day of the fiscal year in which we qualify as a “large accelerated filer,” with at least \$700.0 million of equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; or
- the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to take advantage of this extended transition period until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

So long as we qualify as an emerging growth company, we may elect not to provide you with certain information that we would otherwise have been required to provide in filings we make with the Securities and Exchange Commission, or the SEC, which may make it more difficult for investors and securities analysts to evaluate our



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company. As a result, investor confidence in our company and the market price of our common stock may be adversely affected. Further, we cannot predict if investors will find our common stock less attractive if we choose to rely on any of the exemptions afforded emerging growth companies. If some investors find our common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our common stock and the market price of our common stock may be more volatile and may decline.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, lead to a decline in the market price of our common stock.***

As a public company, we will be required to comply with the requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the rules and regulations of the listing standards of the . The Sarbanes-Oxley Act, among other things, requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers.

Under the Sarbanes-Oxley Act, we will be required to make a formal assessment of the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K, and, once we cease to be an emerging growth company and if we are deemed to be an accelerated filer or large accelerated filer for purposes of the Exchange Act, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with these requirements within the prescribed time period, we will be engaging in a process to document and evaluate our internal control over financial reporting, which we anticipate will be costly, challenging, and time consuming. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, and adopt a detailed work plan to assess and document the adequacy of our internal control over financial reporting, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for internal control over financial reporting. There is a risk that we will not be able to conclude, within the prescribed period or at all, that our internal control over financial reporting is effective as required by Section 404 of the Sarbanes-Oxley Act. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the . Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses.

Any failure to implement and maintain effective disclosure controls and procedures and internal control over financial reporting, including the identification of one or more material weaknesses, could cause investors to lose confidence in the accuracy and completeness of our financial statements and reports, which would likely adversely affect the market price of our common stock. In addition, we could be subject to sanctions or investigations by , the SEC and other regulatory authorities.

***Following this offering, we will incur increased costs and administrative burdens as a public company, which could have an adverse effect on our business, financial condition and results of operations.***

Following this offering, we will incur increased legal, accounting, administrative, and other costs and expenses as a public company that we do not incur as a private company, and these expenses may increase even more after we are no longer an “emerging growth company.” As a public company, we will be subject to additional reporting and other obligations, such as the reporting requirements of the Exchange Act, the applicable requirements of the

Sarbanes-Oxley Act, and the applicable listing standards of . For example, the Exchange Act requires, among other things, we file annual, quarterly, and current reports with respect to our business, financial condition, and results of operations. Compliance with these rules and regulations will increase our legal and financial compliance costs and increase demand on our systems, particularly after we are no longer an emerging growth company. In addition, as a public company, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management, and impact the manner in which we operate our business in ways we cannot currently anticipate. As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors.

Many members of our management team have limited experience managing a publicly traded company, interacting with public company investors, and complying with the increasingly complex laws pertaining to public companies, and certain members joined us more recently. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition, and results of operations.

***Unanticipated changes in our effective tax rate and additional tax liabilities, including as a result of our international operations or implementation of new tax rules, could harm our future results of operations.***

We are subject to income taxes in the United States and certain foreign jurisdictions, including Brazil, India, Ireland, Japan and Turkey. Our effective tax rate could be subject to volatility or adversely affected by several factors, many of which are outside of our control, including changes in the mix of earnings and losses in countries with differing statutory tax rates, changes in tax laws, rates, treaties, and regulations or the interpretation of the same, changes to the financial accounting rules for income taxes, the outcome of current and future tax audits, examinations or administrative appeals, certain non-deductible expenses, any decision to repatriate non-U.S. earnings for which we have not previously provided for taxes and the valuation of deferred tax assets and liabilities. Increases in our effective tax rate would reduce profitability or increase losses. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be material differences between our forecasted and actual tax rates. In addition, we are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Changes in tax and trade laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could have a material adverse effect on our tax position. We made significant judgments and assumptions in the interpretation of new laws and in our calculations reflected in our financial statements.

As we expand the scale of our international business activities, any changes in the United States or foreign taxation of such activities may increase our worldwide effective tax rate and harm our business, financial condition, and results of operations.

On an ongoing basis, we are subject to examination by federal, state, local, and foreign tax authorities on income, employment, sales, and other tax matters. While we regularly assess the likelihood of adverse outcomes from such examinations and the adequacy of our provision for taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority would not have an adverse effect on our business, financial condition, and results of operations. We believe our income, employment and transactional tax liabilities are reasonably estimated and accounted for in accordance with applicable laws and principles, but an adverse resolution of one or more uncertain tax positions in any period could have a material impact on the results of operations for that period. Certain risks relating to employment taxes and sales taxes are described in more detail under “—Taxing authorities may successfully assert that we have not properly collected or remitted, or in the future should collect or remit, sales and use, gross receipts, value added, or similar taxes, or employment, payroll, or withholding taxes, and may successfully impose additional obligations on us, and any such assessments, obligations, or inaccuracies could adversely affect our business, financial condition and results of operations.”

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Recently, the Biden administration proposed to adjust the U.S. corporate tax rate, along with other tax measures, such as international business operations reform and/or global minimum tax. Many countries and organizations such as the Organization for Economic Cooperation and Development are also actively considering changes to existing tax laws or have proposed or enacted new laws, such as those relating to digital tax, that could increase our tax obligations in countries where we do business or cause us to change the way we operate our business. Any of these developments or changes in federal, state, or international tax laws or tax rulings could adversely affect our effective tax rate and our operating results.

***Taxing authorities may successfully assert that we have not properly collected or remitted, or in the future should collect or remit, sales and use, gross receipts, value added, or similar taxes, or employment, payroll, or withholding taxes, and may successfully impose additional obligations on us, and any such assessments, obligations, or inaccuracies could adversely affect our business, financial condition and results of operations.***

The application of non-income, or indirect, taxes, such as sales and use tax, value-added tax, goods and services tax, business tax, and gross receipt tax, to businesses like ours is a complex and evolving issue. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations, and as a result, amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business. In addition, governments are increasingly looking for ways to increase revenue, which has resulted in discussions about tax reform and other legislative action to increase tax revenue, including through indirect taxes. Such taxes could adversely affect our financial condition and results of operations.

We are subject to indirect taxes, such as sales, use, value-added, and goods and services taxes, in the United States and other foreign jurisdictions, and we do not collect and remit indirect taxes in all jurisdictions in which we operate on the basis that such indirect taxes are not applicable to us. Certain jurisdictions in which we do not collect and remit such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. A successful assertion by one or more tax authorities requiring us to collect taxes in jurisdictions in which we do not currently do so or to collect additional taxes in a jurisdiction in which we currently collect taxes could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest, could discourage learners, instructors, or customers from using our platform, could increase the cost for consumers using our platform, or could otherwise harm our business, financial condition, and results of operations. Further, even where we are collecting taxes and remitting them to the appropriate authorities, we may fail to accurately calculate, collect, report, and remit such taxes.

Additionally, one or more states, localities, or other taxing jurisdictions may seek to impose additional reporting, record-keeping, or indirect tax collection obligations on businesses like ours. For example, taxing authorities in the United States and other countries have identified e-commerce platforms as a means to calculate, collect, and remit indirect taxes for transactions taking place over the internet, and are considering related legislation. After the U.S. Supreme Court decision in *South Dakota v. Wayfair Inc.*, certain states have enacted laws that would require tax reporting, collection, or tax remittance on items sold online, even where the online seller lacks a physical presence or nexus in that state. Requiring tax reporting or collection could decrease learner or instructor activity, which would harm our business. These state laws could require us to incur substantial costs in order to comply, including costs associated with tax calculation, collection, and remittance and audit requirements, which could make our offerings less attractive and could adversely affect our business, financial condition, and results of operations.

Also, tax rules of certain countries, including the United States, generally require payors to report payments to unrelated parties to the applicable taxing authority and to withhold a percentage of certain amounts and remit such amounts to the applicable taxing authority. Failure to comply with such reporting and withholding obligations with respect to payments we make to our instructors could result in the imposition of liabilities for the underwithheld

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amounts, fines, and penalties. In addition, a tax authority could assert that we should be withholding employment or other taxes from payments to instructors. In 2020, we began approaching the Internal Revenue Service, or the IRS, to address our historical withholding amounts for instructors. Due to our large number of instructors and the amounts paid to each, process failures with respect to these reporting obligations could result in financial liability and other consequences to us if we were unable to remedy such failures in a timely manner.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely affect our results of operations in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

### ***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

As of December 31, 2020, we had federal net operating loss carryforwards, or NOLs, to offset future taxable income of approximately \$167.0 million. The \$85.4 million of federal NOLs generated in taxable years beginning prior to January 1, 2018 begin expiring in 2030 if not utilized. The \$81.6 million of federal NOLs generated in taxable years beginning after December 31, 2017 have an indefinite carryforward period. Realization of these NOLs depends on our future profitability. We have incurred net losses since our inception, and we expect to continue to incur net losses in the near future. As such, there is a risk that our existing NOLs generated before 2018 could expire unused and be unavailable to offset future income tax liabilities if we never achieve profitability. This may require us to pay federal income taxes in future years even if our NOLs were otherwise sufficient to offset our federal taxable income in such years. 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. Our NOLs may be similarly impaired under state laws. For example, California recently enacted legislation limiting our ability to use our state NOLs for taxable years 2020, 2021 and 2022. We have recorded a full valuation allowance related to our NOLs and other deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of these assets. If our NOLs and other tax attributes expire before utilization or are subject to limitations, our business and financial results could be harmed.

In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs and federal tax credit carryforwards to offset its post-change taxable income, or reduce its federal income tax liability, may be limited. In general, an “ownership change” occurs when there is a cumulative change in our equity ownership by “5 percent shareholders” that exceeds 50 percentage points over a rolling three-year period. We may be limited as to the amount of our current NOLs and tax credit carryforwards that can be utilized each year as a result of previous ownership changes. We have performed a Section 382 study to determine any potential Section 382 limitations on the utilization of our net operating loss carryforwards and tax credit carryforwards and have determined that our company experienced two ownership changes with our Series A and A-1 preferred stock offering in September 2011 and with our Series B preferred stock offering in November 2012. We have estimated that the gross U.S. federal NOL carryforwards from 2010 to 2012 that would be subject to limitation are approximately \$3.6 million. If it is determined that we have in the past experienced additional ownership changes, or if we experience one or more ownership changes as a result of this offering, future transactions in our stock, some of which are outside our control, or both, our ability to use our NOLs and federal tax credit carryforwards to reduce future taxable income and liabilities may be further limited. Similar limitations may apply under state tax laws.

### ***Our results of operations, which we report in U.S. dollars, could be adversely affected if currency exchange rates fluctuate substantially in the future.***

We conduct our business across more than 180 countries around the world. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. This exposure is the result of selling in multiple currencies and operating in foreign countries where the functional

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currency is the local currency. In 2020, 43% of our sales were denominated in currencies other than U.S. dollars, including euros, Indian rupees, British pounds sterling, Brazilian reais, and Japanese yen. Our expenses, by contrast, are primarily denominated in U.S. dollars. As a result, any increase in the value of the U.S. dollar against these foreign currencies could cause our revenue to decline relative to our costs, thereby decreasing our gross margins. Because we conduct business in currencies other than U.S. dollars, but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and could materially impact our results of operations. We do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

### ***Our reported financial results may be adversely affected by changes in generally accepted accounting principles.***

Generally accepted accounting principles are subject to interpretation by the Financial Accounting Standards Board, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions completed before the announcement of a change. It is difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could negatively affect our reported results of operations.

## **Risks related to ownership of our common stock**

### ***The trading price of our common stock may be volatile, and you could lose all or part of your investment.***

Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price of our common stock will be determined through negotiation among us and the underwriters. This price does not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our common stock following this offering. In addition, the trading price of our common stock following this offering is likely to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in this offering. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new services or platform features;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;

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- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or security breaches or other incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management;
- general economic conditions and slow or negative growth of our markets;
- other events or factors, including those resulting from war, incidents of terrorism, natural disasters, public health concerns or epidemics, such as the recent COVID-19 pandemic, natural disasters, or responses to these events; and
- our anticipated uses of net proceeds from this offering.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***An active trading market for our common stock may not develop or be sustained, and you may not be able to sell your shares at or above the initial public offering price, or at all.***

Prior to this offering, there has been no public market for our common stock. Although we expect that our common stock will be approved for listing on \_\_\_\_\_, an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price for our common stock was determined through negotiations with the underwriters, and the negotiated price may not be indicative of the market price of the common stock after the offering. This initial public offering price may vary from the market price of our common stock after the offering. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the initial public offering price.

***If you purchase our common stock in this offering, you will incur immediate and substantial dilution.***

The initial public offering price is substantially higher than the pro forma net tangible book value per share of our common stock immediately following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchased our common stock in this offering, at the initial public offering price of \$ \_\_\_\_\_ per share, you would experience an immediate dilution of \$ \_\_\_\_\_ per share, the difference between the price per share you pay for our common stock and our pro forma net tangible book value per share as of December 31, 2020, after giving effect to the issuance by us of \_\_\_\_\_ shares of our common stock in this offering. See "Dilution" for additional information.

***A significant portion of our common stock is restricted from immediate resale but may be sold into the market in the near future, which could depress the market price of our common stock.***

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers, and significant stockholders, a large number of shares of our common stock becoming available for sale, or the perception in the market that such sales could occur. Upon the closing of this offering, we will have approximately \_\_\_\_\_ shares of common stock outstanding, assuming no exercise of the underwriters' over-allotment option. All of the shares of common stock sold in this offering will be freely transferable without restriction or additional registration under the Securities Act.

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All of our executive officers and directors and the holders of substantially all of our equity securities are subject to lock-up agreements with the underwriters of this offering that restrict the equityholders' ability to transfer shares of our common stock for periods of at least \_\_\_\_\_ days from the date of this prospectus. Subject to the restrictions under Rule 144 under the Securities Act, \_\_\_\_\_ shares of common stock outstanding after this offering will be eligible for resale \_\_\_\_\_ days after the date of this prospectus upon the expiration of lock-up agreements or other contractual restrictions. In addition, at any time with or without public notice, \_\_\_\_\_ may in its discretion release shares subject to such lock-up agreements prior to the expiration of this \_\_\_\_\_-day lock-up period. See "Shares eligible for future sale" for additional information. As these resale restrictions end, the market price of our common stock could decline if the holders of those shares sell them or are perceived by the market as intending to sell them.

In addition, based on our capitalization as of December 31, 2020, 18,932,979 shares issuable upon exercise of outstanding options will also be eligible for sale upon expiration of the \_\_\_\_\_-day lock-up period. We intend to register all of the shares underlying outstanding options and any shares underlying other equity incentives we may grant in the future for public resale under the Securities Act. Accordingly, these shares will be able to be freely sold in the public market upon issuance to the extent permitted by any applicable vesting requirements and the lock-up agreements described above. Sales of stock by these stockholders or the perception that such sales could occur could adversely affect the trading price of our common stock.

Holders of \_\_\_\_\_ shares of our common stock have registration rights. For more information, see "Description of capital stock—Registration rights." Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by our affiliates as defined in Rule 144 under the Securities Act, which are subject to the limitations of Rule 144. Sales of securities by any of these stockholders or the perception that such sales could occur could adversely affect the trading price of our common stock.

***Future sales and issuances of our common stock or rights to purchase common stock could result in additional dilution to our stockholders and cause the price of our common stock to decline.***

We may issue additional common stock, convertible securities or other equity following the completion of this offering. We also expect to issue common stock to our employees, directors and other service providers pursuant to our equity incentive plans. Such issuances will be dilutive to investors and could cause the price of our common stock to decline. New investors in such issuances could also receive rights senior to those of holders of our common stock.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our business or our industry, or if they change their recommendation regarding our common stock adversely, the market price and trading volume of our common stock could decline.***

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us, our business, our market, or our competitors. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If any of the analysts who cover us change their recommendation regarding our common stock adversely, provide more favorable relative recommendations about our competitors, or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or 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 and demand for our securities could decrease, which could cause the price and trading volume of our common stock to decline.

***We do not expect to pay dividends in the foreseeable future.***

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not anticipate declaring or paying any



dividends to holders of our capital stock in the foreseeable future. Consequently, stockholders must rely on sales of their shares of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

***We have broad discretion over the use of net proceeds from this offering and may not use them effectively.***

We cannot specify with any certainty the particular uses of the net proceeds that we will receive from this offering. Our management will have broad discretion in the application of the net proceeds from this offering, including for any of the purposes described in the section titled "Use of proceeds," and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. The failure by our management to apply these proceeds effectively could adversely affect our business, financial condition, and results of operations. Pending their use, we may invest our proceeds in a manner that does not produce income or that loses value. Our investments may not yield a favorable return to our investors and may negatively impact the price of our common stock.

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

After this offering, our directors, executive officers, and holders of more than 5% of our outstanding common stock, together with their respective affiliates, will beneficially own shares representing approximately % of our outstanding common stock, or % of our common stock if the underwriters exercise their option to purchase additional shares in full. As a result, these stockholders, if they act together, will be able to influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control of our company and might affect the market price of our common stock.

***Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws might delay, discourage or prevent a merger, tender offer or proxy contest, thereby depressing the market price of our common stock.***

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law, or the DGCL, may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws will contain provisions that may make any acquisition of our company more difficult or delay or prevent changes in control of our management. Among other things, these provisions will:

- provide that our board of directors is expressly authorized to make, alter or repeal our bylaws;
- authorize our board of directors to issue shares of preferred stock and determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval;
- permit only our board of directors to establish the number of directors and fill vacancies on the board;
- establish that our board of directors is divided into three classes, with each class serving staggered three-year terms;
- provide that a director may only be removed from the board of directors by the stockholders for cause;
- eliminate the ability of stockholders to call special meetings of stockholders;



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- prohibit cumulative voting;
- permit stockholders to only take actions at a duly called annual meeting and not by written consent;
- require that stockholders give advance notice to nominate directors or submit proposals for consideration at stockholder meetings;
- prohibit stockholders from calling a special meeting of stockholders;
- provide that certain litigation against us can only be brought in Delaware; and
- require a super-majority vote of stockholders to amend some of the provisions described above.

These provisions, alone or together, could delay, discourage, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

***Our amended and restated bylaws will provide, to the fullest extent permitted by law, that the Court of Chancery of the State of Delaware and the federal district courts of the United States are the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders or employees and, in turn, discourage lawsuits against our directors, officers or employees.***

Our amended and restated bylaws will provide that, to the fullest extent permitted by applicable law and unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court in Delaware or the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a claim of breach of a fiduciary duty owed by any of our directors, stockholders, officers, or other employees to us or our stockholders; any action arising pursuant to any provision of the DGCL, our certificate of incorporation, or our bylaws; and any other action asserting a claim that is governed by the internal affairs doctrine. This exclusive forum provision would not apply to any action brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

Our amended and restated bylaws will also provide that, to the fullest extent permitted by applicable law and unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. The enforceability of similar exclusive federal forum provisions in other companies' organizational documents has been challenged in legal proceedings, and while the Delaware Supreme Court and certain other state courts have ruled that this type of exclusive federal forum provision is facially valid under Delaware law, there is uncertainty as to whether other courts would enforce such provisions and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. This exclusive federal forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our current or former directors, officers, stockholders or other employees, which may discourage such lawsuits against us and our current and former directors, officers, stockholders, and other employees. Alternatively, if a court were to find either exclusive forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving such action in other jurisdictions, all of which could have a material adverse effect on our business, financial condition, and results of operations.

## Special note regarding forward-looking statements

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy, development plans, expected research and development costs, as well as plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “would,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential,” or “continue,” or the negative of these terms or other similar expressions. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our expectations regarding our financial and operating performance, including our expectations regarding our revenue, costs, UB Net Dollar Retention Rate, Segment Revenue, Segment Gross Profit Margin, Adjusted EBITDA, and Adjusted EBITDA Margin;
- our ability to successfully execute our business and growth strategy;
- our ability to attract and retain learners, instructors, and enterprise customers;
- the timing and success of new features, integrations, capabilities, and other platform enhancements by us, or by our competitors to their offerings, or any other changes in the competitive landscape of our markets and industry;
- anticipated trends, developments, and challenges in our industry, business, and the markets in which we operate;
- the size of our addressable markets, market share, and market trends, including our ability to grow our business internationally;
- the effects of the COVID-19 pandemic on our business, the market for online learning solutions, and the global economy generally;
- the sufficiency of our cash, cash equivalents, and investments to meet our liquidity needs;
- our ability to develop and protect our brand and reputation;
- our expectations and management of future growth;
- our expectations concerning relationships with third parties;
- our ability to attract, retain, and motivate our skilled personnel, including members of our senior management team;
- our expectations regarding the effects of existing and developing laws and regulations, including with respect to taxation and privacy, data protection, and cybersecurity;
- our ability to maintain the security and availability of our platform;
- our ability to successfully defend litigation brought against us;
- our ability to successfully identify, execute, and integrate any potential acquisitions;
- our expectations regarding our income and other tax liabilities;
- our ability to effectively manage our exposure to fluctuations in foreign currency exchange rates;
- our ability to obtain, maintain, protect, and enforce our intellectual property and proprietary information;
- the increased expenses associated with being a public company; and
- our intended use of the net proceeds from this offering.

We have based these forward-looking statements largely on our current expectations and projections about our business, the industry in which we operate, and financial trends that we believe may affect our business, financial condition, results of operations, and prospects, and these forward-looking statements are not guarantees of future

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performance or development. These forward-looking statements speak only as of the date of this prospectus and are subject to a number of risks, uncertainties, and assumptions described in “Risk factors” and elsewhere in this prospectus. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein until after we distribute this prospectus, whether as a result of any new information, future events, or otherwise.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

## Market, industry, and other data

Unless otherwise indicated, estimates and information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations, market position, market opportunity, and market size, are based on industry publications and reports generated by third-party providers, other publicly available studies, and our internal sources and estimates. In some cases, we do not expressly refer to the sources from which this information derived. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such information. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publications and other third-party sources included in this prospectus is reliable, we have not independently verified the accuracy or completeness of the data contained in such sources. Forecasts and other forward-looking information with respect to industry, business, market, and other data are subject to the same qualifications and additional uncertainties regarding the other forward-looking statements in this prospectus. See “Special note regarding forward-looking statements” for additional information.

Among others, we refer to estimates and other information compiled by the following sources:

- Arizton, a market research and intelligence company;
- HolonIQ, a company that provides market intelligence research on the global education market; and
- The World Economic Forum, an international non-governmental organization.

## Use of proceeds

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

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ \_\_\_\_\_ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the net proceeds to us from this offering by approximately \$ \_\_\_\_\_ million, assuming the assumed initial public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital to support our operations, establish a public market for our common stock, and facilitate our future access to the public capital markets.

We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses, and capital expenditures. Additionally, we may use a portion of the net proceeds we receive from this offering to acquire or invest in businesses, products, services, or technologies. However, we do not have agreements or commitments for any material acquisitions or investments at this time. We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering.

Accordingly, we will have broad discretion in using these proceeds. Pending their use, we intend to invest the net proceeds of this offering primarily in short- and intermediate-term, interest-bearing obligations, investment-grade instruments, certificates of deposit, or direct or guaranteed obligations of the U.S. government.

## **Dividend policy**

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

## Capitalization

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

- on an actual basis;
- on a pro forma basis, giving effect to (1) the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 85,391,338 shares of common stock immediately prior to the completion of this offering and (2) the filing and effectiveness of our amended and restated certificate of incorporation immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (1) the pro forma adjustments set forth above and (2) our issuance and sale of shares of common stock in this offering at the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information set forth below is illustrative only and will depend on the actual initial public offering price and other terms of this offering determined at pricing. You should read this information in conjunction with our audited consolidated financial statements and the related notes appearing elsewhere in this prospectus, as well as the sections titled “Selected consolidated financial and other data” and “Management’s discussion and analysis of financial condition and results of operations.”

	As of December 31, 2020		
	Actual	Pro forma	Pro forma as adjusted <sup>(1)</sup>
	(in thousands, except per share amounts)		
Cash and cash equivalents	\$ 175,031	\$ _____	\$ _____
Redeemable convertible preferred stock, \$0.00001 par value, 86,348,646 shares authorized; 85,391,338 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	274,104	_____	_____
Stockholders’ (deficit):			
Common stock, \$0.00001 par value; 150,000,000 shares authorized, 35,627,503 shares issued and outstanding, actual; _____ shares authorized, _____ shares issued and outstanding, pro forma; _____ shares authorized, _____ shares issued and outstanding, pro forma as adjusted	—	_____	_____
Preferred stock, \$0.00001 par value; no shares authorized, issued and outstanding, actual; _____ shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	_____	_____
Additional paid-in capital	117,818	_____	_____
Accumulated deficit	(378,503)	_____	_____
Total stockholders’ (deficit) equity	(260,685)	_____	_____
Total capitalization	\$ 13,419	\$ _____	\$ _____

(1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, each of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ (deficit) equity and total capitalization by approximately \$ \_\_\_\_\_ million, assuming that the number of shares of common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares of common stock offered by us would increase or decrease, as applicable, each of our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ (deficit) equity and total capitalization by approximately \$ \_\_\_\_\_ million, assuming the assumed initial public offering price of \$ \_\_\_\_\_ per share, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters’ option to purchase additional shares is exercised in full, our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders’ (deficit) equity, and total capitalization as of December 31, 2020, would be \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ million, \$ \_\_\_\_\_ million, and \$ \_\_\_\_\_ million, respectively.

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The number of shares of our common stock issued and outstanding, pro forma and pro forma as adjusted in the table above is based on 121,018,841 shares of our common stock outstanding as of December 31, 2020, and excludes:

- 18,932,979 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2020 with a weighted-average exercise price of \$5.23 per share, which excludes 95,475 stock appreciation rights outstanding that will be settled in cash upon exercise;
- 3,917,161 shares of common stock reserved for future issuance under our 2010 Equity Incentive Plan, as amended, or our 2010 Plan, as of December 31, 2020, provided that we will cease granting awards under our 2010 Plan upon the effectiveness of our 2021 Equity Incentive Plan, or our 2021 Plan;
- 12,595 warrants to purchase shares of our redeemable convertible preferred stock outstanding as of December 31, 2020 with a weighted-average exercise price of \$0.196 per share, which were fully exercised in January 2021;
- shares of common stock reserved for future issuance under our 2021 Plan, which will become effective in connection with this offering; and
- shares of common stock reserved for future issuance under our 2021 Employee Stock Purchase Plan, or our 2021 ESPP, which will become effective in connection with this offering.

Our 2021 Plan and our 2021 ESPP each will provide for annual automatic increases in the number of shares reserved thereunder, and our 2021 Plan will also provide for increases to the number of shares that may be granted thereunder based on awards under our 2010 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in “Executive compensation—Employee benefit and stock plans.”



## Dilution

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

Our historical net tangible book value (deficit) as of December 31, 2020 was \$(274.8) million, or \$(7.71) per share of our common stock. Our historical net tangible book value (deficit) is the amount of our total tangible assets less our total liabilities and redeemable convertible preferred stock, which is not included within our stockholders' (deficit) equity. Historical net tangible book value (deficit) per share represents historical net tangible book value (deficit) divided by the number of shares of our common stock outstanding as of December 31, 2020.

Our pro forma net tangible book value as of December 31, 2020 was \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share of our common stock. Pro forma net tangible book value represents the amount of our total tangible assets less our total liabilities. Pro forma net tangible book value per share represents pro forma net tangible book value divided by the total number of shares outstanding as of December 31, 2020, after giving effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock as of December 31, 2020 into an aggregate of 85,391,338 shares of our common stock immediately prior to the completion of this offering as if such conversion had occurred on December 31, 2020.

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

Dilution per share to investors purchasing shares of common stock in this offering is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the assumed initial public offering price per share paid by investors purchasing shares of common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors (without giving effect to any exercise by the underwriters of their option to purchase additional shares):

Assumed initial public offering price per share		\$
Historical net tangible book value (deficit) per share as of December 31, 2020		
Pro forma increase in net tangible book value per share as of December 31, 2020	\$	
Pro forma net tangible book value per share as of December 31, 2020		
Increase in pro forma net tangible book value per share attributable to investors purchasing shares of common stock in this offering		
Pro forma as adjusted net tangible book value per share		
Dilution per share to investors participating in this offering		\$

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

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offering by approximately \$ [redacted] and decrease the dilution per share to investors purchasing shares of common stock in this offering by approximately \$ [redacted], assuming no change in the assumed initial public offering price and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each decrease of 1.0 million shares in the number of shares offered by us would decrease the pro forma as adjusted net tangible book value per share after this offering by approximately \$ [redacted] and increase the dilution per share to investors purchasing shares of common stock in this offering by approximately \$ [redacted], assuming no change in the assumed initial public offering price and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase [redacted] additional shares of common stock in this offering in full at the assumed initial public offering price of \$ [redacted] per share, which is the midpoint of the price range set forth on the cover page of this prospectus and assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, the pro forma as adjusted net tangible book value per share after this offering would be approximately \$ [redacted] per share, and the dilution per share to investors purchasing shares of common stock in this offering would be approximately \$ [redacted] per share.

The following table summarizes, on the pro forma as adjusted basis described above, as of December 31, 2020, the number of shares of common stock purchased from us, the total consideration paid, or to be paid, and the weighted-average price per share paid, or to be paid, by existing stockholders and by investors purchasing shares in this offering at the assumed initial public offering price of \$ [redacted] per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(dollar amounts in thousands, except per share amounts)	Shares purchased		Total consideration		Weighted-average price per share
	Number	Percent	Amount	Percent	
Existing stockholders before this offering		%	\$	%	\$
Investors purchasing shares in this offering					\$
Total		100%	\$	100%	

The table above assumes no exercise of the underwriters' option to purchase [redacted] additional shares in this offering. If the underwriters' option to purchase additional shares is exercised in full, the number of shares of our common stock held by existing stockholders would be reduced to [redacted] % of the total number of shares of our common stock outstanding after this offering, and the number of shares of common stock held by investors purchasing shares of common stock in the offering would be increased to [redacted] % of the total number of shares outstanding after this offering.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ [redacted] per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, the total consideration paid by investors purchasing shares in this offering by approximately \$ [redacted] million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same. Similarly, each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease, as applicable, the total consideration paid by investors purchasing shares in this offering by approximately \$ [redacted] million, assuming no change in the assumed initial public offering price.

The foregoing tables and calculations (other than the historical net tangible book value calculation) are based on the 121,018,841 shares of our common stock outstanding as of December 31, 2020, and excludes:

- 18,932,979 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2020 with a weighted-average exercise price of \$5.23 per share, which excludes 95,475 stock appreciation rights outstanding that will be settled in cash upon exercise;

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- 3,917,161 shares of common stock reserved for future issuance under our 2010 Plan as of December 31, 2020, provided that we will cease granting awards under our 2010 Plan upon the effectiveness of our 2021 Plan;
- 12,595 warrants to purchase shares of our redeemable convertible preferred stock outstanding as of December 31, 2020 with a weighted-average exercise price of \$0.196 per share, which were fully exercised in January 2021;
- \_\_\_\_\_ shares of common stock reserved for future issuance under our 2021 Plan, which will become effective in connection with this offering; and
- \_\_\_\_\_ shares of common stock reserved for future issuance under our 2021 ESPP, which will become effective in connection with this offering.

Our 2021 Plan and our 2021 ESPP each will provide for annual automatic increases in the number of shares reserved thereunder, and our 2021 Plan will also provide for increases to the number of shares that may be granted thereunder based on awards under our 2010 Plan that expire, are forfeited, or otherwise repurchased by us, as more fully described in the section titled “Executive compensation—Employee benefit and stock plans.”

To the extent that any outstanding options are exercised or new options are issued under the equity benefit plans, or we issue additional shares of common stock or other securities convertible into or exercisable or exchangeable for shares of our capital stock in the future, there will be further dilution to investors purchasing shares of common stock in this offering.

## Selected consolidated financial and other data

The following tables summarize our selected consolidated financial and other data for the periods and as of the dates indicated. We have derived our selected consolidated statements of operations data for the years ended December 31, 2019 and 2020, and the consolidated balance sheet data as of December 31, 2019 and 2020, from our audited consolidated financial statements appearing elsewhere in this prospectus. You should read the following selected consolidated financial and other data together with our consolidated financial statements and the related notes appearing elsewhere in this prospectus and the information in the section titled “Management’s discussion and analysis of financial condition and results of operations.”

	Year ended December 31,	
	2019	2020
(in thousands, except share and per share amounts)		
<b>Consolidated statements of operations data:</b>		
Revenues	\$ 276,327	\$ 429,899
Cost of revenues <sup>(1)</sup>	143,510	209,253
Gross profit	132,817	220,646
Operating expenses:		
Sales and marketing <sup>(1)</sup>	126,436	192,600
Research and development <sup>(1)</sup>	34,379	50,643
General and administrative <sup>(1)</sup>	40,033	50,783
Total operating expenses	200,848	294,026
Operating loss	(68,031)	(73,380)
Other income (expense), net:		
Interest income (expense), net	87	(1,146)
Other income (expense), net	(384)	55
Total other income (expense), net	(297)	(1,091)
Net loss before taxes	(68,328)	(74,471)
Income tax provision	(1,375)	(3,149)
Net loss	(69,703)	(77,620)
Net loss per share attributable to common stockholders, basic and diluted <sup>(2)</sup>	\$ (2.57)	\$ (2.33)
Weighted-average shares used to calculate net loss per share attributable to common stockholders - basic and diluted <sup>(2)</sup>	27,096,379	33,384,438
Pro forma net loss per share attributable to common stockholders—basic and diluted <sup>(2)</sup>		
Weighted-average shares used to compute pro forma net loss per share attributable to common stockholders—basic and diluted <sup>(2)</sup>		

(1) Stock-based compensation expense included in the consolidated statements of operations data above was as follows:

	Year Ended December 31,	
	2019	2020
Cost of revenues	\$ 299	\$ 418
Sales and marketing	3,001	7,518
Research and development	2,357	5,232
General and administrative	3,306	18,450
Total stock-based compensation expense	\$ 8,963	\$ 31,618

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- (2) See Note 2 and Note 14 to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our net loss per share attributable to common stockholders, basic and diluted and the weighted-average shares used to compute these amounts. Pro forma basic net loss per share attributable to common stockholders, basic and diluted is computed to give effect to the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 85,391,338 shares of common stock immediately prior to the completion of this offering. Incremental stock-based compensation incurred in connection with the completion of this offering is immaterial.

	As of December 31,	
	2019	2020
	(in thousands)	
<b>Consolidated balance sheet data:</b>		
Total current assets	\$ 84,380	\$ 236,964
Total assets	117,302	282,096
Total current liabilities	183,899	263,813
Total liabilities	187,247	268,677
Redeemable convertible preferred stock	155,645	274,104
Additional paid-in capital	75,293	117,818
Accumulated deficit	(300,883)	(378,503)

## 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 that appear in this prospectus. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risk and uncertainties described under "Risk factors" and elsewhere in this prospectus. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

### Overview

Our mission is to create new possibilities for people and organizations everywhere by connecting them to the knowledge and skills they need to succeed in a changing world. Our marketplace platform, with thousands of up-to-date courses in dozens of languages, provides the tools that learners, instructors, and enterprises need to achieve their goals and reach their full potential.

We believe traditional education and training methods are fast becoming outdated. Technological advancements and novel industries have significantly altered the types of skills required of workers, and lifelong training and continuous skills acquisition are becoming the norm. There is a clear need to expand access to learning across traditional barriers such as geography and social demographics.

Udemy operates a two-sided marketplace where our instructors develop content to meet learner demand. Courses can be accessed through our direct-to-consumer or Udemy Business, or UB, offerings. Our platform provides over 39 million learners with access to over 158,000 courses in over 65 languages and 180 countries.

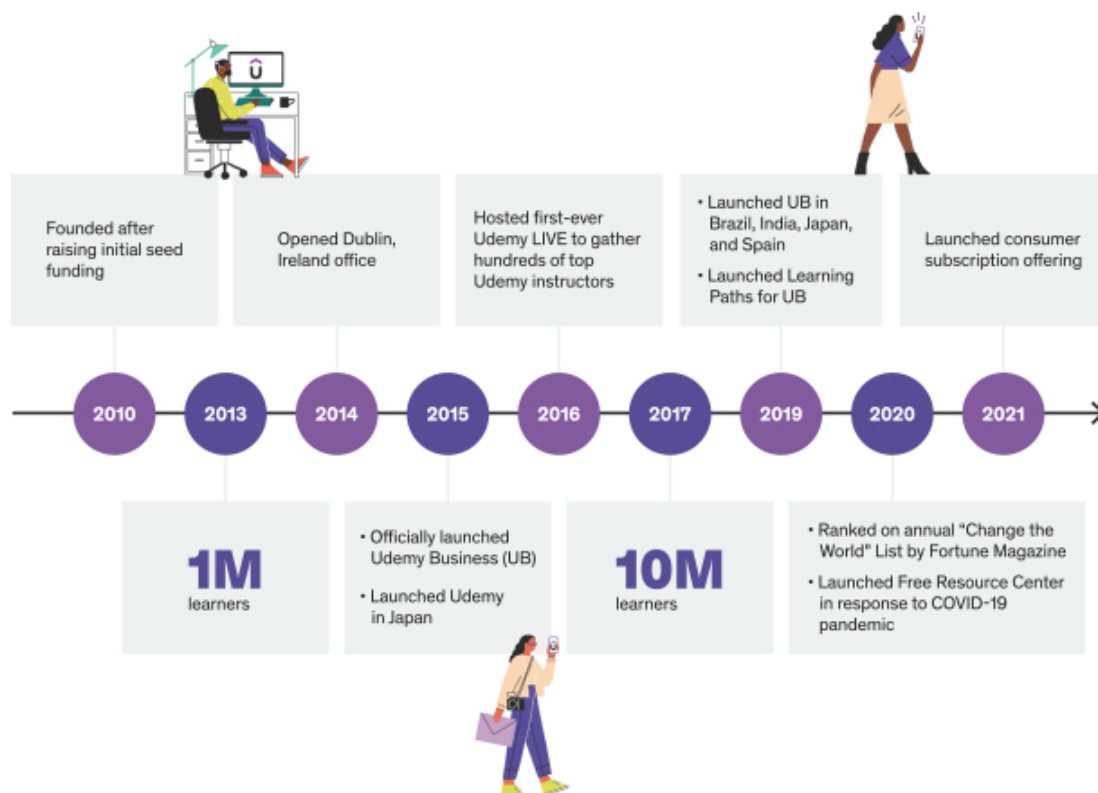
Udemy courses address learning objectives such as reskilling or upskilling in technology and business, enhancing soft skills, and personal development. We analyze platform data to better determine our learners' needs, helping us match individuals with relevant courses and, within UB, learning paths for a more personalized experience. Our learners also receive access to superior, interactive learning tools such as quizzes, exercises, and instructor questions-and-answers, or Q&A.

Within our marketplace and UB catalog, we provide learners with high-quality content by prioritizing courses based on factors such as learner feedback and ratings, topic relevance, content quality, and instructor engagement.

Our business has experienced rapid growth. From 2019 to 2020, our revenue grew 55.6% to \$429.9 million, which includes over 100% growth in UB revenue.

## Our history

The following is a timeline of certain key events in our history:



## Our business model

Our platform allows learners all over the world to access a wide breadth of affordable and relevant content from over 56,000 instructors, many of which are subject-matter experts in their field and/or experienced industry practitioners. We combine high-quality content, insights and analytics, and technology into a single, unified platform that is purpose-built to meet the specific needs of both consumers and enterprises. Our consumer segment targets individual learners seeking to obtain hands-on learning, gain valuable job skills to advance their professional careers, or learn a new personal skill through our consumer offering. Our enterprise segment focuses on helping business and government customers upskill and reskill their employees and public servants through our UB offering.

*Consumer.* Consumer learners come to Udemy for relevant, affordable, and high-quality content. Our global platform helps address the learning objectives over 36 million consumer learners, which include reskilling or upskilling, enhancing soft skills, and personal enhancement. Consumer learners can purchase lifetime access to individual courses on our online platform or they can subscribe to a consumer subscription offering. We analyze data gathered on our platform to better determine our learners' most relevant needs, helping us match them with relevant courses and learning paths, driving higher satisfaction. Learners from across the world have access to global and local instructors, providing learning skills that may be unique to their particular geographies. Once a learner enrolls in a course, we strive to provide a superior and effective learning experience through assessments, labs, Q&As, and interactive exercises.

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Substantially all of our consumer revenue is derived from consumer learners' enrollment to individual courses on our online platform. Our payment terms generally require advance payment through the use of a credit card. Once a successful course enrollment purchase transaction is completed, we grant the learner lifetime access to the purchased course content on the online platform, which can be accessed and consumed by the learners on an on-demand basis. We recognize consumer revenue for single course purchases ratably over an estimated four-month service period for a learner's consumption of marketplace course content.

In 2019 and 2020, 82% and 76%, respectively, of our revenue was derived from our consumer offering.

*Udemy Business.* UB helps over 7,000 global customers, including companies, non-profit organizations and government agencies, achieve the learning needs of their talent bases, drawn by the real-world expertise and experience of our instructors. Out of our platform's deep content catalog, we have curated over 8,000 of the most highly engaging and relevant courses, purposely selected to meet the needs and standards of these companies, organizations and agencies. We undergo a rigorous selection process across a wide set of criteria in determining the courses that will be offered as part of our UB offerings, including learner feedback and rating, relevancy of topic covered, quality of the content, and instructor experience.

Revenue from our UB offering is derived from the sale of subscriptions to our UB customers, which provide on-demand access to a catalog of courses over a subscription term, as well as additional features and functionalities such as single sign-on, analytics and strategic learning path management functionality. The majority of our customers subscribe to our UB offering through one-year contracts, although a growing number of our customers subscribe through multi-year contracts. Subscription fees are primarily based on the number of license seats. We source our customer leads through a combination of field marketing and leveraging our existing learner base. Our growing consumer learner base and course offerings allow us to identify customer prospects, provide data and insights, increase operating scale, improve search engine optimization performance and provide an effective and efficient way to identify quality courses for our UB offerings. We sell subscriptions to our platform to customers primarily through our direct sales team, who identify and engage with potential customers. Once a customer has adopted our platform, we focus not only on driving continued use of our offerings by that customer, but also expanding the relationship by increasing the number of license seats sold to that customer.

In 2019 and 2020, 18% and 24%, respectively, of our revenue was derived from our UB offering.

## **Key business metrics**

In addition to the measures presented in our consolidated financial statements, we use the key business metrics identified below to help us assess the health of our community, evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions.

### ***Paid learners***

Our paid learners consist of consumer learners who purchase single courses or subscriptions through our direct-to-consumer offering. We treat each account that registers with a unique email as a potential paid learner and adjust for any spam, test accounts, and cancellations. Our paid learner count is not intended as a measure of active engagement, as not all paid learners are active at any given time or over any given period. We believe that the number of paid learners is an important indicator of the growth of our business and potential future revenue trends.

### ***Udemy Business customers***

We count the total number of UB customers at the end of each period. For purposes of determining our customer count, we treat each customer account that has a corresponding contract as a unique customer, and a single organization with multiple divisions, segments, or subsidiaries may be counted as multiple customers. We define a UB customer as a customer who purchases Udemy via our direct sales force or through our self-service platform. We believe that the number of UB customers and our ability to increase this number is an important indicator of the growth of our UB and future revenue trends.



**UB Net Dollar Retention Rate**

We disclose our UB Net Dollar Retention Rate, or NDRR, as a measure of our enterprise revenue growth. We believe NDRR is an important metric that provides insight into the long-term value of our subscription agreements and our ability to retain, and grow revenue from, our UB customers. We calculate NDRR as the total annualized recurring revenue, or ARR, at the end of a trailing twelve-month period divided by the total ARR at the beginning of a trailing twelve-month period for the cohort of UB customers active at the beginning of the trailing twelve-month period. Total ARR at the end of a trailing twelve-month period is calculated as ARR at the beginning of a trailing twelve-month period that is then adjusted for upsells, downsells, and churns for the same cohort of customers during that period. ARR is the total annualized run-rate revenue of all UB customers with active licenses. Our NDRR is expected to fluctuate in future periods due to a number of factors, including the growth of our revenue base, the penetration within our learner base, expansion of products and features, and our ability to retain our UB customers.

**Segment Revenue and Segment Gross Profit**

Our revenue is generated from our consumer and UB offerings, each of which is an individual segment of our business. Segment Revenue represents the revenue recognized from each of these offerings and is a key measure of the performance of our platform, and in turn drives our financial performance. We also monitor Segment Gross Profit as a key metric to help evaluate the financial performance of our individual segments and our business as a whole. Segment Gross Profit is defined as Segment Revenue less Segment Costs of Revenue, which include content costs, hosting and platform costs, customer support services, and payment processing fees that are allocable to each segment. Segment Gross Profit excludes amortization of capitalized software, depreciation, and stock-based compensation allocated to cost of revenues as our chief operating decision maker does not include the information in his measurement of the performance of the operating segments. Content costs, which are payments made to our instructors, are the largest individual component of Segment Cost of Revenue. We expect to increase the percentage of our revenue derived from our enterprise segment over time, which we expect will improve our gross margins.

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2020</b>
	<b>(in thousands)</b>	
<b>Segment Revenue and Segment Gross Profit</b>		
Consumer Segment Revenue	\$ 225,500	\$ 326,454
Consumer Segment Gross Profit	102,749	153,965
Enterprise Segment Revenue	50,827	103,445
Enterprise Segment Gross Profit	36,003	74,611

**Key factors affecting our performance**

We believe that the growth of our business and our future success are dependent upon many factors. While each of these factors presents significant opportunities for us, these factors also pose challenges that we must successfully address in order to sustain the growth of our business and enhance our results of operations.

**Ability to attract and engage new learners and Udemy Business customers**

To grow our business, we must attract new learners and UB customers efficiently and increase engagement on our platform over time. From inception through December 31, 2020, over 36 million consumer learners from more than 180 countries had registered on Udemy, accounting for 486 million course enrollments, and we had attracted over 7,000 UB customers. We added over 13 million new learners during 2020, representing annual growth of our total learner base of 53%.

We acquire a substantial portion of our learners via organic channels and also use paid marketing to further enhance the growth of our learner base. Our organic channels include those outside of our paid market efforts, such as a Udemy brand name internet search. Once we bring new learners onto our platform, we work to create a best-in-class experience to encourage engagement and drive learning and career outcomes.

***Ability to retain and expand our existing learner and customer relationships***

Our efforts to grow our existing relationships with our consumer learners are focused on increasing their engagement and converting free learners into paid learners. New learners to our platform typically begin to engage with our free courses, which serve as a funnel to grow our total learner base and drive referrals to our paid other offerings. We constantly analyze data gathered on our platform to better determine our learners' most relevant needs, which helps us match learners with relevant courses and learning paths, driving higher satisfaction, increasing enrollments, and converting learners into paid learners. We highlight key features that encourage conversion to our paid offerings through our marketing efforts, which include campaigns targeting existing learners, personalized recommendations, and performance marketing across leading social media platforms. Once a learner enrolls in a course, we ensure we provide a superior and effective learning experience through labs, and the ability for learners to communicate with instructors for expedient answers to their questions and through interactive exercises.

Our efforts to grow our UB offering are focused primarily on corporate and government customers. We deploy a land-and-expand strategy with our UB customers that focuses on acquiring new customers and efficiently growing our relationships with existing customers, beginning with either individual users or departmental deployments. Historically, we have expanded from individual to department to multi-department to enterprise-wide sales as our value is proven. Building upon this success, we believe a significant opportunity exists for us to acquire new UB customers and expand our existing UB customers' use of our platform by identifying new use cases and increasing the size of existing deployments.

We often enter into customized contractual arrangements with our UB customers in which we offer more favorable pricing terms in exchange for larger total contract values that accompany larger deployments. As we drive a greater portion of our revenue through our deployments with UB customers, we expect that our revenue will continue to grow significantly, but the price we charge UB customers per seat may decline, which could reduce margins in the future. Our business and results of operations will depend on our ability to continue to drive higher usage of our platform within our existing customer base and our ability to add new customers.

***Ability to source in-demand content from our instructors***

We believe that learners and UB customers are attracted to Udemy largely because of the high quality and wide selection of content our instructors offer. Continuing to source in-demand content and credentials from our instructors will be an important factor in attracting learners and UB customers and growing our revenue over time.

As of December 31, 2020, we attracted over 56,000 instructors to our platform. We believe that instructors are attracted to Udemy because we offer access to a global market with over 39 million learners. Our aligned incentive model allows our instructors to share in the economic upside of the course content they contribute and the growth of our platform. In 2020, our instructors earned \$161.4 million from Udemy for their courses. We provide strong incentives for instructors to innovate and engage on our platform by giving instructors proprietary tools including marketplace insights, review feedback from learners, and dashboards to help generate more relevant content and manage their brand and course marketing. When we offer content as part of the UB and consumer subscription offerings, our instructors agree to contribute such content exclusively through our platform, which we believe demonstrates our ability to increase the value of our platform through unique content. We experienced minimal turnover among top instructors in 2019 and 2020.

***Impact of mix of consumer and enterprise segments***

Our mix of business among our consumer and enterprise segments is shifting, and this shift will affect our financial performance. We incur content costs in the form of payments to our instructors, generally determined as a percentage of total revenue generated from their content. These costs totaled \$109.2 million in 2019 and \$161.4 million in 2020, or 39.5% and 37.5% of total annual revenue, respectively. Content costs, which are included in our cost of revenue, vary significantly for our different offerings. For our enterprise segment, content

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costs are incurred based on a percentage of total subscription revenue which is allocated to instructors pro rata based on consumption of their content. Content costs in our consumer segment were historically primarily driven by whether the learner is acquired organically, through Udemy's marketing efforts, or by an instructor coupon. Beginning in May 2021, content costs for our consumer segment will be the same whether learners are acquired organically or through Udemy's marketing efforts. Content costs historically have been and will continue to be substantially highest for learners acquired by instructor coupon compared to learners acquired through Udemy's marketing efforts. Content costs for our enterprise segment are lower relative to our consumer segment. The mix of customer acquisition methods in our consumer segment will substantially impact our financial performance. In 2020, content costs as a percentage of revenue were 42% for our consumer segment and 25% for our enterprise segment. We presently expect that revenue from our enterprise segment will grow faster than our consumer segment, which will be beneficial to our overall margins.

### ***Ability to expand our international footprint***

We generated 59% and 61% of our revenue outside North America in 2019 and 2020, respectively. We see a significant opportunity to expand our offerings into regions with large underserved adult learning populations. We have invested, and plan to continue to invest, in personnel and marketing efforts to support our international growth and expand our international operations as part of our strategy to grow our customer and learner base, particularly among our UB customers.

### ***Our investment in growth***

We are actively investing in our business as we believe that we are only beginning to penetrate our market opportunity, and we intend to continue to invest in our future growth. We anticipate that our operating expenses will increase as we continue to build our sales and marketing efforts, expand our course catalog, expand our employee base, and invest in our technology development. The investments we make in our platform are designed to address relevant topics for our existing learners and to attract new learners to our platform to grow our revenue opportunity and to improve our operating results in the long term. Any investments we make in our sales and marketing organization, in encouraging the development of new content, and in expanding our platform offerings and capabilities, will occur in advance of the benefits from such investments, making it difficult to determine if we are efficiently allocating our resources in these areas.

### ***Pace of adoption of cloud-based skill development solutions***

Our ability to grow our learner base and drive market adoption of our platform is affected by the overall demand for cloud-based skill development solutions. The market for cloud-based skill development is less mature than the market for in-person instructor-led-training and potential customers may be slow or unwilling to migrate from these legacy approaches. We believe that as technology becomes increasingly critical to business operations, the need for cloud-based skill development solutions, particularly an integrated enterprise-grade platform such as ours, will increase and our customer base and the breadth and deployment of usage in our customer base will also increase. Furthermore, we believe that we have established a leadership position in the market for cloud-based technology learning. However, it is difficult to predict customer adoption rates and demand, the future growth rate and size of the market for cloud-based skill development solutions, or the entry of competitive solutions.

### ***Impact of COVID-19***

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. To limit the spread of the virus, governments have imposed various restrictions, including emergency declarations at the federal, state and local levels, school and business closings, quarantines, "shelter at home" orders, restrictions on travel and trade, limitations on social or public gatherings and other social distancing measures.

We have taken precautionary measures intended to help minimize the risk of COVID-19 to our employees, including transitioning the majority of our employees to remote work and restricting business travel. We believe that our ability to meet the needs of our customers, end users and instructors has not been materially affected by these precautions.

With the COVID-19 pandemic, there has been a significant increase in the adoption of online learning solutions, a trend we believe will continue over the long-term. Consequently, we have experienced a significant increase in revenue due to increased demand for online learning solutions from both individuals and businesses. The circumstances that have accelerated the growth of our business resulting from the COVID-19 pandemic may not continue in the future, the growth rate of our revenue, as well as our learner and customer base, may decline in future periods as the effects of the COVID-19 pandemic abate.

The extent to which the COVID-19 pandemic impacts our business depends on future developments that are highly uncertain and cannot be predicted at this time. For more information, see “Risk factors—Risks related to our business and operations—The COVID-19 pandemic could affect our business, financial condition, and results of operations in volatile and unpredictable ways.”

## **Components of results of operations**

### ***Revenues***

We derive revenues from contracts with paid consumer learners and UB customers from access to our online learning platform. We recognize revenue from both our paid consumer learners and UB customers.

Consumer revenue consists of individual course content purchases made by individual learners, as well as our consumer subscription offerings. Consumer revenue includes the gross transaction value paid by the learner at checkout, net of (a) actual and estimated refunds and (b) passthrough taxes collected from learners and remitted to governmental authorities. After a successful checkout, consumer learners receive a non-exclusive lifetime license to the digital course content in addition to stand-ready access to the Udemy platform hosting services needed to access the content. Access to the online content on the Udemy platform represents a series of distinct services as we continually provide access to and fulfill our hosting obligation to the learner. This series of distinct services represents a single performance obligation that is satisfied over the estimated service period. Revenue is recognized ratably over the estimated service period for consumer marketplace revenue, which is four months from the date of enrollment and over the contractual subscription term for consumer subscription customers.

Enterprise revenue primarily relates to enterprise license subscription contracts with annual or multi-year subscription terms. Enterprise subscriptions are generally billed in advance on a quarterly or annual basis. Subscription revenue excludes any taxes to be remitted to governmental authorities. Access to the Udemy platform represents a series of distinct services as we continually provide access to course content and fulfill our obligation to the UB customer over the subscription term. Because the series of distinct services represents a single performance obligation that is satisfied over time, we recognize revenue ratably over the contractual subscription term.

We are the principal with respect to revenue generated from sales to consumer and UB customers as we control the performance obligation and are the primary obligor with respect to delivering access to content to our customers.

### ***Cost of revenues***

Cost of revenues primarily consists of content costs, which are the payments to our instructors. Content costs are driven by the means by which we acquired the learner consuming the content. For our subscription-based offerings, content costs are incurred based on a percentage of total subscription revenue which is allocated to instructors pro rata based on consumption of the content they contribute. Content costs as a percentage of revenue for our UB and consumer subscription offerings are lower relative to individual course content purchases in our consumer offering. As a result, shifts in the mix between our two offerings is expected to be a significant driver of our content costs. Content costs are recorded as cost of revenue in the period earned by our instructors. For consumer single course purchases, content costs are incurred at the time of purchase. As consumer course

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content revenue is recognized ratably over an estimated service period of four months, consumer gross margins are lower in the period of purchase, and higher in the remaining periods of the estimated service period over which revenue is recognized. For our subscription based UB offering, content costs are incurred based on monthly subscription fees, and margins are more stable from period to period.

Cost of revenue also includes payment and mobile processing fees, costs associated with hosting digital content, and employee related expenses for our customer support organization, including salaries, benefits, stock-based compensation, facilities and other expenses, depreciation of network equipment, and amortization of capitalized software. We expect cost of revenue to generally decrease as a percentage of revenue as we increase the percentage of revenue derived from our UB offering.

### ***Operating expenses***

Operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel costs are the most significant component of our operating expenses and consist of salaries, benefits, bonuses, stock-based compensation, and commissions. Our operating expenses also include allocated costs of facilities, information technology, depreciation, and amortization. Although our operating expenses may fluctuate from period to period, we currently expect our operating expenses to increase in absolute dollars over time.

#### *Sales and marketing*

Our sales and marketing expenses consist primarily of direct advertising and promotions costs, as well as personnel and personnel-related costs, including stock-based compensation and costs related to customer and instructor acquisition, customer support efforts, and brand marketing. Sales and marketing expenses also consist of costs incurred for hosting and customer support services related to providing our platform to free learners. We expect sales and marketing expenses to increase in absolute dollars as our business grows. In addition, we expect sales and marketing expenses as a percentage of revenue to vary from period to period but generally decrease over the long term.

#### *Research and development*

Our research and development expenses consist primarily of personnel and personnel-related costs, including stock-based compensation and costs related to the ongoing management, maintenance, and expansion of features and services offered on our platform. Research and development costs also include contracted services, supplies, and other miscellaneous expenses. We believe that continued investment in our platform is important to our future growth and to maintain and attract learners to our platform. As a result, we expect research and development expenses to increase in absolute dollars. In addition, we expect research and development expenses as a percentage of revenue to vary from period to period but generally decrease over the long term.

#### *General and administrative*

Our general and administrative expenses consist primarily of personnel and personnel-related costs, including stock-based compensation and costs related to our executive, legal, finance, and human resources departments, as well as charges for indirect tax reserves, bad debt expense, professional fees, and other corporate expenses.

Following the closing of this offering, we expect to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations, and increased expenses for insurance, investor relations, and professional services. We expect general and administrative expenses to increase in absolute dollars as our business grows. In addition, we expect general and administrative expenses as a percentage of revenue to vary from period to period but generally decrease over the long term.

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### **Interest income (expense), net**

Interest income (expense), net consists primarily of interest income earned on our cash, cash equivalents, and marketable securities. It also includes amortization of premiums and accretion of discounts related to our marketable securities. Interest income varies each reporting period based on our average balance of cash, cash equivalents, and marketable securities during the period and market interest rates. Interest expense consists primarily of interest expense recorded related to certain indirect tax reserves. Interest expense was immaterial for the periods presented.

### **Other income (expense), net**

Other income (expense), net consists primarily of foreign currency transaction gains and losses.

### **Income tax provision**

Our income tax provision consists primarily of income taxes in certain foreign jurisdictions in which we conduct business. We have a full valuation allowance against our U.S. federal and state deferred tax assets as the realization of the full amount of these deferred tax assets is uncertain, including net operating loss carryforwards and tax credits related primarily to research and development. We expect to maintain this full valuation allowance until it becomes more likely than not that the deferred tax assets will be realized.

## **Results of operations**

The following table summarizes our results of operations for the periods presented. The results below are not necessarily indicative of results to be expected for future periods.

	Year Ended December 31,	
	2019	2020
	(in thousands)	
<b>Consolidated statements of operations</b>		
Revenues	\$ 276,327	\$ 429,899
Cost of revenues (1)	143,510	209,253
Gross profit	132,817	220,646
Operating expenses:		
Sales and marketing(1)	126,436	192,600
Research and development(1)	34,379	50,643
General and administrative(1)	40,033	50,783
Total operating expenses	200,848	294,026
Operating loss	(68,031)	(73,380)
Other income (expense), net		
Interest income (expense), net	87	(1,146)
Total, other income (expense), net	(384)	55
Net loss before taxes	(68,328)	(74,471)
Income tax provision	(1,375)	(3,149)
Net loss	\$ (69,703)	\$ (77,620)

(1) Costs and expenses include stock-based compensation expense as follows:

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	Year Ended December 31,	
	2019	2020
	(in thousands)	
Cost of revenues	\$ 299	\$ 418
Sales and marketing	3,001	7,518
Research and development	2,357	5,232
General and administrative	3,306	18,450
Total stock-based compensation expense	<u>\$ 8,963</u>	<u>\$ 31,618</u>

The following table summarizes our results of operations as a percentage of revenue for each of the periods indicated:

Consolidated statements of operations	Year Ended December 31,	
	2019	2020
Revenues	100%	100%
Cost of revenues	52	49
Gross profit	48	51
Operating expenses:		
Sales and marketing	46	45
Research and development	12	12
General and administrative	14	12
Total operating expenses	72	69
Operating loss	(24)	(18)
Other income (expense), net		
Interest income (expense), net	0	0
Total other income (expense), net	0	0
Net loss before taxes	(24)	(18)
Income tax provision	0	(1)
Net loss	<u>(24)%</u>	<u>(19)%</u>

### Comparison of the years ended December 31, 2019 and 2020

#### Revenues

Revenues	Year Ended December 31,		Change	
	2019	2020	\$	%
	(dollars in thousands)			
Consumer	\$ 225,500	\$ 326,454	100,954	45%
Enterprise	\$ 50,827	\$ 103,445	52,618	104%
Total revenues	<u>\$ 276,327</u>	<u>\$ 429,899</u>	<u>\$ 153,572</u>	<u>56%</u>

Revenue for 2019 was \$276.3 million, compared to \$429.9 million for 2020. Revenue increased by \$153.6 million, or 56% compared to 2019. For 2019, consumer and enterprise revenue was \$225.5 million and \$50.8 million, or 82% and 18% of total revenue, respectively, compared to \$326.5 million and \$103.4 million, or 76% and 24% of total revenue, respectively, for 2020. The increase in revenue in 2020 was primarily driven by the significant expansion of our learner base, which resulted in a substantial number of additional paid learners, as well as significant growth in our UB customers. These trends were accelerated in part due to the effects of the COVID-19 pandemic.

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For 2020, total consumer revenue increased by \$101.0 million, or 45%, compared to 2019. The increase in consumer revenue was primarily driven by an increase in paid learners. Pricing was not a significant driver of the increase in revenue.

For 2020, total enterprise revenue increased by \$52.6 million, or 104%, compared to 2019. The increase in enterprise revenue was primarily driven by volume increases of new UB customers, as well as net expansions of licensed seats in our existing UB customer base. Pricing was not a driver of the increase in revenue.

### **Cost of revenues, gross profit and gross margin**

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(dollars in thousands)			
<b>Cost of revenues</b>	\$ 143,510	\$ 209,253	\$ 65,743	46%
Gross profit	132,817	220,646	87,829	66%
Gross margin	48%	51%		

Cost of revenue for 2019 was \$143.5 million, compared to \$209.3 million for 2020. The increase in revenue resulted in an overall increase of \$52.2 million in costs related to content costs. Content costs for the consumer and enterprise segments were \$95.9 million and \$13.3 million for 2019, respectively, compared to \$136.0 million and \$25.4 million for 2020, respectively. Content costs as a percentage of revenue for the consumer and enterprise segments were 43% and 26% for 2019, respectively, compared to 42% and 25% for 2020, respectively. In our consumer segment, credit card and mobile processing fees increased by \$6.3 million and customer support costs increased by \$2.5 million in 2020 as compared to 2019. In our enterprise segment, customer support fees increased by \$1.5 million in 2020 as compared to 2019. Additionally, there was a \$1.3 million increase in third-party cloud hosting costs and an increase of \$2.0 million in amortization expense of capitalized software.

Gross margin was 48% for 2019, compared to 51% for 2020. The increase in gross margin was primarily due to a shift in mix of revenue toward our enterprise business.

### **Operating expenses**

	Year Ended December 31,		Change	
	2019	2020	\$	%
	(dollars in thousands)			
<b>Operating expenses:</b>				
Sales and marketing	\$ 126,436	\$ 192,600	\$ 66,164	52%
Research and development	34,379	50,643	16,264	47%
General and administrative	40,033	50,783	10,750	27%
Total operating expenses	\$ 200,848	\$ 294,026	\$ 93,178	46%

**Sales and marketing.** Sales and marketing expenses for 2019 were \$126.4 million, compared to \$192.6 million for 2020. The \$66.2 million increase in sales and marketing expense was primarily due to higher direct advertising and promotion costs of \$38.5 million, higher personnel-related expenses of \$13.2 million, mainly driven by additional headcount in our sales force to support increased demand for our platform, an increase in stock based compensation expenses of \$4.6 million, and an increase in amortization of deferred contract acquisition costs driven by an expansion of our UB customer base over time.

**Research and development.** Research and development expenses for 2019 were \$34.4 million, compared to \$50.6 million for 2020. The \$16.3 million increase was primarily due to higher personnel-related expenses of \$13.2 million, mainly driven by additional headcount as well as a \$2.9 million increase in stock-based compensation.





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comparability may be limited. Other companies may not disclose similar metrics. Adjusted EBITDA and Adjusted EBITDA Margin have certain limitations in that they exclude the impact of certain expenses that are reflected in our consolidated statements of operations that are necessary to run our business. The limitations include the following:

- Adjusted EBITDA and Adjusted EBITDA Margin do not reflect the components of other interest income (expense), net, which consists primarily of interest income earned on our cash, cash equivalents, and marketable securities, amortization of premiums and accretion of discounts related to our marketable securities, and interest expense recorded related to certain indirect tax reserves;
- Adjusted EBITDA and Adjusted EBITDA Margin do not reflect period to period changes in taxes, income tax expense or the cash necessary to pay income taxes;
- Adjusted EBITDA and Adjusted EBITDA Margin exclude certain recurring, non-cash charges, such as depreciation of property and equipment and amortization of intangible assets, and although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA and Adjusted EBITDA Margin do not reflect all cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA and Adjusted EBITDA Margin exclude stock-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy; and
- Adjusted EBITDA and Adjusted EBITDA Margin do not reflect the components of other expense (income), net, which consists primarily of foreign currency transaction gains and losses.

The above items are excluded from Adjusted EBITDA and Adjusted EBITDA Margin because these items are non-cash in nature, or because the amount and timing of these items is unpredictable.

The following tables provide a reconciliation of net loss, the most directly comparable GAAP financial measure, to Adjusted EBITDA:

	Year Ended December 31,	
	2019	2020
	(in thousands)	
Net loss	\$ (69,703)	\$ (77,620)
Adjusted to exclude the following:		
Interest expense (income), net	(87)	1,146
Provision for income taxes	1,375	3,149
Depreciation and amortization	8,740	11,055
Stock-based compensation expense	8,963	31,618
Other expense (income), net	384	(55)
Adjusted EBITDA	<u>\$ (50,328)</u>	<u>\$ (30,707)</u>

Included in Adjusted EBITDA are sales tax, other indirect tax, and instructor withholding tax reserve charges of \$11.7 million and \$2.8 million for 2019 and 2020, respectively. In 2020, we implemented enhanced collection, withholding, and reporting processes related to the matters underlying the tax reserve charges, and as a result we expect that these expenses will decline in future years. For more information, see “—Critical accounting policies and estimates—Instructor withholding tax obligations.”

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The following table provides a reconciliation of net loss margin, the most directly comparable GAAP financial measure, to Adjusted EBITDA Margin:

	Year Ended December 31,	
	2019	2020
	(dollars in thousands, except percentages)	
Revenue	\$ 276,327	\$ 429,899
Net loss	\$ (69,703)	\$ (77,620)
Net loss margin	(25)%	(18)%
Revenue	\$ 276,327	\$ 429,899
Adjusted EBITDA	\$ (50,328)	\$ (30,707)
Adjusted EBITDA margin	(18)%	(7)%

Net loss increased by \$7.9 million in 2020 compared to the prior year and Adjusted EBITDA increased by \$19.6 million in 2020 compared to the prior year primarily due to strong revenue growth in both our consumer and UB offerings in excess of the growth of our expenses. In 2020, we benefited from an acceleration of enterprise and consumer revenue growth beginning the second quarter due to an increase in the number of learners and customers as a result of the COVID-19 pandemic. We continued to benefit from higher levels of consumer and UB revenue compared to the prior year as these new learners and customers continued their usage of our platform during the third and fourth quarters.

### Liquidity and capital resources

Since our inception, we have financed our operations primarily through proceeds from our redeemable convertible preferred stock issuances, as well as from revenue. We have generated significant net losses from our operations as reflected in our accumulated deficit of \$378.5 million as of December 31, 2020. We have incurred operating losses and generated negative cash flows from operations as we have invested to support the growth of our business. Since our inception through December 31, 2020, we have raised aggregate net proceeds of \$274.1 million through the sale of our redeemable convertible preferred stock. Our principal use of cash is to fund our operations to support our growth.

We believe that our existing cash and cash equivalents and marketable securities and our expected cash flows from operations will be sufficient to meet our cash needs for at least the next 12 months. Our remaining non-U.S. cash and cash equivalents have been earmarked for indefinite investment in our operations outside the U.S., thus no U.S. current or deferred taxes have been accrued. Over the longer term, our future capital requirements will depend on many factors, including our growth rate, the timing and extent of our sales and marketing and research and development expenditures, the continuing market acceptance of our offerings, and any investments or acquisitions we may choose to pursue in the future. To execute on our strategic initiatives and continue to grow our business, we may incur operating losses and generate negative cash flows from operations in the future, and as a result, we may require additional capital resources. In the event that we need to borrow funds or issue additional equity, we cannot assure you that any such additional financing will be available on terms acceptable to us, if at all. In addition, any future borrowings may result in additional restrictions on our business and any issuance of additional equity would result in dilution to investors. If we are unable to raise additional capital when desired and on terms acceptable to us, our business, results of operations, and financial condition could be materially and adversely affected.

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### **Cash flows**

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

	Year Ended December 31,	
	2019	2020
	(in thousands)	
Net cash provided by (used in):		
Operating activities	\$ (16,455)	\$ 9,624
Investing activities	14,611	(14,537)
Financing activities	11,265	131,093
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ 9,421</u>	<u>\$ 126,180</u>

#### *Operating activities*

Cash provided by (used in) operating activities mainly consists of our net loss adjusted for certain non-cash items, including stock-based compensation, depreciation and amortization, amortization of deferred sales commissions, as well as the effect of changes in operating assets and liabilities during each period.

Our main source of operating cash is payments received from our customers. Our primary use of cash from operating activities are for personnel-related expenses, instructor payments, marketing and advertising expenses, indirect taxes, and third-party cloud infrastructure expenses.

For 2019, net cash used in operating activities was \$16.5 million, primarily consisting of our net loss of \$69.7 million, adjusted for non-cash charges of \$21.5 million and net cash inflows of \$31.7 million provided by changes in our operating assets and liabilities. The main drivers of the changes in operating assets and liabilities were a \$25.3 million increase in deferred revenue, resulting primarily from our enterprise business growth, a \$17.7 million increase in accrued expenses and other current liabilities, partially offset by a \$10.6 million increase in accounts receivable and a \$10.7 million increase in deferred contract costs.

For 2020, net cash provided by operating activities was \$9.6 million, primarily consisting of our net loss of \$77.6 million, adjusted for non-cash charges of \$50.4 million and net cash inflows of \$36.9 million provided by changes in our operating assets and liabilities. The main drivers of the changes in operating assets and liabilities were a \$54.7 million increase in deferred revenue, resulting primarily from our enterprise business growth, a \$10.8 million increase accrued compensation and benefits, and a \$6.6 million increase in content costs payable due to the growth of our business, partially offset by a \$19.6 million increase in accounts receivable and a \$18.9 million increase in deferred contract costs.

Cash provided by operating activities increased by \$26.1 million during 2020, compared to 2019, primarily due to our business growth.

#### *Investing activities*

For 2019, net cash provided by investing activities was \$14.6 million, primarily as a result of net sales and maturities of marketable securities, offset by capital expenditures for property and equipment and capitalized software costs.

For 2020, cash used in investing activities was \$14.5 million, primarily as a result of capital expenditures for property and equipment and capitalized software costs.

#### *Financing activities*

For 2019, net cash provided by financing activities was \$11.3 million, primarily as a result of proceeds from issuance of common stock following employee stock option exercises.

For 2020, net cash provided by financing activities was \$131.1 million, primarily as a result of proceeds from our issuance of redeemable convertible preferred stock and issuance of common stock following employee stock option exercises.

## Contractual obligations and commitments

Set forth below is information concerning our contractual commitments and obligations as of December 31, 2020 (in thousands):

(in thousands)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease commitments	\$ 25,298	\$ 6,210	\$ 12,669	\$ 6,009	\$ 410
Purchase commitments <sup>(1)</sup>	9,037	8,075	888	74	—
Total	\$ 34,335	\$ 14,285	\$ 13,557	\$ 6,083	\$ 410

(1) Relates to non-cancelable commitments for network and cloud services in the ordinary course of business with varying expiration terms through October 31, 2022.

Our operating lease obligations as of December 31, 2020 were \$25.3 million, which consist of payments related to leased facilities under operating lease agreements expiring through 2025. We have office facility operating leases in the United States, Ireland, and Turkey.

Our purchase commitments as of December 31, 2020 were \$9.0 million, which consisted of commitments related to cloud infrastructure providers, network service providers, and paid advertising vendors.

Of the \$8.1 million purchase commitments due in less than 1 year as of December 31, 2020, \$7.5 million related to a one-year agreement with a cloud hosting provider that we entered into in December 2020, with a committed spend of \$7.5 million during 2021. We did not have material obligations or commitments with any other individual vendors as of December 31, 2020.

## Off-balance sheet arrangements

During the period presented, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

## Critical accounting policies and estimates

Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Actual results may differ from these estimates. To the extent that there are material differences between these estimates and our actual results, our future financial statements will be affected.

The critical accounting policies requiring estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below. See Note 2 to our consolidated financial statements appearing elsewhere in this prospectus for a description of our other significant accounting policies.

### Revenue recognition

We derive revenue from contracts with customers for access to our online learning platform and related services. We derive our revenue from consumer and UB customer arrangements.

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*Consumer revenue*—We generate revenue by selling access to course content on the Udemy platform to general consumers. Consumer offerings consist of (i) single course purchases and (ii) consumer subscription offerings. All contracts with consumer customers are billed in advance and require payment by the customer prior to accessing any course content.

Consumers who purchase individual courses gain access to course content by making a purchase on our marketplace platform. After checkout, consumers who purchase an individual course receive a non-exclusive lifetime license to the digital course content in addition to stand-ready access to the Udemy platform hosting services needed to access the content. Access to the online content on the Udemy platform represents a series of distinct services as we continually provide access to and fulfill its hosting obligation to the learner. The series of distinct services represents a single performance obligation that is satisfied over the estimated service period. Because consumers who purchase an individual course receive lifetime access to their purchased content, we believe the estimated service period best represents the time period during which learners access the online course content on the platform. The estimated service period for single course purchases is four months from the date of enrollment.

Consumer subscriptions are typically one-month in duration and paid in advance, with new customers able to sign up for a 7-day free trial period. Subscribers have continuous access to enroll in and consume an unlimited number of curated courses included in the subscription catalogue on our platform during the subscription term. The continual access to the platform represents a series of distinct services, as we continually provide access to, and fulfill our obligation to, the customer over the contract term. As a result, revenue is recognized ratably over the subscription term. Consumer subscriptions automatically renew at the end of each month. Customers may cancel the renewal of their subscription at any point but will retain their access to the platform until the end of the current subscription term.

*Enterprise revenue*—We sell subscription licenses to business, government, and university customers that provide users the ability to enroll in courses and receive certifications upon completion. Enterprise contracts are typically between one and three years in length and consist of a fixed quantity of seat licenses, which allows each seat to access an unlimited number of course enrollments during the contract term. We recognize revenue ratably over the contracted period, after access has been granted to the UB customer, as learners have unlimited access to the course content during the contracted period.

We have determined that we are the principal to customers who purchase access to online individual course content or through a subscription offering, as we control the promised goods or services (i.e., access to course content via the Udemy platform) before it is transferred to the customer and are primarily responsible for fulfillment with respect to delivering access to course content. We also have substantial discretion to determine the pricing of our offerings. We therefore report revenue related to these arrangements based on the gross purchase price paid by customers.

Revenue from contracts with customers is recognized when control of promised services is transferred. The amount of revenue recognized reflects the consideration that we expect to be entitled to receive in exchange for these services. We determine revenue recognition in accordance with Accounting Standards Codification, or ASC, 606 through the following five steps:

1) Identify the contract with a customer

We determine a contract with a customer to exist when the contract is approved, each party's rights regarding the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, we evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. We apply judgment in determining the customer's ability and intent to pay, which is based on a

variety of factors, including the customer's historical payment experience if available. Consumer customers are generally required to pay in advance using a credit card. Generally, enterprise customers are billed upfront annually for contracts with terms of one year or longer or in advance quarterly or semi-annually for contracts with terms of less than one year.

2) Identify the performance obligations in the contract

Performance obligations committed in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. Customers do not have the ability to take possession of the software supporting the platform and, as a result, contracts are accounted for as service arrangements.

The non-exclusive lifetime access license associated with single course purchases and the licensed content associated with subscriptions are not considered distinct from the Udemy platform, because the course content is significantly integrated, and highly interdependent and interrelated with the platform. Specifically, the learner does not obtain control of the course content's functionality without the Udemy platform. Accordingly, we have concluded there is a single, combined performance obligation, which is customer's access to the online content on the Udemy platform, representing a series of distinct services as we continually provide access to and fulfill our obligation to allow access to licensed content and platform functionality to the learner.

3) Determine the transaction price

The transaction price is determined based on the consideration to which we expect to be entitled in exchange for transferring services to the customer. The prices for consumer and enterprise contracts are fixed at contract inception and do not contain significant estimates related to variable consideration. With respect to single course purchases, consumers may request a full refund within 30 days after the initial purchase transaction. We estimate and establish a refund reserve based on historical refund rates, which has historically been immaterial. None of our contracts contain a significant financing component. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental entities (e.g., sales and other indirect taxes).

4) Allocate the transaction price to performance obligations in the contract

Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on each performance obligation's relative standalone selling price. As access to content is not considered distinct from the Udemy platform hosting services, the transaction price is allocated to a single performance obligation.

5) Recognize revenue when or as performance obligations are satisfied

Revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognized in an amount that reflects the consideration that we expect to receive in exchange for those services. We have a stand ready obligation to deliver our services continually throughout the requisite contract period, which is either lifetime access for consumer customers or the contractual subscription term for enterprise and consumer subscription customers. As such, we recognize revenue on a straight-line basis as we satisfy our performance obligation, using an estimated service period for individual consumers enrollments and the contractual subscription term for enterprise and consumer subscription customers.

Other than the circumstances noted below, no significant judgment has historically been required in determining the amount and timing of revenue from our contracts with customers.

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*Principal vs. agent*—In order to determine if consumer and enterprise revenues should be reported gross or net of payments to third-party instructors, we evaluated whether Udemy acts as the principal in sales of its online course offerings. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that we evaluated in determining gross versus net treatment included but are not limited to:

- the nature of the our promise to our customer, as well as the distinct performance obligation identified;
- the underlying contract terms and conditions between the parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, we have determined that Udemy is the principal to learners who purchase access to online course content via our consumer or enterprise offerings. Udemy controls the promised goods or services (i.e., access to course content via the Udemy platform) before it is transferred to the customer and is primarily responsible for fulfillment with respect to delivering access to course content. Udemy is the entity which licenses content to learners as the agreements with our instructors grant us the right to sub-license content to our learners at our discretion. We also have substantial discretion to determine the pricing of our offerings. Therefore, we report the gross purchase price paid by the customer related to these arrangements in the revenues caption of the consolidated statements of operations, and the payments paid to instructors are reported within cost of revenues.

*Estimated service term for consumer single course purchases*—We consider a variety of data points when determining the estimated service period for a consumer learner's consumption of a single course purchase, including, the weighted-average number of days between a learner's first and last day that content is accessed on the platform, the average total hours consumed, the average number of days in which learner activity stabilizes, and the weighted-average number of days between learners' enrollment and the last date the course content is accessed online. We also consider known online trends, the service periods of historical course content on our online platform, and, to the extent publicly available, the service periods of our competitors' content that is similar in nature to Udemy's. We believe that considering these factors enables us to determine the best representation of the time period during which our consumer learners access the online course content on our platform and therefore the service period over which we provide services to our learners. Determining the estimated service period is subjective and requires management's judgment. Future usage patterns may differ from historical usage patterns, and therefore the estimated service period may change in the future. The estimated service period for single course purchase transactions is four months from the date of enrollment.

### **Common stock valuations**

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

- contemporaneous valuations of our common stock performed by independent third-party specialists;
- the prices, rights, preferences, and privileges of our redeemable convertible preferred stock relative to those of our common stock;



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- the prices paid for redeemable convertible preferred stock sold to third-party investors by us and prices paid in secondary transactions of common stock, including any tender offers;
- the lack of marketability inherent in our common stock;
- our actual operating and financial performance;
- our current business conditions and projections;
- the hiring of key personnel and the experience of our management;
- our history and the introduction of new offerings;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering, a merger, or acquisition of our company given prevailing market conditions;
- the operational and financial performance of comparable publicly traded companies; and
- the U.S. and global capital market conditions and overall economic conditions.

Our board of directors determined the fair value of our common stock by first determining the enterprise value of our business, and then allocating the value among the various classes of our equity securities to derive a per share value of our common stock.

For valuations conducted prior to March 31, 2021, the enterprise value of our business was primarily estimated by reference to the closest round of equity financing preceding the date of the valuation. Valuations conducted as of March 31, 2021, and onward utilized multiple valuation approaches, including a market approach as well as a market transaction method approach considering secondary stock sale or tender offer transactions in our common stock.

A market approach relies on an analysis of publicly traded companies similar in industry and/or business model to us. This methodology uses guideline companies to develop relevant market multiples and ratios for key metrics (such as revenue), which are then applied to the corresponding financial metrics to derive enterprise value. Since no two companies are perfectly comparable, premiums or discounts may also be applied to the metrics, for example, if its position in its industry is significantly different from the position of the guideline companies.

For valuations conducted prior to March 31, 2021, the enterprise value of our business as determined above was then allocated to common stock using the option-pricing method, or the OPM, which models each class of stock as a call option with a unique claim on our assets. Valuations conducted as of March 31, 2021, and onward used a combination of the OPM and probability weighted expected return method, or the PWERM, to allocate the enterprise value of our business among the various classes of stock. Under the PWERM, the value of a company's particular equity class is estimated based on an analysis of future values for the entire enterprise assuming discrete future outcomes, such as an initial public offering, or IPO, of our common stock and other non-IPO outcomes. Share value is based upon the probability-weighted present value of these expected outcomes, as well as the rights of each class of preferred and common stock. Determining the fair value of the enterprise using the PWERM requires us to develop assumptions and estimates for both the probability of an IPO liquidity event and non-IPO outcomes, as well as the values we expect those outcomes could yield.

In addition, we considered any secondary transactions and tender offers involving our capital stock. In our evaluation of those transactions, we considered the facts and circumstances of each transaction to determine the extent to which they represented a fair value exchange and assigned the transactions an appropriate weighting in the valuation of our common stock. Factors considered include the nature of the transactions, the level of company involvement in the transactions, number of different buyers and sellers, transaction volume, timing relative to the valuation date, whether the transactions occurred between willing and unrelated parties, and whether the transactions involved investors with access to our financial information.

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

For valuations after the closing of this offering, our board of directors will determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant. Future expense amounts for any particular period could be affected by changes in our assumptions or market conditions.

### **Stock-based compensation**

We calculate the fair value of employee stock-based awards on the date of grant using the Black-Scholes option-pricing model. The expense is recognized over the service period for awards expected to vest. We recognize forfeitures as they occur.

We estimate the fair value of stock-based compensation utilizing the Black-Scholes option-pricing model, which is dependent upon several variables, such as the expected option term, expected volatility of our stock price over the expected term, expected risk-free interest rate over the expected option term, and expected dividend yield rate over the expected option term. These amounts are estimates and, thus, may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. We recognize compensation expense on a straight-line basis over the requisite vesting period for each award.

A summary of the weighted-average assumptions we utilized to record compensation expenses for stock options granted during the years ended December 31, 2019 and 2020 is as follows:

	Year Ended December 31,	
	2019	2020
Risk-free interest rate	2.2%	0.5%
Expected volatility	48.1%	56.8%
Expected life (in years)	6.0	5.9
Expected dividend yield	—%	—%

The assumptions above are estimated as follows. Each of these assumptions is subjective and generally requires significant judgment to determine.

*Fair value of common stock*—Because our common stock is not yet publicly traded, the fair value was determined by our board of directors or a committee thereof. The board of directors or committee considers numerous objective and subjective factors to determine the fair value of our common stock each time awards are approved. Refer to “—Common stock valuations” above.

*Expected term*—The expected term of our options represents the period that the stock-based awards are expected to be outstanding. We have elected to use the midpoint of the stock options vesting term and contractual expiration period to compute the expected term, as we does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

*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 option's expected term.

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*Expected volatility*— Since we do not have a trading history of our common stock, we estimated volatility for option grants by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the option grant for a term that is approximately equal to the options' expected term.

*Dividend rate*—The expected dividend was assumed to be zero as we have never paid dividends and have no current plans to do so.

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimates, which could materially impact our future stock-based compensation expense.

### ***Instructor withholding tax obligations***

We conduct operations in many tax jurisdictions throughout the United States and the rest of the world. We have an obligation to comply with information reporting and tax withholding requirements with regards to certain payments made to our U.S. and non-U.S. instructors. Under U.S. federal income tax rules, in the case where we withhold less than the correct amount of tax, we are liable for the correct amount that we were required to withhold, plus interest and potential penalties. We may be entitled to relief on certain payments if we can obtain documentation (e.g., taxpayer identification forms) from instructors establishing that the instructor payee qualifies for reduced withholding tax rates, or that the instructor payee reported the payments and paid the corresponding taxes owed.

Beginning in March 2020, we began collecting appropriate taxpayer identification forms from our instructors, assessing whether the forms justified a reduced rate of withholding or withholding exemption, and remitting withholding tax payments to the IRS where required. Prior to March 2020, we had not obtained appropriate taxpayer identification forms from instructors, nor remitted applicable tax withholding amounts to the IRS where required. In accordance with GAAP, we recorded a provision for our tax exposure when it was both probable that a liability had been incurred and the amount of the exposure could be reasonably estimated. Total accrued obligations related to withholding taxes, including estimated interest, were \$20.9 million and \$22.2 million as of December 31, 2019 and 2020, respectively. Changes to the withholding tax reserve and estimated interest are recorded in general and administrative expense and interest income (expense), respectively, in our consolidated statements of operations.

Evaluating potential outcomes for instructor withholding taxes is inherently uncertain and requires us to utilize various judgments, assumptions and estimates in determining our reserves. The instructor withholding provision estimate includes several key assumptions including, but not limited to, the tax characterization of our payments made to instructors, the historical lookback practices and scoping precedents of the IRS, the methods for sourcing of instructor payments to U.S. and non-U.S. jurisdictions, and management's estimate of the relief on certain instructor payments to which we will be entitled. Accordingly, the ultimate resolution of our instructor withholding tax obligations may be greater or less than the amounts we have reserved.

### ***Income taxes***

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our income tax expense and deferred tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

We utilize the asset and liability method under which deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and our reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refunds received, as provided for under currently enacted tax law. A valuation allowance is established if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We consider all

available evidence, both positive and negative, including historical levels of income, expectations, and risks associated with estimates of future taxable income in assessing the need for a valuation allowance.

### **Recent accounting pronouncements**

See Note 2 to our consolidated financial statements included elsewhere in this prospectus for information regarding recently issued accounting pronouncements.

### **JOBS Act transition period**

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

### **Quantitative and qualitative disclosures about market risk**

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

#### ***Interest rate sensitivity***

As of December 31, 2020, we had \$175.0 million of cash and cash equivalents, which include on demand deposits and amounts in transit from certain payment processors for credit and debit card transactions. In addition, we had \$2.9 million of restricted cash primarily due to the outstanding letter of credit related to the operating lease agreement for our corporate headquarters. Our cash and cash equivalents are held for working capital purposes. We did not hold any marketable securities or carry any fixed or variable rate debt as of and during 2020. Given the above facts and circumstances, hypothetical changes in interest rates of 10% would not result in a material impact to our consolidated financial statements.

#### ***Foreign currency risk***

The reporting currency and functional currency of our foreign subsidiaries is the U.S. dollar. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in our consolidated statement of operations. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. As such, a hypothetical 10% increase or decrease in current exchange rates could result in additional income or expense of \$6.0 million.

## Business

### Overview

Our mission is to create new possibilities for people and organizations everywhere by connecting them to the knowledge and skills they need to succeed in a changing world. Our marketplace platform, with thousands of up-to-date courses in dozens of languages, provides the tools that learners, instructors, and enterprises need to achieve their goals and reach their full potential.

We believe traditional education and training methods are fast becoming outdated. Technological advancements and novel industries have significantly altered the types of skills required of workers, and lifelong training and continuous skills acquisition are becoming the norm. There is a clear need to expand access to learning and make it available across traditional barriers such as geography and social demographics.

Udemy operates a marketplace platform at the center of a vibrant knowledge network. We have created a new approach to learning that allows real-world experts to continuously create and update relevant content to our platform, where it becomes easily accessible to learners globally.

Our platform provides over 39 million learners with access to over 158,000 courses in over 65 languages and 180 countries. We define learners as people who have engaged with content through Udemy. They consist of both individuals who purchase single courses or subscriptions through our direct-to-consumer offering, and those who learn through UB, our employer-sponsored subscription offering.

Our over 56,000 instructors, supported by our platform's course feedback and analytical tools, create high quality content in online learning—content that makes up our consumer and enterprise course catalogs. These instructors are expert industry practitioners for whom Udemy enables broad audience reach, and our aligned incentive model allows them to share in the economic upside of the course content they contribute.

Udemy is a two-sided marketplace where our instructors develop content to meet learner demand. Courses can be accessed through our direct-to-consumer or UB offerings. Courses on both offerings address learning objectives such as reskilling or upskilling in technology and business, enhancing soft skills, and personal development. We analyze data gathered to better determine our learners' needs, helping us match individuals with relevant courses and, within UB, learning paths for a more personalized experience. Our learners also receive access to superior, interactive learning tools such as quizzes, exercises, and instructor questions-and-answers, or Q&A.

Our UB offering helps over 7,000 global enterprises, defined as companies of all sizes, nonprofits, and government agencies, support employees' professional growth and personal development through learning. The UB course catalog reflects the continuous curation of our broader platform content; we select for the most engaging, relevant, and high-quality courses that best fit the requirements of enterprises. Our rigorous curation process considers factors such as learner feedback and ratings, topic relevance, content quality, and instructor engagement.

Our business has experienced rapid growth. From 2019 to 2020, our revenue grew 55.6% to \$429.9 million, which includes over 100% growth in UB revenue.

### Industry

As technological advancements, new fields of study, and novel industries render existing skill sets obsolete, individuals and enterprises alike struggle to keep their expertise up to date. Yet continuous proficiency in the latest technologies has become a prerequisite in many fields. The need for a new model for learning and sharing skills is urgent. According to the World Economic Forum, companies surveyed estimate that around 40% of workers will require short-cycle reskilling (i.e., six months or less), and 94% of business leaders report that they expect employees to pick up new skills on the job.

The COVID-19 pandemic has further accelerated the need for skills training. According to a report by the World Economic Forum, 84% of employers surveyed report that the COVID-19 pandemic has increased the need to digitize. Adapting employees' skills and roles to the post-pandemic ways of working is crucial to building operating-model resilience. The shift to online learning has been ongoing for years, and we expect this shift to continue to accelerate.

Unfortunately, many of today's options have a number of shortcomings:

- **Relevance:** Traditional learning solutions rely on the so-called publisher model, which does not incentivize continuous course creation or improvement post-publication. As such, we believe the publisher model cannot react quickly enough to a rapidly evolving world and is also limited by its inability to quickly and cost efficiently produce localized content. Yet the importance of timely access to relevant skills training will only increase. According to the World Economic Forum, 97 million new roles may emerge by 2025.
- **Breadth:** Due to the slower speed and higher cost associated with publisher models, existing solutions tend to limit content to the most popular learning areas such as technical skills, creative skills, or personal development strategies. As a result, these training options may lack the content breadth, within topics and between topics, and the instructor diversity to meet the interdisciplinary objectives of modern learners. Existing solutions may not adequately address continuous and multidisciplinary learning needs.
- **Quality:** While large volumes of digital learning content exist globally, the quality of this content can be difficult to ascertain. Often traditional providers do not provide quality indicators such as ratings, reviews, and past performance. The modern learner needs an efficient way to access high-quality content.
- **Scalability:** Existing solutions have proven ineffective at operating on a global scale. Many rely primarily on in-person training, which is difficult to reproduce at scale and fundamentally limited by an instructor's time and physical resources. Existing solutions have also been slow to leverage technology to expand their reach. Other digital solutions, despite being more scalable than in-person training, have also struggled to provide local content for international communities.
- **Affordability:** The high cost of learning solutions prevents many individual learners from advancing or upgrading their skills. Likewise, pricing for existing solutions is often standardized globally, further limiting access in many geographies.

The good news is that Udemy offers a new approach, one that addresses these shortcomings and effectively connects the global ecosystem of learners to up-to-date knowledge from experts and practitioners around the world. We are creating a better learning experience.

### **Our market opportunity**

According to a HolonIQ study, the global online and offline education market was \$2.6 trillion across higher education, corporate training, and online learning in 2019. Before the COVID-19 pandemic, the majority of corporate training occurred offline, and we believe that online education is well placed to address the scalability and affordability limitations of offline education. With the increase of internet connectivity, technological advances, and interactive tools at a low cost, we expect a massive shift from offline to online.

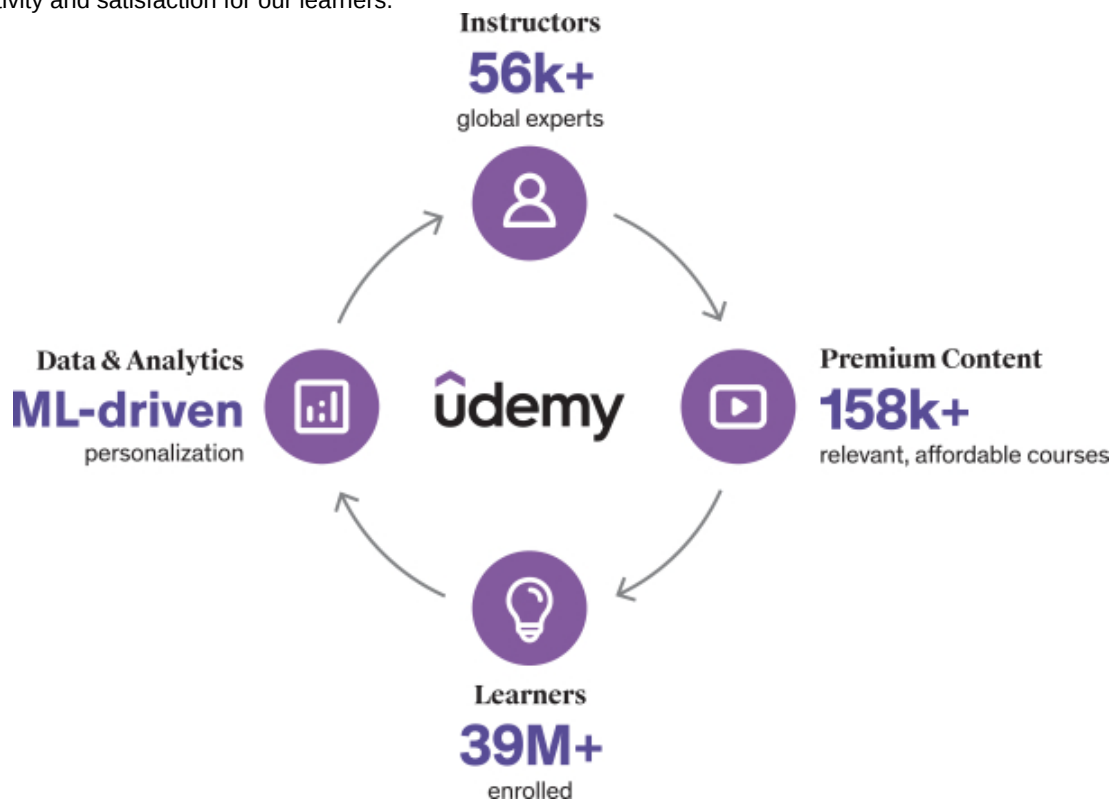
Based on data from Arizton, we estimate our market opportunity in online learning to be \$223 billion. We calculate this estimate by aggregating the global corporate opportunity of \$71 billion and the global consumer opportunity of \$152 billion in 2021. We believe that our market opportunity could grow to be multiples of today's estimate as learning continues to transition online.

Further, we believe that online education can address the rising demand for lifelong learning in the rapidly evolving world economy, a development that would expand our market opportunity to include the majority of the global adult population.

## Our solution: the world's learning platform

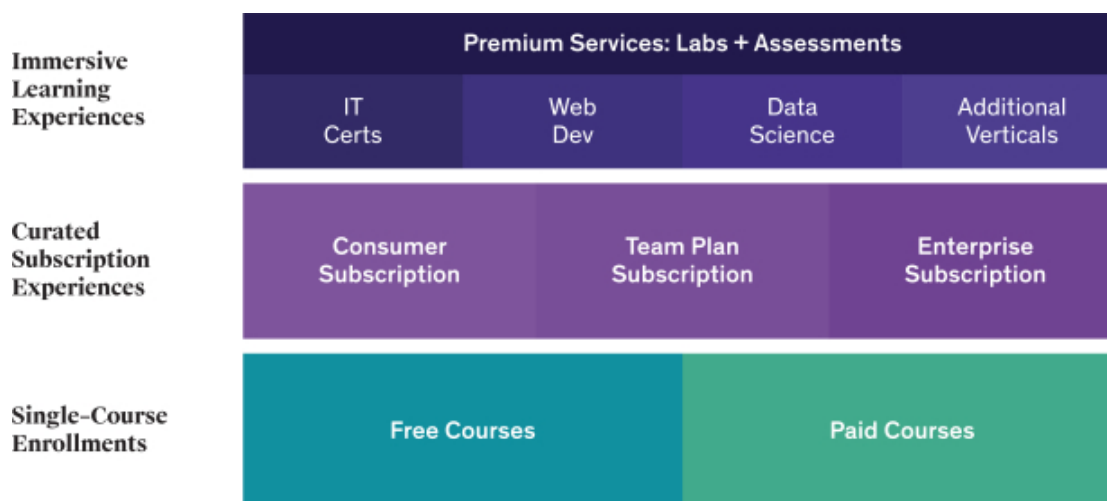
Our platform allows individual learners and organizations all over the world to access affordable, relevant, and up-to-date content from experts and experienced practitioners in nearly every field. We combine this high-quality content with data insights and technology to create a platform purpose-built to meet the specific needs of learners, instructors, and enterprises.

In effect, our platform delivers a powerful flywheel of content creation, engagement, and continuous content optimization. Our expert instructors continuously generate new courses and update existing ones, while our marketplace encourages engagement on the most in-demand topics. The volume and frequency of these interactions allow us to generate meaningful insights and provide real-time feedback and analytics for our instructors. These data insights in turn improve content quality, enhance course personalization, and optimize productivity and satisfaction for our learners.



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One way that we foster access to courses for individual learners and enterprises is through broad content distribution across our various channels. We leverage machine learning, or ML, to increase learner retention and conversion using enhanced personalization. At the same time, our model encourages superior content through well-aligned incentives for our instructors, supported by consistent improvement from the feedback and data collected from individual learners and enterprise customers.



Individual learners have access to thousands of free courses on our platform. Free course enrollments represent an important source of customer acquisition, with millions of learners enrolling each year in these courses. Once learners interact with our platform, we make discovering courses of interest easier through the use of ML. Powered by supply-and-demand dynamics within our marketplace, our ML algorithms consider multiple course attributes such as topic, quality, instructor rating, number of enrollments, and learner's country of origin. The algorithms surface both free and paid courses and help improve enrollment rates overall.

We also offer unlimited access to a curated catalog of courses through our Consumer, Enterprise and Team plan subscriptions. The courses selected for the subscription offerings are among the highest quality, most relevant, and most popular on our platform. Learners can access the Consumer subscription plan for a monthly fee, whereas enterprise plans have annual licenses that are priced based on volume.

Our Team plan offers enterprises access to 5,500 top-rated courses for 5-20 seats at an annual rate starting at \$360 per seat. The Enterprise plan begins with the same offering as the Team plan and supplements it with administrative tools, insights, learning playbooks, and additional courses through our language packages.

In addition to these subscriptions, we offer immersive learning experiences, which are premium services such as labs, interactive assessments, and workflow integrations to a range of verticals.

### **What we offer our learners**

We provide 39 million learners with relevant, affordable, and high-quality content, and we do this on a platform that enables the constant improvement of our courses by leveraging the social validation of 486 million course enrollments, as well as thousands of ratings and reviews. With Udemy, learners can fulfill objectives involving:

- *Technical skills*: Learners often seek to gain proficiency in the latest technology, which helps them stay competitive through upskilling or reskilling of their capabilities.
- *Business skills*: Business and professional soft skills, such as negotiation strategy or team leadership, are in constant demand as individuals look to advance their careers, react to new workplace environments, or take on new responsibilities.



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- *Personal development:* Learners like to complement their primary skills with discovery of new interests or hobbies such as music, drawing, and wellness.

Learners on Udemy receive a comprehensive and immersive experience through interactive exercises and the ability to communicate directly with instructors through question-and-answer functionality.

### **What we offer our enterprise customers**

We have over 7,000 global enterprise customers, including 41 of the Fortune 100.

We are focused on helping enterprise customers to upskill and reskill their teams to increase productivity, inspire innovation, address digital transformation, and drive talent retention, particularly in a post-COVID-19 world. Enterprise customers typically express high satisfaction with their UB experience, resulting in our average net promoter score of 49.

Our content is relevant to enterprise customers across a variety of industries and includes courses in subjects like technology and business skills. Our curated UB offering begins with 5,500 of the most engaging and relevant courses available on our platform, selected to meet the needs and standards of some of the world's largest enterprises. As a part of this offering, Udemy also offers an extensive non-English language collection, which includes courses in Spanish, Portuguese, German, Japanese, and French. We have continued to expand our course offering within UB with the launch of Arabic, Mandarin, and Turkish language packages in 2021, and we plan to launch Korean and Italian language packages later in the year.

We use a rigorous selection process across a wide set of criteria to determine the courses that will be offered as part of UB, including:

- *User behavior:* Learner feedback and ratings, as well as content searches, help us determine which courses to maintain or add to UB.
- *Customer input:* Specific content requests, prospects' requests for proposal, and customer success stories are evaluated to identify new areas of focus that help ensure the continued strong relevance of our offering.
- *Market research:* Industry trends and instructor interviews help us determine relevant topics and new technologies valued by enterprises and their employees.
- *Competitor analysis:* We monitor market data and analyst reports on an ongoing basis to stay at the forefront of market demand and quickly address any applicable gaps within the topics offered.

We constantly update and enhance the curated list of courses included in the UB course catalog in response to industry changes and technological advancement. As of December 31, 2020, the UB course catalog included over 32,000 hours of technical content and over 10,000 hours of business and professional skills content. On average, over 130 new courses are added each month. Our overall UB course catalog has increased from fewer than 2,500 courses in 2017 to over 8,000 today.

In addition to high-quality content, we provide the tools and insights necessary for enterprise administrators, managers, and teams to create learning paths. These learning paths allow organizations to assemble customized learning series made up of Udemy courses, the organization's own material, and links to external resources. Learning paths are only visible within the organization that creates them, and offer a unique benefit to administrators and employees. As of December 31, 2020, our enterprise customers have generated over 210,000 learning paths.

We also offer enterprise customers a comprehensive analytics dashboard and other powerful tools through which they gain high visibility into the progress, areas of focus, and feedback of their employees. This strong set of tools, which includes our learning playbooks, helps our enterprise customers better understand and optimize learning experiences for their employees and ensure they are delivering a strong and measurable return on their investment in learning skills.

### **What we offer our instructors**

Udemy offers instructors from around the world access to a global audience of over 39 million learners. Our aligned incentive model allows our instructors to share in the economic upside of the course content they contribute and the growth of our platform. In 2020, our instructors earned \$161.4 million from Udemy for their courses.

We provide strong incentives for our instructors to drive innovation and ongoing engagement on our platform. We not only provide instructors access to millions of learners but also offer proprietary tools to help them generate more relevant and better content. Instructors are able to use platform insights, review feedback from learners, and harness analytics dashboards to manage their course content, brand, and course marketing. As instructors upgrade their courses, our performance marketing engine identifies and selects the best courses to be featured to each learner around the world. Our marketing engine targets and reaches millions of learners, many more times what instructors would be able to reach on their own. In addition, we offer instructors insight on the revenue opportunity and existing content for any given topic, and we provide auto-generated, translated captions from English to Spanish, Portuguese, French, German, Italian, and Polish, so instructors can better reach our global learner base.

When an instructor's course is added to the UB catalog, instructors are subject to an exclusivity clause for the use of their content on our platform. We believe these exclusivity arrangements increase the value of our offerings by increasing the amount of unique content on Udemy.

We believe that, on average, the value we offer instructors ultimately delivers a far higher return on investment relative to other content creation and online learning competitors.

### **Our competitive strengths**

We believe our business model benefits from several competitive advantages:

**Global distribution and reach with strong brand value:** We consider our platform to be naturally borderless as it connects individual learners and enterprise customers with instructors across the world. This has enabled us to develop a global distribution platform targeting all of the constituents in the learning ecosystem.

In 2020, 61% of our revenue was generated outside of North America. We are adept at quickly and efficiently entering new markets in local languages, which allows us to expand our base of individual learners and enterprises on an ongoing basis. We believe the scale of our platform and the increasing recognition of our brand create further avenues of growth.

#### **Unmatched content generation engine:**

- **Premium quality:** We have effectively built a creator platform that allows instructors to develop content on virtually any topic, while having the flexibility to update courses as they incorporate feedback from millions of learners around the world. This continuously updated content, along with personalized recommendations and advanced search capabilities, presents a superior value proposition for learners who benefit from accessing the most up-to-date, high-quality content that is relevant to them. The constant feedback loop between learners and instructors ensures that we are able to maintain the high quality of our overall offering.
- **Relevance and speed to market:** Our platform rewards instructors for being first to address in-demand topics, for refreshing existing topics, or for finding new and better ways to serve the learner community on existing topics. This strong financial incentive drives instructors to update their courses at a much higher rate than competitors with a traditional publisher model. In the UB course catalog, 60% of courses were updated in 2020.
- **Breadth of content:** We provide access to over 158,000 courses (14,820 of which are offered for free), including over 56,000 courses in languages other than English. Many of our competitors specialize in a

specific category, which proves to be a suboptimal solution for companies and their employees that require a blend of technical, business, and soft skills. We also offer a broad set of personal enrichment courses in the Wellness, Music, and Lifestyle categories, among others. On average, instructors publish more than 5,000 courses a month on the Udemy platform.

- **Affordability:** Our ML pricing algorithms constantly analyze supply and demand for each content category, topic, and course on our platform, and determine optimal price on a per-country basis. This helps us understand individual learner willingness to pay, optimize overall pricing, and adjust prices when necessary to maximize overall revenue while maintaining competitive pricing.

**Self-reinforcing flywheel with powerful network effects:** We are one symbiotic, data-centric platform with over 1.2 billion unique visitors to date. The growing number of individual learners and enterprises on our platform attracts instructors who recognize significant earnings potential in our unparalleled global audience. The increasing number of relevant, high-quality, and up-to-date courses offered by world-class subject matter experts and industry practitioners, in turn, attracts more individual learners and enterprises.

Our direct-to-consumer offering is synergistic with UB. As individual learners experience firsthand the quality and benefits of Udemy's platform, they realize the impact it could have on their teams and enterprises, thus becoming evangelists for Udemy within their organizations at all levels. We have been very successful at driving high-converting leads to UB, with over half of leads coming from our direct-to-consumer platform in 2020.

**Powerful data insights and analytics:** With over 1.2 billion unique visitors, more than 486 million course enrollments, and in 2020 alone, almost 11 billion minutes of learning, we believe that the volume of the data our platform collects provides unparalleled insights into the behaviors and needs of our learners and instructors. We leverage that data to provide personalization for learners as well as to promote high-quality and relevant content from instructors.

We capture user behavioral data and focus on understanding the learning objectives and interests of our learners across multiple touchpoints during their learning journey to better address their needs and recommend the right courses. We also analyze enrollment data, market insights, and feedback from learners to identify needed skills or new topics of focus within our content catalog. We share this information with our instructors in real time so they can improve their course offerings.

**Flexible technology platform:** Our technology platform is modern, agile, accessible from a variety of online and mobile channels, and built to scale with our global growth. A deep reservoir of data helps our data scientists recommend better and more relevant content. We use algorithmic innovations including contextual bandits, deep learning, and reinforcement learning, as well as advanced applications including personalized promotions, lifecycle marketing, and content personalization. In addition, our flexible technology will allow us to build new features that provide further engagement and monetization avenues for instructors, such as interactive exercises and immersive learning experiences.

## Our growth strategies

We are still in the early stages of our long-term growth strategy. We expect to continue expanding our consumer and enterprise customer base, instructor network, and content catalog while increasing our market opportunities through the following strategies:

### **Accelerate the growth of our enterprise business through:**

- **Successfully executing on our land-and-expand strategy.** With fewer than 10% of total available seats contracted in our enterprise customer base, we see a large opportunity for growth. We intend to continue to expand our sales team footprint globally and to improve our upselling tactics with the assistance of better tools and systems. In addition to inbound leads from our direct-to-consumer offering, we have developed a strong outbound lead-generation process with highly effective account-based marketing operations, allowing us to target, develop, and nurture key accounts in large organizations.

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- *Improving quality and relevance of our courses.* We curate our enterprise catalog by selecting the highest-rated and most engaging courses from our consumer business. We intend to continue leveraging our large platform to source high-quality and relevant curricula. We will also continue to improve the speed and efficiency of our curation processes, enabling us to quickly discern the content most relevant to our enterprise customers.
- *Integrating our UB offering with employees' workflow.* We provide easy-to-implement learning playbooks, which enable customers to combine UB courses with their own in-house trainers to create blended learning programs to support employees at key stages of their development. These playbooks include scaled tools and systems for continuous feedback and training on topics such as career development, management training, and diversity and inclusion. Enterprise learners can also take advantage of our personalized content recommendations, which we derive from the data we collect. Looking forward, we intend to expand our offering to integrate with existing employee learning-and-development workflows and to introduce career services for employees, thus expanding UB usage within our enterprise customers.
- *Deliver immersive learning experiences.* Our platform currently offers powerful learning experiences including practice tests, coding exercises, and quizzes. We intend to expand our offerings to include additional enterprise subscriptions, deeper skills assessments, projects, labs, and enhanced learning support. We will also consider acquisitions to further expand the immersive learning experiences we offer, with a goal of improving learner outcomes and ultimately increasing retention.

### **Increase learner retention through:**

- *Building a global personalization engine.* Since the beginning of 2020, we have invested considerable resources in developing a personalization-based technology platform, which includes:
  - State-of-the-art eventing platform to track and store every learner interaction with our site and apps;
  - Customer data platform to structure and analyze all of our learner data;
  - Lifecycle marketing platform to develop, train, and operationalize personalization algorithms; and
  - Campaign management platform to link personalization algorithms with customer-facing touch-points such as website placements, emails, and push notifications among others.

Our personalization efforts are only beginning. We believe that these investments will yield high returns around customer engagement, retention, and lifetime value in the years to come.

- *Expanding our subscription offering.* In early 2021, we launched a direct-to-consumer subscription in beta testing. In its initial format, the subscription offering is similar to our Team plan offering focused on professional skills. Our objective is to provide consumers ongoing access to the platform's best content for a monthly fee. We believe there is broad demand for learning subscriptions, and we are uniquely positioned to provide a compelling and highly competitive product. We plan to test and launch additional forms of subscriptions including bootcamp-style courses with assessments and labs to help learners reach new levels of proficiency. We believe that consumer subscriptions, in the absence of employer-sponsored access, will increase the retention of individual learners who seek to continuously acquire new skills and value greater ongoing access to content. Offering different subscription packages based on area of expertise or added features, for example, will allow us to capture different types of individual learners at different price points, all while increasing their engagement with Udemy.

### **Expand our geographic footprint through:**

- *Organic expansion.* All of our courses are discoverable everywhere in the world. We enter new countries via courses taught in English, as they appeal to a broad audience globally. As the platform grows in popularity through organic levers such as word of mouth or search engine optimization, local instructors create courses in their native languages, increasing Udemy's appeal to learners fluent in those languages. In 2020, we offered approximately 56,000 courses in languages other than English. We will continue to invest in our technology and our brand to drive search engine optimization and word of mouth in order to continue the organic growth.

- *Executing our international playbook.* As the content catalog expands in each country, we start investing in additional growth levers such as local payment methods, local currency pricing, and local marketing. These investments drive higher traffic, enrollments, revenue, and leads for UB. Once we reach a steady volume of leads to UB, we build in-country go-to-market sales teams to grow and expand our enterprise customer base. We also may partner with local companies that have an interest in growing the adult learning market in their countries. This international playbook will continue to allow us to build a targeted list of countries in which we anticipate we will expand with a high likelihood of success.

## Competition

The market for developing skills is rapidly growing and highly competitive. We compete for individual learners, enterprise customers, and instructors on the following basis:

- **Learners:** We compete for learners based on our course catalog, instructors, and learning tools. We believe that we are positioned favorably because of our ability to attract instructors and support them with data and insights to create and refresh high-quality content.
- **Enterprise customers:** We compete for enterprise customers based on our up-to-date content, the breadth and depth of that content across the full range of core business functions, and advanced product features that optimize self-paced learning and enable organizations to effectively drive programmatic learning. We believe that we are positioned favorably because of the synergies between our consumer and enterprise businesses, and the strategic partnerships we form with our enterprise customers that help them drive engagement in their learning programs and, in turn, business outcomes like employee retention and corporate productivity.
- **Instructors:** We compete for instructors based on our ability to provide monetization opportunities. We believe that we are positioned favorably because of our ability to attract learners across the globe, provide data and insights to help instructors to retain learners, and offer an attractive shared revenue model.

We believe the competitive landscape is not well-suited to address the growing need for people to develop skills that are continuously and rapidly evolving. The traditional publisher model can be slow moving and reactive. Other niche marketplace models cannot serve the learner of today who is focused on developing both the hard and soft skills. We expect to gain market share as our marketplace platform offers the breadth of skills needed in a way that is unmatched by our competitors. Competition can include:

- Corporate training offerings, such as those from Pluralsight, LinkedIn Learning, and Skillsoft
- Direct-to-consumer training offerings, such as those from Coursera and edX
- Specialized content training offerings, such as those from A Cloud Guru and Skillshare
- Online free resources used to gather and share knowledge and skills

We believe our business model offers the following advantages over these competitors:

- Our marketplace model that has created a vibrant ecosystem of individual learners, enterprises, and instructors
- Our learner base of over 39 million individuals
- Our network of over 56,000 instructors, many of whom are expert practitioners in their fields
- Our data and analytics platform that continuously improves as we scale
- Our ability to provide individual learners with relevant content based on their interests and objectives, with over 158,000 courses covering a broad array of subjects in local languages
- Our global presence and brand recognition

## **Sales and Marketing**

### ***Consumers***

Our direct-to-consumer marketing strategy focuses on brand and performance marketing, strategic partnerships, and lifecycle monetization. Brand marketing increases awareness while performance marketing drives incremental traffic among potential learners. The strength of our community and brand drives significant organic acquisition, with the majority of our customers coming from unpaid channels. Our strategic partnerships aim to increase reach by making Udemy courses discoverable on third-party websites and mobile applications. Finally, lifecycle marketing and monetization focuses on building personalization at scale, increasing learner retention and long-term value, optimizing prices and promotions, and testing new monetization models.

### ***Enterprises***

Our consumer ecosystem helps drive UB marketing efficiency and provides leads for prospective enterprise customers. As we expand to new regions and countries, we first market to enterprises to generate brand awareness and interest in our enterprise offering, and then our sales team identifies and engages with potential customers.

We sell to our enterprise customers both directly, through our sales teams, and indirectly, through third-party channels. Once an organization signs on, our customer success team partners closely with that organization to track progress toward business outcomes and determine opportunities for expanding usage.

### ***Instructors***

Global experts learn about Udemy in a variety of ways including awareness campaigns and by coming to the platform as learners. Once onboard, our platform provides instructors with insights into learner demand and financial opportunity, incentivizing them to create new course content. Our Instructor Partnership team works closely with our top instructors to share plans and develop new products and services.

## **Technology and research and development**

Our technology consists of a global distribution platform designed to support all parties in the learning ecosystem. It features a modern architecture designed to support our continued growth at scale. Our goal is to provide world-class experiences across most screens and devices.

We have a cross-functional, agile team of data scientists, ML engineers, software engineers, and product managers focused on continuously improving our platform to address evolving customer needs. Thus far, the team has built algorithmic and model-driven solutions at scale to provide the following capabilities: personalized and differentiated experiences for all learners, comprehensive instructor tools for content delivery and student engagement, and insights dashboards for enterprises to track employee training progress.

We have built a closed-loop user journey on top of a robust, enterprise-grade technology platform. Through data collection over time, we are able to continue perfecting our learner personalization. Personalized learner experiences begin with offering the correct product and pricing to users through marketing, multi-offering communications, and customer data platforms. Using ML-based tools, we then drive a highly personalized user experience for our learners that includes optimizing the offering, time, and frequency of each communication, recommending relevant content based on learner objectives and preferences, and offering tailored promotions to drive retention and engagement. We also capture learner interest, goals, and searches at different times during the user journey so we can provide the best possible recommendations for courses and learning paths.

We continuously gather market research and leverage user data to optimize the content available on our platform. Through our deep understanding of learner needs, we aim to deliver the right learning content, packaged the right way, and offered at the right time. The data gathered also provides powerful insight tools and feedback to our instructors so they can improve their courses and ultimately preserve the high quality of our overall offering.

## Human capital resources

We believe we have a world-class culture with a highly engaged global employee base. We have achieved 4.7 of 5.0 stars on Glassdoor, a platform which represents voluntary reviews among current and former employees. Additionally, our company has been recognized as a Bay Area Best Place to Work by San Francisco Business Times and as a #1 employer in Turkey on the Great Place to Work lists for three years in a row. As reflected in our annual employee survey, our employee engagement score is +12% above benchmark for companies at our size and stage.

We are proud of our internal focus on learning and development and leverage the UB platform to drive upskilling and career growth within our organization. “Always Learning” is a key value for our company. We hold monthly “Drop Everything and Learn” hours to provide employees with dedicated time they can use to learn professional or personal skills offered on our platform. We also use UB to provide our team with access to a wide range of content, from important all-company meetings to a variety of management training courses developed by our own Learning & Development team.

Our mission-driven approach to make knowledge opportunities accessible to learners around the world helps drive recruitment to our team. Udemy is the only digital learning company included in the Fortune 2020 Change the World list, and our employees enjoy the opportunity to be a part of a socially conscious brand benefiting all constituents. Overall, we are a leader in gender diversity among companies like ours, with 42% of our global workforce, 31% of our senior leadership, and 28% of our technical workforce identifying as women as of December 31, 2020.

As of December 31, 2020, we had 888 full-time employees. None of our employees are represented by unions. We consider the relationship with our employees to be strong and have not experienced interruptions of operations due to labor disagreements.

## Our environmental, social, and governance efforts

As a mission-driven company, we strive to create a positive social and economic impact, balancing the needs of our learners, instructors, customers, employees, investors, and the environment. We enable anyone from anywhere in the world to create a course and to market it to consumer and enterprise learners. Our platform helps novices learn from experienced practitioners. Access and inclusion are at the very core of our business model. We believe that providing access to learning at scale supports the United Nations Sustainable Development Goals, or SDGs, including:

- **Goal 4 – Lifelong Learning:** We provide inclusive and equitable quality training and promote lifelong learning opportunities for all. Our 39 million cumulative learners consumed almost 11 billion minutes of easy-to-access quality learning on our platform during 2020.
- **Goal 8 – Decent Work and Economic Growth:** During 2020, instructors earned \$161.4 million for their courses. We enable individuals from around the world to create new income streams and support their families and local communities.
- **Goal 10 – Reduced Inequalities:** Any individual can be an instructor on our platform regardless of formal academic qualifications. Our platform eliminates barriers to teaching and enables practitioners to spread their knowledge globally. Learners tap our platform for affordable upskilling that unlock career opportunities regardless of prior formal education and geography. Essentially anyone can use our platform and learn. We offer 14,820 free courses and our instructors distribute millions of instructor coupons globally to encourage individuals to try their courses for free. In 2020, 82.5% of consumer learner course enrollments on our platform were free.

Beyond these United Nations SDGs, we reference the Sustainability Accounting Standards Board, or the SASB, in our impact reporting. An independent institution, the SASB provides a globally recognized framework for sustainability reporting across companies and industries.



Recognizing the growing importance of fact-based, actionable assessments of environmental, social, and governance risks and opportunities across business operations, we engaged Sustainalytics, a Morningstar company and an independent provider of ESG and corporate governance ratings, research, and analysis, to develop an ESG risk rating report.

## Our ESG goals and policies

We are committed to pursuing sustainable business practices and have implemented ESG policies and goals throughout our company to fulfill this commitment.

**Environmental:** We actively manage the environmental footprint of our operations. We use both hosted data centers and cloud computing providers for our operations. In our hosted data center environments, we use equipment that meets energy efficiency standards set forth by the American Society of Heating, Refrigerating and Air-Conditioning Engineers and by the Electronic Product Environmental Assessment Tool. Our cloud computing provider intends to power its operations with 100% renewable energy by 2025. We prioritize selection of highly rated Leadership in Energy and Environmental Design or comparable standards design in leasing office space.

**Social:** Our business impacts society through our relationships with our varied stakeholders, but it starts with our employees. We believe in the importance of fostering a diverse, inclusive, and safe workplace, recognizing that through diversity and inclusiveness we gain a variety of perspectives, views, and ideas that strengthen our ability to strategize, communicate, and deliver on our mission. Overall, as of December 31, 2020, 42% of our global workforce, 31% of our senior leadership, and 28% of our technical workforce identified as women. We established a board of directors that values diversity and representative governance. We are committed to increasing diversity and representation through our diversity, inclusion, equity, and belonging initiatives, and to disclosing our diversity statistics on an annual basis.

We believe that building a better business means engaging with the communities in which we work and invest. We encourage and support community engagement. Our community program uses a global-and-local approach and is driven by the community involvement teams in many of our offices. Projects are organized locally and partner with various service organizations within our communities dedicated to causes encompassing public service, learning, environmental efforts, healthcare, and military veterans. We established a formalized charitable giving program with an employee matching component that contributed to over 50 charities since its inception.

The Udemy Free Resource Center drove more than 4.5 million enrollments to over 570 free courses designed to enable learners to acquire the skills they need to navigate the COVID-19 pandemic.

**Governance:** We created a governance structure to promote responsibility and accountability for ESG matters across our company. Our single-class capital structure adheres to best practices in corporate governance. The corporate governance and nominating committee of the board of directors will oversee ESG matters pursuant to its charter. For more information, see “Management—Board committees—Corporate governance and nominating committee.” Prior to the completion of this offering, we will establish an employee-led ESG committee, with participation from executive management and senior members of our operations, finance, marketing, people, and legal teams. Our ESG committee will meet quarterly and report to executive management and to the board of directors.

Data security and privacy are critically important to our operations. We have implemented extensive security practices designed to ensure appropriate physical, technical, and administrative safeguards to protect customer and employee data. This program includes a data registry and a data map of the systems where customer information is stored, and consumer-facing privacy policies that describe our data and privacy practices. The audit committee of the board of directors will oversee cybersecurity matters pursuant to its charter. For more information, see “Management—Board committees—Audit committee.”



## **Properties**

Our corporate headquarters, consisting of approximately 59,000 square feet of office space in San Francisco, California, is leased through 2024, with an option to extend until 2029. We also lease additional office space in locations around the world, including Mountain View, California; Denver, Colorado; Ankara, Turkey; and Dublin, Ireland. We believe that our facilities are suitable to meet our current needs. We also anticipate that suitable additional or alternative space will be available at commercially reasonable terms for future expansion.

## **Legal proceedings**

From time to time, we are subject to legal proceedings and claims that arise in the ordinary course of business, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. We are not currently a party to any legal proceedings that, if determined adversely to us, would, in our opinion, have a material adverse effect on our business, financial condition, results of operations, or cash flows. Future litigation may be necessary to defend ourselves and our business partners and to determine the scope, enforceability, and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

## Management

### Executive officers and directors

The following table sets forth the names and positions of our executive officers and directors and their ages as of May 25, 2021:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b>Executive officers:</b>		
Gregg Coccari	68	President, Chief Executive Officer and Chairperson of the Board of Directors
Sarah Blanchard	45	Chief Financial Officer
Velayudhan (Venu) Venugopal	61	Chief Technology Officer
Gregory Brown	52	President, Udemy for Business
Cara Brennan Allamano	43	Senior Vice President, People, Places and Learning
Llibert Argerich	41	Senior Vice President, Marketing
Prasad Gune	53	Senior Vice President, Product
<b>Non-employee directors:</b>		
Eren Bali	36	Director
Parker Barrile	39	Director
Kenneth Fox	50	Director
Heather Hiles	52	Director
Lawrence Illg	50	Director
Jeffrey Lieberman	47	Director
Lydia Paterson	48	Director

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

#### **Executive officers**

*Gregg Coccari* has served as our President and Chief Executive Officer and as a member of our board of directors since February 2019, and as our Chairperson of the Board of Directors since May 2021. From November 2015 to March 2017, Mr. Coccari served as Chief Executive Officer of Stella & Chewy's, a pet food company specializing in raw, natural pet foods. Before that, Mr. Coccari served as President and Chief Executive Officer of Futuredontics., a provider of dental marketing services and software, from 2010 to 2012, as President and Chief Executive Officer of NetQuote, an online insurance quote marketplace, from 2006 to 2009, and as President and Chief Executive Officer of Teleflora, an online flower delivery network, from 1992 to 2004. Mr. Coccari received a B.S. in psychology from Colgate University and an M.B.A. from the Wharton School of the University of Pennsylvania.

We believe that Mr. Coccari is qualified to serve as a member of our board of directors because of the perspective and experience he brings as our President and Chief Executive Officer.

*Sarah Blanchard* has served as our Chief Financial Officer since April 2021. Prior to joining Udemy, Ms. Blanchard served as Chief Financial Officer and Chief Operating Officer of Omada Health, a digital healthcare platform focused on sustainable lifestyle changes, from March 2019 to April 2021, and as Omada Health's Chief Financial Officer from August 2014 to March 2019. Ms. Blanchard previously served as Chief Financial Officer of CoreOS, a developer of Kubernetes and container-native software solutions, from October 2017 until CoreOS's acquisition by Red Hat in January 2018. Before that, Ms. Blanchard served as Vice President, Finance of Silver Spring Networks, a smart grid products provider, from 2009 to 2014. Ms. Blanchard received a B.A. in accounting from Michigan State University and an M.B.A from the Wharton School of the University of Pennsylvania.

*Venu Venugopal* has served as our Chief Technology Officer since May 2019. Before joining Udemy, Mr. Venugopal spent over six years at Vrbo.com, a division of Expedia Group, an online travel shopping

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company, where he held multiple roles from December 2012 to April 2019, including Vice President of Engineering from December 2015 to April 2019. Before that, Mr. Venugopal served in various engineering and product development roles at Adobe, a computer software company, from 2005 to 2011 and, prior to its acquisition by Adobe, at Macromedia, a graphics, multimedia and web development software company, from 2000 to 2005. Mr. Venugopal received a B.E. in mechanical engineering from Madras University, as well as an M.S. in computer science and an M.Eng. in mechanical engineering from the University of New Brunswick, Fredericton, Canada.

*Gregory Brown* has served as the President, Udemy for Business since December 2020. Prior to joining Udemy, Mr. Brown served as the Chief Executive Officer of Reflektive, a performance, engagement and analytics solution platform, from August 2019 until December 2020. Prior to Reflektive, Mr. Brown was the Senior Vice President of International Business at Blackhawk Network, a global payments provider, from August 2017 to August 2019. Before that, Mr. Brown served as Chief Revenue Officer for Achievers Solutions, a developer of cloud-based employee engagement software, from February 2013 to August 2017, and as Chief Revenue Officer for Extole, a developer of an online advocate marketing platform, from April 2011 to February 2013. Mr. Brown received a B.S. in business administration from California Polytechnic State University – San Luis Obispo.

*Cara Brennan Allamano* has served as our Senior Vice President, People, Places and Learning, since June 2018. Ms. Allamano also currently serves as a managing partner of PeopleTech Advisors, an HR consulting firm she founded in March 2013. Before joining Udemy, Ms. Allamano served as Senior Vice President, People + Places for Planet, a satellite imaging platform, from June 2014 to June 2018. Ms. Allamano received a B.A. in English from the University of Kentucky and a master's degree in human resources and organizational development from the University of San Francisco.

*Libert Argerich* has served as our Senior Vice President, Marketing since August 2020 and previously served as our Vice President, Marketing from June 2018 to August 2020. Prior to joining Udemy, Mr. Argerich spent eight years at eBay, Inc., a multinational e-commerce platform, where he held multiple roles from 2010 until May 2018, including Global Director, Performance & Digital Marketing from January 2017 to May 2018 and Global Director, Social & Influencer Marketing from January 2015 to December 2016. Before that, Mr. Argerich served in various marketing roles at Expedia Group, an online travel shopping company, from August 2006 until June 2010. Mr. Argerich received a B.S. in economics and business from the Université des Sciences Sociales de Toulouse, Toulouse, France.

*Prasad Gune* has served as our Senior Vice President, Product, since December 2019. Before joining Udemy, Mr. Gune served as Senior Vice President, Product for Signifyd, an e-commerce fraud protection platform, from January 2019 to December 2019. Prior to that, Mr. Gune worked at OpenTable, an online restaurant-reservation service company, where he served as Senior Vice President, Product from October 2017 to June 2018 and Senior Vice President, Restaurant Product Management from May 2016 to September 2017. Before OpenTable, Mr. Gune worked in various leadership roles at LinkedIn, a professional networking company, Bain & Company, a management consultancy, Oracle, a database management company, and Siebel Systems, a customer relationship management software developer. Mr. Gune received a B.E. in mechanical engineering from the College of Engineering, Pune in Pune, India, an M.S. in mechanical engineering from the University of California, Berkeley, and an M.B.A. from Harvard Business School.

### **Non-employee directors**

*Eren Bali* co-founded our company in January 2010 and has served as a member of our board of directors since then. Mr. Bali also served as our Chief Executive Officer from January 2010 to April 2014. Mr. Bali currently serves as Chief Executive Officer of Carbon Health, a technology-enabled healthcare provider, which he co-founded in October 2015. Mr. Bali serves on the boards of directors of various private companies. Mr. Bali received a B.S. in computer engineering and mathematics from Middle East Technical University, Ankara, Turkey.

We believe that Mr. Bali is qualified to serve on our board of directors because of the perspective and experience he brings as our co-founder and former Chief Executive Officer.

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*Parker Barrile* has served as a member of our board of directors since January 2021. Mr. Barrile is currently a partner for Norwest Venture Partners, a venture and growth equity investment firm, where he has worked since December 2016. Prior to that, Mr. Barrile served as Chief Product Officer for Prosper Marketplace, a peer-to-peer lending marketplace, from August 2015 to September 2016, and Vice President of Product at LinkedIn, a professional networking company, from September 2009 to August 2014. Mr. Barrile currently serves on the boards of directors of several private companies. Mr. Barrile received a B.S in mathematics and an M.B.A. from Stanford University.

Mr. Barrile was selected to serve on our board of directors because of his extensive experience in the venture capital industry, his business and leadership experience, and his knowledge of technology companies.

*Kenneth Fox* has served as a member of our board of directors since May 2015. Mr. Fox currently serves as a Managing Partner of Stripes, a growth equity firm which he founded in 2010. Prior to forming Stripes, Mr. Fox was a Managing Director and co-founder of Internet Capital Group, a venture capital firm. He was also the founder and Chairman of ICG Asia, a Hong Kong-listed joint venture with Hutchison-Whampoa that Hutchison later acquired. Mr. Fox currently serves on the boards of directors of Supernova Partners Acquisition Company, Supernova Partners Acquisition Co. II, Supernova Partners Acquisition Co. III, and several Stripes investments, including On-Running and Monday.com. Mr. Fox previously served on the board of directors of Blue Apron Holdings from 2014 to 2019 and Turtle Beach Corporation from 2014 to 2018. Mr. Fox received a B.S. in economics from The Pennsylvania State University.

We believe that Mr. Fox is qualified to serve on our board of directors because of his extensive experience in the venture capital industry, his business and leadership experience and his knowledge of technology companies.

*Heather Hiles* has served as a member of our board of directors since August 2020. Mx. Hiles currently serves as the managing partner of Black Ops Ventures, a seed-stage venture firm funding Black founders. Mx. Hiles previously served as the founding Chancellor and Chief Executive Officer of Calbright College, an online community college focused on preparation for jobs in the technology industry, from January 2019 to March 2020. Prior to that, Mx. Hiles was the Deputy Director of Postsecondary Success Solutions at the Bill & Melinda Gates Foundation, a nonprofit organization focused on fighting poverty, disease, and inequity around the world, from October 2016 to November 2017. Mx. Hiles previously served as Chief Executive Officer of Pathbrite, a digital portfolio platform used by colleges and universities, from their founding of Pathbrite in February 2012 until Pathbrite's sale to Cengage Learning in November 2015. Before that, Mx. Hiles served as Chief Executive Officer of SFWorks, a nonprofit they founded that trained and placed people on welfare into living-wage jobs, from 1997 to 2001. Mx. Hiles currently serves on the boards of directors for several private companies, including Black Girls Code. Mx. Hiles received a B.A. in development studies and ethnic studies from the University of California, Berkeley and an M.B.A from Yale University.

We believe that Mx. Hiles is qualified to serve on our board of directors because of their extensive experience in the education and talent development industry, their business and leadership experience, financial expertise and their knowledge of technology companies.

*Lawrence Illg* has served as a member of our board of directors since May 2016. Mr. Illg has served as Chief Executive Officer, Online Food Delivery and EdTech, for Prosus, the international internet assets division of Naspers, since December 2018 and April 2021 respectively, and previously served as Chief Executive Officer, Prosus Ventures, the venture investing arm of Prosus, from 2015 until December 2020. Before that, Mr. Illg served as Chief Operating Officer, eCommerce, at Naspers, Prosus' parent company, from 2013 to 2015. Prior to Naspers, Mr. Illg served as Vice President and General Manager of New Ventures at Trulia, an online real estate marketplace, from 2012 to 2013. Mr. Illg also serves on the boards of directors of several private companies. Mr. Illg received a B.S. in economics and an M.B.A. from the University of California, Berkeley.

We believe that Mr. Illg is qualified to serve on our board of directors because of his extensive experience in the venture capital industry, his business and leadership experience and his knowledge of technology companies.

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*Jeffrey Lieberman* has served as a member of our board of directors since February 2015. Since 1998, Mr. Lieberman has worked at Insight Partners, a private equity and venture capital firm, where he currently serves as managing director. Mr. Lieberman currently serves on the board of directors of HelloFresh SE. Mr. Lieberman previously served on the boards of directors of Qualtrics International from 2017 to 2019, Shutterstock from 2007 to 2016, Mimecast from 2012 to 2020, and Cvent from 2011 to 2016. Mr. Lieberman received a B.S. in systems engineering and finance from the University of Pennsylvania.

We believe that Mr. Lieberman is qualified to serve on our board of directors because of his extensive experience as a public company director and his extensive experience in the venture capital industry.

*Lydia Paterson* has served as a member of our board of directors since December 2019. Ms. Paterson is currently the Chief Financial Officer of OLX Group, a global online classifieds marketplace and a subsidiary of Prosus. Prior to that, Ms. Paterson served as the Vice President, Global Finance and Corporate FP&A for PayPal, an online payments company, from August 2012 to May 2016, and in various finance executive roles at eBay, a multinational e-commerce platform, from March 1999 to August 2012. Ms. Paterson currently serves on the boards of directors of several private companies. Ms. Paterson received a B.B.A. from Simon Fraser University.

We believe that Ms. Paterson is qualified to serve on our board of directors because of her global business and leadership experience, financial expertise and her knowledge of technology companies.

## **Family relationships**

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

## **Board composition**

Our board of directors currently consists of eight members. Prior to completion of this offering, Mr. Barrile will resign from our board of directors and we expect to appoint an additional director to our board of directors so that, after completion of this offering, we will continue to have eight directors.

After the completion of this offering, the number of directors will be fixed from time to time by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws. Each of our current directors will continue to serve as a director until the election and qualification of his, her, or their successor, or until his, her, or their earlier death, resignation, or removal.

Our amended and restated certificate of incorporation will provide that our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our current directors will be divided among the three classes as follows:

- the Class I directors will be \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2022;
- the Class II directors will be \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2023; and
- the Class III directors will be \_\_\_\_\_, and their terms will expire at the annual meeting of stockholders to be held in 2024.

At each annual meeting of stockholders, upon the expiration of the term of a class of directors, the successor to each such director in the class will be elected to serve from the time of election and qualification until the third annual meeting following his, her, or their election and until his, her, or their successor is duly elected and qualified, in accordance with our amended and restated certificate of incorporation. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

## Director independence

Upon the completion of this offering, we anticipate that our common stock will be listed on the . Under the rules of independent directors must comprise a majority of a listed company's board of directors within one year of the completion of this offering. In addition, the rules of require that, subject to specified exceptions, each member of a listed company's audit, compensation and corporate governance and nominating committees be independent. Audit committee members and compensation committee members must also satisfy the independence criteria set forth in Rule 10A-3 and Rule 10C-1, respectively, under the Exchange Act. Under the rules of , a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

To be considered to be independent for purposes of Rule 10A-3 and under the rules of , a member of an audit committee of a listed company may not, other than in his, her, or their capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries or (2) be an affiliated person of the listed company or any of its subsidiaries.

To be considered independent for purposes of Rule 10C-1 and under the rules of , the board of directors must affirmatively determine that each member of the compensation committee is independent, including a consideration of all factors specifically relevant to determining whether the director has a relationship to the company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including: (1) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the company to such director and (2) whether such director is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

Our board of directors undertook a review of its composition, the composition of its committees and the independence of our directors and considered whether any director has a material relationship with us that could compromise his, her, or their ability to exercise independent judgment in carrying out his, her, or their responsibilities. Based upon information requested from and provided by each director concerning his, her, or their background, employment, and affiliations, including family relationships, our board of directors has determined that , representing of our directors, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the rules of .

In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Certain relationships and related party transactions."

## Board leadership structure

Gregg Coccari, our President and Chief Executive Officer, also serves as Chairperson of the Board of Directors. Our board of directors believes that this leadership structure, coupled with a strong emphasis on independence of the board of directors, provides effective independent oversight of management while allowing both the board of directors and management to benefit from Mr. Coccari's leadership and business experience. As Chairperson of the Board of Directors and President and Chief Executive Officer, Mr. Coccari has been the director most capable of effectively identifying strategic priorities and vision, coordinating the board of directors' agenda to focus on discussions critical to the success of our company and executing our strategy and business plans. We believe this experience, together with the outside experience, oversight and expertise of our independent directors, allows for

differing perspectives and roles regarding strategy development that benefit our stockholders. Further, our board of directors believes that Mr. Coccari's combined role enables decisive leadership, ensures clear accountability and enhances our ability to communicate its message and strategy clearly and consistently to its stockholders, employees and customers.

## **Role of the board in risk oversight**

Our board of directors has an active role, as a whole and also at the committee level, in overseeing the management of our risks. Our board of directors is responsible for general oversight of risks and regular review of information regarding our risks, including credit risks, liquidity risks and operational risks. The compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. The audit committee is responsible for overseeing the management of risks relating to accounting matters and financial reporting. The corporate governance and nominating committee is responsible for overseeing the management of risks associated with the independence of our board of directors and potential conflicts of interest. Although each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire board of directors is regularly informed through discussions from committee members about such risks.

## **Board committees**

Prior to the completion of this offering, our board of directors will have an audit committee, a compensation committee and a corporate governance and nominating committee, each of which will have the composition and the responsibilities described below.

### ***Audit committee***

Upon the effectiveness of the registration statement of which this prospectus forms a part, the members of our audit committee will be . will be the chair of our audit committee and is an audit committee financial expert, as that term is defined under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002, and possesses financial sophistication, as defined under the rules of . Our audit committee will oversee our corporate accounting and financial reporting process and assist our board of directors in monitoring our financial systems. Our audit committee will also:

- select and hire the independent registered public accounting firm to audit our financial statements;
- help to ensure the independence and performance of the independent registered public accounting firm;
- approve audit and non-audit services and fees;
- review financial statements and discuss with management and the independent registered public accounting firm our annual audited and quarterly financial statements, the results of the independent audit and the quarterly reviews and the reports and certifications regarding internal controls over financial reporting and disclosure controls;
- prepare the audit committee report that the SEC requires to be included in our annual proxy statement;
- review reports and communications from the independent registered public accounting firm;
- review the adequacy and effectiveness of our internal controls and disclosure controls and procedure;
- review our policies on risk assessment and risk management;
- monitoring and assessing, and overseeing the reporting of, any material cybersecurity breaches and associated risks;
- review and monitor conflicts of interest situations, and approve or prohibit any involvement in matters that may involve a conflict of interest or taking of a corporate opportunity;
- review related party transactions; and

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- establish and oversee procedures for the receipt, retention and treatment of accounting related complaints and the confidential submission by our employees of concerns regarding questionable accounting or auditing matters.

Our audit committee will operate under a written charter, to be effective upon the effectiveness of the registration statement of which this prospectus forms a part, which will satisfy the applicable rules of the SEC and the listing standards of

### **Compensation committee**

Upon the effectiveness of the registration statement of which this prospectus forms a part, the members of our compensation committee will be \_\_\_\_\_ will be the chair of our compensation committee. Our compensation committee will oversee our compensation policies, plans and benefits programs. The compensation committee will also:

- oversee our overall compensation philosophy and compensation policies, plans and benefit programs;
- review and approve compensation for our executive officers and directors;
- prepare the compensation committee report that the SEC will require to be included in our annual proxy statement; and
- administer our equity compensation plans.

Our compensation committee will operate under a written charter, to be effective upon the effectiveness of the registration statement of which this prospectus forms a part, which will satisfy the applicable rules of the SEC and the listing standards of

### **Corporate governance and nominating committee**

Upon the effectiveness of the registration statement of which this prospectus forms a part, the members of our corporate governance and nominating committee will be \_\_\_\_\_ will be the chair of our corporate governance and nominating committee. Our corporate governance and nominating committee will oversee and assist our board of directors in reviewing and recommending nominees for election as directors. Specifically, the corporate governance and nominating committee will:

- identify, evaluate and make recommendations to our board of directors regarding nominees for election to our board of directors and its committees;
- consider and make recommendations to our board of directors regarding the composition of our board of directors and its committees;
- review developments in corporate governance practices;
- oversee ESG matters;
- evaluate the adequacy of our corporate governance practices and reporting; and
- evaluate the performance of our board of directors and of individual directors.

Our corporate governance and nominating committee will operate under a written charter, to be effective upon the effectiveness of the registration statement of which this prospectus forms a part, which will satisfy the applicable rules of the SEC and the listing standards of

### **Director compensation**

Mr. Coccari, our only employee director during the year ended December 31, 2020, did not receive any compensation for his service as a director during the year December 31, 2020. The compensation received by Mr. Coccari as an employee in 2020 is set forth in the section titled "Executive compensation."



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Prior to this offering, we have not implemented a formal policy with respect to compensation payable to our non-employee directors. From time to time, we have granted equity awards to attract them to join our board of directors and for their continued service on our board of directors. We also have reimbursed our directors for expenses associated with attending meetings of our board of directors and its committees.

The following table provides information regarding the compensation of our non-employee directors for service as directors for the year ended December 31, 2020:

<b>Name</b>	<b>Option awards (\$)<sup>(1)</sup></b>	<b>Total (\$)</b>
Eren Bali	—	—
Parker Barrile	—	—
Kenneth Fox	—	—
Heather Hiles	619,000	619,000
Lawrence Illg	—	—
Jeffrey Lieberman	—	—
Lydia Paterson	367,000	367,000

(1) In accordance with SEC rules, the amount in this column reflects the aggregate grant date fair value of stock options granted during 2020 computed in accordance with Accounting Standards Codification (ASC) Topic 718, rather than the amount paid or realized by the director. We provide information regarding the assumptions used to calculate the value of all stock options granted to our directors in Note 13 to our audited financial statements included elsewhere in this prospectus.

The table below shows the aggregate numbers of option awards (exercisable and unexercisable) held as of December 31, 2020 by each non-employee director. None of our non-employee directors had stock awards outstanding as of December 31, 2020.

<b>Name</b>	<b>Options outstanding at year end</b>
Eren Bali	—
Parker Barrile	—
Kenneth Fox	—
Heather Hiles	100,000 <sup>(1)</sup>
Lawrence Illg	—
Jeffrey Lieberman	—
Lydia Paterson	100,000 <sup>(2)</sup>

(1) One-fourth of the shares underlying the option vest on August 26, 2021 and the remaining shares vest monthly thereafter, subject to continued service.

(2) One-fourth of the shares underlying the option vested on December 15, 2020 and the remaining shares vest monthly thereafter, subject to continued service.

Following the completion of this offering, we expect to implement an annual cash and equity compensation program for our non-employee directors.

## **Compensation committee interlocks and inside participation**

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of any entity that has one or more executive officers serving on our board of directors or compensation committee.

## **Code of business conduct and ethics**

Prior to the effectiveness of the registration statement of which this prospectus forms a part, we intend to adopt a written code of business conduct and ethics that will apply to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. Following this offering, the code of business conduct and ethics will be available on our website at [www.udemy.com](http://www.udemy.com). We intend to disclose future amendments to such code, or any waivers of its requirements, applicable to any principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions or our directors on our website identified above or in a current report on Form 8-K. Information contained on the website is not incorporated by reference into this prospectus and should not be considered to be part of this prospectus.

## Executive compensation

Our named executive officers for 2020, which consist of each person who served as our principal executive officer during 2020 and our next two most highly compensated executive officers during 2020, are:

- Gregg Coccari, our President and Chief Executive Officer;
- Greg Brown, our President, Udemty for Business; and
- Llibert Argerich, our Senior Vice President, Marketing.

### Summary compensation table

The following table sets forth information regarding the compensation of our named executive officers for the year ended December 31, 2020:

Name and principal position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Option awards (\$) <sup>(2)</sup>	All other compensation (\$) <sup>(3)</sup>	Total (\$)
Gregg Coccari <i>President and Chief Executive Officer</i>	2020	400,000	240,000	6,939,496	172,918	7,752,414
Gregory Brown <sup>(4)</sup> <i>President, Udemty for Business</i>	2020	41,667	25,000	6,902,000	417	6,969,084
Llibert Argerich <i>Senior Vice President, Marketing</i>	2020	303,333	121,915	1,110,000	500	1,535,748

- (1) The amounts reported consist of discretionary bonuses paid in 2021 in recognition of our company's performance in 2020 and the individual's contributions to that performance.
- (2) The amounts disclosed represent the aggregate grant date fair value of the award as calculated in accordance with ASC 718. The assumptions used in calculating the grant date fair value of the award disclosed in this column are set forth in Note 13 to our audited financial statements included elsewhere in this prospectus. These amounts do not correspond to the actual value that may be recognized by our named executive officers upon vesting of the applicable awards.
- (3) In 2020, we paid Mr. Coccari a stipend of \$9,300 per month to assist with housing and personal travel costs, plus an amount sufficient to ensure that the payment of the monthly stipend was tax neutral to Mr. Coccari. The amounts reported consist of (i) for Mr. Coccari, aggregate stipend payments of \$111,636 and aggregate tax neutrality payments of \$61,282, and (ii) for Mr. Argerich, amounts paid for matching 401(k) contributions by us.
- (4) Mr. Brown commenced employment with us in November 2020.

### Outstanding equity awards as of December 31, 2020

The following table sets forth information concerning outstanding equity awards held by each of our named executive officers as of December 31, 2020:

Name	Grant date	Option awards		Option exercise price (\$)	Option expiration date
		Number of securities underlying unexercised options exercisable (#)	Number of securities underlying unexercised options unexercisable (#)		
Gregg Coccari	03/14/2019	2,135,852	2,784,189 <sup>(1)</sup>	3.12	03/13/2029
	05/19/2020	252,651	1,094,824 <sup>(2)</sup>	6.58	05/18/2030
Gregory Brown	11/23/2020	—	1,100,000 <sup>(3)</sup>	11.13	11/22/2030
Llibert Argerich	07/30/2018	16,760	18,750 <sup>(4)</sup>	3.06	07/29/2028
	10/12/2018	9,375	22,917 <sup>(5)</sup>	3.06	10/11/2028
	10/09/2019	33,333	66,667 <sup>(6)</sup>	3.12	10/09/2029
	05/05/2020	18,750	81,250 <sup>(2)</sup>	6.58	05/04/2030
	11/23/2020	6,250	93,750 <sup>(7)</sup>	11.13	11/22/2030

- (1) The shares underlying this option vest in 48 equal monthly installments beginning on March 4, 2019, subject to continued service.

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- (2) The shares underlying this option vest in 48 equal monthly installments beginning on April 1, 2020, subject to continued service.
- (3) The shares underlying this option vest as follows: (i) 350,000 shares vest upon the achievement of certain performance objectives and (ii) 750,000 shares vest as to one-fourth of the shares on November 2, 2021 and the remaining shares vest monthly thereafter, subject to continued service.
- (4) One-fourth of the shares underlying the option vested on June 18, 2019 and the remaining shares vest monthly thereafter, subject to continued service.
- (5) One-fourth of the shares underlying the option vested on October 12, 2019 and the remaining shares vest monthly thereafter, subject to continued service.
- (6) The shares underlying this option vest in 48 equal monthly installments beginning on September 1, 2019, subject to continued service.
- (7) The shares underlying this option vest in 48 equal monthly installments beginning on October 1, 2020, subject to continued service.

### **Employment arrangements with our named executive officers**

We have entered into an employment offer letter agreement with each of our named executive officers in connection with his employment with us. These offer letters provide for “at will” employment.

#### ***Gregg Coccari***

We entered into an employment offer letter agreement with Mr. Coccari, our Chief Executive Officer, in February 2019. The offer letter has no specific term and provides for at-will employment. Mr. Coccari’s offer letter provides for an annual base salary, eligibility to receive an annual target bonus, and eligibility to participate in our employee benefit plans in effect from time to time. Mr. Coccari’s current annual base salary is \$400,000, and Mr. Coccari’s annual target bonus is 50% of his annual base salary.

Pursuant to Mr. Coccari’s offer letter, he was eligible to receive reimbursements from us for housing costs in an amount not to exceed \$7,500 per month and personal travel costs, plus an additional amount necessary to make such payments tax neutral to Mr. Coccari, for up to one year following Mr. Coccari’s start date. Mr. Coccari’s housing and personal travel cost reimbursement arrangement was extended indefinitely in 2020.

#### ***Greg Brown***

We entered into an employment offer letter agreement with Mr. Brown, our President, Udemy for Business, in October 2020. The offer letter has no specific term and provides for at-will employment. Mr. Brown’s offer letter provides for an annual base salary, eligibility to receive an annual target bonus, and eligibility to participate in our employee benefit plans in effect from time to time. Mr. Brown’s current annual base salary is \$400,000, and Mr. Brown’s annual target bonus is 75% of his annual base salary.

#### ***Llibert Argerich***

We entered into an employment offer letter agreement with Mr. Argerich, our Senior Vice President, Marketing, in April 2018. The offer letter has no specific term and provides for at-will employment. Mr. Argerich’s offer letter provides for an annual base salary, eligibility to receive an annual target bonus, and eligibility to participate in our employee benefit plans in effect from time to time. Mr. Argerich’s current annual base salary is \$336,000, and Mr. Argerich’s annual target bonus is 35% of his annual base salary.

### **Potential payments upon termination or change in control**

We currently expect that, prior to the completion of this offering, we will adopt arrangements for our executive officers that provide for payments and benefits upon a qualifying termination or change of control, which arrangements may be included in the anticipated confirmatory offer letters or separate plans or agreements.

## Employee benefit and stock plans

### *2021 Equity Incentive Plan*

Prior to the effectiveness of this offering, we expect that our board of directors will adopt, and our stockholders will approve our 2021 Plan. We expect that our 2021 Plan will become effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. Our 2021 Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units, or RSUs, and performance awards to our employees, directors, and consultants and our parent and subsidiary corporations' employees and consultants. Our 2010 Plan will terminate one business day prior to effectiveness of our 2021 Plan with respect to the grant of future awards.

*Authorized shares.* Subject to the adjustment provisions of and the automatic increase described in our 2021 Plan, a total of shares of our common stock will be reserved for issuance pursuant to our 2021 Plan. In addition, subject to the adjustment provisions of our 2021 Plan, the shares reserved for issuance under our 2021 Plan also will include any shares subject to awards granted under our 2010 Plan that, on or after the effective date of the registration statement of which this prospectus forms a part, expire or otherwise terminate without having been exercised or issued in full, are tendered to or withheld by us for payment of an exercise price or for satisfying tax withholding obligations, or are forfeited to or repurchased by us due to failure to vest (provided that the maximum number of shares that may be added to our 2021 Plan pursuant to outstanding awards under our 2010 Plan is \_\_\_\_\_ shares). Subject to the adjustment provisions of our 2021 Plan, the number of shares available for issuance under our 2021 Plan will also include an annual increase on the first day of each fiscal year beginning with the 2022 fiscal year and ending on the ten year anniversary of the date our board of directors approved our 2021 Plan, in an amount equal to the least of:

- \_\_\_\_\_ shares of our common stock;
- \_\_\_\_\_ percent ( \_\_\_\_\_ %) of the outstanding shares of our common stock as of the last day of the immediately preceding fiscal year; or
- such other number of shares of our common stock as the administrator may determine.

If a stock option or stock appreciation right granted under our 2021 Plan expires or becomes unexercisable without having been exercised in full or is surrendered pursuant to an exchange program or, with respect to restricted stock, RSUs or stock settled performance awards, is forfeited to, or repurchased by, us due to failure to vest, then the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or repurchased shares) which were subject thereto will become available for future grant or sale under our 2021 Plan (unless our 2021 Plan has terminated). With respect to stock appreciation rights, only the net shares actually issued will cease to be available under our 2021 Plan and all remaining shares under stock appreciation rights will remain available for future grant or sale under our 2021 Plan (unless our 2021 Plan has terminated). Shares that have actually been issued under our 2021 Plan under any award will not be returned to our 2021 Plan; provided, however, that if shares issued pursuant to awards of restricted stock, RSUs or performance awards are repurchased or forfeited to us due to failure to vest, such shares will become available for future grant under our 2021 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will become available for future grant or sale under our 2021 Plan. To the extent an award is paid out in cash rather than shares, the cash payment will not result in a reduction in the number of shares available for issuance under our 2021 Plan.

*Plan administration.* We expect that our compensation committee will administer our 2021 Plan and may further delegate authority to one or more subcommittees or officers to the extent such delegation complies with applicable laws. Subject to the provisions of our 2021 Plan, the administrator will have the power to administer our 2021 Plan and make all determinations deemed necessary or advisable for administering our 2021 Plan, including

but not limited to: the power to determine the fair market value of our common stock; select the service providers to whom awards may be granted; determine the number of shares covered by each award; approve forms of award agreements for use under our 2021 Plan; determine the terms and conditions of awards (including, but not limited to, the exercise price, the times or times at which the awards may be exercised, any vesting acceleration or waiver or forfeiture restrictions, and any restriction or limitation regarding any award or the shares relating thereto); construe and interpret the terms of our 2021 Plan and awards granted under it, including but not limited to determining whether and when a change in control has occurred; establish, amend, and rescind rules and regulations relating to our 2021 Plan, and adopt sub-plans relating to our 2021 Plan; interpret, modify or amend each award, including but not limited to the discretionary authority to extend the post-termination exercisability period of awards; allow participants to satisfy tax withholding obligations in any manner permitted by our 2021 Plan; delegate ministerial duties to any of our employees; authorize any person to take any steps and execute, on our behalf, any documents required for an award previously granted by the administrator to be effective; temporarily suspend the exercisability of an award if the administrator deems such suspension to be necessary or appropriate for administrative purposes, provided that, unless prohibited by applicable laws, such suspension shall be lifted in all cases not less than ten trading days before the last date that the award may be exercised; allow a participant to defer the receipt of payment of cash or the delivery of shares that would otherwise be due to such participant under an award; and make any determinations necessary or appropriate under the adjustment provisions of our 2021 Plan. The administrator also has the authority to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator and to institute an exchange program by which outstanding awards may be surrendered or canceled in exchange for awards of the same type which may have a higher or lower exercise price and/or different terms, awards of a different type and/or cash, or by which the exercise price of an outstanding award is increased or reduced. The administrator's decisions, interpretations, and other actions will be final and binding on all participants to the full extent permitted by law.

*Stock options.* Our 2021 Plan permits the grant of options. The exercise price of options granted under our 2021 Plan must be at least equal to the fair market value of our common stock on the date of grant, except that options may be granted with a lower exercise price to a service provider who is not a U.S. taxpayer, or pursuant to certain transactions. The term of an option is determined by the administrator, provided that the term of an incentive stock option may not exceed ten years. With respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term of an incentive stock option granted to such participant must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator determines the methods of payment of the exercise price of an option, which may include cash, check or wire transfer, cashless exercise, net exercise, promissory note, shares, or other consideration or method of payment acceptable to the administrator, to the extent permitted by applicable law. After the termination of service of an employee, director, or consultant, they may exercise their option for the period of time stated in their option agreement. In the absence of a specified time in an award agreement, if termination is due to death or disability, the option will remain exercisable for six months. In all other cases, in the absence of a specified time in an award, the option will remain exercisable for thirty days. These exercise periods may be tolled in certain circumstances, for example if exercise prior to the end of the applicable period is not permitted because of applicable laws. However, in no event may an option be exercised later than the expiration of its term.

*Stock appreciation rights.* Our 2021 Plan permits the grant of stock appreciation rights. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. The term of stock appreciation rights is determined by the administrator. After the termination of service of an employee, director, or consultant, they may exercise their stock appreciation right for the period of time stated in their stock appreciation rights agreement. In the absence of a specified time in an award agreement, if termination is due to death or disability, the stock appreciation rights will remain exercisable for six months. In all other cases, in the absence of a specified time in an award agreement, the stock appreciation rights will remain exercisable for thirty days following the termination of service. These exercise periods may be tolled in certain circumstances, for example if exercise prior to the end of the applicable period is not permitted because of applicable laws. However, in no event may a stock appreciation right be exercised later

than the expiration of its term. Subject to the provisions of our 2021 Plan, the administrator determines the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of our common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right must be no less than 100% of the fair market value per share on the date of grant.

*Restricted stock.* Our 2021 Plan permits the grant of restricted stock. Restricted stock awards are grants of shares of our common stock that vest in accordance with terms and conditions established by the administrator. The administrator determines the number of shares of restricted stock granted to any employee, director, or consultant and, subject to the provisions of our 2021 Plan, determines the terms and conditions of such awards. The administrator has the authority to impose whatever conditions to vesting it determines to be appropriate (for example, the administrator will be able to set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest will be subject to our right of repurchase or forfeiture.

*Restricted stock units.* Our 2021 Plan permits the grant of RSUs. Each RSU will represent an amount equal to the fair market value of one share of our common stock. Subject to the provisions of our 2021 Plan, the administrator determines the terms and conditions of RSUs, including the vesting criteria and the form and timing of payment. The administrator has the authority to set vesting criteria based upon the achievement of company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion. The administrator, in its sole discretion, may pay earned RSUs in the form of cash, in shares, or in some combination of both. Notwithstanding the foregoing, the administrator, in its sole discretion, may accelerate the vesting, or reduce or waive the criteria that must be met for vesting, of the RSUs or the time at which any restrictions will lapse or be removed.

*Performance awards.* Our 2021 Plan permits the grant of performance awards. Performance awards are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator may establish performance objectives or other vesting criteria in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance awards to be paid out to participants. The administrator has the authority to set performance objectives based on the achievement of company-wide, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the administrator in its discretion. Each performance award's threshold, target, and maximum payout values are established by the administrator on or before the grant date. After the grant of a performance award, the administrator, in its sole discretion, may reduce or waive any performance criteria or other vesting provisions for such performance award. The administrator, in its sole discretion, may pay earned performance awards in the form of cash, in shares, or in some combination thereof.

*Non-employee directors.* Our 2021 Plan provides that all outside (non-employee) directors will be eligible to receive all types of awards (except for incentive stock options) under our 2021 Plan. In order to provide a maximum limit on the awards that can be made to our non-employee directors, our 2021 Plan provides that in any given fiscal year, a non-employee director will not be granted awards having a grant-date fair value greater than \$ , but this limit is increased to \$ in connection with his, her, or their initially joining our board of directors (in each case, excluding awards granted to him, her, or them as a consultant or employee). The grant-date fair values will be determined according to GAAP. The maximum limits do not reflect the intended size of any potential grants or a commitment to make grants to our outside directors under our 2021 Plan in the future.

*Non-transferability of awards.* Unless the administrator provides otherwise, our 2021 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his, her, or their

lifetime. If the administrator makes an award transferrable, such award will contain such additional terms and conditions as the administrator deems appropriate.

*Certain adjustments.* If any extraordinary dividend or other extraordinary distribution (whether in cash, shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of shares of our common stock or other of our securities, other change in our corporate structure affecting the shares, or any similar equity restructuring transaction affecting our shares occurs (including a change in control), the administrator, to prevent diminution or enlargement of the benefits or potential benefits intended to be provided under our 2021 Plan, will adjust the number and class of shares that may be delivered under our 2021 Plan and/or the number, class, and price of shares covered by each outstanding award, and the numerical share limits set forth in our 2021 Plan. The conversion of any of our convertible securities and ordinary course repurchases of our shares or other securities will not be treated as an event that will require adjustment under our 2021 Plan.

*Dissolution or liquidation.* In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and, to the extent not exercised, all awards will terminate immediately prior to the consummation of such proposed transaction.

*Merger or change in control.* Our 2021 Plan provides that in the event of a merger or change in control, as defined under our 2021 Plan, each outstanding award will be treated as the administrator determines, without a requirement to obtain a participant's consent, including, without limitation, that such award will be continued by the successor corporation or a parent or subsidiary of the successor corporation. An award generally will be considered continued if, following the transaction, (i) the award gives the right to purchase or receive the consideration received in the transaction by holders of our shares or (ii) the award is terminated in exchange for an amount of cash and/or property, if any, equal to the amount that would have been received upon the exercise or realization of the award at the closing of the transaction, which payment may be subject to any escrow applicable to holders of our common stock in connection with the transaction or subjected to the award's original vesting schedule. The administrator will not be required to treat all awards or portions thereof the vested and unvested portions of an award, or all participants similarly.

In the event that a successor corporation or its parent or subsidiary does not continue an outstanding award, then such award will fully vest, all restrictions on such award will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels, and such award will become fully exercisable, if applicable, for a specified period prior to the transaction, unless specifically provided for otherwise under the applicable award agreement or other written agreement with the participant. The award will then terminate upon the expiration of the specified period of time. If an option or stock appreciation right is not continued, the administrator will notify the participant in writing or electronically that such option or stock appreciation right will be exercisable for a period of time determined by the administrator in its sole discretion and the option or stock appreciation right will terminate upon the expiration of such period.

With respect to awards granted to an outside director, in the event of a change in control, all of his, her, or their options and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his, her, or their restricted stock and RSUs will lapse, and all performance goals or other vesting requirements for his or her performance awards will be deemed achieved at 100% of target levels, and all other terms and conditions met.

*Clawback.* Awards will be subject to any clawback policy that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our stock is listed or as otherwise required by applicable laws, and the administrator will also be able to specify in an award agreement that the participant's rights, payments, and/or benefits with respect to an award will be subject to reduction, cancellation, forfeiture, and/or recoupment upon the occurrence of certain specified events.

*Amendment; termination.* The administrator will have the authority to amend, alter, suspend, or terminate our 2021 Plan, provided we will obtain stockholder approval of any amendment to the extent necessary or desirable



to comply with applicable laws. However, no amendment, alteration, suspension or termination of our 2021 Plan or an Award under it may, taken as a whole, materially impair the existing rights of any participant without the participant's consent. Our 2021 Plan will continue in effect until it is terminated, provided that incentive stock options may not be granted after the ten year anniversary of the date our board of directors approved our 2021 Plan, and the automatic annual share increase will end on the ten year anniversary of the date our board of directors approved our 2021 Plan.

### **2021 Employee Stock Purchase Plan**

Prior to the effectiveness of this offering, we expect that our board of directors will adopt, and our stockholders will approve our 2021 ESPP. We expect that our 2021 ESPP will be effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. However, no offering period or purchase period under our 2021 ESPP will begin unless and until otherwise determined by our board of directors.

*Authorized shares.* A total of \_\_\_\_\_ shares of our common stock will be available for sale under our 2021 ESPP. The number of shares of our common stock that will be available for sale under our 2021 ESPP also includes an annual increase on the first day of each fiscal year following the fiscal year in which the first offering period under our 2021 ESPP commences, equal to the least of:

- \_\_\_\_\_ shares;
- \_\_\_\_\_ percent ( \_\_\_\_\_ %) of the outstanding shares of our common stock as of the last day of the immediately preceding fiscal year; or
- such other amount as the administrator may determine.

*ESPP administration.* We expect that the compensation committee of our board of directors will administer our 2021 ESPP and will have full and exclusive discretionary authority to construe, interpret, and apply the terms of our 2021 ESPP, delegate ministerial duties to any of our employees, designate separate offerings under our 2021 ESPP, designate our subsidiaries and affiliates as participating in our 2021 ESPP, determine eligibility, adjudicate all disputed claims filed under our 2021 ESPP, and establish procedures that it deems necessary for the administration of our 2021 ESPP, including, but not limited to, adopting such procedures and sub-plans as are necessary or appropriate to permit participation in our 2021 ESPP by employees who are foreign nationals or employed outside the United States. The administrator's findings, decisions and determinations are final and binding on all participants to the full extent permitted by law.

*Eligibility.* Generally, all of our employees will be eligible to participate if they are customarily employed by us, or any participating subsidiary or affiliate, for at least 20 hours per week and more than five months in any calendar year. The administrator, in its discretion, may, prior to an enrollment date, for all options to be granted on such enrollment date in an offering, determine that an employee who (1) has not completed at least two years of service (or a lesser period of time determined by the administrator) since his, her, or their last hire date, (2) customarily works not more than 20 hours per week (or a lesser period of time determined by the administrator), (3) customarily works not more than five months per calendar year (or a lesser period of time determined by the administrator), (4) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (5) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to disclosure requirements under Section 16(a) of the Exchange Act, is or is not eligible to participate in such offering period.

However, an employee may not be granted rights to purchase shares of our common stock under our 2021 ESPP if such employee:

- immediately after the grant would own capital stock and/or hold outstanding options to purchase such stock possessing 5% or more of the total combined voting power or value of all classes of capital stock of ours or of any parent or subsidiary of ours; or

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- holds rights to purchase shares of our common stock under all employee stock purchase plans of ours or any parent or subsidiary of ours that accrue at a rate that exceeds \$25,000 worth of shares of our common stock for each calendar year in which such rights are outstanding at any time.

*Offering periods.* Our 2021 ESPP will include a component that allows us to make offerings intended to qualify under Section 423 of the Code and a component that allows us to make offerings not intended to qualify under Section 423 of the Code to designated companies, as described in our 2021 ESPP. No offering is expected to be authorized to date by our board of directors under our 2021 ESPP prior to the completion of this offering. If our board of directors authorizes an offering period under our 2021 ESPP, our board of directors is authorized to establish the duration of offering periods and purchase periods, including the starting and ending dates of offering periods and purchase periods, provided that no offering period may have a duration exceeding 27 months.

*Contributions.* Our 2021 ESPP will permit participants to purchase shares of our common stock through contributions (in the form of payroll deductions or otherwise to the extent permitted by the administrator) of up to % of their eligible compensation. A participant may purchase a maximum of shares of our common stock during a purchase period.

*Exercise of purchase right.* If our board of directors authorizes an offering and purchase period under our 2021 ESPP, amounts contributed and accumulated by the participant during any offering period will be used to purchase shares of our common stock at the end of each purchase period. The purchase price of the shares will be % of the lower of the fair market value of our common stock on the first trading day of the offering period or on the exercise date. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of our common stock. Participation ends automatically upon termination of employment with us.

*Non-transferability.* A participant may not transfer rights granted under our 2021 ESPP (other than by will, the laws of descent and distribution, or as otherwise provided under our 2021 ESPP).

*Merger or change in control.* Our 2021 ESPP will provide that in the event of a merger or change in control, as defined under our 2021 ESPP, a successor corporation may assume or substitute each outstanding purchase right. If the successor corporation refuses to assume or substitute for the outstanding purchase right, the offering period then in progress will be shortened, and a new exercise date will be set that will be before the date of the proposed merger or change in control. The administrator will notify each participant that the exercise date has been changed and that the participant's option will be exercised automatically on the new exercise date unless prior to such date the participant has withdrawn from the offering period.

*Amendment; termination.* The board will have the authority suspend or terminate our 2021 ESPP and the administrator will have the authority to amend our 2021 ESPP, except that, subject to certain exceptions described in our 2021 ESPP, no such action may adversely affect any outstanding rights to purchase shares of our common stock under our 2021 ESPP. Our 2021 ESPP automatically will terminate in 2041, unless we terminate it sooner.

### **2010 Equity Incentive Plan**

Our 2010 Plan allows us to provide incentive stock options, within the meaning of Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock awards, and restricted stock units (each, an award, and the recipient of such award, a participant) to eligible employees, directors and consultants, including employees and consultants of any of our parent or subsidiary companies. It is expected that as of one business day prior to the effectiveness of the registration statement of which this prospectus forms a part, our 2010 Plan will terminate and we will not grant any additional awards under our 2010 Plan thereafter. However, our 2010 Plan will continue to govern the terms and conditions of the outstanding awards previously granted under our 2010 Plan.

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As of December 31, 2020, stock options covering 18,932,979 shares of our common stock, and 95,475 stock appreciation rights were outstanding under our 2010 Plan. There were no restricted stock awards or restricted stock units outstanding under our 2010 Plan.

*Plan administration.* Our board of directors or a committee thereof appointed by our board of directors administers our 2010 Plan. Different committees may administer our 2010 Plan with respect to different service providers. The administrator has all authority and discretion necessary or appropriate to administer our 2010 Plan and to control its operation, including the authority to construe and interpret the terms of our 2010 Plan and the awards granted under our 2010 Plan. The administrator's decisions are final and binding on all participants and any other persons holding awards.

The administrator's powers include the power to institute an exchange program (without stockholder approval) under which (1) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type and/or cash, (2) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator, and/or (3) the exercise price of an outstanding award is increased or reduced. The administrator's powers also include the power to prescribe, amend, and rescind rules and regulations relating to our 2010 Plan, to modify or amend each award and to make all other determinations deemed necessary or advisable for administering our 2010 Plan.

*Eligibility.* Employees, directors, and consultants, including employees and consultants of any of our parent or subsidiary companies, are eligible to receive awards. Only our employees or employees of our parent or subsidiary companies are eligible to receive incentive stock options.

*Stock options.* Stock options have been granted under our 2010 Plan. Subject to the provisions of our 2010 Plan, the administrator determines the term of an option, the number of shares subject to an option, and the time period in which an option may be exercised.

The term of an option is stated in the applicable award agreement, but the term of an option may not exceed 10 years from the grant date. The administrator determines the exercise price of options, which generally may not be less than 100% of the fair market value of our common stock on the grant date, except as provided for in our 2010 Plan. However, an incentive stock option granted to an individual who directly or by attribution owns more than 10% of the total combined voting power of all of our classes of stock or of any our parent or subsidiary companies will have a term of no longer than five years from the grant date and will have an exercise price of at least 110% of the fair market value of our common stock on the grant date. In addition, to the extent that the aggregate fair market value of the shares with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year (under all plans of ours and any of our parent or subsidiary companies) exceeds \$100,000, such options will be treated as nonstatutory stock options.

The administrator determines how a participant may pay the exercise price of an option, and the permissible methods are generally set forth in the applicable award agreement. If a participant's status as a "service provider" (as defined in our 2010 Plan) terminates, that participant may exercise the vested portion of his, her, or their option for the period of time stated in the applicable award agreement. If a participant does not exercise his, her, or their option within the time specified in the award agreement, the option will terminate. Except as described above, the administrator has the discretion to determine the post-termination exercisability periods for an option.

*Non-transferability of awards.* Unless determined otherwise by the administrator, awards may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated in any manner other than by will or by the laws of descent and distribution. In addition, during an applicable participant's lifetime, only that participant may exercise their award.

*Certain adjustments.* If there is a dividend or other distribution (whether in the form of cash, shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger,

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consolidation, split-up, spin-off, combination, repurchase, exchange of shares or our other securities, or other change in our corporate structure affecting the shares, the administrator will make proportionate adjustments to the number and class of shares that may be delivered under our 2010 Plan or the number, class, and price of shares covered by each outstanding award. The administrator's determination regarding such adjustments will be final, binding and conclusive.

*Dissolution or liquidation.* In the event of our proposed dissolution or liquidation, the administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an award will terminate immediately prior to the consummation of such proposed action.

*Merger and change in control.* In the event of our merger with or into another corporation or entity or a "change in control" (as defined in our 2010 Plan), each outstanding award will be treated as the administrator determines without a participant's consent, including, without limitation, that (1) awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (2) upon written notice to a participant, the participant's awards will terminate upon or immediately prior to the consummation of such merger or change in control; (3) outstanding awards will vest and become exercisable, realizable or payable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon consummation of such merger or change in control, and, to the extent the administrator determines, terminate upon or immediately prior to the effectiveness of such merger or change in control; (4) (a) the termination of an award in exchange for an amount of cash or property, if any, equal to the amount that would have been attained upon the exercise of such award or realization of the participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the administrator determines in good faith that no amount would have been attained upon the exercise of such award or realization of the participant's rights, then such award may be terminated by us without payment) or (b) the replacement of such award with other rights or property selected by the administrator in its sole discretion; or (5) any combination of the foregoing. The administrator will not be obligated to treat all awards, all awards a participant holds, or all awards of the same type, similarly.

*Amendment and termination.* Our board of directors may, at any time, amend, alter, suspend, or terminate our 2010 Plan in any respect. To the extent necessary and desirable to comply with applicable laws, we will obtain stockholder approval of any amendment to our 2010 Plan. No amendment, alteration, suspension, or termination of our 2010 Plan will impair the rights of a participant, unless mutually agreed otherwise between the participant and the administrator in writing. As noted above, it is expected that as of one business day prior to the effectiveness of the registration statement of which this prospectus forms a part, our 2010 Plan will be terminated, and we will not grant any additional awards under our 2010 Plan thereafter.

### ***Executive Incentive Compensation Plan***

We expect our board of directors to approve our Executive Incentive Compensation Plan, or our Master Bonus Plan, which will become effective on the date it is approved.

Our board of directors or a committee appointed by our board of directors will administer the Master Bonus Plan, provided that unless and until our board of directors determines otherwise, our compensation committee will administer the Master Bonus Plan. The Master Bonus Plan allows the administrator to provide awards to employees selected for participation, who may include our named executive officers, which awards may be based upon performance goals established by the administrator. The administrator, in its sole discretion, may establish a target award for each participant under the Master Bonus Plan, which may be expressed as a percentage of the participant's average annual base salary for the applicable performance period, a fixed dollar amount, or such other amount or based on such other formula as the administrator determines to be appropriate.

Under the Master Bonus Plan, the administrator determines the performance goals, if any, applicable to any target award (or portion thereof) for a performance period, which may include, without limitation, goals related to:

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attainment of research and development milestones; sales bookings; business divestitures and acquisitions; capital raising; cash flow; cash position; contract awards or backlog; corporate transactions; customer renewals; customer retention rates from an acquired company, subsidiary, business unit or division; earnings (which may include any calculation of earnings, including but not limited to earnings before interest and taxes, earnings before taxes, earnings before interest, taxes, depreciation and amortization and net taxes); earnings per share; expenses; financial milestones; gross margin; growth in stockholder value relative to the moving average of the S&P 500 Index or another index; internal rate of return; leadership development or succession planning; license or research collaboration arrangements; market share; net income; net profit; net sales; new product or business development; new product invention or innovation; number of customers; operating cash flow; operating expenses; operating income; operating margin; overhead or other expense reduction; patents; procurement; product defect measures; product release timelines; productivity; profit; regulatory milestones or regulatory-related goals; retained earnings; return on assets; return on capital; return on equity; return on investment; return on sales; revenue; revenue growth; sales results; sales growth; savings; stock price; time to market; total stockholder return; working capital; unadjusted or adjusted actual contract value; unadjusted or adjusted total contract value; loans and loan originations; and individual objectives such as peer reviews or other subjective or objective criteria. As determined by the administrator, the performance goals may be based on GAAP or non-GAAP results and any actual results may be adjusted by the administrator for one-time items or unbudgeted or unexpected items and/or payments of awards under the Master Bonus Plan when determining whether the performance goals have been met. The performance goals may be based on any factors the administrator determines relevant, including without limitation on an individual, divisional, portfolio, project, business unit, segment, or company-wide basis. Any criteria used may be measured on such basis as the administrator determines, including without limitation: (a) in absolute terms, (b) in combination with another performance goal or goals (for example, but not by way of limitation, as a ratio or matrix), (c) in relative terms (including, but not limited to, results for other periods, passage of time, and/or against another company or companies or an index or indices), (d) on a per-share basis, (e) against our performance as a whole or a segment, and/or (f) on a pre-tax or after-tax basis. The performance goals may differ from participant to participant and from award to award. Failure to meet the applicable performance goals will result in a failure to earn the target award, subject to the administrator's discretion to modify an award. The administrator also may determine that a target award (or portion thereof) will not have a performance goal associated with it but instead will be granted (if at all) as determined by the administrator.

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

Actual awards under the Master Bonus Plan generally will be paid in cash (or its equivalent) in a single lump sum only after they are earned and approved by the administrator, provided that the administrator reserves the right, in its sole discretion, to settle an actual award with a grant of an equity award with such terms and conditions, including vesting requirements, as determined by the administrator in its sole discretion. Unless otherwise determined by administrator, to earn an actual award, a participant must be employed by us (or an affiliate of us, as applicable) through the date the bonus is paid. Payment of bonuses occurs as soon as administratively practicable after the end of the applicable performance period, but in no case after the later of (i) the 15th day of the third month of the fiscal year immediately following the fiscal year in which the bonuses vest and (ii) March 15 of the calendar year immediately following the calendar year in which the bonuses vest.

Awards under our Master Bonus Plan will be subject to reduction, cancellation, forfeiture, or recoupment in accordance with any clawback policy that we adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable laws. In addition, the administrator may impose

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such other clawback, recovery, or recoupment provisions with respect to an award under the Master Bonus Plan as the administrator determines necessary or appropriate, including without limitation a reacquisition right in respect of previously acquired cash, stock, or other property provided with respect to an award.

The administrator will have the authority to amend or terminate the Master Bonus Plan. However, such action may not materially alter or materially impair the existing rights of any participant with respect to any earned bonus without the participant's consent. The Master Bonus Plan will remain in effect until terminated in accordance with the terms of the Master Bonus Plan.

### **401(k) plan**

We maintain a 401(k) retirement savings plan for the benefit of our employees, including our named executive officers who remain employed with us, and who satisfy certain eligibility requirements. Under the 401(k) plan, eligible employees may elect to defer a portion of their compensation, within the limits prescribed by the Code, on a pre-tax or after-tax (Roth) basis, through contributions to the 401(k) plan. The 401(k) plan authorizes employer safe harbor contributions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, pre-tax contributions to the 401(k) plan and earnings on those pre-tax contributions are not taxable to the employees until distributed from the 401(k) plan, and earnings on Roth contributions are not taxable when distributed from the 401(k) plan. We match 25% of an employee's contribution up to 6% of the employee's compensation, with a cap of \$500 annually, subject to a two-year graded vesting schedule that vests 50% after an employee's first year of employment and 100% after two years of employment.

### **Limitation of liability and indemnification**

Our amended and restated certificate of incorporation and amended and restated bylaws, each to be effective upon the completion of this offering, will provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by Delaware law. Delaware law prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

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

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we intend to enter into an indemnification agreement with each member of our board of directors and each of our officers prior to the completion of the offering. These agreements provide for the indemnification of our directors and officers for certain expenses and liabilities incurred in connection with any action, suit, proceeding or alternative dispute resolution mechanism or hearing, inquiry or investigation that may lead to the foregoing, to which they are a party, or are threatened to be made a party, by reason of the fact that they are or were a director, officer, employee, agent, or fiduciary of our company, or any of our subsidiaries, by reason of any action or inaction by them while serving as an officer, director, agent, or fiduciary, or by reason of

the fact that they were serving at our request as a director, officer, employee, agent, or fiduciary of another entity. In the case of an action or proceeding by or in the right of our company or any of our subsidiaries, no indemnification will be provided for any claim where a court determines that the indemnified party is prohibited from receiving indemnification. We believe that these charter and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

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



## Certain relationships and related party transactions

Other than compensation arrangements, including employment, termination of employment, and change in control arrangements, with our directors and executive officers, including those discussed in the sections titled “Management” and “Executive compensation” and the registration rights described in the section titled “Description of capital stock—Registration rights,” the following is a description of each transaction since January 1, 2018 and each currently proposed transaction in which:

- we have been or are to be a participant;
- the amount involved exceeded or exceeds \$120,000; and
- any of our directors, executive officers or holders of more than 5% of our outstanding capital stock, or any immediate family member of, or person sharing the household with, any of these individuals or entities, had or will have a direct or indirect material interest.

## Investors’ rights agreement

We are party to an investors’ rights agreement, as amended, with certain holders of our capital stock, including Stripes III, LP, or Stripes; Norwest Venture Partners XII, LP, or Norwest; entities affiliated with Insight Venture Partners, or Insight; entities affiliated with MHS Capital, or MHS; entities affiliated with MIH Edtech Investments B.V., or Naspers; and Eren Bali, a member of our board of directors and one of our co-founders. See “Description of capital stock—Registration rights” for additional information regarding these registration rights.

Kenneth Fox, a member of our board of directors, is the founder and a managing partner of Stripes. Parker Barrile, a member of our board of directors, is a partner at Norwest. Jeffrey Lieberman, a member of our board of directors, is Managing Director at Insight. Lawrence Illg, a member of our board of directors, is Chief Executive Officer, Online Food Delivery and EdTech, of Prosus N.V., or Prosus, an affiliate of Naspers. Lydia Paterson, a member of our board of directors, is the Chief Financial Officer of OLX Global B.V., or OLX Group, an affiliate of Naspers.

## Right of first refusal

Pursuant to our 2010 Plan and certain agreements with our stockholders, including a right of first refusal and co-sale agreement, as amended, with certain holders of our capital stock, including Stripes, Norwest, entities affiliated with Insight, entities affiliated with MHS, Naspers, and Eren Bali, we or our assignees have a right to purchase shares of our capital stock which stockholders propose to sell to other parties. This right will terminate upon the completion of this offering.

## Voting agreement

We are party to a voting agreement, as amended, with certain holders of our capital stock, including Stripes, Norwest, entities affiliated with Insight, entities affiliated with MHS, Naspers, and Mr. Bali. The parties to the voting agreement have agreed, subject to certain conditions, to vote the shares of our capital stock held by them so as to elect the following individuals as directors: (1) two individuals designated by the holders of a majority of our Series B preferred stock (on an as-converted basis), currently Mr. Lieberman and Mx. Hiles, (2) one individual designated by Norwest, currently Mr. Barrile, (3) one individual designated by Stripes, currently Mr. Fox, (4) two individuals designated by the holders of a majority of the outstanding shares of our common stock, currently Gregg Coccari and Mr. Bali, provided that one such designee shall always be our then-serving Chief Executive Officer, (5) one individual designated by Naspers, currently Mr. Illg, and (6) one individual designated by the majority of the other members of our board of directors, currently Ms. Paterson. Upon the consummation of this offering, the obligations of the parties to the voting agreement to vote their shares so as to elect these nominees, as well as the other rights and obligations under this agreement, will terminate and none of our stockholders will have any special rights regarding the nomination, election, or designation of members of our board of directors. Our existing certificate of incorporation contains provisions regarding election of members of the board of directors that correspond to the voting agreement; however, such provisions will be removed in the amended and restated certificate of incorporation that will be effective at the closing of this offering.



## **Indemnification agreements**

We have entered into separate indemnification agreements with each of our directors and executive officers, in addition to the indemnification provided for in our amended and restated certificate of incorporation and bylaws. The indemnification agreements and our amended restated certificate of incorporation and bylaws that will be in effect upon the closing of this offering require us to indemnify our directors, executive officers, and certain controlling persons to the fullest extent permitted by Delaware law. See “Executive compensation—Limitation of liability and indemnification” for additional information.

## **Tender offer**

In March 2020, we facilitated a third-party tender offer for the purchase of shares of our common stock from certain of our securityholders at a cash purchase price of \$11.22 per share. Llibert Argerich and Cara Brennan Allamano, two of our executive officers, sold shares of our common stock in the tender offer. An aggregate of 891,265 shares of our common stock were tendered pursuant to the tender offer for an aggregate purchase price of \$9.99 million.

## **Other transactions**

We have entered into employment agreements with our executive officers. See the section titled “Executive compensation—Employment arrangements with our named executive officers” for a description of these agreements.

We have granted stock options to our executive officers and certain of our non-employee directors. See “Executive compensation” and “Management—Director compensation” for a description of these grants.

Ms. Paterson, a member of our board of directors, is Chief Financial Officer of OLX Group, an affiliate of Naspers, which is a customer of ours.

Naspers is affiliated with OLX Group, where Ms. Paterson serves as Chief Financial Officer, and Prosus, where Mr. Illg serves as Chief Executive Officer, Online Food Delivery and EdTech. Naspers is a UB customer. During 2018, 2019, and 2020, we recorded approximately \$0.5, \$0.8 million, and \$1.3 million, respectively, in revenue from services provided to Naspers, representing less than 1% of our revenues for each such year. We believe that Ms. Paterson’s and Mr. Illg’s interests in these transactions is de minimis.

From February 2019 to November 2019, we were party to an arrangement with the Stripes Group pursuant to which we received services from Jeff Pedersen, an Operating Partner of the Stripes Group, as our interim Chief Financial Officer. The Stripes Group is affiliated with Stripes. During 2019, we recorded \$0.3 million in general and administrative expenses for these services, representing less than 1% of our general and administrative expenses for the year. No related services were provided in 2018 or 2020.

## **Related party transaction policy**

Our audit committee will have the primary responsibility for reviewing and approving or disapproving “related party transactions,” which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. The charter of our audit committee will provide that our audit committee shall review and approve in advance any related party transaction.

Prior to the effectiveness of the registration statement of which this prospectus forms a part, we intend to adopt a formal written policy providing that we are not permitted to enter into any transaction that exceeds \$120,000 and in which any related person has a direct or indirect material interest without the consent of our audit committee. In approving or rejecting any such transaction, our audit committee is to consider the relevant facts and circumstances available and deemed relevant to our audit committee, including whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person’s interest in the transaction.

## Principal stockholders

The following table sets forth the beneficial ownership of our common stock as of \_\_\_\_\_, 2021 by:

- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our common stock;
- each of our named executive officers;
- each of our directors; and
- all of our current executive officers and directors as a group.

We have determined beneficial ownership in accordance with the rules of the SEC, and thus it represents sole or shared voting or investment power with respect to our securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Exchange Act.

We have based our calculation of the percentage of beneficial ownership prior to this offering on \_\_\_\_\_ shares of our common stock outstanding as of \_\_\_\_\_, after giving effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock into \_\_\_\_\_ shares of our common stock immediately prior to the completion of this offering. We have based our calculation of the percentage of beneficial ownership after this offering on \_\_\_\_\_ shares of our common stock outstanding immediately after the completion of this offering, assuming no exercise by the underwriters of their option to purchase additional shares. We have deemed shares of our common stock subject to stock options that are currently exercisable or exercisable within 60 days of \_\_\_\_\_, to be outstanding and to be beneficially owned by the person holding the stock option for the purpose of computing the percentage ownership of that person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Udemy, Inc., 600 Harrison Street, 3rd Floor, San Francisco, California 94107.

Name of beneficial owner	Shares beneficially owned prior to this offering		Shares beneficially owned after this offering	
	Shares	Percentage	Shares	Percentage
<b>Named executive officers and directors:</b>				
Gregg Coccari <sup>(1)</sup>				
Gregory Brown <sup>(2)</sup>				
Llibert Argerich <sup>(3)</sup>				
Eren Bali <sup>(4)</sup>				
Parker Barrile <sup>(5)</sup>				
Kenneth Fox <sup>(6)</sup>				
Heather Hiles <sup>(7)</sup>				
Lawrence Illg				
Jeffrey Lieberman <sup>(8)</sup>				
Lydia Paterson <sup>(9)</sup>				
All current executive officers and directors as a group (14 persons) <sup>(10)</sup>				
<b>5% stockholders:</b>				
Entities affiliated with Insight Venture Partners <sup>(11)</sup>				
Entities affiliated with MIH Ventures B.V. <sup>(12)</sup>				
Norwest Venture Partners XII, LP <sup>(13)</sup>				
SG Growth Partners III, LP <sup>(14)</sup>				
Entities affiliated with MHS Capital <sup>(15)</sup>				

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- \* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of our common stock.
- (1) Consists of \_\_\_\_\_ shares subject to stock options exercisable within 60 days of \_\_\_\_\_.
  - (2) Consists of \_\_\_\_\_ shares subject to stock options exercisable within 60 days of \_\_\_\_\_.
  - (3) Consists of (i) \_\_\_\_\_ shares held of record by Mr. Argerich and (ii) \_\_\_\_\_ shares subject to stock options exercisable within 60 days of \_\_\_\_\_.
  - (4) Consists of \_\_\_\_\_ shares held of record by Mr. Bali.
  - (5) Consists of shares held of record by Norwest Venture Partners XII, LP, identified in footnote 13 below.
  - (6) Consists of shares held of record by Stripes III, LP, or Stripes, identified in footnote 14 below.
  - (7) Consists of \_\_\_\_\_ shares subject to stock options exercisable within 60 days of \_\_\_\_\_.
  - (8) Consists of shares held of record by entities affiliated with Insight Venture Partners, identified in footnote 11 below.
  - (9) Consists of \_\_\_\_\_ shares subject to stock options exercisable within 60 days of \_\_\_\_\_.
  - (10) Consists of (i) \_\_\_\_\_ shares beneficially owned by our executive officers and directors and (ii) \_\_\_\_\_ shares subject to stock options exercisable within 60 days of \_\_\_\_\_.
  - (11) Consists of (i) \_\_\_\_\_ shares held of record by Grace Software Cross Fund Holdings, LLC, or Grace, (ii) \_\_\_\_\_ shares held of record by Insight Venture Partners (Cayman) VII, L.P., or Insight Cayman, (iii) \_\_\_\_\_ shares held of record by Insight Venture Partners (Delaware) VII, L.P., or Insight Delaware, (iv) \_\_\_\_\_ shares held of record by Insight Venture Partners VII (Co-Investors), L.P., or Insight Co-Investors, and (v) \_\_\_\_\_ shares held of record by Insight Venture Partners VII, L.P., or Insight Venture. Insight Holdings Group, LLC, or Holdings, is the sole shareholder of each of Insight Venture Associates VII, Ltd., or IVA VII Ltd, and Insight Associates XI, Ltd., or IA XI Ltd. IVA VII Ltd. is the general partner of Insight Venture Associates VII, L.P., or IVA VII LP, which is the general partner of Insight Venture, Insight Cayman, Insight Delaware, and Insight Co-Investors, or collectively, Fund VII. IA XI Ltd is the general partner of Insight Associates XI L.P., or IA XI LP, which is the manager of Grace. Each of Jeffrey L. Horing, Deven Parekh, Mr. Lieberman, and Michael Triplett is a member of the board of managers of Holdings. Because Messrs. Horing, Parekh, Lieberman, and Triplett are members of the board of managers of Holdings, Holdings is the sole shareholder of each of IVA VII Ltd and IA XI Ltd, IVA VII LP is the general partner of Fund VII, and IA XI LP is the manager of Grace, Messrs. Horing, Parekh, Lieberman, and Triplett may be deemed to share voting and dispositive power over the shares noted above. Mr. Lieberman, a member of our board of directors, disclaims beneficial ownership of the shares held of record by each of Fund VII and Grace, except to the extent of his pecuniary interest therein, if any. The address for each of these entities and individuals is 1114 Avenue of the Americas, 36th Floor, New York, New York 10036.
  - (12) Consists of \_\_\_\_\_ shares held of record by MIH Edtech Investments B.V., or Edtech. Edtech is a subsidiary of Prosus N.V., or Prosus, a publicly traded company whose shares are listed on the Euronext Amsterdam. A majority of the voting power of the outstanding ordinary shares of Prosus N.V. is held by Naspers Limited, a publicly traded company whose shares are listed on the Johannesburg Stock Exchange. As a result, the shares of our company held by Edtech may be deemed to be beneficially owned by Prosus and Naspers Limited. The address for Edtech and Prosus is Gustav Mahlerplein 5, 1082 MS, Amsterdam, Netherlands. The address for Naspers Limited is 40 Heerengracht, Cape Town 8001, South Africa.
  - (13) Consists of \_\_\_\_\_ shares held of record by Norwest Venture Partners XII, LP. Genesis VC Partners XII, LLC is the general partner of Norwest Venture Partners XII, LP, and NVP Associates, LLC is the managing member of Genesis VC Partners XII, LLC. Each of Promod Haque, Jeffrey Crowe, and Jon Kossow, who are co-chief executive officers of NVP Associates, LLC, may be deemed to share voting and dispositive power over the shares held by Norwest Venture Partners XII, LP. Mr. Barrile, a member of our board of directors, disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein, if any. The address for each of these entities and individuals is c/o 525 University Avenue, #800, Palo Alto, California 94301.
  - (14) Consists of \_\_\_\_\_ shares held of record by Stripes III. Stripes GP III, LLC, or Stripes GP, the general partner of Stripes III, has sole voting and dispositive power over such shares and voting decisions with respect to such shares are made by Stripes Holdings, LLC, or Stripes Holdings, as the managing member of Stripes GP. Stripes GP III, LLC, or Stripes GP, the general partner of Stripes, has sole voting and dispositive power over such shares and voting decisions with respect to such shares are made by Stripes Holdings, LLC, or Stripes Holdings, as the managing member of Stripes GP. Mr. Fox, a member of our board of directors, owns and controls Stripes Holdings, and may be deemed to beneficially own these shares. The address for each of these entities and Mr. Fox is 402 West 13th Street, 4th Floor, New York, New York 10014.
  - (15) Consists of (i) \_\_\_\_\_ shares held of record by MHS Capital Partners LP, or Partners LP, (ii) \_\_\_\_\_ shares held of record by MHS Capital Partners U, LLC, or Partners U, and (iii) \_\_\_\_\_ shares held of record by MHS Capital Principals LLC, or Capital Principals. MHS Capital Management, L.L.C., or Capital Management, is the general partner of Partners LP and the manager of Partners U and Capital Principals Mark Sugarman is the managing member of Capital Management and may be deemed to share voting and investment power over the shares held by Partners LP, Partners U, and Capital Principals. The address for each of these entities and individuals is 2121 S. El Camino Real, Ste 200, San Mateo, California 94403.

## Description of capital stock

The following descriptions of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws that will be in effect upon completion of this offering. Copies of these documents will be filed with the SEC as exhibits to our registration statement of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the completion of this offering.

Immediately prior to the completion of this offering and the filing of our amended and restated certificate of incorporation to be effective upon completion of this offering, our authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.00001 per share, and \_\_\_\_\_ shares of preferred stock, par value \$0.00001 per share.

Immediately prior to the completion of this offering, all the outstanding shares of our redeemable convertible preferred stock will automatically convert into an aggregate of \_\_\_\_\_ shares of our common stock.

Based on 35,627,503 shares of common stock outstanding as of December 31, 2020, and after giving effect to the automatic conversion of all of our outstanding redeemable convertible preferred stock into an aggregate of \_\_\_\_\_ shares of common stock immediately prior to the completion of this offering and the issuance of \_\_\_\_\_ shares of common stock in this offering, there will be \_\_\_\_\_ shares of common stock outstanding upon the completion of this offering. As of December 31, 2020, we had \_\_\_\_\_ stockholders of record.

## Common stock

### *Voting rights*

Each holder of common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws to be in effect upon the completion of this offering do not provide for cumulative voting rights. Because of this, the holders of a plurality of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they should so choose. With respect to matters other than the election of directors, at any meeting of the stockholders at which a quorum is present or represented, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at such meeting and entitled to vote on the subject matter shall be the act of the stockholders, except as otherwise required by law. The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders.

### *Dividends*

Subject to preferences that may be applicable to any then-outstanding preferred stock, holders of our common stock are entitled to receive dividends, if any, as may be declared from time to time by our board of directors out of legally available funds.

### *Liquidation*

In the event of our liquidation, dissolution, or winding up, holders of our common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any then-outstanding shares of preferred stock.

### *Rights and preferences*

Holders of our common stock have no preemptive, conversion, subscription, or other rights, and there are no redemption or sinking fund provisions applicable to our common stock. The rights, preferences, and privileges of

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the holders of our common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of our preferred stock that we may designate in the future.

### ***Fully paid and nonassessable***

All of our outstanding shares of common stock are, and the shares of common stock to be issued in this offering, upon payment and delivery in accordance with the underwriting agreement, will be fully paid and nonassessable.

## **Preferred stock**

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

## **Options**

As of December 31, 2020, we had outstanding options to purchase an aggregate of 18,932,979 shares of our common stock, with a weighted-average exercise price of \$5.23 per share, under our 2010 Plan. This excludes 95,475 stock appreciation rights outstanding as of December 31, 2020 that will be settled in cash upon exercise.

## **Warrants**

As of December 31, 2020, we had outstanding warrants to purchase an aggregate of 12,595 shares of our redeemable convertible preferred stock outstanding, with a weighted-average exercise price of \$0.196 per share. These warrants were fully exercised in January 2021.

## **Registration rights**

After the completion of this offering, under our investors' rights agreement, as amended, the holders of \_\_\_\_\_ shares of common stock or their transferees, will have the right to require us to register the offer and sale of their shares or to include their shares in any registration statement we file, in each case as described below.

### ***Demand registration rights***

After the completion of this offering, the holders of up to \_\_\_\_\_ shares of our common stock will be entitled to certain demand registration rights. At any time beginning after 180 days following the date of effectiveness of the registration statement of which this prospectus forms a part, the holders of at least 30% of the shares having registration rights can request that we file a registration statement to register the offer and sale of their shares. We are only obligated to effect up to two such registrations. Each such request for registration must cover securities the anticipated aggregate gross proceeds of which, before deducting underwriting discounts and expenses, is at least \$10 million. These demand registration rights are subject to specified conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances. If we determine that it would be materially detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any twelve-month period, for a period of up to 90 days.

### ***Form S-3 registration rights***

After the completion of this offering, the holders of up to \_\_\_\_\_ shares of our common stock will be entitled to certain Form S-3 registration rights. At any time after the completion of this offering when we are eligible to file a

registration statement on Form S-3, the holders of the shares having these rights can request that we register the offer and sale of their shares of our common stock on a registration statement on Form S-3 so long as the request covers securities of which the anticipated aggregate public offering price is at least \$1.0 million. These stockholders may make an unlimited number of requests for registration on a registration statement on Form S-3. However, we will not be required to effect a registration on Form S-3 if we have effected two such registrations within the twelve-month period preceding the date of the request. These Form S-3 registration rights are subject to specified conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances. Additionally, if we determine that it would be seriously detrimental to us and our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any twelve-month period, for a period of up to 90 days.

### ***Piggyback registration rights***

After the completion of this offering, the holders of up to \_\_\_\_\_ shares of our common stock will be entitled to certain “piggyback” registration rights. If we propose to register the offer and sale of shares of our common stock under the Securities Act, the holders of these shares can request that we include their shares in such registration, subject to certain marketing and other limitations, including the right of the underwriters to limit the number of shares included in any such registration statement under certain circumstances. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (1) a registration related to any employee benefit plan or a corporate reorganization or other transaction covered by Rule 145 promulgated under the Securities Act, (2) a registration relating to the offer and sale of debt securities, (3) a registration on any registration form that does not permit secondary sales, or (4) a registration pursuant to the demand or Form S-3 registration rights described in the preceding two paragraphs above, the holders of these shares are entitled to notice of the registration and have the right, subject to certain limitations, to include their shares in the registration.

### ***Expenses of registration***

We will pay all expenses relating to any demand registrations, Form S-3 registrations, and piggyback registrations, subject to specified exceptions.

### ***Termination***

The registration rights terminate upon the earlier of (1) the closing of certain liquidation events or (2) the date that is five years after the closing of this offering.

### **Anti-takeover effects of certain provisions of Delaware law, our amended and restated certificate of incorporation, and our amended and restated bylaws**

Certain provisions of Delaware law and certain provisions that will be included in our amended and restated certificate of incorporation and amended and restated bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter, or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

### ***Preferred stock***

Our amended and restated certificate of incorporation will contain provisions that permit our board of directors to issue, without any further vote or action by the stockholders, shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting rights (if any) of the shares of the series and the powers, preferences or relative, participation, optional and other special rights, if any, and any qualifications, limitations, or restrictions, of the shares of such series.

***Classified board***

Our amended and restated certificate of incorporation will provide that our board of directors is divided into three classes, designated Class I, Class II, and Class III. Each class will be an equal number of directors, as nearly as possible, consisting of one-third of the total number of directors constituting the entire board of directors. The term of initial Class I directors shall terminate on the date of the 2022 annual meeting, the term of the initial Class II directors shall terminate on the date of the 2023 annual meeting, and the term of the initial Class III directors shall terminate on the date of the 2024 annual meeting. At each annual meeting of stockholders beginning in 2022, the class of directors whose term expires at that annual meeting will be subject to reelection for a three-year term.

***Removal of directors***

Our amended and restated certificate of incorporation will provide that stockholders may only remove a director for cause by a vote of no less than a majority of the shares present in person or by proxy at the meeting and entitled to vote.

***Director vacancies***

Our amended and restated certificate of incorporation will authorize only our board of directors to fill vacant directorships.

***No cumulative voting***

Our amended and restated certificate of incorporation will provide that stockholders do not have the right to cumulate votes in the election of directors.

***Special meetings of stockholders***

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that, except as otherwise required by law, special meetings of the stockholders may be called only by an officer at the request of a majority of our board of directors, by the Chair of our board of directors, or by our Chief Executive Officer.

***Advance notice procedures for director nominations***

Our amended and restated bylaws will provide that stockholders seeking to nominate candidates for election as directors at an annual or special meeting of stockholders must provide timely notice thereof in writing. To be timely, a stockholder's notice generally will have to be delivered to and received at our principal executive offices before notice of the meeting is issued by our corporate secretary, with such notice being served not less than 90 nor more than 120 days before the meeting. Although the amended and restated bylaws will not give the board of directors the power to approve or disapprove stockholder nominations of candidates to be elected at an annual meeting, the amended and restated bylaws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of our company.

***Action by written consent***

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that any action to be taken by the stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent.

***Amending our certificate of incorporation and bylaws***

Our amended and restated certificate of incorporation may be amended or altered in any manner provided by the DGCL. Our amended and restated bylaws may be adopted, amended, altered, or repealed by stockholders only upon approval of at least majority of the voting power of all the then outstanding shares of the common stock, except for any amendment of the above provisions, which would require the approval of a two-thirds majority of



our then outstanding common stock. Additionally, our amended and restated certificate of incorporation will provide that our bylaws may be amended, altered, or repealed by the board of directors.

#### ***Authorized but unissued shares***

Our authorized but unissued shares of common stock and preferred stock will be available for future issuances without stockholder approval, except as required by the listing standards of \_\_\_\_\_, and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions, and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger, or otherwise.

#### ***Exclusive jurisdiction***

Our amended and restated bylaws will provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, stockholders, officers, or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation and our amended and restated bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court in Delaware or the federal district court for the District of Delaware), except for, as to each of (1) through (4) above, any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction. This provision would not apply to any action brought to enforce a duty or liability created by the Exchange Act and inclusive of rules and regulations thereunder.

Our amended and restated bylaws will also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. Any person or entity purchasing or otherwise acquiring or holding or owning (or continuing to hold or own) any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Stockholders will not be deemed to have waived compliance with the federal securities laws and the rules and regulations thereunder as a result of these exclusive forum provisions.

#### ***Business combinations with interested stockholders***

We are governed by Section 203 of the DGCL. Subject to certain exceptions, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a business combination (as defined in such section) with an "interested stockholder" (defined generally as any person who beneficially owns 15% or more of the outstanding voting stock of such corporation or any person affiliated with such person) for a period of three years following the time that such stockholder became an interested stockholder, unless (1) prior to such time the board of directors of such corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (2) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of such corporation at the time the transaction commenced (excluding for purposes of determining the voting stock of such corporation outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (a) by persons who are directors and also officers of such corporation and (b) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject



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to the plan will be tendered in a tender or exchange offer); or (3) at or subsequent to such time the business combination is approved by the board of directors of such corporation and authorized at a meeting of stockholders (and not by written consent) by the affirmative vote of at least 66 2/3% of the outstanding voting stock of such corporation not owned by the interested stockholder.

Our amended and restated certificate of incorporation and our amended and restated bylaws will provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL. We are expressly authorized to, and do, carry directors' and officers' insurance providing coverage for our directors, officers, and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation on liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

***Listing***

We intend to apply to list our common stock on \_\_\_\_\_ under the symbol "UDMY".

***Transfer agent and registrar***

Upon completion of this offering, the transfer agent and registrar for our common stock will be \_\_\_\_\_. The transfer agent and registrar's address is \_\_\_\_\_.

## Shares eligible for future sale

Prior to this offering, there has been no public market for our common stock, and although we expect that our common stock will be approved for listing on the \_\_\_\_\_, we cannot assure investors that there will be an active public market for our common stock following this offering. We cannot predict what effect, if any, sales of our shares in the public market or the availability of shares for sale will have on the market price of our common stock. Future sales of substantial amounts of common stock in the public market, including shares issued upon exercise of outstanding options, or the perception that such sales may occur, however, could adversely affect the market price of our common stock and also could adversely affect our future ability to raise capital through the sale of our common stock or other equity-related securities of ours at times and prices we believe appropriate.

Upon completion of this offering, based on our shares outstanding as of December 31, 2020 and after giving effect to the automatic conversion of all outstanding shares of our redeemable convertible preferred stock, \_\_\_\_\_ shares of our common stock will be outstanding, or \_\_\_\_\_ shares of common stock if the underwriters exercise their option to purchase additional shares in full. All of the shares of common stock expected to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act unless held by our “affiliates,” as that term is defined in Rule 144 under the Securities Act. The remaining outstanding shares of our common stock will be deemed “restricted securities” as that term is defined under Rule 144. Restricted securities may be sold in the public market only if their offer and sale is registered under the Securities Act or if the offer and sale of those securities qualify for an exemption from registration, including exemptions provided by Rules 144 and 701 under the Securities Act, which are summarized below.

As a result of the lock-up agreements and market stand-off provisions described below and the provisions of Rules 144 or 701, the shares of our common stock that will be deemed “restricted securities” will be available for sale in the public market following the completion of this offering as follows:

- no shares will be eligible for sale on the date of this prospectus; and
- \_\_\_\_\_ shares will be eligible for sale upon expiration of the lock-up agreements and market stand-off provisions described below, following the date that is 180 days after the date of this prospectus.

## Lock-up agreements and market stand-off agreements

Our officers, directors, and the holders of substantially all of our capital stock and options have entered into market stand-off agreements with us and have entered into or will enter into lock-up agreements with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior consent of \_\_\_\_\_. See “Underwriters” for additional information.

## Rule 144

Rule 144, as currently in effect, generally provides that, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a stockholder who is not deemed to have been one of our affiliates at any time during the preceding 90 days and who has beneficially owned the shares of our capital stock proposed to be sold for at least six months is entitled to sell such shares in reliance upon Rule 144 without complying with the volume limitation, manner of sale, or notice conditions of Rule 144. If such stockholder has beneficially owned the shares of our capital stock proposed to be sold for at least one year, then such person is entitled to sell such shares in reliance upon Rule 144 without complying with any of the other conditions of Rule 144.

Rule 144 also provides that a stockholder who is deemed to have been one of our affiliates at any time during the preceding 90 days and who has beneficially owned the shares of our common stock proposed to be sold for at

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least six months is entitled to sell such shares in reliance upon Rule 144 within any three-month period beginning 90 days after the date of this prospectus a number of such shares that does not exceed the greater of the following:

- 1% of the number of shares of our capital stock then outstanding, which will equal \_\_\_\_\_ shares immediately after the completion of this offering, assuming no exercise by the underwriters of their option to purchase additional shares; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales of our capital stock made in reliance upon Rule 144 by a stockholder who is deemed to have been one of our affiliates at any time during the preceding 90 days are also subject to the current public information, manner of sale, and notice conditions of Rule 144.

### **Rule 701**

Rule 701 generally provides that, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a stockholder who purchased shares of our common stock pursuant to a written compensatory benefit plan or contract and who is not deemed to have been one of our affiliates at any time during the preceding 90 days may sell such shares in reliance upon Rule 144 without complying with the current public information or holding period conditions of Rule 144. Rule 701 also provides that a stockholder who purchased shares of our common stock pursuant to a written compensatory benefit plan or contract and who is deemed to have been one of our affiliates during the preceding 90 days may sell such shares under Rule 144 without complying with the holding period condition of Rule 144. However, all stockholders who purchased shares of our common stock pursuant to a written compensatory benefit plan or contract are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

### **Registration rights**

After the completion of this offering, the holders of up to \_\_\_\_\_ shares of our common stock will be entitled to certain rights with respect to the registration of such shares under the Securities Act. The registration of these shares of our common stock under the Securities Act would result in these shares becoming eligible for sale in the public market without restriction under the Securities Act immediately upon the effectiveness of such registration. See “Description of capital stock—Registration rights” for a description of these registration rights.

### **Registration statement**

After the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of our common stock subject to equity awards outstanding or reserved for issuance under our equity compensation plans. The shares of our common stock covered by such registration statement will be eligible for sale in the public market without restriction under the Securities Act immediately upon the effectiveness of such registration statement, subject to vesting restrictions, the conditions of Rule 144 applicable to affiliates, and any applicable market stand-off agreements and lock-up agreements. See “Executive compensation—Employee benefit and stock plans” for a description of our equity compensation plans.

## **Material U.S. federal income tax considerations for non-U.S. holders of our common stock**

The following is a summary of the material U.S. federal income tax considerations of the ownership and disposition of our common stock acquired in this offering by a “non-U.S. holder” (as defined below), but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury Regulations promulgated thereunder, administrative rulings, and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought, and do not intend to seek, any ruling from the IRS with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS or a court will agree with such statements and conclusions.

This summary also does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, under U.S. federal gift and estate tax rules or under any applicable tax treaty. In addition, this discussion does not address tax considerations applicable to an investor’s particular circumstances or to investors that may be subject to special tax rules, including, without limitation:

- banks, insurance companies, or other financial institutions;
- persons subject to the alternative minimum tax or the Medicare contribution tax on net investment income;
- tax-exempt accounts, organizations, or governmental organizations;
- pension plans and tax-qualified retirement plans;
- controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than 5% of our common stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- partnerships (or entities or arrangements classified as such for U.S. federal income tax purposes), other pass-through entities, and investors therein;
- persons who hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction,” or other risk reduction transaction;
- persons who hold or receive our common stock pursuant to the exercise of any option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our common stock being taken into account in an “applicable financial statement” as defined in Section 451(b) of the Code;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment); or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership (or other entity or arrangement classified as a partnership for U.S. federal income tax purposes) or other flow-through entity holds our common stock, the tax treatment of a partner in the partnership or owner of other such entity generally will depend on the status of the partner or owner and upon the activities of the partnership or other such entity. A partner in a partnership, or owner of other such entity, that will hold our common stock should consult his, her, their, or its own tax advisor regarding the tax consequences of the ownership and disposition of our common stock through the partnership or other such entity, as applicable.

**You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the purchase, ownership, and disposition of our common stock arising under the U.S. federal gift or estate tax rules or under the laws of any state, local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.**

## **Non-U.S. holder defined**

For purposes of this discussion, you are a “non-U.S. holder” if you are a beneficial owner of our common stock that, for U.S. federal income tax purposes, is not a partnership (including any entity or arrangement treated as a partnership and the equity holders therein) or:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof, or otherwise treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (1) whose administration is subject to the primary supervision of a U.S. court and that has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (2) that has made a valid election under applicable Treasury Regulations to be treated as a “United States person” within the meaning of the Code.

## **Distributions**

As described in the section titled “Dividend policy,” we have never declared or paid cash dividends on our capital stock, and we do not anticipate paying any cash dividends following the completion of this offering. However, if we do make distributions on our common stock, those payments will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, the excess will constitute a return of capital and will first reduce your basis in our common stock (determined separately with respect to each share of our common stock), but not below zero, and then will be treated as gain from the sale of stock as described below in the section titled “—Gain on disposition of common stock.”

Subject to the discussions below on effectively connected income and in the sections titled “—Backup withholding and information reporting” and “—Foreign Account Tax Compliance Act (FATCA),” any dividend paid to you generally will be subject to U.S. federal withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty between the United States and your country of residence. Under applicable Treasury Regulations, the applicable withholding agent may withhold up to 30% of the gross amount of the entire distribution even if the amount constituting a dividend, as described above, is less than the gross amount. In order to receive a reduced treaty rate, you must provide the applicable withholding agent with a properly executed IRS Form W-8BEN or W-8BEN-E or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate. If you hold our common stock through a financial institution or other agent acting on your behalf, you generally will be required to provide appropriate documentation to the agent, which then may be required to provide certification to us or our paying agent, either directly or through other intermediaries. If you are eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. You should consult your tax advisor regarding your entitlement to benefits under any applicable tax treaty.

Dividends received by you that are treated as effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by you in the United States) are generally exempt from the 30% U.S. federal withholding tax, subject

to the discussions below in the sections titled “—Backup withholding and information reporting” and “—Foreign Account Tax Compliance Act (FATCA).” In order to obtain this exemption, you must provide the applicable withholding agent with a properly executed IRS Form W-8ECI or other applicable IRS Form W-8 properly certifying such exemption. Such effectively connected dividends, although not subject to U.S. federal withholding tax, are taxed at the same rates applicable to U.S. persons, net of certain deductions and credits and subject to an applicable income tax treaty providing otherwise. In addition, if you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, are attributable to a permanent establishment or fixed base maintained by you in the United States) may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty between the United States and your country of residence. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

### **Gain on disposition of common stock**

Subject to the discussions in the sections titled “—Backup withholding and information reporting” and “—Foreign Account Tax Compliance Act (FATCA),” you generally will not be required to pay U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment or fixed base maintained by you in the United States);
- you are an individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or
- our common stock constitutes a United States real property interest by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of our common stock or your holding period for our common stock, or the applicable testing period.

If you are a non-U.S. holder described in the first bullet above, you will be required to pay tax on the gain derived from the sale or other disposition of our common stock (net of certain deductions and credits) under regular U.S. federal income tax rates, and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty. If you are an individual non-U.S. holder described in the second bullet above, you will be subject to tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on the gain derived from the sale or other disposition of our common stock, which gain may be offset by U.S. source capital losses for the year, provided you have timely filed U.S. federal income tax returns with respect to such losses. You should consult your tax advisor regarding any applicable income tax or other treaties that may provide for different rules.

We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion so assumes. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our U.S. and worldwide real property interests plus our other business assets, there can be no assurance that we will not become a USRPHC in the future. However, even if we are or become a USRPHC, our common stock will not constitute a United States real property interest if our common stock is regularly traded on an established securities market and you hold no more than 5% of our outstanding common stock, directly, indirectly or constructively, at all times during the applicable testing period. If we are a USRPHC at any time within the applicable testing period and either our common stock is not regularly traded on an established securities market or you hold more than 5% of our outstanding common stock, directly, indirectly or constructively, at any time during the applicable testing period, you will generally be taxed on any gain realized upon the sale or other disposition of our common stock in the same manner as gain that is effectively connected with the conduct of a U.S. trade or business, except that the branch profits tax generally will not apply. If we are a USRPHC at any time within the applicable testing period and our common stock is not regularly traded on an established securities

market, your proceeds received on the disposition of shares will also generally be subject to withholding at a rate of 15%. You are encouraged to consult your own tax advisors regarding the possible consequences to you if we are, or were to become, a URSPHC.

### **Backup withholding and information reporting**

Generally, we or the applicable agent must report annually to the IRS the amount of dividends paid to you, your name and address and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends on or of proceeds from the disposition of our common stock made to you may also be subject to backup withholding at a current rate of 24% and additional information reporting unless you establish an exemption, for example, by properly certifying your non-U.S. status on a properly completed IRS Form W-8BEN or W-8BEN-E or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if the applicable withholding agent has actual knowledge, or reason to know, that you are a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

### **Foreign Account Tax Compliance Act (FATCA)**

Subject to the following paragraph, the Foreign Account Tax Compliance Act, Treasury Regulations issued thereunder and official IRS guidance with respect thereto, or, collectively, FATCA, generally impose a U.S. federal withholding tax of 30% on dividends on and the gross proceeds from a sale or other disposition of our common stock paid to a "foreign financial institution" (as specially defined under these rules), unless otherwise provided by the Treasury Secretary or such institution (i) enters into an agreement with the U.S. government to, among other things, withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or (ii) otherwise establishes an exemption. Subject to the following paragraph, FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends on and the gross proceeds from a sale or other disposition of our common stock paid to a "non-financial foreign entity" (as specially defined under these rules), unless otherwise provided by the Treasury Secretary or such entity provides the withholding agent with a certification identifying the substantial direct and indirect U.S. owners of the entity, certifies that it does not have any substantial U.S. owners or otherwise establishes an exemption. The withholding tax will apply regardless of whether the payment otherwise would be exempt from U.S. nonresident and backup withholding tax, including under the other exemptions described above. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this section. Prospective investors should consult with their own tax advisors regarding the application of FATCA withholding to their investment in, and ownership and disposition of, our common stock.

The U.S. Treasury Department has issued proposed Treasury Regulations that, if finalized in their present form, would eliminate withholding under FATCA with respect to payments of gross proceeds from a sale or other disposition of our common stock. In the preamble to such proposed Treasury Regulations, the Treasury Secretary stated that taxpayers may generally rely on the proposed Treasury Regulations until final regulations are issued.

The preceding discussion of U.S. federal tax considerations is for general information only. It is not tax advice to investors in their particular circumstances. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local, and non-U.S. tax considerations of purchasing, holding and disposing of our common stock, including the consequences of any proposed change in applicable laws.



## Underwriters

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

<b>Name</b>	<b>Number of shares</b>
Morgan Stanley & Co. LLC	
J.P. Morgan Securities LLC	
<b>Total</b>	

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at the public offering price less a concession not to exceed \$ \_\_\_\_\_ per share. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives. The offering of the shares by the underwriters is subject to the receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional \_\_\_\_\_ shares of common stock.

	<b>Without exercise of option to purchase additional shares</b>	<b>With exercise of full option to purchase additional shares</b>
Per share	\$ _____	\$ _____
Total	\$ _____	\$ _____

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately \$ \_\_\_\_\_. We have agreed to reimburse the underwriters for expenses relating to clearance of this offering with the Financial Industry Regulatory Authority, Inc. up to \$ \_\_\_\_\_.

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The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We intend to apply to list our common stock on \_\_\_\_\_ under the trading symbol "UDMY".

In connection with this offering, we and all directors and officers and the holders of all of our outstanding equity securities have agreed that, without the prior written consent of \_\_\_\_\_ on behalf of the underwriters, we and they will not, and will not publicly disclose an intention to, during the period ending 180 days after the date of this prospectus, or the restricted period:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, make any short sale, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for, or that represent the right to receive, shares of common stock, which we refer to as other securities;
- file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap, hedging transaction or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock.

whether any such transaction described above is to be settled by delivery of common stock or other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of \_\_\_\_\_ on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any other security.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of shares to the underwriters; or
- the issuance by us of shares of common stock upon the exercise of an option or a warrant or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares; provided that no filing under Section 16(a) of the Exchange Act, is required or voluntarily made in connection with subsequent sales of the common stock or other securities acquired in such open market transactions; or
- facilitating the establishment of a trading plan on behalf of our stockholders, officers or directors pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that (i) such plan does not provide for the transfer of common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by us regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the restricted period.

, in their sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters

under the option to purchase additional shares. The underwriters can close out a covered short sale by exercising the option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the option to purchase additional shares. The underwriters may also sell shares in excess of the option to purchase additional shares, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

### **Pricing of the offering**

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

## **Selling restrictions**

### ***European Economic Area***

In relation to each Member State of the European Economic Area, or a Relevant Member State, an offer to the public of any shares of common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of common stock may be made at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the Prospectus Regulation), subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of shares shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares of common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129 (as amended).

### ***United Kingdom***

An offer to the public of any shares of common stock may not be made in the United Kingdom, except that an offer to the public in the United Kingdom of any shares of common stock may be made at any time under the following exemptions under the UK Prospectus Regulation:

- (a) to any legal entity which is a “qualified investor” as defined under the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than “qualified investors” as defined under the UK Prospectus Regulation), subject to obtaining the prior consent of the underwriters for any such offer; or
- (c) in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000, as amended, or the FSMA,

provided that no such offer of shares shall result in a requirement for us or any underwriter to publish a prospectus pursuant to section 85 of the FSMA or a supplemental prospectus pursuant to Article 23 of the UK Prospectus Regulation and each person who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the underwriters and us that it is a qualified investor within the meaning of Article 2 of the UK Prospectus Regulation.

In the United Kingdom, this prospectus may be distributed only to, and is directed only at, persons who are “qualified investors” (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended, or the Order, or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as “Relevant Persons.” In the United Kingdom, the shares of common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, Relevant Persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this prospectus or its contents.

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For the purposes of this provision, the expression an “offer to the public” in relation to any shares of common stock in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of common stock to be offered so as to enable an investor to decide to purchase or subscribe for any shares of common stock, and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

### **Canada**

The shares of common stock may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the shares of common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Switzerland**

This prospectus is not intended to constitute an offer or solicitation to purchase or invest in the shares of common stock. The shares of common stock may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act, or the FinSA, and no application has or will be made to admit the shares of common stock to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the shares of common stock constitutes a prospectus pursuant to the FinSA, and neither this prospectus nor any other offering or marketing material relating to the shares of common stock may be publicly distributed or otherwise made publicly available in Switzerland.

### **Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or the DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

### **Australia**

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the

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Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons, or the Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take into account the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate for their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

### **Hong Kong**

The shares of common stock may not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares of common stock may be issued or may be in the possession of any person for the purposes of issuance, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Japan**

No registration pursuant to Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended), or the FIEL, may be made with respect to the solicitation of the application for the acquisition of the shares of common stock.

Accordingly, the shares of common stock may not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements, and otherwise in compliance with, the FIEL and the other applicable laws and regulations of Japan.

### *For Qualified Institutional Investors, or QII*

Please note that the solicitation for newly issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to the shares of common stock constitutes either a “QII only private placement” or a “QII only secondary distribution” (each as described in Paragraph 1, Article 23-13 of the FIEL). Disclosure

regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to the shares of common stock. The shares of common stock may only be transferred to QIIs.

*For Non-QII Investors*

Please note that the solicitation for newly issued or secondary securities (each as described in Paragraph 2, Article 4 of the FIEL) in relation to the shares of common stock constitutes either a "small number private placement" or a "small number private secondary distribution" (each as is described in Paragraph 4, Article 23-13 of the FIEL). Disclosure regarding any such solicitation, as is otherwise prescribed in Paragraph 1, Article 4 of the FIEL, has not been made in relation to the shares of common stock. The shares of common stock may only be transferred en bloc without subdivision to a single investor.

**Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares of common stock may not be circulated or distributed, nor may the shares of common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares of common stock are subscribed or purchased under Section 275 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares of common stock pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Solely for the purposes of its obligations pursuant to Section 309B of the SFA, we have determined, and hereby notify all relevant persons (as defined in the CMP Regulations 2018), that the shares are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## Legal matters

The validity of the issuance of our common stock offered in this prospectus will be passed upon for us by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. The underwriters are being represented by Simpson Thacher & Bartlett LLP, Palo Alto, California.

## Experts

The financial statements as of December 31, 2019 and 2020 and for each of the two years in the period ended December 31, 2020, included in this prospectus, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## Where you can find additional information

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not include all of the information contained in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. You should refer to the registration statement and its exhibits for additional information. Whenever we make references in this prospectus to any of our contracts, agreements or other documents, such references are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document.

You can read our SEC filings, including the registration statement and its exhibits, over the internet at the SEC's website at [www.sec.gov](http://www.sec.gov).

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and file annual, quarterly and special reports, proxy statements, and other information with the SEC. These reports, proxy statements and other information will be available at the SEC's website. We also maintain a website at [www.udemy.com](http://www.udemy.com) where these materials will be available. Upon the completion of this offering, you may access these materials through our website, free of charge, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on, or that can be accessible through, our website is not a part of this prospectus and the inclusion of our website address in this prospectus is an inactive textual reference only.



## Udemy, Inc.

### Index to Consolidated Financial Statements as of and for the Years Ended December 31, 2020 and 2019, and Report of Independent Registered Public Accounting Firm

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## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Udemy, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Udemy, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2020, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock and stockholders' deficit, and cash flows, for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ DELOITTE & TOUCHE LLP*

San Francisco, California  
May 25, 2021

We have served as the Company's auditor since 2019.

# Udemy, Inc.

## Consolidated Balance Sheets As of December 31, 2019 and 2020 (in thousands, except share and per share amounts)

	2019	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 49,139	\$ 175,031
Restricted cash, current	112	—
Accounts receivable, net of allowance for doubtful accounts of \$582 and \$643, respectively	26,807	46,257
Prepaid expenses and other current assets	3,626	6,036
Deferred contract costs, current	4,696	9,640
Total current assets	84,380	236,964
Property and equipment, net	7,956	9,106
Capitalized software, net	10,801	14,013
Restricted cash, non-current	2,500	2,900
Deferred contract costs, non-current	9,684	16,197
Other assets	1,981	2,916
<b>TOTAL ASSETS</b>	<b>\$ 117,302</b>	<b>\$ 282,096</b>
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 16,323	\$ 23,710
Accrued expenses and other current liabilities	46,128	46,778
Content costs payable	24,868	31,483
Accrued compensation and benefits	9,575	20,403
Deferred revenue, current	87,005	141,439
Total current liabilities	183,899	263,813
Deferred revenue	704	937
Other liabilities	2,644	3,927
Total liabilities	187,247	268,677
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>REDEEMABLE CONVERTIBLE PREFERRED STOCK</b>		
Redeemable convertible preferred stock, \$0.00001 par value - 86,348,646 and 79,635,385 shares authorized as of December 31, 2020 and December 31, 2019, respectively. 85,391,338 and 79,472,483 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively. Aggregate liquidation value of \$274,009 and \$153,178 as of December 31, 2020 and December 31, 2019, respectively;	155,645	274,104
<b>STOCKHOLDERS' DEFICIT:</b>		
Common stock, \$0.00001 par value - 150,000,000 and 130,000,000 shares authorized as of December 31, 2020 and December 31, 2019, respectively. 35,627,503 and 30,619,605 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively;	—	—
Additional paid-in capital	75,293	117,818
Accumulated deficit	(300,883)	(378,503)
Total stockholders' deficit	(225,590)	(260,685)
<b>TOTAL LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 117,302</b>	<b>\$ 282,096</b>

See accompanying notes to consolidated financial statements.

## Udemy, Inc.

### Consolidated Statements of Operations For the years ended December 31, 2019 and 2020 (in thousands, except share and per share amounts)

	2019	2020
REVENUES	\$ 276,327	\$ 429,899
COST OF REVENUES	143,510	209,253
GROSS PROFIT	132,817	220,646
OPERATING EXPENSES:		
Sales and marketing	126,436	192,600
Research and development	34,379	50,643
General and administrative	40,033	50,783
Total operating expenses	200,848	294,026
OPERATING LOSS	(68,031)	(73,380)
OTHER INCOME (EXPENSE), NET:		
Interest income (expense), net	87	(1,146)
Other income (expense), net	(384)	55
Total other expense, net	(297)	(1,091)
NET LOSS BEFORE TAXES	(68,328)	(74,471)
INCOME TAX PROVISION	(1,375)	(3,149)
NET LOSS	(69,703)	(77,620)
NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS—BASIC AND DILUTED	\$ (2.57)	\$ (2.33)
WEIGHTED AVERAGE SHARES USED TO CALCULATE NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS— BASIC AND DILUTED	27,096,379	33,384,438

See accompanying notes to consolidated financial statements.

## Udemy, Inc.

### Consolidated Statements of Comprehensive Loss For the years ended December 31, 2019 and 2020 (in thousands)

	2019	2020
NET LOSS	(69,703)	(77,620)
CHANGE IN UNREALIZED GAIN ON MARKETABLE SECURITIES	54	—
COMPREHENSIVE LOSS	\$ (69,649)	\$ (77,620)

See accompanying notes to consolidated financial statements.

## Udemy, Inc.

### Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit For the years ended December 31, 2019 and 2020 (in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
BALANCE—January 1, 2019	79,472,483	\$ 155,645	26,595,462	\$ —	\$ 54,399	\$ (54)	\$ (237,913)	\$ (183,568)
Stock-based compensation	—	—	—	—	9,208	—	—	9,208
Unrealized gain on investments	—	—	—	—	—	54	—	54
Exercise of stock options	—	—	4,024,143	—	11,265	—	—	11,265
Cumulative effect of adoption of ASC Topic 606	—	—	—	—	—	—	6,733	6,733
Vesting of early-exercised stock options	—	—	—	—	421	—	—	421
Net loss	—	—	—	—	—	—	(69,703)	(69,703)
<b>BALANCE—December 31, 2019</b>	<b>79,472,483</b>	<b>155,645</b>	<b>30,619,605</b>	<b>—</b>	<b>75,293</b>	<b>—</b>	<b>(300,883)</b>	<b>(225,590)</b>
Issuance of Series E Convertible Preferred Stock, net of \$52 issuance costs	2,569,043	39,948	—	—	—	—	—	—
Issuance of Series F Convertible Preferred Stock, net of \$2,320 issuance costs	3,349,812	78,511	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	32,135	—	—	32,135
Exercise of stock options	—	—	5,007,898	—	10,383	—	—	10,383
Vesting of early-exercised stock options	—	—	—	—	7	—	—	7
Net loss	—	—	—	—	—	—	(77,620)	(77,620)
<b>BALANCE—December 31, 2020</b>	<b>85,391,338</b>	<b>\$ 274,104</b>	<b>35,627,503</b>	<b>\$ —</b>	<b>\$ 117,818</b>	<b>\$ —</b>	<b>\$ (378,503)</b>	<b>\$ (260,685)</b>

See accompanying notes to consolidated financial statements.

## Udemy, Inc.

### Consolidated Statements of Cash Flows For the years ended December 31, 2019 and 2020 (in thousands)

	2019	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (69,703)	\$ (77,620)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,740	11,055
Amortization of deferred sales commissions	3,038	7,486
Stock-based compensation	8,963	31,618
Provision for doubtful accounts	642	182
Change in fair value of warrant liability	58	52
Other	95	—
Changes in operating assets and liabilities:		
Accounts receivable	(10,578)	(19,632)
Prepaid expenses and other current assets	(106)	(2,409)
Deferred contract costs	(10,685)	(18,943)
Other assets	(1,621)	(935)
Accounts payable	3,837	7,256
Accrued expenses and other current liabilities	17,723	(1,593)
Accrued compensation and benefits	4,938	10,828
Content costs payable	3,113	6,615
Deferred revenue	25,310	54,667
Other liabilities	(219)	997
Net cash provided by / (used in) operating activities	<u>(16,455)</u>	<u>9,624</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(3,328)	(5,180)
Capitalized software costs	(7,793)	(9,357)
Purchase of marketable securities	(1,542)	—
Proceeds from sale and maturity of marketable securities	27,274	—
Net cash provided by / (used in) investing activities	<u>14,611</u>	<u>(14,537)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from exercise of stock options	11,265	10,383
Net proceeds from issuance of redeemable convertible preferred stock	—	120,710
Net cash provided by financing activities	<u>11,265</u>	<u>131,093</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	9,421	126,180
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	42,330	51,751
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	<u>\$ 51,751</u>	<u>\$ 177,931</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 5	\$ 48
Income taxes paid	120	154
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Accrued redeemable convertible preferred stock issuance costs	\$ —	\$ 2,250
Stock-based compensation in capitalized software costs	281	749
Changes in purchases of property and equipment in accounts payable and accrued expenses	76	131
Vesting of early-exercised stock options	421	7

See accompanying notes to consolidated financial statements.

# Udemy, Inc.

## Notes to Consolidated Financial Statements As of and For The Years Ended December 31, 2019 and 2020

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### 1. Organization and Description of Business

Udemy, Inc. (“Udemy” or the “Company”) was incorporated in January 2010 under the laws of the state of Delaware.

Udemy is a global marketplace platform for teaching and learning, connecting millions of learners to the skills they need to succeed. The Company’s platform allows learners all over the world to access affordable and relevant content from expert instructors. Udemy combines high-quality content, insights and analytics, and technology into a single, unified platform that is purpose-built to meet the specific needs of both individual learners and enterprise customers.

The Company is headquartered in San Francisco, California, and maintains offices in Mountain View, California; Denver, Colorado; Ankara, Turkey; and Dublin, Ireland.

**Risks and Uncertainties**—As of December 31, 2019 and 2020, the Company had cumulative stockholder’s deficit of \$225.6 million and \$260.7 million, respectively, and negative net working capital of \$99.5 million and \$26.8 million, respectively. The negative net working capital balances as of December 31, 2019 and 2020 included deferred revenue totaling \$87.7 million and \$142.4 million, respectively, derived from both the Company’s Consumer and Enterprise customers (as defined in Note 2 under the Revenue Recognition heading). During the years ended December 31, 2019 and 2020, the Company incurred a net loss of \$69.7 million and \$77.6 million, respectively, and had cash used in operations of \$16.5 million and cash provided by operations of \$9.6 million, respectively.

The Company has incurred operating and net losses since inception. Such losses have primarily resulted from the costs incurred in the development, operation, and marketing of the Company’s products, platform and services. The Company expects to continue to make investments in order to develop and promote new offerings as well as to support existing offerings.

The Company may require future financing to perpetuate its business model. The Company believes it will be able to maintain adequate liquidity to meet the Company’s liquidity needs over the next twelve months from the issuance date of the audit report.

**Coronavirus disease 2019 (“COVID-19”)**—In March 2020, the World Health Organization declared the outbreak of the coronavirus disease named COVID-19 a pandemic. The COVID-19 pandemic has created and may continue to create significant uncertainty in global financial markets. This uncertainty may positively or adversely impact certain aspects of the business, including but not limited to customer demand and spending, the ability to raise capital, impairment of assets, and cash collections. As of December 31, 2020, and through the date of issuance of the financial statements, management is not aware of any significant, adverse conditions or circumstances pertaining to COVID-19 that would require updating or revising the Company’s estimates, judgments or carrying value of assets or liabilities. While the Company has not experienced a material negative impact to its business, results of operations, financial position, and liquidity, the future duration, impact, and disruption of the COVID-19 outbreak to the Company’s operations is uncertain.

### 2. Summary of Significant Accounting Policies

**Basis of Consolidation and Presentation**—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.



**Segment Information**—The Company defines its segments as those operations the chief operating decision maker (“CODM”), determined to be the Chief Executive Officer of the Company, regularly reviews to allocate resources and assess performance. For the years ended December 31, 2019 and 2020, the Company operated under two operating and reportable segments: Consumer and Enterprise. The Company continually monitors and reviews its segment reporting structure in accordance with Accounting Standards Codification (“ASC”) Topic 280, Segment Reporting, to determine whether any changes have occurred that would impact its reportable segments. For further information on the Company’s segment reporting, see Note 15 “Segment and Geographic Information.”

**Use of Estimates**—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the results of operations during the reporting periods.

Significant estimates and assumptions reflected in the consolidated financial statements include, but are not limited to, allowance for doubtful accounts, useful lives of property and equipment, capitalization of internally developed software and associated useful lives, valuation of stock option grants, determination of the income tax valuation allowance and the potential outcome of uncertain tax positions, estimated instructor withholding tax obligations, estimated period of consumption for Consumer learners’ single course purchases, fair value of the Company’s common stock and convertible preferred stock, and the period of benefit for deferred commissions. Management periodically evaluates such estimates and assumptions for continued reasonableness.

Actual results may ultimately differ from management’s estimates and such differences could be material to the financial position and results of operations.

**Revenue Recognition**—On January 1, 2019, the Company adopted ASC Topic 606, *Revenue from Contracts with Customers* using the modified retrospective method. The Company’s two sources of revenues are its Consumer and Enterprise business channels.

*Consumer revenues:* The Company generates revenue by selling access to course content on the Udemy platform directly to individual learners. Consumer revenues consist of (i) single course purchases and (ii) Consumer subscriptions. All contracts with Consumer customers are billed in advance and require payment by the customer prior to accessing any course content, or in the case for new Consumer subscription customers, upon expiration of the 7-day free trial.

After checkout, Consumer customers purchasing a single course receive a lifetime access license to the digital course content in addition to stand-ready access to the Udemy platform online services needed to access the content. Consumer subscription plans offer on-demand access to a library of courses over a subscription term, as well as additional features and functionalities.

Consumer revenue transactions are governed by Udemy’s standard terms of use. The time between a customer’s payment and the receipt of funds is not significant. Payment terms are generally fixed and do not include variable consideration. Consumer revenues are recorded net of actual and estimated refunds and exclude any taxes that are collected from learners and remitted to governmental authorities. Consumer revenue arrangements do not include significant obligations associated with warranties.

Consumer subscriptions are typically one-month in duration and paid in advance, with new customers able to sign up for a 7-day free trial period. Subscribers have continuous access to enroll in and consume an unlimited number of curated courses included in the subscription catalogue on the platform during the subscription term. The continual access to the platform represents a series of distinct services, as the Company continually provides access to, and fulfills its obligation to, the customer over the contract term. Consumer subscriptions automatically renew at the end of each month. Customers may cancel renewal of their subscription at any point but will retain their access to the platform until the end of the current subscription term. Revenues recognized from Consumer subscriptions was not material for each of the years ended December 31, 2019 and 2020.

*Enterprise revenues:* The Company generates revenue by selling subscription licenses to a variety of enterprise and government customers.

The Company's subscription contracts with Enterprise generally have annual or multi-year contractual terms and consist of a fixed quantity of seat licenses, which allows each seat to access an unlimited number of course enrollments during the contract term. Enterprise contracts are typically evidenced by a fully executed Master Services Agreement and, with an accompanying executed Order Form specifying the contractual subscription term and pricing. Revenue is recognized ratably over the respective contractual subscription term beginning on the date that the platform is made available to the customer.

Standard subscription agreements have auto-renewal clauses, which allow the agreement to continue after the expiration of the initial term. The Company's standard billing terms are to invoice upfront annually for contracts with terms of one year or longer. For contracts that are less than one year, the Company generally bills in advance on a quarterly or semi-annual basis. The Company recognizes unbilled receivables that relate to consideration for services completed but not billed as of period end. The unbilled receivables are recorded in accounts receivable, net, and are not material for any period presented.

Revenue from contracts with customers is recognized when control of promised services is transferred. The amount of revenue recognized reflects the consideration the Company expects to be entitled to receive in exchange for these services. The Company accounts for revenue contracts with customers using the five-step model under ASC Topic 606:

1. Identify the contract with a customer

Udemy determines a contract with a customer to exist when the contract is approved, each party's rights regarding the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the ability and intent to pay, and the contract has commercial substance. At contract inception, the Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience if available. Consumer customers are generally required to pay in advance using a credit card. Generally, Enterprise customers are billed upfront annually for contracts with terms of one year or longer or in advance quarterly or semi-annually for contracts with terms of less than one year.

2. Identify the performance obligations in the contract

Performance obligations committed in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or Udemy, and are distinct in the context of the contract, whereby the transfer of the services and the products is separately identifiable from other promises in the contract. Customers do not have the ability to take possession of the software supporting the Udemy platform and, as a result, contracts are accounted for as service arrangements.

The non-exclusive lifetime access license associated with single course purchases and the licensed content associated with subscriptions are not considered distinct from the Udemy platform, because the course content is significantly integrated, and highly interdependent and interrelated with the platform. Specifically, the learner does not obtain control of the course content's functionality without the Udemy platform. Accordingly, management concluded there is a single, combined performance obligation, which is customer's access to the online content on the Udemy platform, representing a series of distinct services as the Company continually provides access to and fulfills its obligation to allow access to licensed content and platform functionality to the learner.

3. Determine the transaction price

The transaction price is determined based on the consideration to which Udemy expects to be entitled in exchange for transferring services to the customer. The prices for Consumer and Enterprises contracts are fixed at contract inception and do not contain significant estimates related to variable consideration. With respect to single course purchases, customers may request a full refund within 30 days after the initial purchase transaction. The Company estimates and establishes a refund reserve based on historical refund rates, which has historically been immaterial. None of the Company's contracts contain a significant financing component. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental entities (e.g., sales and other indirect taxes).

4. Allocate the transaction price to performance obligations in the contract

Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on each performance obligation's relative standalone selling price.

As access to content is not considered distinct from the Udemy platform hosting services, the transaction price is allocated to a single performance obligation

5. Recognize revenue when or as performance obligations are satisfied

Revenue is recognized at the time the related performance obligation is satisfied by transferring the control of the promised service to a customer. Revenue is recognized in an amount that reflects the consideration that Udemy expects to receive in exchange for those services. Udemy has a stand ready obligation to deliver its services continually throughout the requisite contract period, which is either lifetime access for Consumer customers or the contractual subscription term for Enterprise and Consumer subscription customers. As such, the Company recognizes revenue on a straight-line basis as it satisfies the performance obligation, using an estimated service period for individual Consumer enrollments and the contractual subscription term for Enterprise and Consumer subscription customers.

Other than the circumstances noted below, no significant judgment has historically been required in determining the amount and timing of revenue from the Company's contracts with customers.

**Principal vs. Agent**—In order to determine if Consumer and Enterprise revenues should be reported gross or net of payments to third-party instructors, the Company evaluated whether Udemy acts as the principal in sales of its online course offerings. An entity is the principal if it controls a good or service before it is transferred to the end customer. Key indicators that management evaluated in determining gross versus net treatment included but are not limited to:

- the nature of the Company's promise to the customer, as well as the distinct performance obligation identified.
- the underlying contract terms and conditions between the parties to the transaction.
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer.
- which party has inventory risk before the specified good or service has been transferred to the end customer.
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, management determined that the Company is the principal to learners who purchase access to online course content via Consumer and Enterprise offerings. The Company controls the promised goods or services (i.e., access to course content via the Udemy platform) before it is transferred to the customer and is primarily responsible for fulfillment with respect to delivering access to course content. The Company is the entity which licenses content to learners as the agreements with instructors grant the Company the right to sub-license content to its learners at its discretion. The Company also has substantial discretion to determine the pricing of its

offerings. Therefore, the Company reports the gross purchase price paid by the customer related to these arrangements in the revenues caption of the consolidated statements of operations and the payments to instructors as content costs within cost of revenues.

**Estimated service term for Consumer single course purchases**—The Company considers a variety of data points when determining the estimated service period for a Consumer learner’s consumption of an single course purchase, including, the weighted-average number of days between a learner’s first and last day that content is accessed on the platform, the average total hours consumed, the average number of days in which learner activity stabilizes, and the weighted-average number of days between learners’ enrollment and the last date the course content is accessed online. We also consider known online trends, the service periods of historical course content available on the platform, and to the extent publicly available, service periods of competitors’ online content that is similar in nature to the Company’s. The Company believes consideration of all of these factors enables the Company to determine the best representation of the time period during which Consumer learners access the online course content on the Company’s platform and therefore the service period over which the Company provides services to learners. Determining the estimated service period is subjective and requires management’s judgment. Future usage patterns may differ from historical usage patterns, and the estimated service period may change in the future. The estimated service period for Consumer single course purchase transactions is four months from the date of enrollment.

The Company records contract liabilities when cash payments are received or due in advance of performance to deferred revenue. Deferred revenue primarily relates to the advance consideration allocated to remaining performance obligations received from customers.

The price of subscriptions is fixed at contract inception and the Company’s contracts do not contain significant estimates related to variable consideration. As a result, the amount of revenue recognized in the periods presented from performance obligations satisfied (or partially satisfied) in prior periods was not material.

In connection with the adoption of ASC 606, the Company recorded an increase in total assets of \$6.7 million and a reduction of accumulated deficit of \$6.7 million as of January 1, 2019, which is attributed to deferred contract costs.

The Company applied the practical expedient in Topic 606 and did not evaluate contracts of one year or less for the existence of a significant financing component.

**Cost of Revenues**—Costs of revenues are related to content costs (which are payments to instructors), payment and mobile processing fees, costs associated with the hosting of digital content, and employee related expenses for the customer support organization, including salaries, benefits, stock-based compensation, facilities and other expenses, depreciation of network equipment, and amortization of capitalized software.

**Advertising Costs**—Advertising costs are expensed as incurred. Advertising expense is recorded in sales and marketing expenses in the consolidated statements of operations and were \$72.6 million and \$110.5 million for the years ended December 31, 2019 and 2020, respectively.

**Research and Development**—Research and development costs are expensed as incurred. Research and development expenses include salaries, benefits, stock-based compensation, facilities, office costs, contracted services, supplies, and other miscellaneous expenses.

**Stock-Based Compensation**—The Company accounts for its stock-based compensation pursuant to Accounting Standards Codification (“ASC”) 718, *Compensation-Stock Compensation*, which requires the measurement and recognition of compensation expense based on estimated fair values for all stock awards. The Company uses the Black-Scholes pricing model to determine the grant date fair value of stock options. For awards with service-based vesting conditions, the Company recognizes the resulting stock-based compensation on a straight-line

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basis over the requisite service period of the awards, which is typically a vesting term of four years. Compensation cost for awards that are subject to performance conditions are attributed separately for each vesting tranche of the award. The Company accounts for forfeitures as they occur rather than estimating the number of awards that are expected to ultimately vest. The Black-Scholes option-pricing model requires the use of subjective and complex assumptions, which determine the fair value of share-based awards, including the option's expected term and the price volatility of the underlying stock.

The Company calculates the fair value of options granted by using the Black-Scholes option-pricing model with the following assumptions:

*Expected Term*—The expected term of the Company's options represents the period that the stock-based awards are expected to be outstanding. The Company has elected to use the midpoint of the stock options vesting term and contractual expiration period to compute the expected term, as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior.

*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 option's expected term.

*Expected Volatility*—Since the Company does not have a trading history of its common stock, the Company estimated volatility for option grants by evaluating the average historical volatility of a peer group of companies for the period immediately preceding the option grant for a term that is approximately equal to the options' expected term.

*Dividend Yield*—The expected dividend was assumed to be zero as the Company has never paid dividends and has no current plans to do so.

The Company records compensation expense related to stock options issued to nonemployees, including consultants based on the fair value of the stock options calculated using the Black-Scholes option-pricing model on the grant date over the service performance period as the equity instruments vest. Prior to adoption of the Financial and Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2018-07 as of January 1, 2020, at each reporting date, the Company revalued the fair value and expense related to the unvested portion of such nonemployee awards. As a result, the fair value of the portion of unvested options granted to nonemployees was remeasured each reporting period over the options' remaining vesting term and recognized as an expense over the remaining period the services are rendered. Upon adoption of ASU No. 2018-07, the unsettled portions of nonemployee awards shall be remeasured to fair value as of the adoption date and recognized as expense over the period the services are rendered, but no further remeasurement at each reporting period thereafter is required.

The Company also grants cash-settled stock appreciation rights ("SARs") to certain employees. Because the SARs are settled in cash upon the exercise of the SARs, the Company accounts for the SARs in the other liabilities caption in the accompanying consolidated balance sheets. Vested and outstanding SARs are subject to remeasurement at each balance sheet date using the Black-Scholes option-pricing model and the assumptions described above, and any change in fair value is recognized as a component of operating expenses. The Company adjusts the liability fair value for vested and outstanding SARs until the earlier of the exercise or expiration of the SARs.

**Income Taxes**—The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires an asset and liability approach in accounting for income taxes. Under this method, the tax provision includes taxes currently due plus the net change in deferred tax assets and liabilities. Deferred tax assets and liabilities arise from the temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements, as well as from net operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the tax rates expected to be in effect when the taxes will actually be paid or refund received, as provided for under currently enacted tax law. A valuation

allowance is provided for the amount of deferred tax assets that, based on available evidence, is not expected to be realized.

ASC 740 prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under this guidance, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of the provision for income taxes. There was no accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the years ended December 31, 2019 and 2020. The Company does not currently anticipate that any significant increase or decrease to unrecognized tax benefits will be recorded during the next twelve months.

**Translation of Foreign Currency**—The functional currency of the Company's foreign subsidiaries is the U.S. dollar. Accordingly, each foreign subsidiary remeasures monetary assets and liabilities at period-end exchange rates, while nonmonetary items are remeasured at historical rates. Revenue and expense accounts are remeasured at the average exchange rate prevailing during the year. Remeasurement adjustments are recognized in the consolidated statements of operations as transaction gains or losses in the period of occurrence as other income (expense).

**Net Loss Per Share Attributable to Common Stockholders**—Basic and diluted net loss per share attributable to common stockholders is computed in conformity with the two-class method required for participating securities. The Company considers all series of its redeemable convertible preferred stock to be participating securities as the holders of such stock have the right to receive nonforfeitable dividends on a pari passu basis in the event that a dividend is paid on common stock. Under the two-class method, the net loss attributable to common stockholders is not allocated to the redeemable convertible preferred stock as the preferred stockholders do not have a contractual obligation to share in the Company's losses.

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents to the extent they are dilutive. For purposes of this calculation, redeemable convertible preferred stock, common stock options, early exercised common stock options subject to repurchase, and redeemable convertible preferred stock warrants are considered to be common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive for the periods presented.

**Comprehensive Income (Loss)**—Comprehensive loss consists of two components, net loss and other comprehensive loss, net of tax. Other comprehensive loss, net of tax, refers to revenue, expenses, gains, and losses that under GAAP are recorded as an element of stockholders' deficit but are excluded from net loss. The Company recorded no other comprehensive income or loss for the year ended December 31, 2020. The Company's other comprehensive income for the year ended December 31, 2019 consisted of changes in unrealized holding gains on available-for-sale securities.

**Cash and Cash Equivalents**—As of December 31, 2019 and 2020, cash and cash equivalents include on demand deposits and money market funds with banks which have remaining maturities at the date of purchase of less than ninety days. Cash equivalents also include amounts in transit from certain payment processors for credit and debit card transactions, which typically settle within five business days. Cash and cash equivalents are carried at cost, which approximates fair value.

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**Restricted Cash**—Restricted cash primarily consists of cash restricted in connection with lease agreements for the Company's facilities. Restricted cash is included in current assets for leases that expire within one year from the balance sheet date and in non-current assets for leases that expire in more than one year from the balance sheet date.

<b>Reconciliation of cash, cash equivalents, and restricted cash</b>	<b>2019</b>	<b>2020</b>
Cash and cash equivalents	\$ 49,139	\$ 175,031
Restricted cash, current	112	—
Restricted cash, non-current	2,500	2,900
Total cash, cash equivalents, and restricted cash	<u>\$ 51,751</u>	<u>\$ 177,931</u>

**Marketable Securities**—The Company's marketable securities comprise of asset-backed securities, U.S. treasury securities, corporate debt securities and commercial paper. The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale securities as the Company may sell these securities at any time for use in its current operations or for other purposes, even prior to maturity. As a result of sales and maturities of the Company's previously outstanding investment portfolio during the year ended December 31, 2019, there are no marketable securities within the consolidated balance sheets as of December 31, 2019 and 2020.

**Accounts Receivable and Allowance for Doubtful Accounts**—Accounts receivable represent amounts owed to the Company for Enterprise subscriptions. Also included in accounts receivable are amounts due from payment processors or mobile application store partners that settle over a period longer than five business days. Accounts receivable balances are recorded at the invoiced amount and are non-interest-bearing.

Accounts receivable are presented net of allowances for doubtful accounts. Management assesses the Company's ability to collect outstanding receivables and records allowances when collection becomes doubtful. The provision for bad debt is recorded in general and administrative expenses in the accompanying consolidated statements of operations. These estimates are based on the assessment of the credit worthiness of the Company's customers based on multiple sources of information and analysis of such factors as the Company's historical collection experience and industry and geographic concentrations of credit risk. Accounts receivable deemed to be uncollectible are written off, net of any amounts that may be collected.

	<b>Balance at Beginning of Period</b>	<b>Charged to Expenses</b>	<b>Charges Utilized / Write-Offs</b>	<b>Balance at End of Period</b>
<b>Allowance for doubtful accounts</b>				
Year Ended December 31, 2019	422	642	(482)	582
Year Ended December 31, 2020	582	182	(121)	643

**Concentration of Credit Risk**—Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable. For cash, cash equivalents, and restricted cash, the Company is exposed to credit risk in the event of default by the financial institutions to the extent the amounts recorded on the accompanying consolidated balance sheets are in excess of federal insurance limits.

The Company generally does not require collateral or other security in support of accounts receivable. To reduce credit risk, management performs ongoing evaluations of its customers' financial condition. The Company analyzes the need for reserves for potential credit losses and records allowances for doubtful accounts when necessary. The Company had no customers which accounted for more than 10% of total accounts receivable or revenue as of or during the years ended December 31, 2020, and 2019.



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**Deferred Contract Costs**—Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized over a period of benefit which is determined to be four years. The Company determined the period of benefit by taking into consideration the length of terms in its customer contracts, changes and enhancements in course offerings, and other factors. Amounts expected to be recognized within one year of the consolidated balance sheet dates are recorded as deferred contract costs, current, while the remaining portion is recorded as deferred contract costs, non-current in the consolidated balance sheets. Deferred contract costs are periodically analyzed for impairment. Amortization expense is included in sales and marketing expenses in the accompanying consolidated statements of operations.

The following table represents a rollforward of the Company's deferred contract costs (in thousands):

Balance—January 1, 2019	\$	6,733
Additions to deferred contract costs		10,685
Amortization of deferred contract costs		(3,038)
Balance—December 31, 2019	\$	14,380
Additions to deferred contract costs		18,943
Amortization of deferred contract costs		(7,486)
Balance—December 31, 2020	\$	25,837

**Property and Equipment, Net**—Property, equipment, and purchased software are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which are generally three years for computers, purchased software, and equipment, and five years for furniture and fixtures. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease. Expenditures for repairs and maintenance are charged to expense as incurred. Upon disposition or retirement, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected as operating expenses in the consolidated statements of operations.

**Capitalized Software, Net**—The Company capitalizes costs to develop software for internal use incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Once an application has reached the development stage, qualifying internal and external costs are capitalized until the software feature is substantially complete and ready for its intended use. Capitalized qualifying costs are amortized on a straight-line basis when the software is ready for its intended use over an estimated useful life, which is generally three years. The Company evaluates the useful lives of these assets and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

**Impairment of Long-Lived Assets**—The Company evaluates the carrying value of long-lived assets, such as property and equipment, whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset, including disposition, are less than the carrying value of the asset. The impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. The Company did not identify any impairment losses on long-lived assets for the years ended December 31, 2019 and 2020.

**Deferred Revenue**—The Company records contract liabilities to deferred revenue for amounts billed to customers in advance of the performance obligations being satisfied, and primarily consists of the unearned portion of Enterprise and Consumer services. The Company also recognizes an immaterial amount of contract assets, or unbilled receivables, primarily relating to consideration for services completed but not billed at the reporting date. Unbilled receivables are classified as receivables when the Company has the right to invoice the customer.



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During the years ended December 31, 2019 and 2020, the Company recognized revenues that were included in the deferred revenue balances at the beginning of the year of \$62.4 million and \$83.4 million, respectively.

The below table presents a summary of deferred revenue balances as of December 31, 2019 and 2020 (in thousands):

	2019	2020
Deferred revenue:		
Enterprise	\$ 40,686	\$ 84,241
Consumer	47,023	58,135
Total deferred revenue	<u>\$ 87,709</u>	<u>\$ 142,376</u>

Remaining performance obligations represent the aggregate amount of the transaction price in contracts allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include unearned revenue, multi-year contracts with future installment payments and certain unfulfilled orders against accepted customer contracts at the end of any given period. As of December 31, 2020, the aggregate transaction price allocated to remaining performance obligations was \$192.4 million, of which 81% is expected to be recognized during 2021 and the remainder thereafter.

**Fair Value of Financial Instruments**—The Company considers fair value 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 at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions.

The Company utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

*Level 1*—Unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2*—Inputs are observable, unadjusted quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data; and

*Level 3*—Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The carrying amounts of cash, cash equivalents, restricted cash, and accounts receivable, as well as accounts payable, approximate fair value due to the relatively short-term maturities and are classified as short-term assets and liabilities, respectively, in the accompanying consolidated balance sheets.

The fair value measurements of assets and liabilities that are measured at fair value on a recurring basis are as follows (in thousands):

As of	Fair Value Hierarchy		
	Level 1	Level 2	Level 3
December 31, 2019			
Financial liabilities:			
Redeemable convertible preferred stock warrants	\$ —	\$ —	\$ 108
Cash settled stock appreciation rights	—	—	36
Total financial liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 144</u>

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As of December 31, 2020	Fair Value Hierarchy		
	Level 1	Level 2	Level 3
Financial liabilities:			
Redeemable convertible preferred stock warrants	\$ —	\$ —	\$ 160
Cash settled stock appreciation rights	—	—	268
Total financial liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 428</u>

Warrants issued for the Company's redeemable convertible preferred stock are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net. The Company adjusts the liability for changes in fair value until the earlier of the exercise or expiration of the warrants or the completion of a liquidation event, including the closing of a qualifying initial public offering, at which time all redeemable convertible preferred stock warrants would be converted into warrants to purchase common stock and, accordingly, the liability would be reclassified to stockholders' deficit.

The Company measures the redeemable convertible preferred stock warrants using Level 3 unobservable inputs within the Black-Scholes option-pricing model. The Company used various key assumptions, such as the fair value of redeemable convertible preferred stock, volatility, the risk-free interest rate, and expected term (remaining contractual term of the warrants). The Company monitors the fair value of the redeemable convertible preferred stock warrants annually, with subsequent gains and losses from remeasurement of Level 3 financial liabilities recorded through other income (expense), net in the consolidated statements of operations. Generally, increases (decreases) in the fair value of the underlying stock and estimated term would result in a directionally similar impact to the fair value measurement.

See Note 2 "Summary of Significant Accounting Policies—Stock-Based Compensation" for the valuation methodology and inputs used to measure the fair value of the stock appreciation rights.

In January 2010, the Company issued warrants to purchase up to 1,562,689 shares of the Company's Series A-1 redeemable convertible preferred stock at an exercise price of \$0.196 per share. The initial term of the warrant was five years from the issuance of Series A-1, which occurred in September 2011, and had an automatic extension for an additional five years if the Company was not public by the original expiration date. Prior to the years ended December 31, 2019 and 2020, 1,550,094 of the warrants had been exercised. As of December 31, 2019, and 2020, 12,595 warrants remained outstanding and were carried at fair value in the other liabilities and the accrued expenses caption and other current liabilities caption, respectively, on the consolidated balance sheets.

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A summary of the changes in the fair value of Level 3 financial instruments, which are recognized in the consolidated statement of operations, is as follows (in thousands):

	Warrants	SARs	Total
Balance—January 1, 2019	\$ 50	\$ —	\$ 50
Change in fair value of warrants	58	—	58
Vesting and remeasurement of stock appreciation rights	—	36	36
Balance—December 31, 2019	<u>\$ 108</u>	<u>\$ 36</u>	<u>\$ 144</u>
Change in fair value of warrants	52	—	52
Vesting and remeasurement of stock appreciation rights	—	232	232
Balance—December 31, 2020	<u>\$ 160</u>	<u>\$ 268</u>	<u>\$ 428</u>

**Redeemable Convertible Preferred Stock**—The redeemable convertible preferred stock issued by the Company provides the preferred stockholders certain rights regarding events that are outside the control of the Company. This includes the right to redeem the preferred stock upon a specified passage of time or upon the occurrence of certain deemed liquidation events where the holders of the preferred stock are entitled to receive cash or other assets. As such, the redeemable convertible preferred stock is classified as mezzanine (or temporary) equity as it contains terms that could force the Company to redeem the shares for cash or other assets upon the occurrence of an event not solely within the Company's control. The Company's series of redeemable convertible preferred stock represent equity instruments in legal form, are not mandatorily redeemable financial instruments, and do not constitute unconditional obligations that may require issuance of a variable number of the Company's shares. Furthermore, since the series of redeemable convertible preferred stock are neither currently redeemable nor probable of becoming redeemable, no subsequent remeasurement of the amounts presented outside of stockholders' deficit is required.

**Recently Adopted Accounting Pronouncements**—In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted ASC 606 on January 1, 2019, by applying the modified retrospective approach to all contracts that were not completed as of January 1, 2019. The Company applied the practical expedient in Topic 606 and did not evaluate contracts of one year or less for the existence of a significant financing component. The Company recorded an increase in total assets of \$6.7 million and a reduction of accumulated deficit of \$6.7 million as of January 1, 2019, which is attributed to the deferral of sales commission costs.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. The standard requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted the ASU on January 1, 2019. As a result of adopting the ASU, the Company includes restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts presented on the statements of consolidated cash flows.

In July 2018, the FASB issued ASU No. 2018-09, *Codification Improvements*, which clarifies, corrects errors in and makes improvements to several topics in the FASB Accounting Standard Codification. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments do not require transition guidance and were effective upon issuance of the ASU. This ASU is effective for the Company for its fiscal year ended December 31, 2020. The Company adopted the ASU on January 1, 2020. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting*. The updated guidance simplifies the accounting for non-employee share-based payment transactions. The amendments in the new guidance specify

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that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. This ASU is effective for the Company for its fiscal year ended December 31, 2021, with early adoption permitted. The Company early-adopted the ASU on January 1, 2020. The Company was required to remeasure any liability-classified nonemployee awards that have not been settled as of the adoption date through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The adoption of this ASU did not have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The ASU is effective for the Company beginning in its fiscal year ending December 31, 2020. The Company adopted the ASU on January 1, 2020. The adoption of this ASU did not have a material impact on the consolidated financial statements.

**New Accounting Pronouncements Not Yet Adopted**—The Company is an emerging growth company (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, EGCs can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard introduces the new leases standard that applies a right-of-use (“ROU”) model and requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In June 2020, the FASB issued ASU No. 2020-05 in 2020, *Effective Dates for Certain Entities*, which deferred the effective date for nonpublic entities, including EGCs, that had not yet adopted the original ASU. Under the amended guidance, the leasing standard will be effective for the Company's fiscal year beginning after December 15, 2021, and early adoption is still permitted. The Company is currently assessing whether these amendments will have a material effect on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The FASB issued ASU 2019-10 in November 2019, which established an effective date for the Company, given its status as an EGC, during its fiscal year ending December 31, 2023, with early adoption permitted. The Company is currently assessing whether these amendments will have a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This standard requires a customer in a hosting arrangement that is a service contract to capitalize certain implementation costs as if the arrangement was an internal-use software project, which requires capitalization of certain costs incurred only during the application development stage and costs to be expensed during the preliminary project and post-implementation stage. This ASU is effective for the Company

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beginning in its fiscal year ended December 31, 2021. The Company is currently assessing the potential impact of the new standard on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles of income taxes and reducing the cost and complexity in accounting for income taxes. The ASU is effective for the Company beginning in its fiscal year ending December 31, 2022. The Company is currently assessing the potential impact of the new standard on the Company's consolidated financial statements.

### 3. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following as of December 31, 2019 and 2020 (in thousands):

	2019	2020
Prepaid expenses	\$ 2,617	\$ 4,904
Other current assets	1,008	1,132
Prepaid expenses and other current assets	<u>\$ 3,625</u>	<u>\$ 6,036</u>

### 4. Property and equipment, net

Property and equipment consist of the following as of December 31, and 2019 and 2020 (in thousands):

	2019	2020
Computers and equipment	\$ 5,408	\$ 6,171
Furniture and fixtures	2,975	4,181
Purchased software	205	280
Leasehold improvements	11,519	15,164
Construction in progress	1,438	16
Total property and equipment	21,545	25,812
Less accumulated depreciation	(13,589)	(16,706)
Property and equipment, net	<u>\$ 7,956</u>	<u>\$ 9,106</u>

Depreciation expense was \$3.8 million and \$4.2 million for the years ended December 31, 2019 and 2020, respectively.

### 5. Capitalized software, net

Capitalized software as of December 31, 2019 and 2020, consisted of the following (in thousands):

	2019	2020
Capitalized software	\$ 18,549	\$ 28,472
Less accumulated amortization	(7,748)	(14,459)
Capitalized software, net	<u>\$ 10,801</u>	<u>\$ 14,013</u>

Amortization expense of capitalized software was \$4.9 million and \$6.9 million for the years ended December 31, 2019 and 2020. As of December 31, 2020, expected amortization expense over the remaining asset lives is as follows (in thousands):

2021	\$ 7,143
2022	4,633
2023	2,237
Total expected amortization	<u>\$ 14,013</u>

## 6. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following as of December 31, 2019 and 2020 (in thousands):

	2019	2020
Accrued expenses	\$ 8,070	\$ 6,796
Deferred rent, current	381	597
Indirect tax reserves	32,988	26,645
Indirect tax payables	4,201	11,365
Other current liabilities	488	1,375
Accrued expenses and other current liabilities	<u>\$ 46,128</u>	<u>\$ 46,778</u>

Indirect tax payables relate to amounts collected from customers on behalf of third-party taxing authorities, primarily sales and use taxes owed on the Company's sales in various U.S. state jurisdictions, and indirect taxes owed on sales outside of the U.S. Indirect tax payables also include withholding taxes on payments made to the Company's instructors before remitting these amounts to the taxing authorities.

Indirect tax reserves primarily relate to Sales and other Indirect Tax Reserves and Instructor Withholding Tax Reserves.

**Sales and other Indirect Tax Reserves**—The Company determined that it was required to pay indirect tax in various domestic and international jurisdictions for the periods prior to January 1, 2020. Accordingly, the Company recorded an outstanding liability of \$11.0 million and \$3.4 million as of December 31, 2019 and 2020, respectively, for estimated amounts not collected from customers. The change in the sales and other indirect tax reserves liability during the year ended December 31, 2019 consisted of \$4.2 million of additional estimated tax reserves, which were recorded as general and administrative expenses in the accompanying consolidated statements of operations, offset by no payments made under voluntary disclosure agreements ("VDAs") to the respective taxing authorities. The change in the sales and other indirect tax reserves liability during the year ended December 31, 2020 consisted of \$0.7 million of additional estimated tax reserves, which were recorded as general and administrative expenses in the accompanying consolidated statements of operations, offset by \$8.3 million of payments made under VDAs to the respective taxing authorities.

Also included in the sales and other indirect tax reserves balances are estimated penalties and interest of \$4.2 million and \$0 relating to the years ended December 31, 2019 and 2020, respectively. Penalties and interest are recorded in general and administrative and interest income (expense), respectively, in the accompanying consolidated statements of operations.

The Company has continued the process of filing VDAs with certain jurisdictions and remitting the estimated indirect tax. If these jurisdictions determine that additional amounts are necessary, the Company will be required to pay accordingly.

**Instructor Withholding Tax Reserves**—The Company conducts operations in many tax jurisdictions throughout the United States and the rest of the world. The Company has an obligation to comply with information reporting and tax withholding requirements with regards to certain payments made to its U.S. and non-U.S. instructors. Under United States Federal tax rules, in the case where the Company withholds less than the correct amount of tax or fails to report it, it is liable for the correct amount that it was required to withhold, plus interest and potential penalties. The Company may be entitled to relief on certain payments if the Company can obtain documentation (e.g. taxpayer identification forms) from instructors establishing that the instructor payee qualifies for reduced withholding tax rates, or that the instructor payee reported the payments and paid the corresponding taxes owed.

Prior to March 2020, the Company had not obtained appropriate taxpayer identification forms from instructors, nor remitted applicable tax withholding amounts to the U.S. Internal Revenue Service ("IRS") where required. In

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accordance with GAAP, the Company recorded a provision for its tax exposure when it was both probable that a liability had been incurred and the amount of the exposure could be reasonably estimated. Given the significant quantity of instructor payments the Company makes in its operations, the Company has applied a statistical sampling approach that is analogous to methods commonly used by the IRS when determining the extent of withholding tax obligations during IRS audits for the historical instructor payments.

The instructor withholding provision estimate includes several key assumptions including, but not limited to, the tax characterization of the Company's payments made to instructors, the historical lookback practices and scoping precedents of the IRS, the methods for sourcing of instructor payments to U.S. and non-U.S. jurisdictions, and management's estimate of the penalty relief on certain instructor payments it will be entitled to.

Beginning in March 2020, the Company began collecting appropriate taxpayer identification forms from its instructors, assessing whether the forms justified a reduced rate of withholding or withholding exemption, and remitting withholding tax payments to the IRS where required. The Company also began reporting payments to its non-U.S. instructors and the IRS annually where required to do so.

As of December 31, 2019, and 2020, the Company determined that it was probable that it would owe an estimate of \$20.9 million and \$22.2 million, respectively, for withholding taxes related to historical payments to its instructors. The Company has recorded this amount in accrued expenses and other liabilities in the accompanying consolidated balance sheets, of which \$8.4 million and \$2.8 million is recorded in general and administrative expenses for the years ended December 31, 2019 and 2020, respectively, in the accompanying consolidated statements of operations. The change in liability during the year ended December 31, 2020 also included a reduction due to \$1.5 million of payments made to the IRS, as well as estimated interest of \$1.2 million that is recorded in interest income (expense) in the accompanying consolidated statements of operations.

	<u>Balance at Beginning of Period</u>	<u>Charged to Expenses</u>	<u>Net Payments</u>	<u>Balance at End of Period</u>
<b>Instructor Withholding Tax Reserves</b>				
Year Ended December 31, 2019	12,540	8,386	-	20,926
Year Ended December 31, 2020	20,926	2,826	(1,586)	22,166

In 2020, we began approaching the IRS to address our historical withholding amounts for instructors. Final settlement of the matter could differ materially from the estimate recorded in the accompanying consolidated balance sheets, and there exists a reasonable possibility that the Company could incur losses that are significantly more or significantly less than the Company has accrued as of December 31, 2019 and 2020. The Company estimated a potential range of loss between \$7.9 million and \$28.1 million as of December 31, 2020.

## **7. Commitments and contingencies**

**Operating Leases**—The Company entered into various non-cancelable operating lease agreements for its facilities that expire over the next five years. Certain operating leases contain provisions under which monthly rent escalates over time. When lease agreements contain escalating rent clauses or free rent periods, the Company recognizes rent expense on a straight-line basis over the term of the lease.

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Future minimum lease payments under non-cancelable operating leases as of December 31, 2020, are as follows (in thousands):

Years Ending December 31,	Lease Commitments
2021	\$ 6,210
2022	6,498
2023	6,171
2024	5,200
2025	809
Thereafter	410
Total lease commitments	\$ 25,298

The Company incurred \$5.5 million and \$5.5 million of rent expense for the years ended December 31, 2019 and 2020, respectively.

**Noncancelable Purchase Commitments**—The Company has contractual commitments with its cloud infrastructure provider, network service providers and paid advertising vendors that are noncancelable. Future noncancelable commitments under these arrangements are as follows (in thousands):

Years Ending December 31,	Purchase Commitments
2021	\$ 8,075
2022	594
2023	294
Thereafter	74
Total purchase commitments	\$ 9,037

**Indemnification**—The Company enters into indemnification provisions under agreements with other parties in the ordinary course of business, including certain business partners, investors, contractors, and the Company's officers, directors, and certain employees. The Company has agreed to indemnify and defend the indemnified party's claims and related losses suffered or incurred by the indemnified party resulting from actual or threatened third-party claims because of the Company's activities or, in some cases, non-compliance with certain representations and warranties made by the Company. In general, the Company does not record any liability for these indemnities in the accompanying consolidated balance sheets as the amounts cannot be reasonably estimated and are not considered probable. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. To date, losses recorded in the Company's consolidated statements of operations in connection with the indemnification provisions have not been material.

**Litigation**—From time to time, in the ordinary course of business, the Company is subject to legal proceedings, claims, investigations, and other proceedings, including claims of alleged infringement of third-party patents and other intellectual property rights, and commercial, employment, and other matters. In accordance with generally accepted accounting principles, the Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least annually and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case. The outcome of such litigation is not expected to have a material effect on the financial position, results of operation and cash flows of the Company.



## 8. Income taxes

The domestic and foreign components of income (loss) before provision for income taxes consisted of the following as of December 31, 2019 and 2020 (in thousands):

	2019	2020
Domestic	\$ (69,161)	\$ (77,212)
Foreign	833	2,741
Total net loss before taxes	<u>\$ (68,328)</u>	<u>\$ (74,471)</u>

The provision for income taxes consisted of the following for the years ended December 31, 2019 and 2020 (in thousands):

	2019	2020
Current:		
Federal	\$ —	\$ —
State	83	63
Foreign	1,292	2,937
Total current income tax expense	<u>1,375</u>	<u>3,000</u>
Deferred:		
Federal	—	—
State	—	—
Foreign	—	149
Total deferred income tax expense	<u>—</u>	<u>149</u>
Total provision for income taxes	<u>\$ 1,375</u>	<u>\$ 3,149</u>

The Company had an effective tax rate of (2.00)% and (4.23)% for the periods ended December 31, 2019 and 2020, respectively. The difference between the 21% statutory federal tax rate and the effective tax rate was primarily a result of foreign withholding tax, tax adjustments related to stock-based compensation, and change in valuation allowance.

The reconciliation between the statutory federal income tax rate and the Company's effective tax rate as a percentage of loss before income taxes is as follows:

	2019	2020
Federal tax expense	21.00%	21.00%
State taxes, net of federal benefit	0.09%	1.17%
Foreign rate differential	0.07%	(0.32)%
Withholding taxes	(1.70)%	(3.06)%
Stock-based compensation	(2.77)%	(1.94)%
Change in valuation allowance	(18.76)%	(21.16)%
Other	0.07%	0.08%
Effective tax rate	<u>(2.00)%</u>	<u>(4.23)%</u>

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Significant components of the net deferred tax assets (liabilities) for the years ended December 31, 2019 and 2020 consisted of the following (in thousands):

	2019	2020
Deferred tax assets:		
Accruals and reserves	\$ 894	\$ 2,540
Deferred revenue	1,440	29,807
Net operating loss	49,782	37,053
Stock-based compensation	887	1,487
Indirect tax reserves	7,211	5,682
Property and equipment, net	1,427	1,665
Other	—	299
Gross deferred tax assets	61,641	78,533
Valuation allowance	(56,263)	(69,766)
Total deferred tax assets	5,378	8,757
Deferred tax liabilities:		
Deferred contract costs	(3,144)	(5,774)
Other deferred tax liabilities	(2,234)	(3,132)
Total deferred tax liabilities	(5,378)	(8,906)
Net deferred tax liabilities	\$ —	\$ (149)

A valuation allowance is provided for deferred tax assets where the recoverability of the assets is uncertain. The determination to provide a valuation allowance is dependent upon the assessment of whether it is more likely than not that sufficient future taxable income will be generated to utilize the deferred tax assets.

As of December 31, 2019 and 2020, the Company has established a valuation allowance of \$56.3 million and \$69.8 million, respectively, against its gross deferred tax assets due to the uncertainty surrounding the realization of such assets. The change in total valuation allowance from 2019 to 2020 was an increase of \$13.5 million.

As of December 31, 2020, the Company had \$167.0 million of federal net operating loss (“NOL”) carryforwards. The \$85.4 million of federal NOL carryforwards generated in taxable years beginning prior to January 1, 2018 begin expiring in 2030, if not utilized. The \$81.6 million of federal NOL carryforwards generated in taxable years beginning after December 31, 2017 have an indefinite carryforward period, but are subject to the 80% deduction limitation based upon pre-NOL deduction taxable income.

As of December 31, 2020, the Company had \$29.9 million of state NOL carryforwards. The state NOL carryforwards begin expiring in 2023, if not utilized.

As of December 31, 2020, the Company had U.S. federal and state research and development (“R&D”) tax credit carryforwards of \$5.2 million and \$5.4 million, respectively. The federal research and development tax credit carryforwards will expire in various amounts beginning in 2030 while the state research and development tax credit carryforwards can be carried forward indefinitely.

The utilization of the Company’s net operating losses may be subject to a limitation due to the “ownership change” provisions under Section 382 of the Internal Revenue Code and similar state and foreign provisions. Such limitation may result in the expiration of the net operating loss carryforwards generated before 2018 before their utilization. The Company has performed a Section 382 study to determine any potential Section 382 limitations on the utilization of its net operating loss carryforwards and tax credit carryforwards and has determined that the Company experienced two ownership changes with the Company’s Series A and A-1 preferred stock offering in September 2011 and with the Company’s Series B preferred stock offering in November 2012. The Company has estimated that the gross U.S. federal NOL carryforwards from 2010 to 2012 that would be subject to limitation are approximately \$3.6 million.

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**Uncertain Tax Positions**—As of December 31, 2019 and 2020, the Company had gross unrecognized tax benefits of \$0.1 million and \$10.6 million, respectively, related to federal and state R&D tax credits. The Company has not performed a formal R&D tax credit analysis and thus has reserved against the entire amount of its federal and state R&D tax credit carryforwards. The Company's tax position of such credits is not more likely than not to be sustained upon examination. The Company has recorded an uncertain tax position related to the deferred tax asset recognized for these credits.

A reconciliation of the beginning and ending balance of unrecognized tax benefit is as follows (in thousands):

	2019	2020
Gross unrecognized tax benefits at the beginning of the year	\$ 146	\$ 146
Increases related to prior year tax positions	—	7,006
Increases related to current year tax positions	—	3,428
Statute of limitations expirations	—	—
Gross unrecognized tax benefits at the end of the year	\$ 146	\$ 10,580

The Company is currently unaware of uncertain tax positions that could result in significant additional payments, accruals, or other material deviation in the next 12 months. The Company currently does not record interest and penalties, if any, related to unrecognized tax benefits. None of the unrecognized tax benefits as of December 31, 2019 and 2020, if recognized in a future period, would affect the Company's effective tax rate.

The Company files income tax returns in U.S. federal, and certain state and foreign jurisdictions with varying statutes of limitations. Due to NOL carryforwards and tax credit carryforwards, the statutes of limitations remain open for tax years from inception of the Company through 2020. There are currently no income tax audits underway by U.S. federal, state, or foreign tax authorities.

The Company does not expect that future undistributed foreign earnings will be subject to U.S. federal or state, or foreign withholding tax since the Company intends to continue reinvesting such earnings outside the U.S. indefinitely.

Intended to provide economic relief to those impacted by the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 and includes provisions, among others, addressing the carryback of net operating losses for specific periods, refunds of alternative minimum tax credits, temporary modifications to the limitations placed on the tax deductibility of net interest expenses, and technical amendments for qualified improvement property. Additionally, the CARES Act, in efforts to enhance business' liquidity, provides for refundable employee retention tax credits and the deferral of the employer-paid portion of social security taxes. Under the CARES Act, the Company deferred \$2.6 million related to the employer portion of social security taxes during the year ended December 31, 2020.

## 9. Employee retirement plan

The Company maintains a 401(k) retirement savings plan covering eligible employees. Employee contributions to the plan consist of a percentage based on eligible employees' compensation. The Company matches 25% of an employee's contribution up to 6% of the employees' compensation, with a cap of \$500 annually, subject to a two-year graded vesting schedule that vests 50% after an employee's first year of employment and 100% after two years of employment. The Company contributed \$0.2 million and \$0.2 million to the plan for the years ended December 31, 2019 and 2020, respectively.

## 10. Related party transactions

Naspers Ltd. ("Naspers") is affiliated with OLX Group B.V., where a member of the Company's Board of Directors serves as an executive officer, and Prosus N.V., where another member of the Company's Board of Directors serves as an executive officer. Naspers is also customer of the Company's Enterprise subscription offering. The Company recorded \$0.8 million and \$1.3 million of revenue from services provided to this customer during the

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years ended December 31, 2019 and 2020, respectively. As of December 31, 2019 and 2020, the Company had outstanding accounts receivable balances of \$0.4 million and \$0.3 million, respectively, from this customer.

From February 2019 to November 2019, the Company was party to an arrangement with the Stripes Group pursuant to which the Company received services from Jeff Pedersen, an Operating Partner of the Stripes Group, as our interim Chief Financial Officer. The Stripes Group is affiliated with Stripes III, LP, a stockholder of the Company. During 2019, the Company recorded approximately \$0.3 million in general and administrative expenses for these services. No related services were provided in 2020.

### 11. Redeemable convertible preferred stock

Under its Amended and Restated Certificate of Incorporation dated November 9, 2020, the Company is authorized to issue 236,348,646 shares of capital stock, comprising 150,000,000 shares of common stock and 86,438,646 of redeemable convertible preferred stock. All classes of the Company's stock have a \$0.00001 par value.

Redeemable convertible preferred stock is recorded at the issuance price, net of issuance costs. As of December 31, 2019 and 2020, the Company's redeemable convertible preferred stock consisted of the following (amounts in thousands, except share and per share amounts):

	Shares Authorized	Shares Issued and Outstanding	Issuance Price Per Share	Net Carrying Value	Liquidation Value
<b>2019</b>					
Series A	8,483,166	8,483,166	\$ 0.24	\$ 2,010	\$ 2,050
Series A-1	15,295,184	15,132,282	0.20	5,765	2,966
Series B	22,956,103	22,956,103	0.54	12,230	12,310
Series C	16,198,348	16,198,348	1.98	31,901	32,000
Series D	16,702,584	16,702,584	6.22	103,739	103,852
Total	<u>79,635,385</u>	<u>79,472,483</u>		<u>\$ 155,645</u>	<u>\$ 153,178</u>
	Shares Authorized	Shares Issued and Outstanding	Issuance Price Per Share	Net Carrying Value	Liquidation Value
<b>2020</b>					
Series A	8,483,166	8,483,166	\$ 0.24	\$ 2,010	\$ 2,050
Series A-1	15,295,184	15,132,282	0.20	5,765	2,966
Series B	22,956,103	22,956,103	0.54	12,230	12,310
Series C	16,198,348	16,198,348	1.98	31,901	32,000
Series D	16,702,584	16,702,584	6.22	103,739	103,852
Series E	2,569,043	2,569,043	15.57	39,948	40,000
Series F	4,144,218	3,349,812	24.13	78,511	80,831
Total	<u>86,348,646</u>	<u>85,391,338</u>		<u>\$ 274,104</u>	<u>\$ 274,009</u>

Significant rights, preferences, and privileges of the holders of the redeemable convertible preferred stock are as follows:

**Voting**—Each share of redeemable convertible preferred stock has voting rights equal to an equivalent number of shares of common stock into which it is convertible and votes together as one class with the common stock, except as below:

The holders of a majority of the Series A, A-1, C and D redeemable convertible preferred stock are entitled to elect, each series voting as a separate class, one member to the Company's board of directors (the "Board of Directors"). The holders of a majority of Series B redeemable convertible preferred stock are entitled to elect two members to the Board of Directors. The holders of a majority of the common stock are entitled to elect, voting separately as a class, two members to the Board of Directors.

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The holders of Series A, A-1, B, C, D, E, and F redeemable convertible preferred stock (collectively “Series Preferred”) and common stock, voting together as a single class on an as-converted basis, shall be entitled to elect all remaining directors.

**Conversion Rights**—Each share of redeemable convertible preferred stock is convertible at the option of the holder, at any time after the date of issuance of such share, into shares of common stock as is determined by dividing the original purchase price of redeemable convertible preferred stock by the conversion price in effect at the time of conversion for such series of redeemable convertible preferred stock as defined by the Company’s certificate of incorporation, as amended. As of December 31, 2019 and 2020, the conversion ratio for the Series Preferred was one-to-one.

Each share of redeemable convertible preferred stock will automatically be converted into shares of common stock at the then-effective conversion rate of such shares upon the earliest to occur of (i) the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock of the Company to the public with offering proceeds to the Company in excess of \$50 million (net of underwriters’ discounts, concessions, commissions, and expenses) or (ii) the consent of holders of at least 35% of the then outstanding shares of Series A Preferred and Series A-1 Preferred, voting together as a single class; the holders of a majority of the then outstanding shares of Series A Preferred, voting as a separate class; the holders of a majority of the then outstanding shares of Series B Preferred, voting as a separate class; the holders of a majority of the then outstanding shares of Series C Preferred, voting as a separate class; the holders of at least 60% of the then outstanding shares of Series D Preferred, voting as a separate class; the holders of a majority of the then outstanding shares of Series E Preferred, voting as a separate class; and the holders of at least 80% of the then outstanding shares of Series F Preferred, voting as a separate class, all on an as-converted basis.

In the event the Company sells its common stock in a firmly underwritten public offering pursuant to a registration statement under the Securities Act in which all of the Series F Preferred Stock are to be converted to common stock, and the actual net initial offering price (the “IPO Price”) to the public is less than \$24.13 per share (as adjusted for stock splits, stock dividends, reclassification and the like), then the conversion price for each share of Series F Preferred Stock shall be adjusted immediately prior to the conversion of the Series F Preferred Stock into common stock to a price equal to the IPO Price (as adjusted for stock splits, stock dividends, reclassification and the like).

**Liquidation**—In the event of any liquidation, dissolution, or winding-up of the Company, the holders of the Series Preferred stock shall be entitled to receive, ratably, prior and in preference to any distribution of the assets or funds of the Company to the holders of the common stock, an amount equal to the issuance price per share as adjusted for any stock dividends, combinations, splits, recapitalizations, and similar transactions, plus any accrued and unpaid dividends and any other declared but unpaid dividends (the “Liquidation Preference”). If the Company has insufficient assets to permit payment of the Liquidation Preference in full to all holders of Series Preferred, then the assets of the Company shall be distributed ratably to the holders of Series Preferred in proportion to the Liquidation Preference such holders would otherwise be entitled to receive. After payment of the Liquidation Preference to the holders of redeemable convertible preferred stock, the remaining assets of the Company shall be distributed ratably to the holders of common stock on a fully-converted basis.

**Dividends**—The holders of Series Preferred stock shall be entitled to receive, out of any funds legally available, noncumulative dividends prior and in preference to any dividends paid on the common stock, as adjusted for stock splits, stock dividends, combinations, recapitalizations, and similar transactions, when, as, and if declared by the Board of Directors. After payment of such dividends on the Series Preferred stock, any additional dividends or distributions shall be distributed among all holders of common stock in proportion to the number of shares of common stock that would be held by each such holder if all shares of redeemable convertible preferred stock were converted to common stock at the then-effective conversion rate. Such dividends are not cumulative. No dividends have been declared or paid on the Company’s redeemable convertible preferred stock.

**Redemption**—The Company is obligated to redeem the Series Preferred at any time after November 13, 2026, at the election of, and notice by the holder at a price equal to the Series Preferred original issuance price, plus all declared but unpaid dividends thereon. The Series Preferred may also be redeemed upon the occurrence of certain deemed liquidation events, as the majority of the holders could opt to redeem the shares at the liquidation preference upon certain events as defined by the Company's articles of incorporation, as amended, and include a merger, acquisition or sale of substantially all of the assets.

Changes in the redemption value of the redeemable convertible preferred stock, if any, are recorded in the period occurred as an adjustment to additional paid-in capital in the consolidated balance sheets. The Company does not adjust the carrying values of the redeemable convertible preferred stock to the redemption value until such time as a deemed liquidation event is probable of occurring. As of December 31, 2019 and 2020, the redeemable convertible preferred stock had not been adjusted to its redemption value as it was not probable whether or when a deemed liquidation event would occur.

## 12. Common stock

Common stockholders are entitled to one vote per share. The Company has the following common stock reserved for future issuance as of December 31, 2019 and 2020:

	2019	2020
Conversion of redeemable convertible preferred stock	79,472,483	85,391,338
Warrants for redeemable convertible preferred stock	12,595	12,595
Stock options to purchase common stock <sup>(1)</sup>	17,880,402	18,932,979
Stock options available for future issuance	481,953	3,917,161
Total shares of common stock reserved	<u>97,847,433</u>	<u>108,254,073</u>

(1) Excludes 34,000 and 95,475 cash-settled stock appreciation rights outstanding as of December 31, 2019 and 2020, respectively.

## 13. Stock option plan

**Service-Based Awards**—The Company's 2010 Equity Incentive Plan (the "2010 Plan"), was approved by the Board of Directors of the Company on January 20, 2010, and provides for shares of the Company's common stock to be granted to employees, directors, and consultants. The 2010 Plan provides for the granting of incentive stock options ("ISOs"), non-statutory stock options ("NSOs", collectively with ISOs, "Options"), SARs, restricted stock, and restricted stock units, and terminates automatically 10 years after the later of: (i) the date when the Board of Directors adopted the Plan; or (ii) the date when the Board of Directors approved the most recent increase in the number of Shares reserved. Option and SAR awards with service-based vesting conditions generally vest over a period of four years (together, the "Service-Based Awards").

The Company's Board of Directors approved an amended and restated 2010 Equity Incentive Plan as of January 27, 2021. The amended and restated plan did not change the number of equity awards available for future grant.

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The following is a summary of activity for Service-Based Awards under the 2010 Plan (amounts in thousands, except share and per share amounts):

	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance—January 1, 2019	17,669,878	\$ 2.65	8.22	\$ 8,308
Granted	11,561,101	3.12		
Exercised	(4,024,143)	2.80		
Cancelled	(7,342,434)	2.99		
Balance—December 31, 2019	17,864,402	2.78	8.28	67,804
Granted	6,748,885	8.83		
Exercised	(5,008,068)	2.08		
Cancelled	(976,765)	3.43		
Balance—December 31, 2020	18,628,454	5.13	8.54	123,691
Vested and expected to vest as of December 31, 2020	18,628,454	5.13	8.54	123,691
Exercisable as of December 31, 2020	6,073,630	3.29	7.73	51,523

The weighted average grant date fair values of employee Service-Based Awards granted during the years ended December 31, 2019 and 2020, were \$1.66 and \$5.43 per share, respectively.

As of December 31, 2020, total compensation cost related to unvested Service-Based Awards not yet recognized was \$42.4 million, which will be recognized over a weighted average period of 2.5 years.

The grant date fair value was calculated using the Black-Scholes option pricing model, based on the following weighted average assumptions for the years ended December 31, 2019 and 2020:

	2019	2020
Risk-free interest rate	2.2%	0.5%
Expected volatility	48.1%	56.8%
Expected life (in years)	6.0	5.9
Expected dividend yield	—%	—%

The risk-free interest rate is based on the implied yield currently available on U.S. Treasury zero-coupon issues with maturities equivalent to the option's expected term. The expected term of the Service-Based Awards granted was estimated by taking the average of the vesting period and the contractual term of the option as provided by the Securities and Exchange Commission issued Staff Accounting Bulletins No. 107 and 110 because the Company does not have sufficient historical exercise data to estimate expected term. The Company estimated its future stock price volatility based upon the volatility of comparable public companies having securities with observable trading histories. The Company has never declared or paid cash dividends and does not plan to pay cash dividends in the foreseeable future; therefore, the Company used an expected dividend yield of zero.

**Performance-Based Awards**—Under its 2010 Plan, the Company may grant share-based awards whose vesting is contingent on meeting various departmental or company-wide performance goals, such as the achievement of certain sales targets or an IPO event, in lieu of or in addition to a service-based vesting condition (“Performance-Based Awards”). Such awards are generally granted with an exercise price equal to the fair market value of the underlying common stock share on the date of grant and have a contractual term of 10 years. If vesting is dependent on satisfying a performance condition that is probable of being achieved, the Company estimates the expected term as the midpoint between the time at which the performance conditions are probable of being

satisfied and the contractual term of the award. If vesting is dependent on satisfying a performance condition that is not probable of being achieved and the service period is not explicitly stated, the Company estimates the expected term as the contractual term. The remaining inputs to the Black-Scholes option pricing model used to determine grant date fair value, including risk-free interest, expected volatility, and expected dividend yield, are calculated using the same method as that used for Service-Based Awards. Grants for Performance-Based Awards are made out of the same pool of stock options available for future issuance under the 2010 Plan.

Compensation expense for Performance-Based Awards is based on the grant date fair market value. The Company recognizes expense for Performance-Based Awards having either (a) multiple performance-based vesting conditions, or (b) performance and graded service-based vesting conditions, by separately attributing each vesting tranche of the award over the requisite service period applicable to each vesting condition. Management's estimate of the number of shares expected to vest is based on the anticipated achievement of the specified performance goals. If the performance-based vesting condition is considered probable of being achieved, the Company recognizes expense over the remaining service period based on the probable outcome of achievement. If the performance goals are not met, no compensation cost is recognized, and any previously recognized compensation cost is reversed. For awards with both performance and service-based vesting conditions where the performance condition is considered improbable of being achieved, the Company does not recognize expense until the performance condition is satisfied, after which time expense is recognized over the requisite service period.

In 2019, 1,576,694 outstanding stock options with unsatisfied performance-based vesting conditions were forfeited upon termination of the two employee award holders. The Company had two Performance-Based Awards outstanding as of December 31, 2020.

In 2018, the Company granted an award of 50,000 stock options that will become eligible to vest upon the closing of the Company's IPO occurring prior to the sixth (6th) anniversary of the date the award was granted and subject to recipient's continued service to the Company through the IPO closing date. Upon satisfaction of the IPO requirement, the options vest in 48 equal monthly installments thereafter, subject to the recipient continuing to provide service to the Company through each vesting date. In 2020, the Company modified the performance condition of the award to include a change in control event as defined in the Company's 2010 Plan. Prior to and after the modification, management considered the performance-based vesting conditions were improbable of being satisfied, as neither the IPO nor the change in control events had occurred at the modification date. The impact of the modification was not material to the consolidated financial statements. The contemplated offering is expected to satisfy the IPO requirement, and the Company expects to recognize an immaterial amount of stock-based compensation in the period in which the IPO requirement is satisfied.



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In 2020, the Company granted 350,000 stock options with performance-based vesting conditions, with 50% vesting when the Company achieves \$230 million in annual recurring revenues (“ARR”) in Enterprise revenue, and the other 50% vesting when the Company achieves \$330 million in ARR in Enterprise revenue. Management considered that both performance-based vesting conditions were probable of being satisfied during the performance period. As such, the Company began recognizing expense for each tranche of the award using the estimated time period by which the performance conditions are probable of being achieved. The following table summarizes the activities of Performance-Based Awards as of and for the years ended December 31, 2019 and 2020 (amounts in thousands, except share and per share amounts):

	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance—January 1, 2019	1,626,694	\$ 2.98	8.76	\$ 230
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled	(1,576,694)	2.98	—	—
Balance—December 31, 2019	50,000	3.06	8.58	436
Granted	350,000	11.13	—	—
Exercised	—	—	—	—
Cancelled	—	—	—	—
Balance—December 31, 2020	400,000	10.12	9.60	660
Vested and expected to vest as of December 31, 2020	350,000	11.13	9.89	224
Exercisable as of December 31, 2020	—	—	—	—

The weighted average grant date fair value of Performance-Based Awards granted during the year ended December 31, 2020, was \$6.37 per stock option.

As of December 31, 2020, total compensation cost related to unvested Performance-Based Awards not yet recognized was \$2.5 million, which will be recognized over a weighted average period of 2.6 years.

**Other Equity Transactions**—During the year ended December 31, 2019, the Company facilitated a tender offer for certain eligible employees to sell 300,000 vested stock options and outstanding shares of common stock to a new investor at a per share price of \$10.00 per share. The Company recorded stock-based compensation of \$2.1 million in its consolidated statements of operations for the difference between the price paid and the fair value of the Company’s common stock on the date of the transaction.

During the year ended December 31, 2020, the Company facilitated a tender offer for certain eligible employees to sell 891,265 vested stock options and outstanding shares of common stock to Benesse at a per share price of \$11.22 per share. The Company recorded stock-based compensation of \$3.5 million in its consolidated statements of operations for the difference between the price paid and the fair value of the Company’s common stock on the date of the transaction.

Additionally, during the years ended December 31, 2019 and 2020, the Company waived its right of first refusal and transfer restrictions with respect to certain transfers of outstanding common stock. Where the Company has concluded that such transfers included a deemed compensatory element as a result of both the Company’s role in facilitating the transfers and the buyers of the shares transferred having a pre-existing economic interest in the Company’s equity, the Company recorded stock-based compensation expense in an aggregate amount of \$1.7 million and \$17.9 million during 2019 and 2020, respectively, for the difference between the price paid and the fair market value on the date of the transaction.

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Total stock-based compensation expense is included in the consolidated statements of operations for the years ended December 31, 2019 and 2020 as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Cost of revenues	\$ 299	\$ 418
Sales and marketing	3,001	7,518
Research and development	2,357	5,232
General and administrative	3,306	18,450
Total stock-based compensation expense	<u>\$ 8,963</u>	<u>\$ 31,618</u>

The Company capitalized \$0.3 million and \$0.7 million of stock-based compensation expense as capitalized software during the fiscal years ended December 31, 2019 and 2020, respectively.

### 14. Net loss per share

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders for the years ended December 31, 2019 and 2020 (in thousands, except share and per share amounts):

	2019	2020
Numerator:		
Net loss attributable to common stockholders	\$ (69,703)	\$ (77,620)
Denominator		
Weighted-average shares used to calculate net loss per share attributable to common stockholders—basic and diluted	27,096,379	33,384,438
Net loss per share attributable to common stockholders—basic and diluted	<u>\$ (2.57)</u>	<u>\$ (2.33)</u>

The following potentially dilutive securities were excluded from the computation of diluted net loss per share calculations for the years ended December 31, 2019 and 2020, because the impact of including them would have been anti-dilutive:

	2019	2020
Redeemable convertible preferred stock	79,472,483	85,391,338
Stock options	17,889,502	19,028,454
Early exercised common stock options subject to repurchase	2,337	—
Redeemable convertible preferred stock warrants	12,595	12,595
Total potentially dilutive securities	<u>97,376,917</u>	<u>104,432,387</u>

### 15. Segment and geographic information

The Company's Chief Executive Officer is its CODM. The CODM reviews separate financial information presented for the Company's two segments, Consumer and Enterprise, in order to allocate resources and evaluate the Company's financial performance.

The Consumer segment targets individual learners seeking to obtain hands-on learning, gain valuable job skills to advance their professional careers, or learn a new personal skill. The Enterprise segment is focused on helping business and government customers upskill and reskill their employees and public servants. The CODM measures the performance of each segment primarily based on segment revenue and segment gross profit.

Segment gross profit, as presented below, is defined as segment revenue less segment cost of revenue. Segment cost of revenue includes content costs, hosting and platform costs, customer support services, and

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payment processing fees that are allocable to each segment. Segment gross profit excludes amortization of capitalized software, depreciation, and stock-based compensation allocated to cost of revenues as the CODM does not include the information in his measurement of the performance of the operating segments. Additionally, the Company does not allocate sales and marketing expenses, research and development expenses, and general and administrative expenses because the CODM does not include the information in his measurement of the performance of the operating segments. The Udemy platform supports the operations of each segment.

The CODM does not use asset information by segments to assess performance and make decisions regarding allocation of resources, and the Company does not track its long-lived assets by segment. The geographic identification of these assets is set forth below. The following table presents segment information for the years ended December 31, 2019 and 2020 (in thousands):

	2019	2020
<b>Revenue</b>		
Consumer	\$ 225,500	\$ 326,454
Enterprise	50,827	103,445
<b>Total revenue</b>	\$ 276,327	\$ 429,899
<b>Segment cost of revenue</b>		
Consumer	122,751	172,489
Enterprise	14,824	28,834
<b>Total segment cost of revenue</b>	\$ 137,575	\$ 201,323
<b>Segment gross profit</b>		
Consumer	102,749	153,965
Enterprise	36,003	74,611
<b>Total segment gross profit</b>	\$ 138,752	\$ 228,576
<b>Reconciliation of segment gross profit to gross profit</b>		
Amortization of capitalized software	4,909	6,894
Depreciation	727	618
Stock-based compensation	299	418
Total reconciling items	5,935	7,930
<b>Total gross profit</b>	132,817	220,646

### **Geographic Information**

*Revenue:* The following table summarizes the revenue by region based on the billing address of the Company's customers for the years ended December 31, 2019 and 2020 (in thousands):

	2019	2020
North America	\$ 113,604	\$ 168,612
Europe, Middle East, Africa	88,637	139,005
Asia Pacific	47,047	85,847
Latin America	27,039	36,435
<b>Total revenue</b>	\$ 276,327	\$ 429,899

The United States accounted for 37% and 35% of the Company's total revenue during the years ended December 31, 2019 and 2020, respectively. No other single country represented 10% or more of the Company's total revenue during either period presented.

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*Long-lived assets:* The following table presents the Company's long-lived assets, which consist of tangible property and equipment net of depreciation, by geographic region for the years ended December 31, 2019 and 2020 (in thousands):

	2019	2020
North America	\$ 5,788	\$ 5,327
Rest of world	2,025	3,653
<b>Total long-lived assets</b>	<b>\$ 7,813</b>	<b>\$ 8,980</b>

### **16. Subsequent events**

The Company evaluated subsequent events for recognition and disclosure through May 25, 2021, the date which these consolidated financial statements were available to be issued. Where applicable, such events are appropriately reflected and/or disclosed in these consolidated financial statements.

Subsequent to December 31, 2020, the Company granted stock options to purchase 2,773,284 shares of common stock with a weighted-average exercise price of \$13.63 per share.

Subsequent to December 31, 2020, the Company facilitated a tender offer for certain eligible employees to sell vested stock options and outstanding shares of common stock to an existing investor. Further, there have been several secondary stock sale transactions including employees or former employees who sold their shares to third parties. Where the Company has concluded that such transfers include a deemed compensatory element, the Company has recorded stock-based compensation expense in the consolidated statements of operations in the period in which the transaction occurred, equal to the excess of the purchase price over the fair market value of the Company's common stock at the time of the transaction.

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*shares*



*Common stock*

## Prospectus

**Morgan Stanley**

**J.P. Morgan**

, 2021

## Part II

### Information not required in the prospectus

#### Item 13. Other expenses of issuance and distribution

The following table sets forth the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimates except the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the listing fee.

	Amount paid or to be paid
SEC registration fee	\$ *
FINRA filing fee	*
listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	\$ *

\* To be provided by amendment.

#### Item 14. Indemnification of directors and officers

Section 145 of the Delaware General Corporation Law empowers a corporation to indemnify its directors and officers and to purchase insurance with respect to liability arising out of their capacity or status as directors and officers, provided that the person acted in good faith and in a manner the person reasonably believed to be in our best interests, and, with respect to any criminal action, had no reasonable cause to believe the person's actions were unlawful. The Delaware General Corporation Law further provides that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise. The certificate of incorporation of the registrant to be in effect upon the completion of this offering provides for the indemnification of the registrant's directors and officers to the fullest extent permitted under the Delaware General Corporation Law. In addition, the bylaws of the registrant to be in effect upon the completion of this offering require the registrant to fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was a director or officer of the registrant, or is or was a director or officer of the registrant serving at the registrant's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, to the fullest extent permitted by applicable law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except (1) for any breach of the director's duty of loyalty to the corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) for payments of unlawful dividends or unlawful stock repurchases or redemptions or (4) for any transaction from which the director derived an improper personal benefit. The registrant's certificate of incorporation to be in effect upon the completion of this offering provides that the registrant's directors shall not be personally liable to it or its stockholders for monetary damages for breach of fiduciary duty as a director and that if the Delaware General Corporation Law is amended to authorize corporate

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action further eliminating or limiting the personal liability of directors, then the liability of the registrant's directors shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Section 174 of the Delaware General Corporation Law provides, among other things, that a director who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption may be held liable for such actions. A director who was either absent when the unlawful actions were approved, or dissented at the time, may avoid liability by causing his, her, or their dissent to such actions to be entered in the books containing minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

As permitted by the Delaware General Corporation Law, the registrant has entered into separate indemnification agreements with each of the registrant's directors and executive officers which would require the registrant, among other things, to indemnify them against certain liabilities which may arise by reason of their status as directors or executive officers.

The registrant expects to obtain and maintain insurance policies under which its directors and officers are insured, within the limits and subject to the limitations of those policies, against certain expenses in connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been directors or officers. The coverage provided by these policies may apply whether or not the registrant would have the power to indemnify such person against such liability under the provisions of the Delaware General Corporation Law.

These indemnification provisions and the indemnification agreements entered into between the registrant and the registrant's officers and directors may be sufficiently broad to permit indemnification of the registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act of 1933, as amended.

The underwriting agreement between the registrant and the underwriters filed as Exhibit 1.1 to this registration statement provides for the indemnification by the underwriters of the registrant's directors and officers and certain controlling persons against specified liabilities, including liabilities under the Securities Act with respect to information provided by the underwriters specifically for inclusion in the registration statement. The investors' rights agreement with certain holders of our capital stock also provides for cross-indemnification in connection with the registration of the registrant's common stock on behalf of such holders.

### **Item 15. Recent sales of unregistered securities**

The following list sets forth information regarding all unregistered securities sold by us since January 1, 2018. No underwriters were involved in the sales and the certificates representing the securities sold and issued contain legends restricting transfer of the securities without registration under the Securities Act or an applicable exemption from registration.

- (1) In March 2020, we issued and sold to investors an aggregate of 2,569,043 shares of our Series E redeemable convertible preferred stock at a purchase price of \$15.57 per share for aggregate consideration of \$39.9 million.
- (2) In November 2020 and December 2020, we issued and sold to investors an aggregate of 3,349,812 shares of our Series F redeemable convertible preferred stock at a purchase price of \$24.13 per share for aggregate consideration of approximately \$80.8 million.
- (3) In January 2021, we issued and sold to an investor 12,595 shares of our Series A-1 redeemable convertible preferred stock upon the exercise of an outstanding warrant at a purchase price of \$0.196 per share. We received approximately \$2,469 in consideration.

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- (4) Since January 1, 2018, we granted to certain of our service providers stock options to purchase an aggregate of 26,965,560 shares of common stock upon the exercise of options under our 2010 Plan at exercise prices per share ranging from \$3.06 to \$23.55.
- (5) Since January 1, 2018, we granted to certain of our service providers 106,305 stock appreciation rights under our 2010 Plan at base exercises prices per share ranging from \$3.12 to \$23.55.
- (6) Since January 1, 2018, we issued and sold to certain of our service providers an aggregate of 13,307,638 shares of common stock upon the exercise of options under our 2010 Plan at exercise prices per share ranging from \$0.02 to \$11.77, for aggregate consideration of approximately \$30.9 million.

The offers, sales, and issuances of the securities described in Items 15(1), 15(2), and 15(3) were exempt from registration under the Securities Act under Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited person and had adequate access, through employment, business, or other relationships, to information about the registrant.

The offers, sales, and issuances of the securities described in Items 15(4), 15(5), and 15(6) were exempt from registration under the Securities Act under either (1) Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701 or (2) Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering. The recipients of such securities were the registrant's employees, consultants, or directors and received the securities under our 2010 Plan. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions.

### **Item 16. Exhibit and financial statement schedules**

#### **(a) Exhibits.**

See the Exhibit Index immediately preceding the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

#### **(b) Financial statement schedules.**

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

### **Item 17. Undertakings**

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.



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The undersigned hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## Exhibit index

<b>Exhibit number</b>	<b>Description</b>
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of the Registrant, to be in effect upon the completion of this offering.
3.3	Bylaws of the Registrant, as currently in effect.
3.4*	Form of Amended and Restated Bylaws of the Registrant, to be in effect upon the completion of this offering.
4.1#	Fifth Amended and Restated Investor Rights Agreement by and among the Registrant and certain of its stockholders, dated November 13, 2020.
4.2*	Specimen common stock certificate of the Registrant.
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.
10.1+*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.
10.2+	2010 Equity Incentive Plan, as amended, and forms of agreement thereunder.
10.3+*	2021 Equity Incentive Plan and forms of agreements thereunder, to be in effect upon the completion of this offering.
10.4+*	2021 Employee Stock Purchase Plan and forms of agreements thereunder, to be in effect upon the completion of this offering.
10.5+*	Executive Incentive Compensation Plan.
10.6+*	Change in Control and Severance Policy.
10.7+*	Outside Director Compensation Policy.
21.1	List of subsidiaries.
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm.
23.2*	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in Exhibit 5.1).
24.1*	Power of Attorney (see page II-6 to this Form S-1).

\* To be filed by amendment.

+ Indicates management contract or compensatory plan.

# Certain identified information has been omitted from this exhibit because such information is both not material and is the type that the registrant treats as private or confidential.

## Signatures

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Francisco, State of California, on \_\_\_\_\_, 2021.

UDEMY, INC.

By: \_\_\_\_\_  
Gregg Coccari  
President and Chief Executive Officer

## Power of attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Gregg Coccari and Sarah Blanchard as his, her, or their true and lawful attorneys-in-fact and agents, with full power of substitution and substitution, for him, her, or them and in his, her, or their name, place, and stead, in any and all capacities to sign any or all amendments (including post-effective amendments) to this registration statement and any and all additional registration statements pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Gregg Coccari	President, Chief Executive Officer, and Chairperson of the Board of Directors ( <i>Principal Executive Officer</i> )	, 2021
_____ Sarah Blanchard	Chief Financial Officer ( <i>Principal Financial and Accounting Officer</i> )	, 2021
_____ Eren Bali	Director	, 2021
_____ Parker Barrile	Director	, 2021
_____ Kenneth Fox	Director	, 2021
_____ Heather Hiles	Director	, 2021
_____ Lawrence Illg	Director	, 2021
_____ Jeffrey Lieberman	Director	, 2021
_____ Lydia Paterson	Director	, 2021

**AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
UDEMY, INC.**

Gregg Coccari hereby certifies that:

**ONE:** The original name of this company is Udemy, Inc. and the date of filing of the original Certificate of Incorporation of this company with the Secretary of State of the State of Delaware was January 20, 2010.

**TWO:** He is the duly elected and acting Chief Executive Officer of Udemy, Inc., a Delaware corporation.

**THREE:** The Certificate of Incorporation of this company is hereby amended and restated to read as follows:

**I.**

The name of this company is Udemy, Inc. (the “**Corporation**” or the “**Company**”).

**II.**

The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

**III.**

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law (“**DGCL**”).

**IV.**

**A.** The total number of shares of stock that the Corporation shall have authority to issue is 236,348,646, consisting of (i) 150,000,000 shares of Common Stock, \$0.00001 par value per share (the “**Common Stock**”), and (ii) 86,348,646 shares of Preferred Stock, \$0.00001 par value per share (the “**Preferred Stock**”).

**B.** 8,483,166 of the authorized shares of Preferred Stock are hereby designated “Series A Preferred Stock” (the “**Series A Preferred**”), 15,295,184 of the authorized shares of Preferred Stock are hereby designated “Series A-1 Preferred Stock” (the “**Series A-1 Preferred**”), 22,956,103 of the authorized shares of Preferred Stock are hereby designated “Series B Preferred Stock” (the “**Series B Preferred**”), 16,198,348 of the authorized shares of Preferred Stock are hereby designated “Series C Preferred Stock” (the “**Series C Preferred**”), 16,702,584 of the authorized shares of Preferred Stock are hereby designated “Series D Preferred Stock” (the “**Series D Preferred**”), 2,569,043 of the authorized shares of Preferred Stock are

hereby designated "Series E Preferred Stock" (the "**Series E Preferred**"), and 4,144,218 of the authorized shares of Preferred Stock are hereby designated "Series F Preferred Stock" (the "**Series F Preferred**" and collectively with the Series A Preferred, the Series A-1 Preferred, the Series B Preferred, the Series C Preferred, the Series D Preferred, and the Series E Preferred, the "**Series Preferred**").

C. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

D. The rights, preferences, privileges, restrictions and other matters relating to the Common Stock and Preferred Stock are as follows:

#### 1. DIVIDEND RIGHTS.

(a) The Corporation shall not declare, pay or set apart for payment any other dividend or make any other distribution on the Common Stock (other than dividends payable in Common Stock on shares of Common Stock) unless the holders of the Series Preferred shall first receive, or simultaneously receive, a dividend on each outstanding share of Series Preferred in an amount at least equal to (i) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series Preferred as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Series Preferred, in each case calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series Preferred determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the Original Issue Price (as defined below) of the applicable series of Series Preferred; provided, that if the Corporation declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series Preferred pursuant to this Section 1 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest Series Preferred dividend. For purposes of this Restated Certificate, the "**Series A Original Issue Price**" shall mean \$0.24165 per share of Series A Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), the "**Series A-1 Original Issue Price**" shall mean \$0.19600 per share of Series A-1 Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), the "**Series B Original Issue Price**" shall mean \$0.53628 per share of Series B Preferred (as adjusted for any stock dividends,

combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), the “**Series C Original Issue Price**” shall mean \$1.97551 per share of Series C Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), the “**Series D Original Issue Price**” shall mean \$6.2177 per share of Series D Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), the “**Series E Original Issue Price**” shall mean \$15.57 per share of Series E Preferred, and the “**Series F Original Issue Price**” shall mean \$24.13 per share of Series F Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), and the Series A Original Issue Price, the Series A-1 Original Issue Price, the Series B Original Issue Price, the Series C Original Issue Price, the Series D Original Issue Price, the Series E Original Issue Price, and the Series F Original Issue Price may each be referred to herein as an “**Original Issue Price**.”

(b) Subject to Section 1(a), the holders of Common Stock and Series Preferred shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of the Corporation legally available therefore, such dividends as may be declared from time to time by the Board of Directors, to be distributed in proportion to such holders as if all shares of Series Preferred had been converted into Common Stock at the then-effective Series Preferred Conversion Rate for each such share of Series Preferred.

## 2. VOTING RIGHTS.

(a) **General Rights.** The holders of Common Stock shall be entitled to one vote for each share thereof held. Each holder of shares of the Series Preferred shall be entitled to the number of votes equal to the number of shares of Common Stock into which such shares of Series Preferred could be converted (pursuant to Section 5 hereof) immediately after the close of business on the record date fixed for such meeting or the effective date of such written consent and shall have voting rights and powers equal to the voting rights and powers of the Common Stock and shall be entitled to notice of any stockholders’ meeting in accordance with the bylaws of the Corporation. Except as otherwise provided herein or as required by law, the Series Preferred shall vote together with the Common Stock at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner as the Common Stock. Except as otherwise provided herein or as required by law, there shall be no series voting.

(b) **Separate Vote of Series Preferred.** So long as any shares of Series Preferred are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or this Amended and Restated Certificate of Incorporation (this “**Restated Certificate**”)) the written consent or affirmative vote of the holders of at least sixty-five percent (65%) of the then outstanding shares of Series Preferred, voting together as a single class on an as-converted basis (collectively, the “**Requisite Holders**”):

(i) Redeem, purchase or otherwise acquire, directly or indirectly, any of the Company's debt or equity securities, excluding (A) repurchases of equity securities from an employee, consultant or director of the Company upon termination of such person's employment, consultancy or directorship with the Company and (B) redemptions of Preferred Stock as set forth in herein;

(ii) Declare or pay, directly or indirectly, any dividends or make any distributions upon any shares of Common Stock or Preferred Stock;

(iii) Authorize, create, designate or issue, whether by reclassification or otherwise, any new or additional class or series of capital stock (or any other securities convertible into equity securities of the Corporation) ranking on a parity with or senior to the Series Preferred in right of redemption, liquidation preference, conversion, voting or dividend rights;

(iv) Increase the authorized number of shares of Series Preferred or increase the authorized or designated number of any new or additional class or series of capital stock;

(v) Amend, alter, or repeal any provision of the Restated Certificate or the Bylaws of the Corporation (including any filing of a Certificate of Designation), whether by merger, consolidation or otherwise;

(vi) Undertake or enter into a Liquidation Event, Asset Sale or Acquisition (each as defined in Section 3 or 4 hereof);

(vii) Voluntarily dissolve or liquidate the Corporation or recapitalize or reclassify any of the outstanding stock of the Corporation;

(viii) Increase the number of shares of Common Stock reserved for issuance pursuant to the Company's 2010 Equity Incentive Plan, or establish any new employee stock option plan, employee stock purchase plan, employee restricted stock plan or other similar stock plan;

(ix) Create, or authorize the creation of, or issue, or authorize the issuance of, any debt security or other indebtedness for borrowed money in excess of \$8,000,000 in the aggregate;

(x) Enter into (directly or indirectly) any transaction with any officer or director of the Company, any of their respective immediate family members or any entity that such persons control, other than transactions approved by the Board, including at least two (2) Preferred Directors;

(xi) Enter into (directly or indirectly) any exclusive outbound license, distribution or partnership agreement pursuant to which the Company licenses its intellectual property, technology or other proprietary rights (including without limitation, any software and design documentation) on an exclusive basis to any third party, unless approved by the Board, including at least two (2) Preferred Directors;

(xii) Increase or reduce the size of the Board;

(xiii) Materially alter or modify the Company's primary line of business, unless approved by the Board, including at least two (2) Preferred Directors;

(xiv) Enter into (directly or indirectly) the ownership, management or operation of any business other than the business anticipated to be conducted by the Company as of the date of the Closing, unless approved by the Board, including at least two (2) Preferred Directors;

(xv) Amend, alter or modify the preferences, privileges or rights of any Series Preferred;

(xvi) Undertake or enter into any acquisition of or investment in another entity by the Corporation with a value in excess of \$8,000,000 that is not included in an annual budget approved by the Board, including at least two (2) Preferred Directors; or

(xvii) Undertake or enter into any material change in the compensation of employees who are Subject Holders (as that term is defined in that certain Fifth Amended and Restated Right of First Refusal and Co-Sale Agreement by and among the parties named therein dated on or about the Series F Original Issue Date) other than changes as approved by the Board, including at least two (2) Preferred Directors.

**(c) Election of Board of Directors.**

(i) For so long as any shares of Series A Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) remain outstanding, the holders of Series A Preferred, voting exclusively and as a separate class on an as-converted basis, shall be entitled to elect one (1) members of the Board (the "**Series A Director**") at each meeting or pursuant to each consent of the Company's stockholders for the election of directors, and to remove from office any such director and to fill any vacancy caused by the resignation, death or removal of any such director.

(ii) For so long as any shares of Series B Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) remain outstanding, the holders of Series B Preferred, voting exclusively and as a separate class on an as-converted basis, shall be entitled to elect two (2) members of the Board (the "**Series B Directors**") at each meeting or pursuant to each consent of the Company's stockholders for the election of directors, and to remove from office any such director and to fill any vacancy caused by the resignation, death or removal of any such director.

(iii) For so long as any shares of Series C Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) remain outstanding, the holders of Series C Preferred, voting exclusively and as a separate class on an as-converted basis, shall be entitled to elect one (1) member of the Board (the "**Series C Director**") at each meeting or pursuant to each consent of the Company's stockholders for the election of directors, and to remove from office any such director and to fill any vacancy caused by the resignation, death or removal of any such director.



(iv) For so long as any shares of Series D Preferred (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof) remain outstanding, the holders of Series D Preferred, voting exclusively and as a separate class on an as-converted basis, shall be entitled to elect one (1) member of the Board (the “**Series D Director**” and together with the Series B Directors and the Series C Director, the “**Preferred Directors**”) at each meeting or pursuant to each consent of the Company’s stockholders for the election of directors, and to remove from office any such director and to fill any vacancy caused by the resignation, death or removal of any such director.

(v) The holders of shares of Common Stock shall be entitled to elect two (2) members of the Board at each meeting or pursuant to each consent of the Company’s stockholders for the election of directors, and to remove from office any such director and to fill any vacancy caused by the resignation, death or removal of any such director.

(vi) If the holders of shares of Series A Preferred fail to elect a director to fill the directorship for which they are entitled to elect, voting exclusively and as a separate class, pursuant to clause (i) of this Section 2(c), then such directorship not so filled shall remain vacant until such time as the holders of the Series A Preferred elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class.

(vii) If the holders of shares of Series B Preferred fail to elect a director to fill the directorship for which they are entitled to elect, voting exclusively and as a separate class, pursuant to clause (ii) of this Section 2(c), then such directorship not so filled shall remain vacant until such time as the holders of the Series B Preferred elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class.

(viii) If the holders of shares of Series C Preferred fail to elect a director to fill the directorship for which they are entitled to elect, voting exclusively and as a separate class, pursuant to clause (iii) of this Section 2(c), then such directorship not so filled shall remain vacant until such time as the holders of the Series C Preferred elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class.

(ix) If the holders of shares of Series D Preferred fail to elect a director to fill the directorship for which they are entitled to elect, voting exclusively and as a separate class, pursuant to clause (iv) of this Section 2(c), then such directorship not so filled shall remain vacant until such time as the holders of the Series D Preferred elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class.

(x) The holders of Common Stock and Series Preferred, voting together as a single class on an as-converted basis, shall be entitled to elect all remaining members of the Board at each meeting or pursuant to each consent of the Company's stockholders for the election of directors, and to remove from office such directors and to fill any vacancy caused by the resignation, death or removal of such directors.

### 3. LIQUIDATION RIGHTS.

Upon any liquidation, dissolution or winding up of the Corporation (a "**Liquidation Event**"), whether voluntary or involuntary, any amounts or assets of the Corporation (or the consideration received in such transaction) legally available for distribution to holders of the Corporation's capital stock of all classes shall be paid as follows:

(a) *First*, the holders of the shares of Series Preferred shall be entitled, before any distribution or payment is made upon any Common Stock, to be paid (i) an amount per share of Series A Preferred equal to the Series A Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series A Preferred for each share of Series A Preferred held by them (the "**Series A Liquidation Preference**"), (ii) an amount per share of Series A-1 Preferred equal to the Series A-1 Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series A-1 Preferred for each share of Series A-1 Preferred held by them (the "**Series A-1 Liquidation Preference**"), (iii) an amount per share of Series B Preferred equal to the Series B Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series B Preferred for each share of Series B Preferred held by them (the "**Series B Liquidation Preference**"), (iv) an amount per share of Series C Preferred equal to the Series C Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series C Preferred for each share of Series C Preferred held by them (the "**Series C Liquidation Preference**"), (v) an amount per share of Series D Preferred equal to the Series D Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series D Preferred for each share of Series D Preferred held by them (the "**Series D Liquidation Preference**"), (vi) an amount per share of Series E Preferred equal to the Series E Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series E Preferred for each share of Series E Preferred held by them (the "**Series E Liquidation Preference**"), and (vii) an amount per share of Series F Preferred equal to the Series F Original Issue Price (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like with respect to such shares after the filing date hereof), plus any dividends declared but unpaid on the Series F Preferred for each share of Series F Preferred held by them (the "**Series F Liquidation Preference**" and collectively with the Series

A Liquidation Preference, the Series A-1 Liquidation Preference, the Series B Liquidation Preference, the Series C Liquidation Preference, the Series D Liquidation Preference, and the Series E Liquidation Preference, the “**Series Preferred Liquidation Preference**”). If, upon any such Liquidation Event, the assets of the Corporation (or the consideration received in such transaction) shall be insufficient to make payment in full to all holders of Series Preferred of the Series Preferred Liquidation Preference, then such assets (or consideration) shall be distributed among the holders of Series Preferred at the time outstanding, ratably in proportion to the full amounts to which they would otherwise be respectively entitled pursuant to this Section 3(a) if the entire Series Preferred Liquidation Preference were paid in full.

(b) *Second*, after the payment of the full Series Preferred Liquidation Preference pursuant to Section 3(a) above, the remaining assets of the Company legally available for distribution in such Liquidation Event (or the consideration received by the Company or its stockholders in such Acquisition or Asset Sale), if any, shall be distributed ratably to the holders of the Common Stock.

(c) Notwithstanding anything to the contrary in this Restated Certificate, upon any Liquidation Event (including an Acquisition or Asset Sale, each as defined below) each holder of Series Preferred shall be entitled to receive, for each share of each series of Series Preferred then held, out of the proceeds available for distribution, the greater of (i) the amount of cash, securities or other property to which such holder would be entitled to receive with respect to such shares in a Liquidation Event pursuant to Section 3(a) (without giving effect to this Section 3(c)) or (ii) the amount of cash, securities or other property to which such holder would be entitled to receive in a Liquidation Event with respect to such shares if such shares had been converted to Common Stock immediately prior to such Liquidation Event or Acquisition or Asset Sale, giving effect to this Section 3(c) with respect to all series of Preferred Stock simultaneously.

#### **4. ACQUISITION OR ASSET SALE RIGHTS.**

(a) For the purposes of this Restated Certificate: (i) “**Acquisition**” shall mean (A) any consolidation or merger of the Corporation with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the stockholders of the Corporation immediately prior to such consolidation, merger or reorganization, continue to hold a majority of the voting power of the surviving entity in substantially the same proportions (or, if the surviving entity is a wholly owned subsidiary, its parent) immediately after such consolidation, merger or reorganization; or (B) any transaction or series of related transactions to which the Corporation is a party in which in excess of fifty percent (50%) of the Corporation’s voting power is transferred; *provided*, that an Acquisition shall not include any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Corporation or any successor or indebtedness of the Corporation is cancelled or converted or a combination thereof; (ii) “**Asset Sale**” shall mean a sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Corporation except where such sale, lease, exclusive license or other disposition is to a wholly-owned subsidiary of the Corporation; and (iii) any such Acquisition or Asset Sale shall be deemed a Liquidation Event and the provisions of Section 3 above shall apply, unless the Requisite Holders elect otherwise by delivery of written notice to the Corporation prior to such event.

(b) In any Acquisition or Asset Sale, if the consideration to be received is securities of a corporation or other property other than cash, its value will be deemed its fair market value as determined in good faith by the Board on the date such determination is made.

(c) In the event of an Acquisition or Asset Sale, if any portion of the consideration payable to the stockholders of the Corporation is placed into escrow and/or is payable to the stockholders of the Corporation subject to contingencies, the definitive agreement for such transaction shall provide that (a) the portion of such consideration that is not placed in escrow and not subject to any contingencies (the “**Initial Consideration**”) shall be allocated among the holders of capital stock of the Corporation in accordance with Section 3 as if the Initial Consideration were the only consideration payable in connection with such Liquidation and (b) any additional consideration which becomes payable to the stockholders of the Corporation upon release from escrow or satisfaction of contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Section 3 after taking into account the previous payment of the Initial Consideration as part of the same transaction.

**5. CONVERSION RIGHTS.** The holders of the Series Preferred shall have the following rights with respect to the conversion of the Series Preferred into shares of Common Stock (the “**Conversion Rights**”):

(a) **Optional Conversion.** Subject to and in compliance with the provisions of this Section 5, any shares of Series Preferred may, at the option of the holder, be converted at any time into fully-paid and non-assessable shares of Common Stock. The number of shares of Common Stock to which a holder of Series Preferred shall be entitled upon conversion shall be the product obtained by multiplying the “Series Preferred Conversion Rate” then in effect (determined as provided in Section 5(b)) by the number of shares of the Series Preferred being converted.

(b) **Series Preferred Conversion Rate.** The conversion rate in effect at any time for conversion of the Series Preferred (the “**Series Preferred Conversion Rate**”) shall be the quotient obtained by dividing the applicable Original Issue Price by the applicable “Series Preferred Conversion Price” then in effect, calculated as provided in Section 5(c).

(c) **Series Preferred Conversion Price.** The conversion price for the Series Preferred shall initially be the applicable Original Issue Price of the applicable series of Series Preferred (the “**Series Preferred Conversion Price**”). Such initial Series Preferred Conversion Price shall be adjusted from time to time in accordance with this Section 5. All references to the Series Preferred Conversion Price herein shall mean the Series Preferred Conversion Price as so adjusted.

(d) **Mechanics of Conversion.** Each holder of Series Preferred who desires to convert the same into shares of Common Stock pursuant to this Section 5 shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or any transfer agent for the Series Preferred, and shall give written notice to the Corporation at such office that such holder elects to convert the same. Such notice shall state the number of shares of Series Preferred being converted. Thereupon, the Corporation shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay (i) in cash or, to the extent sufficient funds are not then legally available therefor, in Common Stock (at the Common Stock's fair market value determined by the Board as of the date of such conversion), any declared but unpaid dividends on the shares of Series Preferred being converted and (ii) in cash (at the Common Stock's fair market value determined by the Board as of the date of conversion) the value of any fractional share of Common Stock otherwise issuable to any holder of Series Preferred. Such conversion shall be deemed to have been made at the close of business on the date of such surrender of the certificates representing the shares of Series Preferred to be converted, and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date.

(e) **Adjustment for Stock Splits and Combinations.** If at any time or from time to time on or after the date the first share of Series F Preferred was issued (the "*Series F Original Issue Date*") the Corporation effects a subdivision of the outstanding Common Stock without a corresponding subdivision of the Series Preferred, the applicable Series Preferred Conversion Prices in effect immediately before that subdivision shall be proportionately decreased. Conversely, if at any time or from time to time after the Series F Original Issue Date the Corporation combines the outstanding shares of Common Stock into a smaller number of shares without a corresponding combination of the Series Preferred, the Series Preferred Conversion Prices in effect immediately before the combination shall be proportionately increased. Any adjustment under this Section 5(e) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(f) **Adjustment for Common Stock Dividends and Distributions.** If at any time or from time to time on or after the Series F Original Issue Date the Corporation pays to holders of Common Stock a dividend or other distribution in additional shares of Common Stock without a corresponding dividend or other distribution to holders of Preferred Stock, the Series Preferred Conversion Prices then in effect shall be decreased as of the time of such issuance, as provided below:

(i) The applicable Series Preferred Conversion Price shall be adjusted to a price (rounded to the nearest one-hundredth of one cent) determined by multiplying the applicable Series Preferred Conversion Price then in effect by a fraction:

(A) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and

(B) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

(ii) If the Corporation fixes a record date to determine which holders of Common Stock are entitled to receive such dividend or other distribution, the applicable Series Preferred Conversion Price shall be fixed as of the close of business on such record date and the number of shares of Common Stock shall be calculated immediately prior to the close of business on such record date; and

(iii) If such record date is fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the applicable Series Preferred Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the applicable Series Preferred Conversion Price shall be adjusted pursuant to this Section 5(f) to reflect the actual payment of such dividend or distribution.

**(g) Adjustment for Reclassification, Exchange, Substitution, Reorganization, Merger or Consolidation.** If at any time or from time to time on or after the Series F Original Issue Date, the Common Stock issuable upon the conversion of the Series Preferred is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification, merger, consolidation or otherwise (other than an Acquisition or Asset Sale as defined in Section 4 or a subdivision or combination of shares or stock dividend provided for elsewhere in this Section 5), in any such event each holder of Series Preferred shall then have the right to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification, merger, consolidation or other change by holders of the maximum number of shares of Common Stock into which such shares of Series Preferred could have been converted immediately prior to such recapitalization, reclassification, merger, consolidation or change, all subject to further adjustment as provided herein or with respect to such other securities or property by the terms thereof. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of Series Preferred after the capital reorganization to the end that the provisions of this Section 5 (including adjustment of the applicable Series Preferred Conversion Price then in effect and the number of shares issuable upon conversion of the Series Preferred) shall be applicable after that event and be as nearly equivalent as practicable.

**(h) Sale of Shares Below Series Preferred Conversion Price.**

(i) If at any time or from time to time on or after the Series F Original Issue Date the Corporation issues or sells, or is deemed by the express provisions of this Section 5(h) to have issued or sold, Additional Shares of Common Stock (as defined below), other than as provided in Section 5(e), 5(f) or 5(g) above, for an Effective Price (as defined below) less than any then effective Series Preferred Conversion Price (each a “*Qualifying Dilutive Issuance*”), then and in each such case, such then effective Series Preferred Conversion Price, with respect to such Qualifying Dilutive Issuance applicable to a series of Series Preferred, shall be reduced, as applicable, as of the opening of business on the date of such issue or sale, to a price (rounded to the nearest one-hundredth of one cent) determined by multiplying the applicable Series Preferred Conversion Price in effect immediately prior to such issuance or sale by a fraction:

(A) the numerator of which shall be (1) the number of shares of Common Stock deemed outstanding (as determined below) immediately prior to such issue or sale, plus (2) the number of shares of Common Stock which the Aggregate Consideration (as defined below) received or deemed received by the Corporation for the total number of Additional Shares of Common Stock so issued would purchase at such then-existing applicable Series Preferred Conversion Price, and

(B) the denominator of which shall be the number of shares of Common Stock deemed outstanding (as determined below) immediately prior to such issue or sale, plus the total number of Additional Shares of Common Stock so issued.

For the purposes of the preceding sentence, the number of shares of Common Stock deemed to be outstanding as of a given date shall be the sum of (x) the number of shares of Common Stock outstanding, (y) the number of shares of Common Stock into which the then outstanding shares of Series Preferred could be converted if fully converted on the day immediately preceding the given date, and (z) the number of shares of Common Stock which are issuable upon the exercise or conversion of all other rights, options and convertible securities outstanding on the day immediately preceding the given date.

Notwithstanding the provisions of this Section 5(h), (i) no adjustment to the Series A Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than the Series A Preferred Conversion Price then in effect, the holders of a majority of the outstanding shares of the Series A Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series A Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale, (ii) no adjustment to the Series A-1 Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than the Series A-1 Preferred Conversion Price then in effect, the holders of a majority of the outstanding shares of the Series A-1 Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series A-1 Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale, (iii) no adjustment to the Series B Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than the Series B Preferred Conversion Price then in effect, the holders of a majority of the outstanding shares of the Series B Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series B Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale, (iv) no adjustment to the Series C Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than the Series C Preferred Conversion Price then in effect, the holders of a majority of the outstanding shares of the Series C Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series C Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale, (v) no adjustment to the Series D Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than

the Series D Preferred Conversion Price then in effect, the holders of a majority of the outstanding shares of the Series D Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series D Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale, (vi) no adjustment to the Series E Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than the Series E Preferred Conversion Price then in effect, the holders of a majority of the outstanding shares of the Series E Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series E Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale, and (vii) no adjustment to the Series F Preferred Conversion Price shall be made pursuant to this Section 5(h) if, on or before the date of an issuance or sale, or deemed issuance or sale, of Additional Shares of Common Stock for an Effective Price less than the Series F Preferred Conversion Price then in effect, the holders of at least 80% of the outstanding shares of the Series F Preferred, voting or consenting as a separate class, waive the application of this Section 5(h) to the Series F Preferred Conversion Price in connection with any such issuance or sale, or deemed issuance or sale.

(ii) No adjustment shall be made to the applicable Series Preferred Conversion Price in an amount less than one cent per share. Any adjustment required by this Section 5(h) shall be rounded to the nearest one-hundredth of one cent (\$0.0001) per share. Any adjustment otherwise required by this Section 5(h) that is not required to be made due to the preceding two sentences shall be included in any subsequent adjustment to the applicable Series Preferred Conversion Price.

(iii) For the purpose of making any adjustment required under this Section 5(h), the aggregate consideration received by the Corporation for any issue or sale of securities (the “**Aggregate Consideration**”) shall be defined as: (A) to the extent it consists of cash, be computed at the gross amount of cash received by the Corporation before deduction of any underwriting or similar commissions, compensation or concessions paid or allowed by the Corporation in connection with such issue or sale and without deduction of any expenses payable by the Corporation, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, and (C) if Additional Shares of Common Stock, Convertible Securities (as defined below) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Corporation for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(iv) For the purpose of the adjustment required under this Section 5(h), if the Corporation issues or sells (x) Preferred Stock or other stock, options, warrants, purchase rights or other securities convertible into, Additional Shares of Common Stock (such convertible stock or securities being herein referred to as “**Convertible Securities**”) or (y) rights or options for the purchase of Additional Shares of Common Stock or Convertible Securities and if the Effective Price of such Additional Shares of Common Stock is less than the applicable Series Preferred Conversion Price, in each case the Corporation shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the



maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Corporation for the issuance of such rights or options or Convertible Securities plus:

(A) in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such rights or options; and

(B) in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Corporation upon the conversion thereof (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities); *provided* that if the minimum amounts of such consideration cannot be ascertained, but are a function of antidilution or similar protective clauses, the Corporation shall be deemed to have received the minimum amounts of consideration without reference to such clauses.

(C) If the minimum amount of consideration payable to the Corporation upon the exercise or conversion of rights, options or Convertible Securities is reduced over time or on the occurrence or non-occurrence of specified events other than by reason of antidilution adjustments, the Effective Price shall be recalculated using the figure to which such minimum amount of consideration is reduced; *provided further*, that if the minimum amount of consideration payable to the Corporation upon the exercise or conversion of such rights, options or Convertible Securities is subsequently increased, the Effective Price shall be again recalculated using the increased minimum amount of consideration payable to the Corporation upon the exercise or conversion of such rights, options or Convertible Securities.

(D) No further adjustment of the applicable Series Preferred Conversion Price, as adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Common Stock or the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire without having been exercised, the applicable Series Preferred Conversion Price as adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the applicable Series Preferred Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration, if any, actually received by the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities, *provided* that such readjustment shall not apply to prior conversions of Series Preferred.

(v) For the purpose of making any adjustment to the Conversion Price of any series of the Series Preferred, and as required under this Section 5(h), “**Additional Shares of Common Stock**” shall mean all shares of Common Stock issued by the Corporation or deemed to be issued pursuant to this Section 5(h) (including shares of Common Stock subsequently reacquired or retired by the Corporation), other than:

(A) shares of Common Stock issued upon conversion of the Series Preferred;

(B) shares of Common Stock and/or options, warrants or other Common Stock purchase rights and the Common Stock issued pursuant to such options, warrants or other rights (as adjusted for any stock dividends, combinations, splits, recapitalizations and the like after the filing date hereof) after the Series F Original Issue Date to employees, officers or directors of, or consultants or advisors to, the Company or any subsidiary pursuant to stock purchase or stock option plans or other arrangements that are approved by the Board; *provided, however*, that such amount shall be increased to reflect any shares of Common Stock (i) not issued pursuant to the rights, agreements, option or warrants (“**Unexercised Options**”) as a result of the termination of such Unexercised Options or (ii) reacquired by the Company from employees, directors, consultants or advisors at cost (or the lesser of cost or fair market value) pursuant to agreements which permit the Company to repurchase such shares upon termination of services to the Company;

(C) shares of Common Stock issued pursuant to the exercise of Convertible Securities outstanding as of the Series F Original Issue Date;

(D) shares of Common Stock or Convertible Securities issued for consideration other than cash pursuant to a merger, consolidation, acquisition, strategic alliance or similar business combination approved by the Board, including the approval of at least two (2) Preferred Directors;

(E) shares of Common Stock or Convertible Securities issued pursuant to any equipment loan or leasing arrangement, real property leasing arrangement or debt financing from a bank or similar financial institution approved by the Board, including the approval of at least two (2) Preferred Directors;

(F) shares of Common Stock or Convertible Securities issued in connection with a Qualified Offering (as defined below);

(G) shares of Common Stock or Convertible Securities issued to third-party service providers in exchange for or as partial consideration for services rendered to the Corporation; *provided* that the issuance of shares therein has been approved by the Board, including the approval of at least two (2) Preferred Directors; and

(H) any Common Stock or Convertible Securities issued in connection with strategic transactions involving the Corporation and other entities, including (i) joint ventures, manufacturing, marketing or distribution arrangements or (ii) technology transfer or development arrangements; *provided* that the issuance of shares therein has been approved by the Corporation's Board, including the approval of at least two (2) Preferred Directors.

References to Common Stock in the subsections of this clause (v) shall mean all shares of Common Stock issued by the Corporation or deemed to be issued pursuant to this Section 5(h). The "**Effective Price**" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Corporation under this Section 5(h), into the Aggregate Consideration received, or deemed to have been received by the Corporation for such issue under this Section 5(h), for such Additional Shares of Common Stock. In the event that the number of shares of Additional Shares of Common Stock or the Effective Price cannot be ascertained at the time of issuance, such Additional Shares of Common Stock shall be deemed issued immediately upon the occurrence of the first event that makes such number of shares or the Effective Price, as applicable, ascertainable.

(vi) In the event that the Corporation issues or sells, or is deemed to have issued or sold, Additional Shares of Common Stock in a Qualifying Dilutive Issuance (the "**First Dilutive Issuance**"), then in the event that the Corporation issues or sells, or is deemed to have issued or sold, Additional Shares of Common Stock in a Qualifying Dilutive Issuance other than the First Dilutive Issuance as a part of the same transaction or series of related transactions as the First Dilutive Issuance (a "**Subsequent Dilutive Issuance**"), then and in each such case upon a Subsequent Dilutive Issuance the Series Preferred Conversion Price shall be reduced to the Series Preferred Conversion Price that would have been in effect had the First Dilutive Issuance and each Subsequent Dilutive Issuance all occurred on the closing date of the First Dilutive Issuance.

(i) **Certificate of Adjustment.** In each case of an adjustment or readjustment of the applicable Series Preferred Conversion Price for the number of shares of Common Stock or other securities issuable upon conversion of the applicable series of Series Preferred, if the Series Preferred is then convertible pursuant to this Section 5, the Corporation, at its expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and shall, upon request, prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the applicable series of Series Preferred so requesting at the holder's address as shown in the Corporation's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Corporation for any Additional Shares of Common Stock issued or sold or deemed to have been issued or sold, (ii) the applicable Series Preferred Conversion Price at the time in effect, (iii) the number of Additional Shares of Common Stock and (iv) the type and amount, if any, of other property which at the time would be received upon conversion of the applicable series of Series Preferred. Failure to request or provide such notice shall have no effect on any such adjustment.

(j) **Notices of Record Date.** Upon (i) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or (ii) any Acquisition (as defined in Section 4) or other capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation with or into any other corporation, or any Asset Sale (as defined in Section 4), or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, the Corporation shall mail to each holder of Preferred Stock at least ten (10) days prior to (x) the record date, if any, specified therein; or (y) if no record date is specified, the date upon which such action is to take effect (or, in either case, such shorter period approved by the Requisite Holders) a notice specifying (A) the date on which any such record is to be taken for the purpose of such dividend or distribution and a description of such dividend or distribution, (B) the date on which any such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Sale, dissolution, liquidation or winding up is expected to become effective, and (C) the date, if any, that is to be fixed as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such Acquisition, reorganization, reclassification, transfer, consolidation, merger, Asset Sale, dissolution, liquidation or winding up.

(k) **Automatic Conversion.**

(i) Each share of Series Preferred shall automatically be converted into shares of Common Stock, based on the applicable then-effective Series Preferred Conversion Price, upon the earliest to occur of any of the following events: (A) at any time upon the affirmative election of each of the following: (1) the holders of at least 35% of the then outstanding shares of Series A Preferred and Series A-1 Preferred, voting together as a single class on an as-converted basis, (2) the holders of a majority of the then outstanding shares of Series A Preferred, voting as a separate class, (3) the holders of a majority of the then outstanding shares of Series B Preferred, voting as a separate class, (4) the holders of a majority of the then outstanding shares of Series C Preferred, voting as a separate class, (5) the holders of at least 60% of the then outstanding shares of Series D Preferred, voting as a separate class, (6) the holders of a majority of the then outstanding shares of Series E Preferred, voting as a separate class, and (7) the holders of at least 80% of the then outstanding shares of Series F Preferred, voting as a separate class; or (B) immediately upon the direct listing of shares of Common Stock on a nationally recognized exchange or the closing of a firmly underwritten public offering on a nationally recognized exchange pursuant to an effective registration statement under the Securities Act of 1933, as amended (the “**Securities Act**”), covering the offer and sale of shares of Common Stock for the account of the Corporation in which the aggregate gross proceeds to the Corporation for such shares in such offering is at least \$50,000,000 (each event, a “**Qualified Offering**”). Upon such automatic conversion, any declared but unpaid dividends with respect to the Series Preferred shall be paid in accordance with the provisions of Section 5(d).

(ii) [Reserved].

(iii) Upon the occurrence of the events specified in Section 5(k)(i) above, as applicable, the outstanding shares of Series Preferred shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; *provided, however*, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Series Preferred are either delivered to the Corporation or its transfer agent as provided below, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Upon the occurrence of such automatic conversion of the Series Preferred, the holders of the Series Preferred shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the Series Preferred. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares of Series Preferred surrendered were convertible on the date on which such automatic conversion occurred, and any accrued and unpaid dividends shall be paid in accordance with the provisions of Section 5(d).

(l) Series F Conversion Price Adjustment in connection with an Initial Public Offering. Notwithstanding anything in this Certificate of Incorporation to the contrary, in the event of the Corporation's initial sale of its Common Stock in a firmly underwritten public offering pursuant to a registration statement under the Securities Act in which all of the Series F Preferred Stock are to be converted to Common Stock (an "IPO Preference Triggering Offering"), in which the actual initial offering price to the public (prior to any underwriting discounts) in such IPO Preference Triggering Offering (the "IPO Price") is less than \$24.13 (as adjusted for stock splits, stock dividends, reclassification and the like), then the Conversion Price for each share of Series F Preferred Stock shall be adjusted immediately prior to the conversion of the Series F Preferred Stock into Common Stock in connection with such IPO Preference Triggering Offering to a price equal to the IPO Price (as adjusted for stock splits, stock dividends, reclassification and the like). Notwithstanding the foregoing, no adjustment of the Conversion Price of the Series F Preferred Stock pursuant to this Section 5(l) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment. This Section 5(l) shall not be amended or waived without the written consent or affirmative vote of the holders of at least 80% of the outstanding shares of Series F Preferred Stock.

(m) **Fractional Shares.** No fractional shares of Common Stock shall be issued upon conversion of Series Preferred. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Corporation shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the fair market value of one share of Common Stock (as determined by the Board) on the date of conversion.

(n) **Reservation of Stock Issuable Upon Conversion.** The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series Preferred, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series Preferred. If at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series Preferred, the Corporation will take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(o) **Notices.** Any notice required by the provisions of this Section 5 shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified, (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (iv) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with verification of receipt. All notices shall be addressed to each holder of record at the address of such holder appearing on the books of the Corporation.

(p) **Payment of Taxes.** The Corporation will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or delivery of shares of Common Stock upon conversion of shares of Series Preferred, excluding any tax or other charge imposed in connection with any transfer involved in the issue and delivery of shares of Common Stock in a name other than that in which the shares of Series Preferred so converted were registered.

(q) **Termination of Conversion Rights.** In the event of a notice of redemption of any shares of Preferred Stock pursuant to Section 6, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full.

## 6. REDEMPTION.

(a) **General.** Unless prohibited by Delaware law governing distributions to stockholders, shares of Preferred Stock shall be redeemed by the Corporation at a price equal to the applicable Original Issue Price per share of applicable Preferred Stock, plus all declared but unpaid dividends thereon, as of the date of the Corporation's receipt of the Redemption Request (the "**Redemption Price**"), in one installment commencing not more than 60 days after receipt by the Corporation at any time on or after the sixth anniversary of the Series F Original Issue Date, from the Requisite Holders of written notice requesting redemption of all shares of Preferred Stock (the "**Redemption Request**"). Upon receipt of a Redemption Request, the Corporation shall apply all of its assets to any such redemption, and to no other corporate purpose, except to the extent prohibited by Delaware law governing distributions to stockholders. The date of such installment shall be referred to as the "**Redemption Date**". On the Redemption Date, the Corporation shall redeem all outstanding shares of Preferred Stock. If on the Redemption Date Delaware law governing distributions to stockholders prevents the Corporation from redeeming all shares of Preferred Stock to be redeemed, the Corporation shall ratably redeem from the holders of Preferred Stock (in proportion to the full amounts such holders would otherwise be entitled to receive pursuant to this Section 6(a)) the maximum number of shares that it may redeem consistent with such law, and shall redeem the remaining shares as soon as it may lawfully do so under such law.

(b) Redemption Notice. The Corporation shall send written notice of the mandatory redemption (the “**Redemption Notice**”) to each holder of record of Preferred Stock not less than 40 days prior to the Redemption Date. The Redemption Notice shall state:

(i) the number of shares of Preferred Stock held by the holder that the Corporation shall redeem on the Redemption Date specified in the Redemption Notice;

(ii) the Redemption Date and the Redemption Price;

(iii) the date upon which the holder’s right to convert such shares terminates (as determined in accordance with Section 5);

and

(iv) that the holder is to surrender to the Corporation, in the manner and at the place designated, his, her or its certificate or certificates representing the shares of Preferred Stock to be redeemed.

(c) Surrender of Certificates; Payment. On or before the Redemption Date, each holder of shares of Preferred Stock to be redeemed on the Redemption Date, unless such holder has exercised his, her or its right to convert such shares as provided in Section 5, shall surrender the certificate or certificates representing such shares (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Preferred Stock shall promptly be issued to such holder.

(d) Rights Subsequent to Redemption. If the Redemption Notice shall have been duly given, and if on the Redemption Date the Redemption Price payable upon redemption of the shares of Preferred Stock to be redeemed on the Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor in a timely manner, then notwithstanding that the certificates evidencing any of the shares of Preferred Stock so called for redemption shall not have been surrendered, dividends with respect to such shares of Preferred Stock shall cease to accrue after the Redemption Date and all rights with respect to such shares shall forthwith after the Redemption Date terminate, except only the right of the holders to receive the Redemption Price without interest upon surrender of their certificate or certificates therefor.

**7. NO REISSUANCE OF SERIES PREFERRED.**

No shares of Series Preferred acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued.

**8. APPLICABLE CALIFORNIA LAW.**

For purposes of Section 500 of the California Corporations Code (to the extent applicable), in connection with any repurchase of shares of Common Stock permitted under this Certificate of Incorporation from employees, officers, directors or consultants of the Corporation in connection with a termination of employment or services pursuant to agreements or arrangements approved by the Board of Directors, including the Preferred Directors, (in addition to any other consent required under this Certificate of Incorporation), such repurchase may be made without regard to any "preferential dividends arrear amount" or "preferential rights amount" (as those terms are defined in Section 500 of the California Corporations Code). Accordingly, for purposes of making any calculation under California Corporations Code Section 500 in connection with such repurchase, the amount of any "preferential dividends arrear amount" or "preferential rights amount" (as those terms are defined therein) shall be deemed to be zero.

**V.**

**A.** The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent under applicable law.

**B.** The Corporation shall indemnify, in accordance with and to the full extent now or hereafter permitted by law, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including, but not limited to, an action by or in the right of the Corporation), by reason of his acting as a director or officer of the Corporation (and the Corporation, in the discretion of the Board, may so indemnify a person by reason of the fact that he is or was an employee of the Corporation or is or was serving at the request of the Corporation in any other capacity for or on behalf of the Corporation) against any liability or expense actually and reasonably incurred by such person in respect thereof. Such indemnification shall not be exclusive of any other right to indemnification provided by law or otherwise. Expenses incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding upon receipt of an undertaking by or on behalf of such officer or director to repay such amount if it shall ultimately be determined that such officer or director is not entitled to be indemnified. The right to indemnification and advancement of expenses on the condition specified herein conferred by this Article V shall be deemed a contract between the Corporation and each person referred to herein.

**C.** Any repeal or modification of this Article V shall only be prospective and shall not affect the rights under this Article V in effect at the time of the alleged occurrence of any action or omission to act giving rise to liability.



**D.** The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An “**Excluded Opportunity**” is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, “**Covered Persons**”), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person’s capacity as a director of the Corporation.

## **VI.**

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

**A.** The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board. The number of directors which shall constitute the whole Board shall be fixed by the Board in the manner provided in the Bylaws, subject to any restrictions which may be set forth in this Restated Certificate.

**B.** Except for any vote of the holders of any class or series of stock of the Corporation required by law or by this Restated Certificate, the Board is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation.

**C.** The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

\* \* \* \*

**FOUR:** This Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors of the Corporation.

**FIVE:** This Amended and Restated Certificate of Incorporation was approved by the holders of the requisite number of shares of said corporation in accordance with Section 228 of the DGCL. This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the stockholders of the Corporation.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF, UDEMY, INC.** has caused this Amended and Restated Certificate of Incorporation to be signed by its Chief Executive Officer this 9<sup>th</sup> day of November, 2020.

**UDEMY, INC.**

By: /s/ Gregg Coccari

Name: Gregg Coccari

Title: Chief Executive Officer

[Signature Page to Amended and Restated Certificate of Incorporation]

**CERTIFICATE OF AMENDMENT****OF BYLAWS OF****UDEMY, INC.**

April 30, 2014

The undersigned, being the Secretary of Udemey, Inc., a Delaware corporation, hereby certifies that the following resolution was adopted by written consent of (1) the holders of at least 35% of the outstanding shares of the Company's Series A Preferred Stock and Series A-1 Preferred Stock, voting together as a separate class; (2) the holders of a majority of the outstanding shares of the Company's Series A Preferred Stock, voting together as a separate class; and (3) the holders of a majority of the outstanding shares of the Company's Series B Preferred Stock, voting together as a separate class, on April 30, 2014:

**Amendment of Bylaws**

**RESOLVED:** That the first paragraph of Section 2.9 of the Bylaws of this corporation is hereby amended and restated in its entirety to read as follows:

**"2.9 Quorum; Voting.** At all meetings of the Board, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. Notwithstanding the foregoing or anything to the contrary in these bylaws, a quorum shall not be present for the transaction of business at a special meeting of the Board unless (i) the directors have been notified in writing at least 3 business days prior to such special meeting or (ii) directors entitled to cast a majority of the votes of the entire Board shall be present at such special meeting, including at least two (2) Preferred Directors (as defined in the certificate of incorporation). If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting."

(Signature page follows.)

IN WITNESS WHEREOF, this certificate is executed as of the date first set forth above.

/s/ Dennis Yang  
Dennis Yang, Secretary

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**BYLAWS OF**

**UDEMY, INC.**

**Adopted January 20, 2010**

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## BYLAWS

### ARTICLE I — MEETINGS OF STOCKHOLDERS

1.1 **Place of Meetings.** Meetings of stockholders of Udemy, Inc. (the “**Company**”) shall be held at any place, within or outside the State of Delaware, determined by the Company’s board of directors (the “**Board**”). The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the “**DGCL**”). In the absence of any such designation or determination, stockholders’ meetings shall be held at the Company’s principal executive office.

1.2 **Annual Meeting.** An annual meeting of stockholders shall be held for the election of directors at such date and time as may be designated by resolution of the Board from time to time. Any other proper business may be transacted at the annual meeting. The Company shall not be required to hold an annual meeting of stockholders, *provided* that (i) the stockholders are permitted to act by written consent under the Company’s certificate of incorporation and these bylaws, (ii) the stockholders take action by written consent to elect directors and (iii) the stockholders unanimously consent to such action or, if such consent is less than unanimous, all of the directorships to which directors could be elected at an annual meeting held at the effective time of such action are vacant and are filled by such action.

1.3 **Special Meeting.** A special meeting of the stockholders may be called at any time by the Board, Chairperson of the Board, Chief Executive Officer or President (in the absence of a Chief Executive Officer) or by one or more stockholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting.

If any person(s) other than the Board calls a special meeting, the request shall:

- (i) be in writing;
- (ii) specify the time of such meeting and the general nature of the business proposed to be transacted; and
- (iii) be delivered personally or sent by registered mail or by facsimile transmission to the Chairperson of the Board, the Chief Executive Officer, the President (in the absence of a Chief Executive Officer) or the Secretary of the Company.

The officer(s) receiving the request shall cause notice to be promptly given to the stockholders entitled to vote at such meeting, in accordance with these bylaws, that a meeting will be held at the time requested by the person or persons calling the meeting. No business may be transacted at such special meeting other than the business specified in such notice to stockholders. Nothing contained in this paragraph of this **section 1.3** shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

1.4 **Notice of Stockholders’ Meetings.** Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise provided in the DGCL, the certificate of incorporation or these bylaws, the written notice of any meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting.



**1.5 Quorum.** Except as otherwise provided by law, the certificate of incorporation or these bylaws, at each meeting of stockholders the presence in person or by proxy of the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws.

If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, in the manner provided in **section 1.6**, until a quorum is present or represented.

**1.6 Adjourned Meeting; Notice.** Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

**1.7 Conduct of Business.** Meetings of stockholders shall be presided over by the Chairperson of the Board, if any, or in his or her absence by the Vice Chairperson of the Board, if any, or in the absence of the foregoing persons by the Chief Executive Officer, or in the absence of the foregoing persons by the President, or in the absence of the foregoing persons by a Vice President, or in the absence of the foregoing persons by a chairperson designated by the Board, or in the absence of such designation by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting. The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

**1.8 Voting.** The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of **section 1.10** of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of capital stock held by such stockholder which has voting power upon the matter in question. Voting at meetings of stockholders need not be by written ballot and, unless otherwise required by law, need not be conducted by inspectors of election unless so determined by the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote thereon which are present in person or by proxy at such meeting. If authorized by the Board, such requirement of a written ballot shall be satisfied by a ballot submitted by electronic transmission (as defined in **section 7.2** of these bylaws), *provided* that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder or proxy holder.

Except as otherwise required by law, the certificate of incorporation or these bylaws, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation or these bylaws, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation or these bylaws.

**1.9 Stockholder Action by Written Consent Without a Meeting.** Unless otherwise provided in the certificate of incorporation, any action required by the DGCL to be taken at any annual or special meeting of stockholders of a corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

An electronic transmission (as defined in **section 7.2**) consenting to an action to be taken and transmitted by a stockholder or proxy holder, or by a person or persons authorized to act for a stockholder or proxy holder, shall be deemed to be written, signed and dated for purposes of this section, *provided* that any such electronic transmission sets forth or is delivered with information from which the Company can determine (i) that the electronic transmission was transmitted by the stockholder or proxy holder or by a person or persons authorized to act for the stockholder or proxy holder and (ii) the date on which such stockholder or proxy holder or authorized person or persons transmitted such electronic transmission.

In the event that the Board shall have instructed the officers of the Company to solicit the vote or written consent of the stockholders of the Company, an electronic transmission of a stockholder written consent given pursuant to such solicitation may be delivered to the Secretary or the President of the Company or to a person designated by the Secretary or the President. The Secretary or the President of the Company or a designee of the Secretary or the President shall cause any such written consent by electronic transmission to be reproduced in paper form and inserted into the corporate records.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Company as provided in Section 228 of the DGCL. In the event that the action which is consented to is such as would have required the filing of a certificate under any provision of the DGCL, if such action had been voted on by stockholders at a meeting thereof, the certificate filed under such provision shall state, in lieu of any statement required by such provision concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the DGCL.

**1.10 Record Date for Stockholder Notice; Voting; Giving Consents.** In order that the Company may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which record date:

- (i) in the case of determination of stockholders entitled to notice of or to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting;
- (ii) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board; and
- (iii) in the case of determination of stockholders for any other action, shall not be more than 60 days prior to such other action.

If no record date is fixed by the Board:

- (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;
- (ii) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Company in accordance with applicable law, or, if prior action by the Board is required by law, shall be at the close of business on the day on which the Board adopts the resolution taking such prior action; and
- (iii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, *provided* that the Board may fix a new record date for the adjourned meeting.

**1.11 Proxies.** Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

1.12 **List of Stockholders Entitled to Vote.** The officer who has charge of the stock ledger of the Company shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The Company shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days prior to the meeting: (i) on a reasonably accessible electronic network, *provided* that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Company's principal place of business. In the event that the Company determines to make the list available on an electronic network, the Company may take reasonable steps to ensure that such information is available only to stockholders of the Company. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

## ARTICLE II — DIRECTORS

2.1 **Powers.** The business and affairs of the Company shall be managed by or under the direction of the Board, except as may be otherwise provided in the DGCL or the certificate of incorporation.

2.2 **Number of Directors.** The Board shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

2.3 **Election, Qualification and Term of Office of Directors.** Except as provided in **section 2.4** of these bylaws, and subject to **sections 1.2** and **1.9** of these bylaws, directors shall be elected at each annual meeting of stockholders. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors. Each director shall hold office until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

2.4 **Resignation and Vacancies.** Any director may resign at any time upon notice given in writing or by electronic transmission to the Company. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Unless otherwise provided in the certificate of incorporation or these bylaws:

- (i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.
- (ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the Company should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal.

**2.5 Place of Meetings; Meetings by Telephone.** The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

**2.6 Conduct of Business.** Meetings of the Board shall be presided over by the Chairperson of the Board, if any, or in his or her absence by the Vice Chairperson of the Board, if any, or in the absence of the foregoing persons by a chairperson designated by the Board, or in the absence of such designation by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

**2.7 Regular Meetings.** Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

**2.8 Special Meetings; Notice.** Special meetings of the Board for any purpose or purposes may be called at any time by the Chairperson of the Board, the Chief Executive Officer, the President, the Secretary or any two directors.

Notice of the time and place of special meetings shall be:

- (i) delivered personally by hand, by courier or by telephone;
- (ii) sent by United States first-class mail, postage prepaid;
- (iii) sent by facsimile; or
- (iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Company's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the Company's principal executive office) nor the purpose of the meeting.

**2.9 Quorum; Voting.** At all meetings of the Board, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

If the certificate of incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

**2.10 Board Action by Written Consent Without a Meeting.** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

**2.11 Fees and Compensation of Directors.** Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board shall have the authority to fix the compensation of directors.

2.12 **Removal of Directors.** Unless otherwise restricted by statute, the certificate of incorporation or these bylaws, any director or the entire Board may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

### ARTICLE III — COMMITTEES

3.1 **Committees of Directors.** The Board may designate one or more committees, each committee to consist of one or more of the directors of the Company. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the Company.

3.2 **Committee Minutes.** Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

3.3 **Meetings and Actions of Committees.** Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

- (i) **section 2.5** (Place of Meetings; Meetings by Telephone);
- (ii) **section 2.7** (Regular Meetings);
- (iii) **section 2.8** (Special Meetings; Notice);
- (iv) **section 2.9** (Quorum; Voting);
- (v) **section 2.10** (Board Action by Written Consent Without a Meeting); and
- (vi) **section 7.5** (Waiver of Notice)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members.  
*However:*

- (i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;
- (ii) special meetings of committees may also be called by resolution of the Board; and
- (iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

Any provision in the certificate of incorporation providing that one or more directors shall have more or less than one vote per director on any matter shall apply to voting in any committee or subcommittee, unless otherwise provided in the certificate of incorporation or these bylaws.

**3.4 Subcommittees.** Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

#### ARTICLE IV — OFFICERS

**4.1 Officers.** The officers of the Company shall be a President and a Secretary. The Company may also have, at the discretion of the Board, a Chairperson of the Board, a Vice Chairperson of the Board, a Chief Executive Officer, one or more Vice Presidents, a Chief Financial Officer, a Treasurer, one or more Assistant Treasurers, one or more Assistant Secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

**4.2 Appointment of Officers.** The Board shall appoint the officers of the Company, except such officers as may be appointed in accordance with the provisions of **section 4.3** of these bylaws.

**4.3 Subordinate Officers.** The Board may appoint, or empower the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, to appoint, such other officers and agents as the business of the Company may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

**4.4 Removal and Resignation of Officers.** Any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.



Any officer may resign at any time by giving written notice to the Company. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party.

4.5 **Vacancies in Offices.** Any vacancy occurring in any office of the Company shall be filled by the Board or as provided in **section 4.3**.

4.6 **Representation of Shares of Other Corporations.** Unless otherwise directed by the Board, the President or any other person authorized by the Board or the President is authorized to vote, represent and exercise on behalf of the Company all rights incident to any and all shares of any other corporation or corporations standing in the name of the Company. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

4.7 **Authority and Duties of Officers.** Except as otherwise provided in these bylaws, the officers of the Company shall have such powers and duties in the management of the Company as may be designated from time to time by the Board and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

## ARTICLE V — INDEMNIFICATION

5.1 **Indemnification of Directors and Officers in Third Party Proceedings.** Subject to the other provisions of this **Article V**, the Company shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a “**Proceeding**”) (other than an action by or in the right of the Company) by reason of the fact that such person is or was a director or officer of the Company, or is or was a director or officer of the Company serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person’s conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person’s conduct was unlawful.

5.2 **Indemnification of Directors and Officers in Actions by or in the Right of the Company.** Subject to the other provisions of this **Article V**, the Company shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Company, or is or was a director or officer of the Company serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys’ fees) actually and reasonably incurred by such person in

connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

**5.3 Successful Defense.** To the extent that a present or former director or officer of the Company has been successful on the merits or otherwise in defense of any action, suit or proceeding described in **section 5.1** or **section 5.2**, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

**5.4 Indemnification of Others.** Subject to the other provisions of this **Article V**, the Company shall have power to indemnify its employees and agents to the extent not prohibited by the DGCL or other applicable law. The Board shall have the power to delegate to such person or persons the determination of whether employees or agents shall be indemnified.

**5.5 Advanced Payment of Expenses.** Expenses (including attorneys' fees) incurred by an officer or director of the Company in defending any Proceeding shall be paid by the Company in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this **Article V** or the DGCL. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Company deems appropriate. The right to advancement of expenses shall not apply to any Proceeding for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in **section 5.6(ii)** or **5.6(iii)** prior to a determination that the person is not entitled to be indemnified by the Company.

**5.6 Limitation on Indemnification.** Subject to the requirements in **section 5.3** and the DGCL, the Company shall not be obligated to indemnify any person pursuant to this **Article V** in connection with any Proceeding (or any part of any Proceeding):

- (i) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;
- (ii) for an accounting or disgorgement of profits pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of federal, state or local statutory law or common law, if such person is held liable therefor (including pursuant to any settlement arrangements);

- (iii) for any reimbursement of the Company by such person of any bonus or other incentive-based or equity-based compensation or of any profits realized by such person from the sale of securities of the Company, as required in each case under the Securities Exchange Act of 1934, as amended (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), or the payment to the Company of profits arising from the purchase and sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act), if such person is held liable therefor (including pursuant to any settlement arrangements);
- (iv) initiated by such person, including any Proceeding (or any part of any Proceeding) initiated by such person against the Company or its directors, officers, employees, agents or other indemnitees, unless (a) the Board authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (b) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law, (c) otherwise required to be made under **section 5.7** or (d) otherwise required by applicable law; or
- (v) if prohibited by applicable law.

**5.7 Determination; Claim.** If a claim for indemnification or advancement of expenses under this **Article V** is not paid by the Company or on its behalf within 90 days after receipt by the Company of a written request therefor, the claimant shall be entitled to an adjudication by a court of competent jurisdiction of his or her entitlement to such indemnification or advancement of expenses. To the extent not prohibited by law, the Company shall indemnify such person against all expenses actually and reasonably incurred by such person in connection with any action for indemnification or advancement of expenses from the Company under this **Article V**, to the extent such person is successful in such action, and, if requested by such person, shall advance such expenses to such person, subject to the provisions of Section 5.5. In any such suit, the Company shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses.

**5.8 Non-Exclusivity of Rights.** The indemnification and advancement of expenses provided by, or granted pursuant to, this **Article V** shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person’s official capacity and as to action in another capacity while holding such office. The Company is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

**5.9 Insurance.** The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person’s status as such, whether or not the Company would have the power to indemnify such person against such liability under the provisions of the DGCL.

**5.10 Survival.** The rights to indemnification and advancement of expenses conferred by this **Article V** shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

5.11 **Effect of Repeal or Modification.** Any amendment, alteration or repeal of this **Article V** shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to such amendment, alteration or repeal.

5.12 **Certain Definitions.** For purposes of this **Article V**, references to the “**Company**” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this **Article V** with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this **Article V**, references to “**other enterprises**” shall include employee benefit plans; references to “**fines**” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “**servicing at the request of the Company**” shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “**not opposed to the best interests of the Company**” as referred to in this **Article V**.

## ARTICLE VI — STOCK

6.1 **Stock Certificates; Partly Paid Shares.** The shares of the Company shall be represented by certificates, *provided* that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Company. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Company by the Chairperson of the Board or Vice-Chairperson of the Board, or the President or a Vice-President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Company representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Company with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Company shall not have power to issue a certificate in bearer form.

The Company may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the Company in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Company shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

**6.2 *Special Designation on Certificates.*** If the Company is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Company shall issue to represent such class or series of stock; *provided* that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Company shall issue to represent such class or series of stock, a statement that the Company will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the Company shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section 6.2 or Sections 156, 202(a) or 218(a) of the DGCL or with respect to this section 6.2 a statement that the Company will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

**6.3 *Lost Certificates.*** Except as provided in this **section 6.3**, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Company and cancelled at the same time. The Company may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Company may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

**6.4 *Dividends.*** The Board, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the Company's capital stock. Dividends may be paid in cash, in property, or in shares of the Company's capital stock, subject to the provisions of the certificate of incorporation.

The Board may set apart out of any of the funds of the Company available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

**6.5 *Stock Transfer Agreements.*** The Company shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Company to restrict the transfer of shares of stock of the Company of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

**6.6 *Registered Stockholders.*** The Company:

- (i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;
- (ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

- (iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

6.7 **Transfers.** Transfers of record of shares of stock of the Company shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and, if such stock is certificated, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer.

#### ARTICLE VII — MANNER OF GIVING NOTICE AND WAIVER

7.1 **Notice of Stockholder Meetings.** Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the Company's records. An affidavit of the Secretary or an Assistant Secretary of the Company or of the transfer agent or other agent of the Company that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 **Notice by Electronic Transmission.** Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the Company under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Company. Any such consent shall be deemed revoked if:

- (i) the Company is unable to deliver by electronic transmission two consecutive notices given by the Company in accordance with such consent; and
- (ii) such inability becomes known to the Secretary or an Assistant Secretary of the Company or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

- (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;
- (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;
- (iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and
- (iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the Secretary or an Assistant Secretary or of the transfer agent or other agent of the Company that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An “**electronic transmission**” means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

**7.3 Notice to Stockholders Sharing an Address.** Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the Company under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the Company. Any stockholder who fails to object in writing to the Company, within 60 days of having been given written notice by the Company of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

**7.4 Notice to Person with Whom Communication is Unlawful.** Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Company is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

**7.5 Waiver of Notice.** Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

#### ARTICLE VIII — GENERAL MATTERS

**8.1 Fiscal Year.** The fiscal year of the Company shall be fixed by resolution of the Board and may be changed by the Board.

**8.2 Seal.** The Company may adopt a corporate seal, which shall be in such form as may be approved from time to time by the Board. The Company may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

8.3 **Annual Report.** The Company shall cause an annual report to be sent to the stockholders of the Company to the extent required by applicable law. If and so long as there are fewer than 100 holders of record of the Company's shares, the requirement of sending an annual report to the stockholders of the Company is expressly waived (to the extent permitted under applicable law).

8.4 **Construction; Definitions.** Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

#### ARTICLE IX — AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote. However, the Company may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

A bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of directors shall not be further amended or repealed by the Board.



UDEMY, INC.

CERTIFICATE OF ADOPTION OF BYLAWS

The undersigned hereby certifies that he or she is the duly elected, qualified and acting Secretary or Assistant Secretary of Udemey, Inc., a Delaware corporation (the "Company"), and that the foregoing bylaws, comprising sixteen (16) pages, were adopted as the bylaws of the Company on January 20, 2010.

/s/ Gagan Biyani

(signature)

Gagan Biyani

(print name)

Secretary

(title)

January 20, 2010

(date)

CERTAIN INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND THE REGISTRANT TREATS SUCH INFORMATION AS PRIVATE OR CONFIDENTIAL. OMISSIONS ARE DESIGNATED AS [\*\*\*].

**UDEMY, INC.**

**FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT**

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FIFTH AMENDED AND RESTATED

INVESTOR RIGHTS AGREEMENT

This FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (this “*Agreement*”) is entered into as of November 13, 2020, by and among UDEMY, INC., a Delaware corporation (the “*Company*”), the investors listed on Exhibit A (collectively, the “*Investors*” and individually, an “*Investor*”), and those certain holders of the Company’s Common Stock listed on Exhibit B (collectively, the “*Common Holders*” and individually, a “*Common Holder*”).

RECITALS

WHEREAS, concurrently with the execution of this Agreement, certain of the Investors are purchasing shares of the Company’s Series F Preferred Stock (the “*Series F Preferred*” and collectively with the Series A Preferred Stock, the Series A-1 Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock and the Series E Preferred Stock, the “*Series Preferred*”) pursuant to that certain Series F Preferred Stock Purchase Agreement (the “*Purchase Agreement*”) dated as of even date herewith (the “*Financing*”);

WHEREAS, certain of the Investors and the Common Holders are parties to the Fourth Amended and Restated Investor Rights Agreement dated March 19, 2020 by and among the Company and the parties thereto (the “*Prior Agreement*”);

WHEREAS, in connection with the consummation of the Financing, the parties to the Prior Agreement desire to amend and restate that agreement to provide those Investors purchasing shares of the Company’s Series F Preferred with registration rights, information rights and other rights as set forth herein in accordance with the terms of this Agreement; and

WHEREAS, the obligations in the Purchase Agreement are conditioned upon the execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

**Section 1. GENERAL.**

**1.1 Definitions.** As used in this Agreement the following terms shall have the following respective meanings:

(a) “*Acquisition*” has the meaning set forth in the Certificate.

(b) “*Affiliate*” means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by or under common control with one or more general partners or managing members of, or shares the same management company with, such Person.

- (c) “**Asset Sale**” has the meaning set forth in the Certificate.
- (d) “**Board**” shall mean the Company’s Board of Directors.
- (e) “**Certificate**” shall mean the Company’s Amended and Restated Certificate of Incorporation as in effect on the date hereof, as amended from time to time.
- (f) “**Common Stock**” shall mean, collectively, shares of the Company’s Common Stock, \$0.00001 par value per share, and any securities into which such stock may hereafter be changed.
- (g) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
- (h) “**Form S-3**” means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.
- (i) “**GAAP**” means generally accepted accounting principles in the United States, consistently applied.
- (j) “**Holder**” means any Person owning of record Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with [Section 2.9](#) hereof.
- (k) “**Initial Offering**” means the Company’s first firm commitment underwritten public offering of its Common Stock registered under the Securities Act.
- (l) “**Major Investor**” means any Investor that, individually or together with such Investor’s Affiliates, holds at least 4,000,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof). Notwithstanding the foregoing, Benesse Holdings Inc. (“**Benesse**”) shall also be deemed a Major Investor for the purposes of this Agreement for so long as Benesse, individually or together with its Affiliates, continues to hold at least 1,926,782 shares of Registrable Securities and/or Series Preferred (cumulatively and in any combination, and as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof) it acquired pursuant to the Purchase Agreement or otherwise. For clarity and without limitation of the generality of the foregoing, to the extent Benesse (individually or together with its Affiliates) experiences a decrease in shareholding of Registrable Securities and/or Series Preferred, as applicable, due to any activity that was not specifically consented to by Benesse (including without limitation a reverse stock split, exercise of drag-along rights by another Stockholder, or otherwise), such shares shall still be deemed to be held by Benesse solely for purposes of meeting the threshold described in the preceding sentence.

(m) “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

(n) “**Preferred Stock**” shall mean the Series Preferred.

(o) “**Qualified Offering**” shall mean the Company’s first Qualified Offering, as defined in the Certificate.

(p) “**Register**,” “**registered**,” and “**registration**” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

(q) “**Registrable Securities**” means (a) shares of Common Stock of the Company issuable or issued upon conversion of the Shares, (b) shares of Common Stock of the Company held by the Common Holders, (c) shares of Common Stock of the Company held by the Investors, and (d) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities.

Notwithstanding the foregoing, Registrable Securities shall not include any securities (i) sold by a Person to the public either pursuant to a registration statement or Rule 144, (ii) sold in a private transaction in which the transferor’s rights under Section 2 of this Agreement are not assigned or (iii) held by a Holder (together with its Affiliates) if, as reflected on the Company’s list of stockholders, such Holder (together with its Affiliates) holds less than 1% of the Company’s outstanding Common Stock (treating all shares of Preferred Stock on an as converted basis); provided that the Company has completed its Qualified Offering and all shares of Common Stock of the Company issuable or issued upon conversion of the Shares held by and issuable to such Holder (and its Affiliates) may be sold pursuant to Rule 144 during any ninety (90) day period.

(r) “**Registrable Securities then outstanding**” shall be the number of shares of the Common Stock that are Registrable Securities and either (a) are then issued and outstanding or (b) are issuable pursuant to then exercisable or convertible securities.

(s) “**Registration Expenses**” shall mean all expenses incurred by the Company in complying with Sections 2.2, 2.3 and 2.4 hereof (exclusive of underwriting discounts and commissions), including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements not to exceed seventy-five thousand dollars (\$75,000) of a single special counsel for the Holders, blue sky fees, fees relating to the removal of legends and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

(t) “**SEC**” or “**Commission**” means the Securities and Exchange Commission.

(u) “**Securities Act**” shall mean the Securities Act of 1933, as amended.

(v) “**Selling Expenses**” shall mean all underwriting discounts and selling commissions applicable to the sale and all fees and disbursements of counsel for the Holders (other than the reasonable fees and disbursements for one special counsel for the Holders included in Registration Expenses).

(w) “**Shares**” shall mean shares of the Series Preferred held from time to time by the Investors listed on **Exhibit A** hereto and their permitted assigns.

(x) “**Special Registration Statement**” shall mean (i) a registration statement relating to any employee benefit plan or (ii) with respect to any corporate reorganization or transaction under Rule 145 of the Securities Act, any registration statements related to the issuance or resale of securities issued in such a transaction or (iii) a registration related to stock issued upon conversion of debt securities.

## **Section 2. REGISTRATION; RESTRICTIONS ON TRANSFER.**

### **2.1 Restrictions on Transfer.**

(a) Each Holder agrees not to make any disposition of all or any portion of the Shares or Registrable Securities unless and until:

(i) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such shares under the Securities Act and applicable state and foreign securities law. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144, except in unusual circumstances. After the Qualified Offering, the Company will not require any transferee pursuant to Rule 144 to be bound by the terms of this Agreement if the shares so transferred do not remain Registrable Securities hereunder following such transfer.

(b) Notwithstanding the provisions of subsection (a) above, no such restriction shall apply to a transfer by a Holder that is (i) a partnership transferring to its partners or former partners in accordance with partnership interests, (ii) a corporation transferring to any Affiliates of the Holder, (iii) a limited liability company transferring to its members or former members in accordance with their interest in the limited liability company, (iv) an individual transferring to the Holder’s family members or trust or other entity for the benefit of an individual Holder or his family members, or (v) a trust transferring to its grantors or beneficiaries; *provided* that in each case the transferee will agree in writing to be subject to the terms of this Agreement to the same extent as if he were an original Holder hereunder.



(c) Each certificate representing Shares or Registrable Securities shall be stamped or otherwise imprinted with legends substantially similar to the following (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY AND ITS COUNSEL THAT SUCH REGISTRATION IS NOT REQUIRED.

THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN INVESTOR RIGHTS AGREEMENT BY AND BETWEEN THE STOCKHOLDER AND THE COMPANY AS MAY BE AMENDED FROM TIME TO TIME. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY.

(d) The Company shall be obligated to reissue promptly unlegended certificates at the request of any Holder thereof if the Company has completed its Qualified Offering and the Holder shall have obtained an opinion of counsel (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification and legend; *provided that* the second legend listed above shall be removed only at such time as the Holder of such certificate is no longer subject to any restrictions hereunder.

(e) Any legend endorsed on an instrument pursuant to applicable state securities laws and the stop-transfer instructions with respect to such securities shall be removed upon receipt by the Company of an order of the appropriate blue sky authority authorizing such removal.

## **2.2 Demand Registration.**

(a) Subject to the conditions of this Section 2.2, if the Company shall receive a written request from the Investors holding at least thirty percent (30%) of the Registrable Securities then outstanding and held by the Investors (the "**Initiating Holders**"), that the Company file a registration statement under the Securities Act covering the registration of all or any portion of the Registrable Securities then outstanding having

an aggregate offering price, after deduction of underwriting discounts and commissions, of at least \$10,000,000, then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders, and subject to the limitations of this Section 2.2, effect, as expeditiously as reasonably possible, the registration under the Securities Act of all Registrable Securities that all Holders request to be registered.

(b) If the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2.2 or any request pursuant to Section 2.4 and the Company shall include such information in the written notice referred to in Section 2.2(a) or Section 2.4(a), as applicable. In such event, the right of any Holder to include its Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company (which underwriter or underwriters shall be reasonably acceptable to the Holders of a majority of the Registrable Securities held by all Initiating Holders). If the underwriter advises the Company that marketing factors require a limitation of the number of securities to be underwritten (including Registrable Securities) then the Company shall so advise all Holders of Registrable Securities that would otherwise be underwritten pursuant hereto, and the number of shares that may be included in the underwriting shall be allocated to the Holders of such Registrable Securities on a pro rata basis based on the number of Registrable Securities held by all such Holders (including the Initiating Holders) or in such other proportion as shall mutually be agreed to by all such selling Holders; provided, *however*, that the number of shares of Registrable Securities to be included in such underwriting and registration by the Investors shall not be reduced unless all other securities of the Company are first entirely excluded from the underwriting and registration. Any Registrable Securities excluded or withdrawn from such underwriting shall be withdrawn from the registration.

(c) The Company shall not be required to effect a registration pursuant to this Section 2.2:

(i) prior to the earlier of (A) the five year anniversary of the date of this Agreement, or (B) six (6) months following the effective date of the registration statement of the Qualified Offering;

(ii) after the Company has effected two (2) registrations pursuant to this Section 2.2, and such registrations have been declared or ordered effective;

(iii) during the period starting with the date of filing of, and ending on the date one hundred eighty (180) days following the effective date of the registration statement pertaining to Company-initiated registration (or such longer period as may be determined pursuant to Section 2.11 hereof); *provided*, that the Company makes reasonable good faith efforts to cause such registration statement to become effective;

(iv) if within thirty (30) days of receipt of a written request from Initiating Holders pursuant to Section 2.2(a), the Company gives notice to the Holders of the Company's intention to file a registration statement for its Qualified Offering within ninety (90) days, *provided*, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective;

(v) if the Company shall furnish to Holders requesting a registration statement pursuant to this Section 2.2 a certificate signed by the Chairman of the Board stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its stockholders for such registration statement to be effected at such time, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days after receipt of the request of the Initiating Holders; *provided* that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period;

(vi) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.4 below;

(vii) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(viii) if the Initiating Holders do not request that such offering be firmly underwritten by underwriters selected by the Initiating Holders (subject to the consent of the Company); or

(ix) if the Company and the Initiating Holders are unable to obtain the commitment of the underwriter described in clause (c) (viii) above to firmly underwrite the offer.

**2.3 Piggyback Registrations.** The Company shall notify all Holders of Registrable Securities in writing at least fifteen (15) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding Special Registration Statements) and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within fifteen (15) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides

not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(a) **Underwriting.** If the registration statement of which the Company gives notice under this Section 2.3 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to include Registrable Securities in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders who are Investors on a *pro rata* basis based on the total number of Registrable Securities held by such Holders; third to the Holders who are Common Holders on a *pro rata* basis based on the total Registrable Securities held by such Holders; and fourth, to any stockholder of the Company (other than a Holder) on a *pro rata* basis; *provided, however*, that no such reduction shall reduce the amount of securities of the selling Holders who are Investors included in the registration below twenty-five percent (25%) of the total amount of securities included in such registration, unless such offering is the Initial Offering and such registration does not include shares of any other selling stockholders, in which event any or all of the Registrable Securities of the Holders may be excluded in accordance with the immediately preceding clause. If the Holders are so limited, however, no party shall sell shares in such registration other than the Company. In no event will shares of any other selling stockholder be included in such registration that would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than sixty-five percent (65%) of the Registrable Securities proposed to be sold in the offering. If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration. For any Holder which is a partnership, limited liability company, corporation, trust or natural person, the partners, retired partners, members, retired members, stockholders, beneficiaries, grantors and family members of such Holder, or the estates and family members of any such partners, retired partners, members, retired members, beneficiaries, grantors and family members and any trusts or other entities for the benefit of any of the foregoing persons shall be deemed to be a single "Holder," and any *pro rata* reduction with respect to such "Holder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "Holder," as defined in this sentence or as otherwise provided in Section 5.10.

(b) **Right to Terminate Registration.** The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.3 prior to the effectiveness of such registration, whether or not any Holder has elected to include securities in such registration, and shall promptly notify any Holder that has elected to include shares in such registration of such termination or withdrawal. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.5 hereof.

**2.4 Form S-3 Registration.** In case the Company shall receive from any Holder or Holders of Registrable Securities a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will use its commercially reasonable efforts to:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; *provided, however*, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.4:

(i) if Form S-3 is not available for such offering by the Holders, or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars (\$1,000,000), or

(iii) if within thirty (30) days of receipt of a written request from any Holder or Holders pursuant to this Section 2.4, the Company gives notice to such Holder or Holders of the Company's intention to make a public offering within ninety (90) days, other than pursuant to a Special Registration Statement;

(iv) if the Company shall furnish to the Holders a certificate signed by the Chairman of the Board stating that in the good faith judgment of the Board, it would be materially detrimental to the Company and its stockholders for such Form S-3 registration to be effected at such time, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render

the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than ninety (90) days after receipt of the request of the Holder or Holders under this Section 2.4; *provided*, that such right to delay a request shall be exercised by the Company not more than once in any twelve (12) month period;

(v) if, in a given twelve (12) month period, the Company has effected two (2) such registrations; or

(vi) in any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification, or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act.

(c) Subject to the foregoing, the Company shall use its commercially reasonable efforts to file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the requests of the Holders. Registrations effected pursuant to this Section 2.4 shall not be counted as demands for registration or registrations effected pursuant to Section 2.2. All Registration Expenses incurred in connection with registrations requested pursuant to this Section 2.4, other than underwriting discounts and commissions, shall be paid by the Company, including the expense of one (1) special counsel of the selling stockholders up to a maximum of \$75,000 per registration.

**2.5 Expenses of Registration.** Except as specifically provided herein, all Registration Expenses, other than underwriting discounts and commissions, incurred in connection with any registration, qualification or compliance pursuant to Section 2.2, 2.3 or 2.4 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered *pro rata* on the basis of the number of shares so registered. The Company shall not, however, be required to pay for expenses of any registration proceeding begun pursuant to Section 2.2 or 2.4, the request of which has been subsequently withdrawn by the Initiating Holders or the S-3 Initiating Holders, as the case may be, unless (a) the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request or (b) the Investors holding a majority of Registrable Securities held by the Investors agree to deem such registration to have been effected as of the date of such withdrawal for purposes of determining whether the Company shall be obligated pursuant to Section 2.2(c) or 2.4(b), as applicable, to undertake any subsequent registration, in which event such right shall be forfeited by all Investors. If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (a) above, then such registration shall not be deemed to have been effected for purposes of determining whether the Company shall be obligated pursuant to Section 2.2(c) or 2.4(b), as applicable, to undertake any subsequent registration.

**2.6 Obligations of the Company.** Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible use commercially reasonable efforts to:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective, and, upon the request of the Holders of sixty-five percent (65%) of the Registrable Securities registered thereunder, keep such registration statement effective for up to thirty (30) days or, if earlier, until the Holder or Holders have completed the distribution related thereto; provided, however, that at any time, upon written notice to the participating Holders and for a period not to exceed sixty (60) days thereafter (the “**Suspension Period**”), the Company may delay the filing or effectiveness of any registration statement or suspend the use or effectiveness of any registration statement (and the Initiating Holders hereby agree not to offer or sell any Registrable Securities pursuant to such registration statement during the Suspension Period) if the Company reasonably believes that there is or may be in existence material nonpublic information or events involving the Company, the failure of which to be disclosed in the prospectus included in the registration statement could result in a Violation (as defined below). In the event that the Company shall exercise its right to delay or suspend the filing or effectiveness of a registration hereunder, the applicable time period during which the registration statement is to remain effective shall be extended by a period of time equal to the duration of the Suspension Period. The Company may extend the Suspension Period for an additional consecutive sixty (60) days with the consent of the holders of sixty-five percent (65%) of the Registrable Securities registered under the applicable registration statement, which consent shall not be unreasonably withheld. No more than one (1) such Suspension Period shall occur in any twelve (12) month period. In no event shall any Suspension Period, when taken together with all prior Suspension Periods, exceed 120 days in the aggregate. If so directed by the Company, all Holders registering shares under such registration statement shall (i) not offer to sell any Registrable Securities pursuant to the registration statement during the period in which the delay or suspension is in effect after receiving notice of such delay or suspension; and (ii) use their best efforts to deliver to the Company (at the Company’s expense) all copies, other than permanent file copies then in such Holders’ possession, of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. Notwithstanding the foregoing, the Company shall not be required to file, cause to become effective or maintain the effectiveness of any registration statement other than a registration statement on Form S-3 that contemplates a distribution of securities on a delayed or continuous basis pursuant to Rule 415 under the Securities Act;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement for the period set forth in subsection (a) above;

(c) furnish to the Holders such number of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(d) register and qualify the securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as shall be reasonably requested by the Holders; *provided* that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter(s) of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;

(f) notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing. The Company will use commercially reasonable efforts to amend or supplement such prospectus in order to cause such prospectus not to include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; and

(g) furnish, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (ii) a letter, dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering addressed to the underwriters.

#### **2.7 Delay of Registration; Furnishing Information.**

(a) No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

(b) It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.2, 2.3 or 2.4 that the selling Holders shall furnish to the Company in writing such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be reasonably necessary to effect the registration of their Registrable Securities.



(c) The Company shall have no obligation with respect to any registration requested pursuant to Section 2.2 or Section 2.4 if the number of shares or the anticipated aggregate offering price of the Registrable Securities to be included in the registration does not equal or exceed the number of shares or the anticipated aggregate offering price required to originally trigger the Company's obligation to initiate such registration as specified in Section 2.2 or Section 2.4, whichever is applicable.

**2.8 Indemnification.** In the event any Registrable Securities are included in a registration statement under Sections 2.2, 2.3 or 2.4:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, members, trustees, managers, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "**Violation**") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement or incorporated by reference therein, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will reimburse each such Holder, partner, member, trustee, manager, officer, director, underwriter or controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was a Violation; *provided however*, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, member, trustee, manager, officer, director, underwriter or controlling Person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualifications or compliance is being effected, severally and not jointly, indemnify and hold harmless the Company, each of its directors, its officers and each Person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration statement or any of such other Holder's partners, trustees, managers, directors or officers or any Person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, trustee, manager, controlling Person, underwriter or other such Holder, or partner, director, officer, trustee, manager, or controlling Person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any of the following statements: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement or incorporated reference therein, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement (collectively, a "**Holder Violation**"), in each case to the extent (and only to the extent) that such Holder Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling Person, underwriter or other Holder, or partner, trustee, manager, officer, director or controlling Person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Holder Violation; *provided, however*, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; *provided further*, that in no event shall any indemnity under this Section 2.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; *provided, however*, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses thereof to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8 to the extent, and only to the extent, if materially prejudicial to its ability to defend such action, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) If the indemnification provided for in this Section 2.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) or Holder Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; *provided, that* in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 2.8 shall survive completion of any offering of Registrable Securities in a registration statement and, with respect to liability arising from an offering to which this Section 2.8 would apply that is covered by a registration filed before termination of this Agreement, such termination. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

**2.9 Assignment of Registration Rights.** The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a transferee or assignee of Registrable Securities (for so long as such shares remain Registrable Securities) that is (a) any partner or retired partner of any holder which is a partnership, (b) any member or former member, of any holder which is a limited liability company, (c) any Affiliate of any Holder; (d) any family member or trust or other entity for the benefit of any individual holder or his family members, (e) any grantor or beneficiary of any holder which is a trust or (f) any transferee who acquires at least 500,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof); *provided, however,* (i) the transferor shall, within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (ii) such transferee agrees in writing to be subject to all restrictions set forth in this Agreement.

**2.10 Limitation on Subsequent Registration Rights.** Other than as provided in Section 5.10, after the date of this Agreement, the Company shall not, without the prior written consent of the holders of at least sixty-five percent (65%) of the then outstanding shares of Series Preferred, voting together as a single class on an as-converted basis (collectively, the “**Requisite Holders**”), enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder rights to demand the registration of shares of the Company’s capital stock, or to include such shares in a registration statement that would reduce the number of shares includable by the Holders.

**2.11 “Market Stand-Off” Agreement.** Each party to this Agreement hereby agrees that such party shall not lend, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right, or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock during the 180-day period following the effective date of the Initial Offering (or such longer period, not to exceed 15 days after the expiration of the 180-day period, as the underwriters or the Company shall request in order to facilitate compliance with NASD Rules that are then applicable to the Company); *provided*, that all officers and directors of the Company and holders of at least one percent (1%) of the Company’s voting securities are bound by and have entered into similar agreements. The obligations described in this Section 2.11 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future.

**2.12 Agreement to Furnish Information.** Each Holder agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter that are consistent with the Holder’s obligations under Section 2.11 or that are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, each Holder shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company’s securities pursuant to a registration statement filed under the Securities Act. The obligations described in Section 2.11 and this Section 2.12 shall not apply to a Special Registration Statement. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of the 180-day or longer period specified in Section 2.11. Each Holder agrees that any transferee of any shares of Registrable Securities shall be bound by Sections 2.11 and 2.12. The underwriters of the Company’s stock are intended third party beneficiaries of Sections 2.11 and 2.12 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto.

**2.13 Rule 144 Reporting.** With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its commercially reasonable efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company filed with the Commission; and such other reports and documents as a Holder may reasonably request in connection with availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration and which the Company is able to provide without unreasonable effort or expense.

### **Section 3. COVENANTS OF THE COMPANY AND INVESTORS.**

#### **3.1 Basic Financial Information and Reporting.**

(a) The Company will maintain true books and records of account in which full and correct entries will be made of all its business transactions pursuant to a system of accounting established and administered in accordance with generally accepted accounting principles consistently applied (except as noted therein) and will set aside on its books all such proper accruals and reserves as shall be required under generally accepted accounting principles consistently applied.

(b) The Company shall deliver to each Major Investor the following:

(i) as soon as practicable, but in any event within one hundred eighty (180) days after the end of each fiscal year of the Company, (A) a balance sheet as of the end of such year, (B) statements of income and cash flows for such year, and (C) a statement of stockholders' equity as of the end of such year, all prepared in accordance with GAAP and audited and certified by independent public accountants of nationally recognized standing selected by the Board including at least two (2) Preferred Directors (as defined in the Certificate); *provided, however*, that such financial statements may be reviewed rather than audited by such accountants upon the consent or approval of the Board;

(ii) as soon as practicable, but in any event within forty-five (45) days after the end of each fiscal year of the Company, (A) an unaudited balance sheet as of the end of such year, and (B) unaudited statements of income and cash flows for such year, all prepared in accordance with GAAP;

(iii) as soon as practicable, but in any event within sixty (60) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may be subject to normal year-end adjustments and not contain all notes thereto that may be required in accordance with GAAP);

(iv) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct;

(v) as soon as practicable, but in any event within forty-five (45) days of the end of each month, an unaudited income and statement of cash flows for such month, and an unaudited balance sheet and statement of stockholders' equity as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(vi) as soon as practicable, but in any event within forty-five (45) days after the beginning of each fiscal year, an annual budget and operating plan for the next two (2) fiscal years (and as soon as available, any subsequent written revisions thereto);

(vii) with respect to the financial statements called for in Section 3.1(b)(i), Section 3.1(b)(ii), Section 3.1(b)(iii) and Section 3.1(b)(v) an instrument executed by the chief financial officer and chief executive officer of the Company certifying that such financial statements were prepared in accordance with GAAP (except as otherwise set forth in Section 3.1(b)) and fairly present the financial condition of the Company and its results of operation for the periods specified therein; and

(viii) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request; *provided, however*, that the Company shall not be obligated under this Section 3.1(b) to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

**3.2 Inspection Rights.** Each Major Investor and its representatives (including without limitation, its lawyers and accountants) that is not a former officer or employee of, or consultant to, the Company shall have the right to visit and inspect any of the properties of the Company or any of its subsidiaries, and to discuss the affairs, finances and accounts of the Company or any of its subsidiaries with its officers, and to review such information as is reasonably requested all at such reasonable times and as often as may be reasonably requested; *provided, however*, that the Company (as determined in good faith by the Board) shall not be obligated under this Section 3.2 with respect to a competitor of the Company or with respect to information which the Board determines in good faith is confidential or attorney-client privileged and should not, therefore, be disclosed.

**3.3 Confidentiality of Records.** Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any information furnished to such Investor that the Company marked or identified orally or in writing as being confidential or proprietary (so long as such information is not in the public domain), except that such Investor may disclose such proprietary or confidential information (i) to any partner, member, grantor, beneficiary, family member, subsidiary or parent of such Investor as long as such partner, member, grantor, beneficiary, family member, subsidiary or parent is advised of and agrees or has agreed to be bound by the confidentiality provisions of this Section 3.3 or comparable restrictions; (ii) at such time as it enters the public domain through no fault of such Investor; (iii) that is communicated to it free of any obligation of confidentiality; (iv) that is developed by such Investor or its agents independently of and without reference to any confidential information communicated by the Company; or (v) as required by applicable law. The Company acknowledges that certain of the Investors are in the business of venture capital investing and therefore review business plans and related proprietary information of many enterprises, including enterprises that may have products or services that compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict any Investor from investing or participating in any particular enterprise, regardless of whether such enterprise has products or services that compete with those of the Company so long as such Investor otherwise complies with such Investor's nondisclosure and nonuse obligations contained in this Section 3.3.

**3.4 Reservation of Common Stock.** The Company will at all times reserve and keep available, solely for issuance and delivery upon the conversion of the Preferred Stock, all Common Stock issuable from time to time upon such conversion.

**3.5 Equity Incentive Grants; Stock Vesting.** Any grant of stock options and other stock equivalents to an employee, director, consultant or other service provider shall require prior approval of the Board, including at least two (2) Preferred Directors. Unless otherwise approved by the Board including at least two (2) Preferred Directors, all stock options and other stock equivalents issued after the date of this Agreement to employees, directors, consultants and other service providers shall be subject to vesting as follows: (a) twenty-five percent (25%) of such stock shall vest at the end of the first year following the earlier of the date of issuance or such person's services commencement date with the company, and (b) seventy-five percent (75%) of such stock shall vest monthly over the remaining three (3) years. Any accelerated vesting relating to any stock options and other stock equivalents issued after the date of this Agreement to employees, directors, consultants and other service providers shall require prior approval of the Board including at least two (2) Preferred Directors. With respect to restricted stock and stock issued as a result of early exercised options, the Company's repurchase option shall provide that, upon termination of the employment of the shareholder, with or without cause, the Company or its assignee (to the extent permissible under applicable securities law qualification) retains the option to repurchase at cost any unvested shares held by such stockholder.

**3.6 Increases to Equity Incentive Plan.** Any increase in the number of shares reserved for issuance pursuant to the Company's 2010 Equity Incentive Plan or the establishment of any new employee stock option plan, employee stock purchase plan, employee restricted stock plan or other similar stock plan shall require prior approval of the Board, including at least two (2) Preferred Directors.

**3.7 Proprietary Information and Inventions Agreement.** The Company shall require all current and future employees of the Company to execute and deliver a Proprietary Information and Inventions Agreement substantially in a form acceptable to the Board. The Company shall require all current and future consultants with access to the Company's intellectual property to enter into consulting or similar agreements containing appropriate confidential information and invention assignment provisions in favor of the Company.

**3.8 Directors' Liability and Indemnification.** The Certificate and the Company's Bylaws (the "**Bylaws**") shall provide (a) for elimination of the liability of director to the maximum extent permitted by law and (b) for indemnification of directors for acts on behalf of the Company to the maximum extent permitted by law.

**3.9 D&O Insurance.** The Company will use its commercially reasonable efforts to maintain in full force and effect director and officer liability insurance covering the members of the Board in an amount reasonably acceptable to the Board including at least two (2) Preferred Directors.

**3.10 Right to Conduct Activities.** The Company hereby agrees and acknowledges that certain of the Investors (each, together with such Investor's affiliates, a "**VC Investor**") are professional investment funds, and as such invest in numerous portfolio companies, some of which may be deemed competitive with the Company's business (as currently conducted or as currently proposed to be conducted). The Company hereby agrees that, to the extent permitted under applicable law, no VC Investor shall be liable to the Company for any claim arising out of, or based upon, (a) the investment by such VC Investor in any entity competitive with the Company, or (b) actions taken by any partner, officer or other representative of such VC Investor to assist any such competitive company, whether or not such action was taken as a member of the board of directors of such competitive company or otherwise, and whether or not such action has a detrimental effect on the Company; *provided, however* that the foregoing shall not relieve (x) such VC Investor or any party from liability associated with the willful misuse of the Company's confidential information obtained pursuant to Section 3.3, or (ii) any director or officer of the Company from any liability associated with his or her fiduciary duties to the Company.



**3.11 Foreign Corrupt Practices Act Enforcement Actions.** The Company shall promptly notify each Major Investor should the Company become aware of any Enforcement Action (as defined in the Purchase Agreement).

**3.12 Committee Representation.** The Company shall allow at least two (2) of the Preferred Directors to serve on all standing committees of the Company's Board of Directors if any such committees are constituted from time to time, except as may result in a conflict of interest or where committee membership is restricted due to legal or regulatory requirements such a director does not satisfy.

**3.13 Audit and Compensation Committees.** No later than 90 days after the Initial Closing (as defined in the Purchase Agreement) the Company shall cause to be established, and will maintain, an audit and compensation committee, each of which shall consist solely of non-employee directors.

**3.14 Termination of Covenants.** All covenants of the Company contained in Section 3 of this Agreement (other than the provisions of Sections 3.3, 3.8 and 3.9) shall expire and terminate as to each Investor upon the effective date of the registration statement pertaining to the Qualified Offering.

#### **Section 4. RIGHTS TO FUTURE STOCK ISSUANCES.**

**4.1 Right of First Offer.** Subject to the terms and conditions of this Section 4 and applicable securities laws, each Major Investor that qualifies as an "accredited investor" under Regulation D of the Securities Act (a "**Qualified Investor**") shall have a right of first offer to purchase its *pro rata* share of all Equity Securities (as defined below) that the Company may, from time to time, propose to sell and issue after the date of this Agreement, other than the Equity Securities excluded by Section 4.6 hereof. Each Qualified Investor's *pro rata* share is equal to the ratio of (a) the number of shares of the Company's Common Stock (including all shares of Common Stock issuable or issued upon conversion of the Shares or upon the exercise of outstanding warrants or options) of which such Qualified Investor is a holder or is deemed to be a holder (including by reason of the operation of Section 5.13 hereof) immediately prior to the issuance of such Equity Securities to (b) the total number of shares of the Company's outstanding Common Stock (including all shares of Common Stock issued or issuable upon conversion of the Shares or upon the exercise of any outstanding warrants or options) immediately prior to the issuance of the Equity Securities. The term "**Equity Securities**" shall mean (i) any Common Stock, Preferred Stock or other security of the Company, (ii) any security convertible into or exercisable or exchangeable for, with or without consideration, any Common Stock, Preferred Stock or other security (including any option to purchase such a convertible security), (iii) any security carrying any warrant or right to subscribe to or purchase any Common Stock, Preferred Stock or other security or (iv) any such warrant or right.

**4.2 Exercise of Rights.** If the Company proposes to issue any Equity Securities, it shall give written notice to each Qualified Investor stating its intention to offer such Equity Securities, the number of such Equity Securities to be offered, and the price and the terms and conditions upon which the Company proposes to offer such Equity Securities. Each Qualified Investor shall have twenty (20) days from the giving of such notice to agree to purchase its *pro rata* share of the Equity Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Company and stating therein the quantity of Equity Securities to be purchased. Notwithstanding the foregoing, the Company shall not be required to offer or sell such Equity Securities to any Qualified Investor who would cause the Company to be in violation of applicable federal securities laws by virtue of such offer or sale.

**4.3 Issuance of Equity Securities to Other Persons.** If not all of the Qualified Investors elect to purchase their *pro rata* share of the Equity Securities, then the Company shall promptly notify in writing the Qualified Investors who do so elect and shall offer such Qualified Investors the right to acquire such unsubscribed shares on a *pro rata* basis. The Qualified Investors shall have five (5) days after receipt of such notice to notify the Company of its election to purchase all or a portion thereof of the unsubscribed shares. The Company shall have ninety (90) days thereafter to sell the Equity Securities in respect of which the Qualified Investor's rights were not exercised, at a price not lower and upon general terms and conditions not materially more favorable to the purchasers thereof than specified in the Company's notice to the Qualified Investors pursuant to Section 4.2 hereof. If the Company has not sold such Equity Securities within such ninety (90) day period, the Company shall not thereafter issue or sell any Equity Securities, without first offering such securities to the Qualified Investors in the manner provided above.

**4.4 Termination of Rights of First Offer.** The rights of first offer established by this Section 4 shall not apply to, and shall terminate upon the earlier of, (i) the effective date of the registration statement pertaining to the Qualified Offering or (ii) an Acquisition or Asset Sale.

**4.5 Assignment of Rights of First Offer.** The rights of first offer of each Qualified Investor under this Section 4 may be assigned to the same parties, subject to the same restrictions as any transfer of registration rights pursuant to Section 2.9.

**4.6 Excluded Securities.** The rights of first offer established by this Section 4 shall have no application to (a) any Equity Securities excluded from the definition of Additional Shares of Common Stock in the Certificate or (b) the shares of Series F Preferred (or Common Stock issuable upon conversion thereof) issued pursuant to the Purchase Agreement, as amended from time to time.

## **Section 5. MISCELLANEOUS.**

**5.1 Governing Law.** This Agreement shall be governed by and construed under the laws of the State of Delaware in all respects as such laws are applied to agreements among Delaware residents entered into and to be performed entirely within Delaware, without reference to conflicts of laws or principles thereof. The parties agree that any action brought by either party under or in relation to this Agreement, including, without limitation, to interpret or enforce any provision of this Agreement, shall be brought in, and each party agrees to and does hereby submit to the jurisdiction and venue of, any state or federal court located in Delaware.

**5.2 Successors and Assigns.** Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors, assigns, heirs, executors, and administrators and shall inure to the benefit of and be enforceable by each Person who shall be a holder of Registrable Securities from time to time; *provided, however*, that prior to the receipt by the Company of adequate written notice of the transfer of any Registrable Securities specifying the full name and address of the transferee, the Company may deem and treat the Person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price.

**5.3 Entire Agreement.** This Agreement, the Exhibits hereto, the Purchase Agreement and the other documents delivered pursuant thereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of this Agreement.

**5.4 Severability.** In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

**5.5 Amendment and Waiver.**

(a) Except as otherwise expressly provided, this Agreement may be amended or modified, and the obligations of the Company and the rights of the Investors and Holders under this Agreement may be waived, only upon the written consent of (i) the Company, and (ii) the Requisite Holders; *provided further, however*, that if any amendment, modification or waiver operates in a manner that treats any Holder adversely and in a different manner from other Holders, the consent of such Holder shall also be required for such amendment, waiver, discharge or termination. Any amendment, termination or waiver effected in accordance with this Section 5.5 shall be binding on all parties hereto, even if they do not execute such consent.

(b) For the purposes of determining the number of Holders or Investors entitled to vote or exercise any rights hereunder, the Company shall be entitled to rely solely on the list of record holders of its stock as maintained by or on behalf of the Company.

**5.6 Delays or Omissions.** It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any party's behalf of any breach, default or noncompliance under the Agreement or any waiver on such party's behalf of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, the Bylaws, or otherwise afforded to any party, shall be cumulative and not alternative.

**5.7 Notices.** All notices 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) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) 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 address as set forth on the signature pages hereof or Exhibit A hereto or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto.

**5.8 Attorneys' Fees.** In the event that any suit or action is instituted under or in relation to this Agreement, including, without limitation, to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including, without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

**5.9 Titles and Subtitles.** The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

**5.10 Additional Investors.** Notwithstanding anything to the contrary contained herein, if the Company shall issue additional shares of its Preferred Stock pursuant to the Purchase Agreement, any purchaser of such shares of Preferred Stock shall become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed an "**Investor**," a "**Holder**" and a party hereunder. Notwithstanding anything to the contrary contained herein, if the Company shall issue Equity Securities in accordance with Section 4.6 and such Equity Securities are excluded from the definition of Additional Shares of Common Stock pursuant to Sections (E) or (H) of such definition, any purchaser of such Equity Securities may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed an "**Investor**," a "**Holder**" and a party hereunder.

**5.11 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

**5.12 Delivery by Facsimile or Electronic Transmission.** This Agreement, the agreements referred to herein, and each other agreement or instrument entered into in connection herewith or therewith or contemplated hereby or thereby, and any amendments hereto or thereto, to the extent signed and subsequently delivered by means of a facsimile machine or other reasonable electronic transmission, shall be treated in all manner and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise (a) the use of a facsimile machine or other reasonable electronic transmission to deliver a signature or (b) the fact that any signature or agreement or instrument was signed and subsequently transmitted or communicated through the use of a facsimile machine or other reasonable electronic transmission device as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

**5.13 Aggregation of Stock.** All shares of Registrable Securities held or acquired by affiliated Persons or Persons under common management or control shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

**5.14 Pronouns.** All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

**5.15 Termination.** This Agreement shall terminate and be of no further force or effect upon the earlier of (i) an Acquisition or Asset Sale; or (ii) the date five (5) years following the closing of the Qualified Offering.

**5.16 Dispute Resolution.** The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of Delaware and to the jurisdiction of the United States District Court for the District of Delaware for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of Delaware or the United States District Court for the District of Delaware, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

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**5.17 Effect on Prior Agreement.** This Agreement amends, restates, supersedes and replaces the Prior Agreement in its entirety.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**COMPANY:**

**UDEMY, INC.**

By: /s/ Gregg Coccari

Name: Gregg Coccari

Title: Chief Executive Officer

**COMMON HOLDERS:**

/s/ Eren Bali

Eren Bali

/s/ Oktay Caglar

Oktay Caglar

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTOR:**

**SG GROWTH PARTNERS III, LP**

By: /s/ Kenneth Fox

\_\_\_\_\_  
Kenneth Fox, Managing Partner

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]



IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**INSIGHT VENTURE PARTNERS VII, L.P.**

By: Insight Venture Associates VII, L.P., its general partner

By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair Flicker

Name: Blair Flicker, Managing Director and General Counsel

**INSIGHT VENTURE PARTNERS (Cayman) VII, L.P.**

By: Insight Venture Associates VII, L.P., its general partner

By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair Flicker

Name: Blair Flicker, Managing Director and General Counsel

**INSIGHT VENTURE PARTNERS VII (Co-Investors), L.P.**

By: Insight Venture Associates VII, L.P., its general partner

By: Insight Venture Associates VII, Ltd., its general partner

By: /s/ Blair Flicker

Name: Blair Flicker, Managing Director and General Counsel

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

**INSIGHT VENTURE PARTNERS (Delaware) VII, L.P.**

By: Insight Venture Associates VII, L.P.,  
its general partner

By: Insight Venture Associates VII, Ltd.,  
its general partner

By: /s/ Blair Flicker

Name: Blair Flicker, Managing Director and General  
Counsel

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTOR:**

**NEW ROUND LIMITED**

By: /s/ Pu Hai Tao

Name: Pu Hai Tao

Title: Director

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**LEARN CAPITAL SPECIAL  
OPPORTUNITIES FUND XXIX, L.P.**

By: Learn Capital Management XXIX, LLC,  
its General Partner

By: /s/ Robert J Hutter

Robert J Hutter, Managing Member

**LEARN CAPITAL SPECIAL  
OPPORTUNITIES FUND XXX, L.P.**

By: Learn Capital Management XXX, LLC,  
its General Partner

By: /s/ Robert J Hutter

Robert J Hutter, Managing Member

**LEARN CAPITAL SPECIAL  
OPPORTUNITIES FUND XXXI, L.P.**

By: Learn Capital Management XXXI, LLC,  
its General Partner

By: /s/ Robert J Hutter

Robert J Hutter, Managing Member

**LEARN CAPITAL SPECIAL  
OPPORTUNITIES FUND XXIII, L.P.**

By: Learn Capital Management XXIII, LLC,  
its General Partner

By: /s/ Robert J Hutter

Robert J Hutter, Managing Member

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

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**LEARN CAPITAL SPECIAL  
OPPORTUNITIES FUND XXVIII, L.P.**

By: Learn Capital Management XXVIII, LLC,  
its General Partner

By: /s/ Robert J Hutter  
Robert J Hutter, Managing Member

**LEARN ALPHA ASSOCIATES LLC**

By: /s/ Robert J Hutter  
Robert J Hutter, Managing Member

**LEARN CAPITAL VENTURE PARTNERS II, L.P.**

By: Learn Capital Management II, LLC,  
its General Partner

By: /s/ Robert J Hutter  
Robert J Hutter, Managing Member

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

**IN WITNESS WHEREOF**, the parties hereto have executed this **FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

**INVESTOR:**

**NORWEST VENTURE PARTNERS XII, LP**

By: Genesis VC Partners XII, LLC,  
General Partner

By: NVP Associates, LLC, its Managing Member

By: /s/ Matthew De Dominicis  
Matthew De Dominicis, Chief Financial Officer

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**SHARESPOST 100 FUND**

By: /s/ Kevin Moss

\_\_\_\_\_  
Kevin Moss, President

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**MHS CAPITAL PARTNERS, L.P.**

By: MHS Capital Management, L.L.C., its General Partner

By: /s/ Mark Sugarman

Mark Sugarman, Managing Member

**MHS CAPITAL PRINCIPALS, L.L.C.**

By: MHS Capital Management, L.L.C., its Manager

By: /s/ Mark Sugarman

Mark Sugarman, Managing Member

**MHS CAPITAL PARTNERS U, L.L.C**

By: MHS Capital Management, L.L.C., its Manager

By: /s/ Mark Sugarman

Mark Sugarman, Managing Member

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]



**IN WITNESS WHEREOF**, the parties hereto have executed this **FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**MIH VENTURES B.V.**

By: /s/ Leroux Neethling

Leroux Neethling, Authorized Signatory

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

**IN WITNESS WHEREOF**, the parties hereto have executed this **FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**CIANODOLCE HOLDINGS LIMITED**

By: /s/ Roman Sobachevskiy

Printed Name: Roman Sobachevskiy

Title: Authorized Signatory

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

IN WITNESS WHEREOF, the parties hereto have executed this FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**ARCTURUS LLC**

By: /s/ Servjeet Bhachu

Name: Servjeet Bhachu

Title: Manager

Address: 92 Montvale Ave., Suite 2500  
Stoneham, MA 02180

Email: serge@spartagroupllc.com,  
rnmcompliance@catamaran.in

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

**IN WITNESS WHEREOF**, the parties hereto have executed this **FIFTH AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT** as of the date set forth in the first paragraph hereof.

**INVESTORS:**

**GLOBAL SCOPE INVESTMENTS LIMITED**

For and on behalf of  
Secundus Nominees (Jersey) Ltd  
COMPANY SECRETARY

/s/ Signatory for Global Scope Investments Limited  
Authorized Signatory

/s/ Signatory for Global Scope Investments Limited  
Authorized Signatory

[Signature Page to Fifth Amended and Restated Investor Rights Agreement]

**EXHIBIT A**

**SCHEDULE OF INVESTORS**

**SG GROWTH PARTNERS III, LP**

**[\*\*\*]**

**NORWEST VENTURE PARTNERS XII, LP**

**[\*\*\*]**

**INSIGHT VENTURE PARTNERS VII, L.P.**

**INSIGHT VENTURE PARTNERS VII (CO-INVESTORS), L.P.**

**INSIGHT VENTURE PARTNERS (CAYMAN) VII, L.P.**

**INSIGHT VENTURE PARTNERS (DELAWARE) VII, L.P.**

**[\*\*\*]**

**NEWVIEW CAPITAL FUND I, L.P.**

**[\*\*\*]**

**SIGNIA VENTURES, LLC**

**[\*\*\*]**

**RUSSELL D. FRADIN AND CARIN G. FRADIN, AS TRUSTEES OF  
THE FRADIN FAMILY TRUST U/A/D AUGUST 2, 2008**

**[\*\*\*]**

**BENJAMIN LING**

**[\*\*\*]**

**THE HIT FORGE LP**

**[\*\*\*]**

**LARRY BRAITMAN**

**[\*\*\*]**

**JEREMY STOPPELMAN TTEE UTD 3/16/10**

**3155 SACRAMENTO STREET**

**[\*\*\*]**

**PAUL MARTINO AND AARATI MARTINO, OR THEIR SUCCESSORS,  
TRUSTEES, THE MARTINO 2007 REVOCABLE TRUST  
DATED AUGUST 22, 2007, AS AMENDED**

**[\*\*\*]**

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**MHS CAPITAL PARTNERS LP**

**MHS CAPITAL PRINCIPALS LLC**

**MHS CAPITAL PARTNERS U, L.L.C.**

**[\*\*\*]**

**500 STARTUPS, L.P.**

**[\*\*\*]**

**INDUSTRY VENTURES SECONDARY VII, L.P.**

**[\*\*\*]**

**LEARN CAPITAL VENTURE PARTNERS II**

**[\*\*\*]**

**MIH VENTURES B.V.**

**[\*\*\*]**

**FOUNDERS CIRCLE CAPITAL I AFFILIATES FUND, LP**

**FOUNDERS CIRCLE CAPITAL I, LP**

**[\*\*\*]**

**BENESSE HOLDINGS INC.**

**[\*\*\*]**

**SHARESPOST 100 FUND**

**[\*\*\*]**

**NEW ROUND LIMITED**

**[\*\*\*]**

**[\*\*\*]**

**LEARN CAPITAL SPECIAL OPPORTUNITIES FUND XXIII, L.P.**

**[\*\*\*]**

**LEARN CAPITAL SPECIAL OPPORTUNITIES FUND XXVIII, L.P.**

**[\*\*\*]**

**LEARN CAPITAL SPECIAL OPPORTUNITIES FUND XXIX, L.P.**

**[\*\*\*]**

**LEARN CAPITAL SPECIAL OPPORTUNITIES FUND XXX, L.P.**

**[\*\*\*]**

**LEARN CAPITAL SPECIAL OPPORTUNITIES FUND XXXI, L.P.**

**[\*\*\*]**

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**LEARN ALPHA ASSOCIATES LLC**  
[\*\*\*]

**CIANODOLCE HOLDINGS LIMITED**  
[\*\*\*]

**ARCTURUS LLC**  
[\*\*\*]

**GLOBAL SCOPE INVESTMENTS LIMITED**

**EXHIBIT B**

**SCHEDULE OF COMMON HOLDERS**

**EREN BALI**

**[\*\*\*]**

**2016 GAGAN BIYANI TRUST U/A/D 12/08/2016**

**[\*\*\*]**

**OKTAY CAGLAR**

**[\*\*\*]**

**INSIGHT VENTURE PARTNERS VII, L.P.**

**INSIGHT VENTURE PARTNERS VII (CO-INVESTORS), L.P.**

**INSIGHT VENTURE PARTNERS (CAYMAN) VII, L.P.**

**INSIGHT VENTURE PARTNERS (DELAWARE) VII, L.P.**

**[\*\*\*]**

**MIH VENTURES B.V.**

**[\*\*\*]**

**SG GROWTH PARTNERS III, LP**

**[\*\*\*]**

**NORWEST VENTURE PARTNERS XII, LP**

**[\*\*\*]**



## UDEMY, INC.

## 2010 EQUITY INCENTIVE PLAN

(Amended and Restated as of January 27, 2021)

**1. Purposes of the Plan.** The purposes of this Plan are (i) to attract and retain the best available personnel for positions of substantial responsibility, (ii) to provide additional incentive to Employees, Directors and Consultants, and (iii) to promote the success of the Company's business. The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock and Restricted Stock Units.

**2. Definitions.** As used herein, the following definitions will apply:

**a) "Administrator"** means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

**b) "Applicable Laws"** means the requirements relating to the administration of equity-based awards under U.S. State Corporate Laws, U.S. Federal and State securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

**c) "Appreciation Value"** has the meaning set forth in Section 7(f) below.

**d) "Award"** means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, or Restricted Stock Units.

**e) "Award Agreement"** means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

**f) "Board"** means the Board of Directors of the Company.

**g) "Change in Control"** means the occurrence of any of the following events:

i. Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("**Person**"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board will not be considered a Change in Control; or

ii. Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Exchange Act, a change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

iii. **Change in Ownership of a Substantial Portion of the Company's Assets.** A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(f), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

**h) "Code"** means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

**i) "Committee"** means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or by the compensation committee of the Board, in accordance with Section 4 hereof.

**j) "Common Stock"** means the Common Stock of the Company.

**k) "Company"** means Udemy, Inc., a Delaware corporation, or any successor thereto.

**l) "Consultant"** means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

**m) "Director"** means a member of the Board.

**n) "Disability"** means total and permanent disability as defined in Code Section 22(e)(3), provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

**o) "Employee"** means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

**p) "Exchange Act"** means the Securities Exchange Act of 1934, as amended.

**q) "Exchange Program"** means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

**r) "Fair Market Value"** means, as of any date, the value of Common Stock determined as follows:

i. If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

ii. If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

iii. In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

**s) "Incentive Stock Option"** means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Code Section 422 and the regulations promulgated thereunder.

**t) "Nonstatutory Stock Option"** means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

**u) "Option"** means a stock option granted pursuant to the Plan.

**v) "Parent"** means a "parent corporation," whether now or hereafter existing, as defined in Code Section 424(e).

w) “**Participant**” means the holder of an outstanding Award.

x) “**Period of Restriction**” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

y) “**Plan**” means this 2010 Equity Incentive Plan.

z) “**Restricted Stock**” means Shares issued pursuant to an Award of Restricted Stock under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

aa) “**Restricted Stock Unit**” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

bb) “**Service Provider**” means an Employee, Director or Consultant.

cc) “**Share**” means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

dd) “**Stock Appreciation Right**” means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

ee) “**Subsidiary**” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Code Section 424(f).

### 3. Stock Subject to the Plan.

a) Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be subject to Awards and sold under the Plan is 43,490,706 Shares. The Shares may be authorized but unissued, or reacquired Common Stock.

b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock or Restricted Stock Units, is forfeited to or repurchased by the Company due to the failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units are repurchased by the Company or are forfeited to the Company due to the failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding

the foregoing and, subject to adjustment as provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Code Section 422 and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

#### **4. Administration of the Plan.**

##### **a) Procedure.**

i. Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

ii. Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which Committee will be constituted to satisfy Applicable Laws.

b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

i. to determine the Fair Market Value;

ii. to select the Service Providers to whom Awards may be granted hereunder;

iii. to determine the number of Shares to be covered by each Award

iv. to approve forms of Award Agreements for use under the Plan;

v. to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

vi. to institute and determine the terms and conditions of an Exchange Program;

vii. to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

viii. to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

ix. to modify or amend each Award (subject to Section 18(c) of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(d));

x. to allow Participants to satisfy withholding tax obligations in a manner prescribed in Section 14;

xi. to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

xii. to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award; and

xiii. to make all other determinations deemed necessary or advisable for administering the Plan.

**c) Effect of Administrator's Decision.** The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

**5. Eligibility.** Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

## **6. Stock Options.**

**a) Grant of Options.** Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Options in such amounts as the Administrator, in its sole discretion, will determine.

**b) Option Agreement.** Each Award of an Option will be evidenced by an Award Agreement that will specify the exercise price, the term of the Option, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

**c) Limitations.** Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. Notwithstanding such designation, however, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(c), Incentive Stock Options will be taken into account in the order in which they were granted, the Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted, and calculation will be performed in accordance with Code Section 422 and Treasury Regulations promulgated thereunder.

**d) Term of Option.** The term of each Option will be stated in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

**e) Option Exercise Price and Consideration.**

i. Exercise Price. The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option will be determined by the Administrator, but will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Employee who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(e)(i), Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Code Section 424(a).

ii. Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

iii. Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (1) cash; (2) check; (3) promissory note, to the extent permitted by Applicable Laws, (4) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided further that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (5) consideration received by the Company under cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (6) by net exercise, (7) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws, or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator will consider if acceptance of such consideration may be reasonably expected to benefit the Company.

**f) Exercise of Option.**

i. Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable tax withholding). Full payment may consist of any consideration and method of

payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

**Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.**

ii. Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of termination. In the absence of a specified time in the Award Agreement, the Option shall remain exercisable for three (3) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

iii. Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent the Option is vested on the date of termination. In the absence of a specified time in the Award Agreement, the Option shall remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

iv. Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised within such period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of death, by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is



transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option shall remain exercisable for twelve (12) months following the Participant's termination. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

## **7. Stock Appreciation Rights.**

**a) Grant of Stock Appreciation Rights.** Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

**b) Number of Shares.** The Administrator will have complete discretion to determine the number of Shares subject to any Award of Stock Appreciation Rights.

**c) Administrator's Discretion.** The amount to be received upon exercise of a Stock Appreciation Right will be determined by the Administrator in accordance with Section 7(f). Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

**d) Stock Appreciation Right Agreement.** Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

**e) Expiration of Stock Appreciation Rights.** A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(d) relating to the maximum term and Section 6(f) relating to exercise also will apply to Stock Appreciation Rights.

**f) Payment Upon Exercise of Stock Appreciation Right.** Upon exercise of all or a specified portion of the Stock Appreciation Right, Participant shall be entitled to receive from the Company an amount in cash determined as set forth below (the "**Appreciation Value**"), reduced by any applicable tax withholding and subject to any limitations the Administrator may impose. Such cash payment shall be made as soon as practicable, but in no event later than thirty (30) days following the date of exercise. For avoidance of doubt, the Appreciation Value shall not be less than zero. Payment of the Appreciation Value may be made directly by the Company, or through a third party such as a subsidiary of the Company or a professional employer organization engaged by the Company.

If the Company's Common Stock is not publicly traded at the time of exercise, the Appreciation Value will be determined by multiplying (a) the difference (if any) obtained by subtracting (1) the Exercise Base Price per Share as set forth in the Notice of Grant from (2) the price per Share of Common Stock paid by a purchaser in the most recent tender offer to purchase Shares from participating Company employees, by (b) the number of covered Shares with respect to which the Stock Appreciation Right is being exercised.

If the Company's Common Stock is publicly traded at the time of exercise, the Appreciation Value will be determined by multiplying (a) the difference (if any) obtained by subtracting (1) the Exercise Base Price per Share as set forth in the Notice of Grant from (2) the mean between the high bid and low asked prices for the Common Stock on the day of exercise (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable, by (b) the number of covered Shares with respect to which the Stock Appreciation Right is being exercised.

#### **8. Restricted Stock.**

**a) Grant of Restricted Stock.** Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

**b) Restricted Stock Agreement.** Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

**c) Transferability.** Except as provided in this Section 8 or as the Administrator determines, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

**d) Other Restrictions.** The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

**e) Removal of Restrictions.** Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

**f) Voting Rights.** During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

**g) Dividends and Other Distributions.** During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

**h) Return of Restricted Stock to Company.** On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

## 9. Restricted Stock Units.

a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion.

c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

**10. Compliance with Code Section 409A.** Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

**11. Leaves of Absence/Transfer Between Locations.** Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1<sup>st</sup>) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

## 12. Limited Transferability of Awards.

a) Unless determined otherwise by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the Participant, only by the Participant.

b) Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or after the Administrator determines that it is, will, or may no longer be relying upon the exemption from registration under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act, an Option, or prior to exercise, the Shares subject to the Option, may not be pledged, hypothecated or otherwise transferred or disposed of, in any manner, including by entering into any short position, any “put equivalent position” or any “call equivalent position” (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than to (i) persons who are “family members” (as defined in Rule 701(c)(3) of the Securities Act of 1933, as amended (the “Securities Act”)) through gifts or domestic relations orders, or (ii) to an executor or guardian of the Participant upon the death or disability of the Participant. Notwithstanding the foregoing sentence, the Administrator, in its sole discretion, may determine to permit transfers to the Company or in connection with a Change in Control or other acquisition transactions involving the Company to the extent permitted by Rule 12h-1(f).

## 13. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award.

b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines without a Participant’s consent, including, without limitation, that (i) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant’s Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control (subject to the provisions of the preceding paragraph); (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the

amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this subsection 13(c), the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, similarly.

For the purposes of this subsection 13(c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, for each Share subject to such Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or Change in Control.

Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this Section 13(c) to the contrary, if a payment under an Award Agreement is subject to Code Section 409A and if the change in control definition contained in the Award Agreement does not comply with the definition of "change of control" for purposes of a distribution under Code Section 409A, then any payment of an amount that is otherwise accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Code Section 409A without triggering any penalties applicable under Code Section 409A.

#### **14. Tax Withholding.**

**a) Withholding Requirements.** Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

**b) Withholding Arrangements.** The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

**15. No Effect on Employment or Service.** Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

**16. Date of Grant.** The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

**17. Term of Plan.** Subject to Section 21 of the Plan, the Plan will become effective upon its adoption by the Board. Unless sooner terminated under Section 18, it will continue in effect for a term of ten (10) years from the later of (a) the effective date of the Plan, or (b) the earlier of the most recent Board or stockholder approval of an increase in the number of Shares reserved for issuance under the Plan.

**18. Amendment and Termination of the Plan.**

**a) Amendment and Termination.** The Board may at any time amend, alter, suspend or terminate the Plan.

**b) Stockholder Approval.** The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

**c) Effect of Amendment or Termination.** No amendment, alteration, suspension or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

## 19. Conditions Upon Issuance of Shares.

a) **Legal Compliance.** Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

b) **Investment Representations.** As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

**20. Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

**21. Stockholder Approval.** The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

**22. Information to Participants.** Beginning on the earlier of (i) the date that the aggregate number of Participants under this Plan is five hundred (500) or more and the Company is relying on the exemption provided by Rule 12h-1(f)(1) under the Exchange Act and (ii) the date that the Company is required to deliver information to Participants pursuant to Rule 701 under the Securities Act, and until such time as the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, is no longer relying on the exemption provided by Rule 12h-1(f)(1) under the Exchange Act or is no longer required to deliver information to Participants pursuant to Rule 701 under the Securities Act, the Company shall provide to each Participant the information described in paragraphs (e)(3), (4), and (5) of Rule 701 under the Securities Act not less frequently than every six (6) months with the financial statements being not more than 180 days old and with such information provided either by physical or electronic delivery to the Participants or by written notice to the Participants of the availability of the information on an Internet site that may be password-protected and of any password needed to access the information. The Company may request that Participants agree to keep the information to be provided pursuant to this section confidential. If a Participant does not agree to keep the information to be provided pursuant to this section confidential, then the Company will not be required to provide the information unless otherwise required pursuant to Rule 12h-1(f)(1) under the Exchange Act or Rule 701 of the Securities Act.

APPENDIX A TO

UDEMYY, INC. 2010 EQUITY INCENTIVE PLAN

(for California residents only, to the extent required by 25102(o))

This Appendix A to the Udemyy, Inc. 2010 Equity Incentive Plan shall apply only to the Participants who are residents of the State of California and who are receiving an Award under the Plan. Capitalized terms contained herein shall have the same meanings given to them in the Plan, unless otherwise provided by this Appendix A. Notwithstanding any provisions contained in the Plan to the contrary and to the extent required by Applicable Laws, the following terms shall apply to all Awards granted to residents of the State of California, until such time as the Administrator amends this Appendix A or the Administrator otherwise provides.

(a) The term of each Option shall be stated in the Award Agreement, provided, however, that the term shall be no more than ten (10) years from the date of grant thereof.

(b) Unless determined otherwise by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award may only be transferred (i) by will, (ii) by the laws of descent and distribution, or (iii) as permitted by Rule 701 of the Securities Act of 1933, as amended (the "**Securities Act**").

(c) If a Participant ceases to be a Service Provider, such Participant may exercise his or her Option within such period of time as specified in the Award Agreement, which shall not be less than thirty (30) days following the date of the Participant's termination, to the extent that the Option is vested on the date of termination (but in no event later than the expiration of the term of the Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option shall remain exercisable for three (3) months following the Participant's termination.

(d) If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as specified in the Award Agreement, which shall not be less than six (6) months following the date of the Participant's termination, to the extent the Option is vested on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option shall remain exercisable for twelve (12) months following the Participant's termination.

(e) If a Participant dies while a Service Provider, the Option may be exercised within such period of time as specified in the Award Agreement, which shall not be less than six (6) months following the date of the Participant's death, to the extent the Option is vested on the date of death (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) by the Participant's designated beneficiary, personal representative, or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option shall remain exercisable for twelve (12) months following the Participant's termination.



(f) No Award shall be granted to a resident of California more than ten (10) years after the earlier of the date of adoption of the Plan or the date the Plan is approved by the stockholders.

(g) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of Shares that may be delivered under the Plan and/or the number, class, and price of Shares covered by each outstanding Award; provided, however, that the Administrator will make such adjustments to an Award required by Section 25102(o) of the California Corporations Code to the extent the Company is relying upon the exemption afforded thereby with respect to the Award.

(h) This Appendix A shall be deemed to be part of the Plan and the Administrator shall have the authority to amend this Appendix A in accordance with Section 18 of the Plan.

APPENDIX B TO

UDEMY, INC. 2010 EQUITY INCENTIVE PLAN IRISH SUPPLEMENT

(Current as at 1 January 2019)

Capitalized terms not explicitly defined in this Irish Supplement but defined in the Plan shall have the same definitions as in the Plan, unless the context otherwise requires.

**1. Purpose and Eligibility.** The purpose of this supplement to the Plan (the “*Irish Supplement*”) is to enable the Board of Directors to grant awards, including any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, other Share-based award or any combination of the foregoing (the “*Award*” or “*Awards*”), to certain Employees, Consultants and Directors of the Company, or any Parent, Subsidiary or Affiliate (the “*Group*”) who are based in Ireland. The Irish Supplement should be read and construed as one document with the Plan. Awards (which in the case of Options will be unapproved for Irish tax purposes) may only be granted under the Irish Supplement to Employees, Consultants and Directors of the Group. Any person to whom an Award or Share has been granted under the Irish Supplement is a Participant for the purposes of the Plan. The tax and social security consequences of participating in the Plan are based on complex tax and social security laws, which may be subject to varying interpretations, and the application of such laws may depend, in large part, on the surrounding facts and circumstances. **Therefore, we recommend that the Participant consults with their own tax advisor regularly to determine the consequences of taking or not taking any action concerning their participation in the Plan and to determine how the tax, social security or other laws in Ireland (or elsewhere) apply to their specific situation.**

**2. Terms.** Awards granted pursuant to the Plan shall be governed by the terms of the Plan, subject to any such amendments set out herein and as are necessary to give effect to Section 1 of the Irish Supplement, and by the terms of the individual Stock Option Agreement or Stock Option Exercise Notice entered into between the Company and the Participant. To the extent that there is a conflict between the rules of the Plan and the Irish Supplement or the Stock Option Agreement or Stock Option Exercise Notice and the Irish Supplement, the provisions of the Irish Supplement shall prevail.

**3. Taxes.** The references in the Plan and / or the supporting documents to “Withholding Taxes” includes any and all taxes, charges, levies and contributions in Ireland or elsewhere, to include, in particular, Universal Social Charge (USC) and Pay Related Social Insurance (PRSI) (“*Taxes*”).

**4. Tax Indemnity**

**4.1** The Participant shall be accountable for any Taxes, which are chargeable on any assessable income deriving from the grant, exercise, purchase, or vesting of, or other dealing in Awards, or Share issued pursuant to an Award. The Group shall not become liable for any Taxes, as a result of the Participant’s participation in the Plan. In respect of such assessable income, the Participant shall indemnify the Company and (at the direction of the Company) any entity of the Group, which is or may be treated as the employer of the Participant in respect of the Taxes (the “*Tax Liabilities*”).

4.2 Pursuant to the indemnity referred to in Section 4.1, where necessary, the Participant shall make such arrangements, as the Group requires to meet the cost of the Tax Liabilities, including at the direction of the Company any of the following:

(a) making a cash payment of an appropriate amount to the relevant Group company whether by cheque, banker's draft or deduction from salary in time to enable the Group to remit such amount to the Irish Revenue Commissioners before the 14<sup>th</sup> day following the end of the month in which the event giving rise to the Tax Liabilities occurred; or

(b) appointing the Company as agent and / or attorney for the sale of sufficient Shares acquired pursuant to the grant, exercise, purchase or vesting of, or other dealing in Awards, or Shares issued pursuant to an Award to cover the Tax Liabilities and authorising the payment to the relevant Group company of the appropriate amount (including all reasonable fees, commissions and expenses incurred by the relevant company in relation to such sale) out of the net proceeds of sale of the Share.

**5. Employment Rights.** The Participant acknowledges that his or her terms of employment shall not be affected in any way by his or her participation in the Plan which shall not form part of such terms (either expressly or impliedly). The Participant acknowledges that his or her participation in the Plan shall be subject at all times to the rules of the Plan as may be amended from time to time (including, but not limited to, any clawback provisions). If on termination of the Participant's employment (whether lawfully, unlawfully, or in breach of contract) he or she loses any rights or benefits under the Plan (including any rights or benefits which he or she would not have lost had his or her employment not been terminated), the Participant hereby acknowledges that he or she shall not be entitled to (and hereby waives) any compensation for the loss of any rights or benefits under the Plan, or any replacement or successor plan. The Plan is entirely discretionary and may be suspended or terminated by the Board at any time for any reason. Participation in the Plan is entirely discretionary and does not create any contractual or other right to receive future grants of Awards or benefits in lieu of Awards. All determinations with respect to future grants will be at the sole discretion of the Board. Rights under the Plan are not pensionable.

## **6. Data Protection**

**6.1** The Company will collect, use, disclose, transfer and otherwise process in electronic or other form, any personal data (the "**Data**") regarding the Participant's employment, the nature of the Participant's salary and benefits and the details of the Participant's participation in the Plan (including but not limited to) the Participant's home address, telephone number, date of birth, personal public service number, salary, nationality, job title, entitlements under an Award, and number of Shares, which were granted, exercised, purchased, vested or dealt with under an Award, or issued pursuant to an Award, to the extent required for the purposes of implementing, administering and managing the Participant's participation in the Plan.

**6.2** In connection with such purposes, the Company may obtain the data from the Participant's employer within the Group and may disclose and transfer the Data to any entity within the Group and to any carefully selected third party involved with the implementation, administration and management of the Plan, including relevant tax authorities and any requisite transfer to a broker or other third party assisting with the grant, exercise, purchase or vesting of, or dealing with Awards or Shares issued pursuant to an Award, or with whom the Shares may be deposited. The transfer of Data to such third parties is necessary to facilitate the Participant's participation in the Plan.

**6.3** Some recipients of Data may be located in countries outside the European Economic Area and that those countries may have data protection laws which do not provide the same level of protection as those in Ireland and other European Union countries. However, in the case of transfer to such non-European Economic Area countries, the Group will ensure that appropriate transfer mechanisms are put in place and shall ensure that the Data is transferred lawfully and in accordance with applicable data protection laws. For further details relating to the Company's data transfers, please contact the Group's Legal Team.

**6.4** Additional information regarding the Group's data protection practices are set out in the Group's EU Employee Privacy Policy, which is available on the HR wiki space.

Adopted by the Administrator on March 14, 2019

2010 EQUITY INCENTIVE PLAN STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the 2010 Equity Incentive Plan (the "**Plan**") shall have the same defined meanings in this Stock Option Agreement (the "**Option Agreement**").

**I. NOTICE OF STOCK OPTION GRANT**

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Name:	<i>As set forth in Carta</i>
Date of Grant:	<i>As set forth in Carta</i>
Vesting Commencement Date:	<i>As set forth in Carta</i>
Exercise Price per Share:	<i>As set forth in Carta</i>
Total Number of Shares Granted:	<i>As set forth in Carta</i>
Total Exercise Price:	<i>As set forth in Carta</i>
Type of Option:	<i>As set forth in Carta</i>
Term/Expiration Date:	<i>As set forth in Carta</i>
Vesting Schedule:	<i>As set forth in Carta</i>
Termination Period:	

This Option shall be exercisable for three (3) months after Participant ceases to be a Service Provider, unless such termination is due to Participant's death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant ceases to be a Service Provider. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in Section 13(c) of the Plan.

## **II. AGREEMENT**

**1. Grant of Option.** The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement (“**Participant**”), an option (the “**Option**”) to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “**Exercise Price**”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 18(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“**ISO**”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option (“**NSO**”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

### **2. Exercise of Option.**

(a) **Right to Exercise.** This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement. As a condition precedent to such exercise, Participant shall become a party to that certain Voting Agreement, by and among the Company and the parties and entities listed on Exhibits A and B thereto, as amended from time to time (the “**Voting Agreement**”), by executing an adoption agreement, the form of which is attached to the Voting Agreement as Exhibit C.

(b) **Method of Exercise.** This Option shall be exercisable by delivery of an exercise notice in the form attached as **Exhibit A** (the “**Exercise Notice**”) or in a manner and pursuant to such procedures as the Administrator may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised, and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

(c) **Compliance.** No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

**3. Participant’s Representations.** In the event the Shares have not been registered under the Securities Act of 1933, as amended, at the time this Option is exercised, Participant shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as **Exhibit B**.

**4. Lock-Up Period.** Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

**5. Method of Payment.** Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant: cash, check, consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan, or surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Administrator, shall not result in any adverse accounting consequences to the Company.

**6. Restrictions on Exercise.** This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Law.

**7. Non-Transferability of Option.** This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant. Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or after the Administrator determines that it is, will, or may no

longer be relying upon the exemption from registration of Options under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act (the “**Reliance End Date**”), Participant shall not transfer this Option or, prior to exercise, the Shares subject to this Option, in any manner other than (i) to persons who are “family members” (as defined in Rule 701(c)(3) of the Securities Act of 1933, as amended) through gifts or domestic relations orders, or (ii) to an executor or guardian of Participant upon the death or disability of Participant. Until the Reliance End Date, the Options and, prior to exercise, the Shares subject to this Option, may not be pledged, hypothecated or otherwise transferred or disposed of, including by entering into any short position, any “put equivalent position” or any “call equivalent position” (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than as permitted in clauses (i) and (ii) of this paragraph.

**8. Term of Option.** This Option may be exercised only within the term set out in the Notice of Stock Option Grant and may be exercised during such term only in accordance with the Plan and the terms of this Option.

#### **9. Tax Obligations.**

(a) **Tax Withholding.** Participant agrees to make appropriate arrangements with the Company (or the Parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) **Notice of Disqualifying Disposition of ISO Shares.** If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

(c) **Code Section 409A.** Under Code Section 409A, an Option that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per Share exercise price that is determined by the Internal Revenue Service (the “**IRS**”) to be less than the Fair Market Value of a Share on the date of grant (a “discount option”) may be considered “deferred compensation.” An Option that is a “discount option” may result in (i) income recognition by Participant prior to the exercise of the Option, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The “discount option” may also result in additional state income, penalty, and interest tax to Participant. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the Fair Market Value of a Share on the date of grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the date of grant, Participant shall be solely responsible for Participant’s costs related to such a determination.

**10. Entire Agreement; Governing Law.** The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant’s interest except by means of a writing signed by the Company and Participant. This Agreement is governed by the internal substantive laws but not the choice of law rules of California.



**11. No Guarantee of Continued Service.** PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT, SUBSIDIARY, OR OTHER ENTITY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT’S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT, SUBSIDIARY, OR OTHER ENTITY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT’S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

**12. Country Addendum.** Notwithstanding any provisions in this Option Agreement, this Option will be subject to any special terms and conditions set forth in an appendix to this Option Agreement for any country whose laws are applicable to Participant and this Option (as determined by the Company in its sole discretion) (the “*Country Addendum*”). Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes a part of this Option Agreement.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

UDEM, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Residence Address

2010 EQUITY INCENTIVE PLAN STOCK OPTION AGREEMENT

COUNTRY ADDENDUM

*Terms and Conditions*

This Country Addendum includes additional terms and conditions that govern the Option granted pursuant to the terms and conditions of the Plan and the Option Agreement to which this Country Addendum is attached to the extent the Participant resides in one of the countries listed below. Capitalized terms not defined in this Country Addendum will have the same definition as provided in the Option Agreement or the Plan, as appropriate.

*Notifications*

This Country Addendum also includes information regarding securities laws, exchange controls, and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of February 2021. Such laws often are complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Country Addendum or any tax summary provided by the Company as the only source of information relating to the consequences of Participant's participation in the Plan because the information may be out of date at the time Participant exercises the Options or sells the Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to Participant's particular situation and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws of Participant's country may apply to his or her situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant currently is a Service Provider or transfers to another country after the grant of the Option, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company, in its discretion, will determine the extent to which the terms and conditions contained herein will apply to Participant under these circumstances.

**Participant acknowledges that Participant has been advised to seek appropriate professional advice as to how the relevant exchange control and tax laws in Participant's country may apply to his or her individual situation.**

## **I. GLOBAL PROVISIONS APPLICABLE TO PARTICIPANTS IN ALL COUNTRIES OTHER THAN THE UNITED STATES**

**1. Foreign Exchange Considerations.** Participant understands and agrees that neither the Company nor any Parent, Subsidiary or employer shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the U.S. dollar that may affect the value of the Option, or of any amounts due to Participant under the Plan or as a result of exercising the Option and/or the subsequent sale of any Shares acquired under the Plan. Participant agrees and acknowledges that Participant will bear any and all risk associated with the exchange or fluctuation of currency associated with his or her participation in the Plan. Participant acknowledges and agrees that Participant may be responsible for reporting inbound transactions or fund transfers that exceed a certain amount. Participant is advised to seek appropriate professional advice as to how the exchange control regulations apply to the Option and Participant's specific situation and understands that the relevant laws and regulations can change frequently and occasionally on a retroactive basis.

**2. Tax Withholding Considerations.** Participant acknowledges and agrees that, regardless of any action taken by the Company, any Parent, Subsidiary, affiliate, or employer with respect to any or all income tax, social security, social insurances, national insurance contributions, social insurance contributions, payroll tax, fringe benefit, or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant including, without limitation, in connection with the grant of the Option, the acquisition or sale of Shares acquired under the Plan and/or the receipt of any dividends on such Shares ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company, or any Parent, Subsidiary, or affiliate. Furthermore, Participant acknowledges that the Company and/or any Parent, Subsidiary, affiliate, or employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option or other benefits under the Plan and (b) do not commit to and are under no obligation to structure the terms of the Option, other benefits or any aspect of Participant's participation in the Plan to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant becomes subject to tax in more than one jurisdiction, or changes his or her jurisdiction of primary residence or service between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the Company and/or any Parent, Subsidiary, affiliate, or employer (or former service recipient, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to exercising the Option under the Plan or any other relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, Participant authorizes the Company and/or any Parent, Subsidiary, affiliate, employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (a) withholding from Participant's wages or other compensation paid to Participant, or (b) withholding from proceeds of the sale of the Shares acquired under the Plan either through a voluntary sale or

through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization). Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering maximum applicable withholding rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. Finally, Participant agrees to pay to the Company or any applicable Parent, Subsidiary, affiliate, or employer any amount of Tax-Related Items that the Company or any Parent, Subsidiary, affiliate, or employer may be required to withhold as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

**3. Nature of Grant.** In accepting the Option, Participant acknowledges, understands and agrees that:

- (a) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;
- (b) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Administrator;
- (c) Participant is voluntarily participating in the Plan;
- (d) The Option grant and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or services contract with the Company, or any Parent, Subsidiary, affiliate or employer and shall not interfere with the ability of the Company, the employer or any Parent, Subsidiary, affiliate, or employer, as applicable, to terminate Participant's employment or service relationship (if any);
- (e) the Option and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;
- (f) the Option and Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation or salary for any purpose including calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement, or welfare benefits or similar payments;
- (g) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted;
- (h) if the underlying Shares do not increase in value, the Option will have no value;
- (i) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the Exercise Price;
- (j) for purposes of the Option, Participant's status as a Service Provider, including service contracted through a professional employment organization ("**PEO**"), will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent,

Subsidiary, or affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Option Agreement (including by reference in the Notice of Stock Option Grant to other arrangements or contracts) or determined by the Administrator, (i) Participant's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time), and (ii) the period (if any) during which Participant may exercise the Option after such termination of Participant's engagement as a Service Provider will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's service agreement, if any; the Administrator will have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of this Option (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);

(k) no claim or entitlement to compensation or damages will arise from forfeiture of the Option resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Option to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company or any Parent, Subsidiary or affiliate, waives his or her ability, if any, to bring any such claim, and releases each of the Company or any Parent, Subsidiary or affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

**4. Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of Participant's personal data as described in this Option Agreement and any other Option grant materials by and among, as applicable, the Company or any Parent, Subsidiary, or affiliate for the exclusive purpose of implementing, administering, and managing Participant's participation in the Plan.*

*Participant understands that the Company and any Parent, Subsidiary, or affiliate may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering, and managing the Plan.*

*Participant understands that Data may be transferred to a stock plan service provider, as may be selected by the Company in the future, assisting the Company with the implementation, administration, and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company. Participant authorizes the Company, any stock plan service provider selected by the Company, and any other possible recipients which may assist the Company (presently or in the future), including but not limited to Equity Plan Solutions, LLC, and eShares, Inc. DBA Carta, Inc., with implementing, administering, and managing the Plan to receive, possess, use, retain, and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering, and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer, and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Company in writing. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider and career with the Company or any Parent, Subsidiary, or affiliate will not be adversely affected. The only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Options or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact the Company.*

**5. Language.** If Participant has received this Option Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**6. Professional Employment Organizations.** Each Participant, including those engaged through a third-party professional employment organization, is an individual Service Provider. A PEO will not be considered a Service Provider for purposes of this Option Agreement.

## II. COUNTRY SPECIFIC PROVISIONS APPLICABLE TO PARTICIPANTS WHO PROVIDE SERVICES IN THE IDENTIFIED COUNTRIES

### Australia

#### **Terms and Conditions**

Deferral of Tax Payable. Subdivision 83A-C of the *Income Tax Assessment Act 1997* (Cth) applies to all Options issued under this Option Agreement to Australian Participants.

Data Privacy. Participant acknowledges and agrees that if the Company or its affiliates, Parent and Subsidiaries discloses any personal information about Participant to a recipient outside of Australia then the Company, and its affiliates, Parent and Subsidiaries will not be: (a) required by law to take steps to ensure that the recipient complied with the Australian Privacy Principles; or (b) responsible for any breaches of the Australian Privacy Principles by the recipient, in respect of that information. Participant consents to the collection of Participant's personal information by the Company, its affiliates, Parent, and Subsidiaries about Participant under this Option Agreement being disclosed to recipients outside of Australia.

#### **Notifications**

Exchange Control Information. Participant understands that he or she may have exchange control reporting obligations in connection with transfers that exceed A\$10,000. The bank handling the transaction will generally complete the reporting requirements.

### Brazil

#### **Notifications**

Exchange Control Information. When transferring amounts resulting from the sale of Shares to Brazil, such funds must be transferred by wire and declared as such through the foreign exchange closing operations of Participant's preferred financial institution in Brazil. The amounts received from abroad also must, subsequently, be declared by Participant for tax purposes.

By participating in the Plan, Participant understands that he or she is generally required to make an annual report of shares held outside Brazil to the tax authorities and the Central Bank if such holdings exceed a specified limit (typically, US\$100,000).

**Terms and Conditions**

Authorization to Release Necessary Personal Information. Participant hereby authorizes the Company (including any non-U.S. affiliate, Parent or Subsidiary) and the Company's (including its non-U.S. affiliate's, Parent's or Subsidiary's) representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. Participant further authorizes the Company and any non-U.S. affiliate, Parent, or Subsidiary and the Company's designated Plan broker(s) or other third-party stock plan service providers to disclose and discuss the Plan with their advisors. Participant further authorizes his or her employer to record such information and to keep such information in Participant's Service Provider file.

English Language Provisions for Participants in Quebec. Participant hereby consents to receive Plan information in English through Participant's enrollment in the Plan and entrance into this Option Agreement. Specifically, Participant acknowledges as follows:

It is my express wish that this Option Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, including the Plan, be drawn up in English.

*Disposition relative à l'utilisation de la langue anglaise. Par la présente, j'accepte de recevoir les informations relatives au Plan, l'Option et l'achat d'actions en anglais par le biais de mon inscription au Plan et l'entrée dans la Option Agreement. Particulièrement, j'accepte comme suit:*

*Il est la volonté expresse du moi que cette Option Agreement, ainsi que tous les documents, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention, y compris le Plan, être rédigés en anglais.*

No Promissory Note or Other Shares. Notwithstanding the provisions of section 6(e)(iii) of the Plan, the exercise price may not be paid by way of a promissory note or surrendering other shares of Company Common Stock.

Option Payable Only in Shares. The grant of the Option does not give Participant any right to receive a cash payment, and the Option may be settled only in Shares.

**Notifications**

Tax Reporting Obligation. Foreign property (including the Options granted under the Plan and the underlying Shares) held by Canadian Participants must be reported annually on Form T1135 (Foreign Income Verification Statement) if the total value of such foreign property exceeds C\$100,000 at any time during the year. The form must be filed by April 30 of the following year.



## Egypt

### **Notifications**

Any transfer of funds in connection with the Plan must be via a licensed bank in Egypt.

## Germany

### **Terms and Conditions**

Tax Indemnity. Participant agrees to indemnify and keep indemnified the Company, any non-U.S. affiliate, Parent, or Subsidiary from and against any liability for or obligation to pay any obligation with respect to Tax-Related Items (including but not limited to wage tax, solidarity surcharge, church tax, or social security contributions) that is attributable to (1) the grant or settlement of, or any benefit derived by Participant from, the Option, (2) the acquisition by Participant of the Shares upon exercise of the Option, or (3) the disposal of any Shares.

### **Notifications**

Exchange Control Information. Participant understands that if Participant remits proceeds in excess of €12,500 out of or into Germany, such cross-border payment must be reported monthly to the State Central Bank. In the event that Participant makes or receives a payment in excess of this amount, Participant understands and agrees that Participant is responsible for obtaining the appropriate form from a German bank and complying with applicable reporting requirements. In addition, Participant must also report on an annual basis in the event that Participant holds Shares exceeding 10% of the total voting capital of the Company. The online filing portal can be accessed at [www.bundesbank.de](http://www.bundesbank.de).

## India

### **Notifications**

Foreign Assets Reporting Information. Participant understands that Participant must declare foreign bank accounts and any foreign financial assets (including Shares acquired pursuant to the Plan held outside India) in Participant's annual tax return. Participant further understands that it is Participant's responsibility to comply with this reporting obligation and Participant should consult with his or her personal tax advisor in this regard. Indian residents should consult with their personal tax advisor to determine their personal reporting obligations.

Exchange Control Information. Participant understands that Participant must repatriate any proceeds from the sale of Shares acquired under the Plan or the receipt of any dividends to India within 90 days of receipt and convert such amounts to local currency within 180 days of receipt. Participant further understands that Participant must obtain a foreign inward remittance certificate ("**FIRC**") from the bank where he or she deposits the foreign currency and maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or Participant's employer requests proof of repatriation.

## Ireland

### **Notifications**

Director Reporting Obligation. If Participant is a director, shadow director, or secretary of a Subsidiary in Ireland, Participant must notify the Irish Subsidiary in writing within five business days of receiving or disposing of an interest in the Company (*e.g.*, Options, Shares), or within five business days of becoming aware of the event giving rise to the notification requirement or within five days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of Participant's spouse or children under the age of 18 (whose interests will be attributed to Participant if Participant is a director, shadow director or secretary).

## Mexico

### **Terms and Conditions**

Participant acknowledges and agrees that the Option grant and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or services contract with the Company, or any Parent, Subsidiary, or affiliate of the Company and Participant agrees not to make a claim, now or in the future, that receipt of the Option grant has created an employment or service relationship with the Company, or any Parent, Subsidiary, or affiliate of the Company.

## Netherlands

### **Notifications**

Insider Trading Information. By accepting the Option, Participant acknowledges that it is Participant's responsibility to be aware of the Dutch insider trading rules, which may affect the sale of Shares that Participant acquires upon exercise of the Options. In particular, Participant understands and acknowledges that (i) Participant has reviewed the summary of the Dutch insider trading rules below and (ii) Participant may be prohibited from effecting certain transactions in Shares if Participant has insider information regarding the Company. Participant acknowledges and understands that Participant has been advised to read the discussion carefully to determine whether the insider rules could apply to Participant. If Participant is uncertain whether the insider rules apply to Participant or his or her situation, Participant acknowledges that the Company recommends that Participant consult with a legal advisor. Participant acknowledges and agrees that the Company cannot be held liable if Participant violates the Dutch insider trading rules. Participant acknowledges and agrees that Participant is responsible for ensuring his or her own compliance with these rules.

Summary of Dutch Prohibition Against Insider Trading. Dutch securities laws prohibit insider trading. The regulations are based upon the European Market Abuse Directive and are stated in section 5:56 of the Dutch Financial Supervision Act (Wet op het financieel toezicht or Wft) and in section 2 of the Market Abuse Decree (Besluit marktmisbruik Wft). For further information, see the website of the Authority for the Financial Markets (AFM): [Insider dealing | Market abuse | AFM Professionals](#).

**Terms and Conditions**

Securities Notice. **The award of the Option is being made in reliance of section 272B of the Securities and Futures Act (Cap. 289) (“SFA”) for which it is exempt from the prospectus and registration requirements under the SFA.** Participant understands that the Shares have not been registered with the SFA and no prospectus has been registered by the Monetary Authority of Singapore.

Director Notification Obligation. If Participant is a director, shadow director, or holds any similar position<sup>1</sup> of a Singapore-incorporated company (each a “**Singapore company**”) (e.g., the Company, any Singapore Subsidiary or Singapore affiliate), Participant is subject to certain notification requirements under section 164 of the Singapore Companies Act to enable the Singapore company to comply with its obligations to maintain a register of director’s shareholdings (“**Register**”). Among these requirements is an obligation to notify the Singapore company in writing of:

- (a) shares in, debentures of, or participatory interests made available by, the Singapore company or its related corporation which are held by Participant;
- (b) any interest that Participant has in shares in, debentures of, or participatory interests made available by, the Singapore company or its related corporation, and the nature and extent of that interest under Section 7 of the Singapore Companies Act (which provides for the circumstances under which a deemed interest in shares may arise);
- (c) rights or options that Participant has in respect of the acquisition or disposal of shares in the Singapore company or its related corporation; and
- (d) contracts to which Participant is a party or under which Participant is entitled to a benefit, being contracts under which a person has a right to call for or to make delivery of shares in the Singapore company or its related corporation.

Participant must notify the Singapore company in writing when there is any change in the particulars of Participant’s interests as mentioned above (including when Participant sells Shares issued from the Plan).

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<sup>1</sup> Under section 4(1) of the Singapore Companies Act, the term “director” includes any person occupying the position of director of a corporation by whatever name called.

Participant is deemed to hold or have an interest or a right in or over any shares or debentures, if:

- (a) Participant's spouse (not being himself or herself a director or chief executive officer) holds or has an interest or a right in or over such shares or debentures; or
- (b) Participant's child of less than 18 years of age, including stepson, stepdaughter, adopted son or adopted daughter (not being himself or herself a director or chief executive officer) holds or has an interest in such shares or debentures.

In addition, any contract, assignment or right of subscription shall be deemed to have been entered into or exercised or made by, or a grant shall be deemed as having been made to, Participant if any contract, assignment or right of subscription is entered into, exercised or made by, or a grant is made to, members of Participant's family as aforesaid (not being himself or herself a director or chief executive officer).

Particulars of Participant's interests as mentioned above must be given within two business days after (i) the date on which Participant became a director of the Singapore company, or (ii) the date on which Participant became a registered holder of or acquired an interest as mentioned above, whichever last occurs. Particulars of any change in Participant's interests must also be given within two business days of the change.

## Spain

### **Notifications**

Securities Law Notice. The Option does not qualify under Spanish Law as a security. No "offer to the public," as defined under Spanish Law, has taken place or will take place in the Spanish territory. Neither the Plan nor this Option Agreement have been registered with the *Comisión Nacional del Mercado de Valores* and do not constitute a public offering prospectus.

Foreign Assets Reporting. Participant may be subject to certain tax reporting requirements with respect to assets or rights that Participant holds outside of Spain, including bank accounts, securities and real estate if the aggregate value for particular category of assets exceeds €50,000 as of December 31 each year. Shares acquired under the Plan or other equity programs offered by the Company constitute securities for purposes of this requirement, but unexercised Options are not subject to this reporting requirement.

If applicable, Participant must report his or her foreign assets on Form 720 by no later than March 31 following the end of the relevant year. After the rights and/or assets are initially reported, the reporting obligation will only apply if the value of previously reported rights or assets increases by more than €20,000 as of each subsequent December 31. Participant is encouraged to consult with his or her personal advisor to determine any obligations in this respect.

In addition, Participant must notify the Registry of Investments at the Spanish Ministry of Industry, Commerce and Tourism of investments in securities of companies not listed in Spain, which are deposited in a non-resident account. Participant must file form D-6 by January 31 each year stating the value of their investments in non-Spanish listed shares as of December 31 of the previous calendar year.

**Share Reporting Requirement.** The acquisition of shares of stock must be declared for statistical purposes to the Direccion General de Comercio e Inversiones (the “*DGCI*”), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be filed in January for shares owned as of December 31 of each year; however, if the value of the shares acquired or the amount of the sale proceeds exceeds a designated amount the declaration must be filed within one month of the acquisition or sale, as applicable. Participant should consult with his or her personal advisor to determine Participant’s obligations in this respect.

**Foreign Currency Payments.** When receiving foreign currency payments exceeding €50,000 derived from the ownership of shares (*i.e.*, dividends or proceeds from the sale of the shares), Participant must inform the financial institution receiving the payment of the basis upon which such payment is made. Participant will need to provide the following information: (i) Participant’s name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

### **Turkey.**

#### **Terms and Conditions**

**Securities Law Information.** Participant acknowledges and agrees that the offer of the Option has been made by the Company to Participant personally in connection with an existing relationship with the Company or one or more of its Parent, Subsidiaries, or affiliates, and further, that the Option, any Shares issued upon exercise of the Option and the related offer thereof are not subject to regulation by any securities regulator in Turkey.

**Terms and Conditions**

Tax Obligations. Participant agrees to indemnify and keep indemnified the Company, any Parent, Subsidiary, or affiliate, from and against any liability for or obligation to pay any Tax Liability (a “**Tax Liability**” being any liability for income tax, withholding tax and any other employment related taxes, employee’s national insurance contributions or employer’s national insurance contributions or equivalent social security contributions in any jurisdiction) that is attributable to (1) the grant or exercise of, or any benefit derived by Participant from, the Option, (2) Participant’s acquisition of Shares upon exercise of the Option, or (3) the disposal of any Shares.

Tax-Related Items shall include primary and to the extent legally possible secondary class 1 National Insurance Contributions. Participant agrees that the Company may calculate the Tax-Related Items to be withheld and accounted for by reference to the maximum applicable rates, without prejudice to any right Participant may have to recover any overpayment from relevant U.K. tax authorities. Participant understands and agrees that if payment or withholding of any income tax liability arising in connection with Participant’s participation in the Plan is not made by Participant to his or her employer within ninety days of the event giving rise to such income tax liability or such other period specified in Section 222(1)I of the U.K. Income Tax (Earnings and Pensions) Act 2003, that the amount of any uncollected income tax will constitute an additional benefit to Participant on which additional income tax and National Insurance Contributions will be payable. Participant understands and agrees that Participant is responsible for reporting and paying any income tax due on this additional benefit directly to Her Majesty’s Revenue and Customs under the self-assessment regime and for reimbursing the Company for the value of any primary and (to the extent legally possible) secondary class 1 National Insurance Contributions due on this additional benefit which the Company may recover from Participant by any of the means referred to in the Plan and/or this Option Agreement.

Option Payable Only in Shares. The grant of the Option does not give Participant any right to receive a cash payment, and the Option may be settled only in Shares.

**EXHIBIT A**

**2010 EQUITY INCENTIVE PLAN**

**EXERCISE NOTICE**

Udemy, Inc.  
600 Harrison Street, Third Floor San  
Francisco, CA 94107

Attention: Corporate Secretary

**1. Exercise of Option.** Effective as of today, \_\_\_\_\_, the undersigned ("**Participant**") hereby elects to exercise one or more of Participant's options set forth below (the "**Option**") to purchase \_\_\_\_\_ shares of the Common Stock (the "**Shares**") of Udemy, Inc. (the "**Company**") under and pursuant to the 2010 Equity Incentive Plan (the "**Plan**") and the Stock Option Agreement entered into thereunder (the "**Option Agreement**").

Stock Option(s) exercised pursuant to this Exercise Notice: \_\_\_\_\_

**2. Delivery of Payment.** Participant herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

**3. Representations of Participant.** Participant acknowledges that Participant has received, read, and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

**4. Rights as Stockholder.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Common Stock subject to an Award, notwithstanding the exercise of the Option. The Shares shall be issued to Participant as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 13 of the Plan.

**5. Company's Right of First Refusal.** Before any Shares held by Participant or any transferee (either being sometimes referred to herein as the "**Holder**") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 5 (the "**Right of First Refusal**").

(a) Notice of Proposed Transfer. The Holder of the Shares shall deliver to the Company a written notice (the "**Notice**") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("**Proposed Transferee**"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "**Offered**").

**Price**”), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s). (b) **Exercise of Right of First Refusal**. At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) **Purchase Price**. The purchase price (the “**Purchase Price**”) for the Shares purchased by the Company or its assignee(s) under this Section 5 shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) **Payment**. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) **Holder’s Right to Transfer**. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 5, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, *provided* that such sale or other transfer is consummated within one hundred and twenty (120) days after the date of the Notice, that any such sale or other transfer is effected in accordance with any applicable securities laws and that the Proposed Transferee agrees in writing that the provisions of this Section 5 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) **Exception for Certain Family Transfers**. Anything to the contrary contained in this Section 5 notwithstanding, the transfer of any or all of the Shares during the Participant’s lifetime or on the Participant’s death by will or intestacy to the Participant’s immediate family or a trust for the benefit of the Participant’s immediate family shall be exempt from the provisions of this Section 5. “**Immediate Family**” as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section 5, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 5.

(g) **Termination of Right of First Refusal**. The Right of First Refusal shall terminate as to any Shares upon the earlier of (i) the first sale of Common Stock of the Company to the general public, or (ii) a Change in Control in which the successor corporation has equity securities that are publicly traded.

**6. Tax Consultation**. Participant understands that Participant may suffer adverse tax consequences as a result of Participant’s purchase or disposition of the Shares. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the purchase or disposition of the Shares and that Participant is not relying on the Company for any tax advice.



## 7. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Participant understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE “ACT”) AND MAY NOT BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE, OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER FOR A PERIOD OF TIME FOLLOWING THE EFFECTIVE DATE OF THE UNDERWRITTEN PUBLIC OFFERING OF THE COMPANY’S SECURITIES SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF BY THE HOLDER PRIOR TO THE EXPIRATION OF SUCH PERIOD WITHOUT THE CONSENT OF THE COMPANY OR THE MANAGING UNDERWRITER.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A VOTING AGREEMENT WHICH PLACES CERTAIN RESTRICTIONS ON THE VOTING OF THE SHARES REPRESENTED HEREBY. ANY PERSON ACCEPTING ANY INTEREST IN SUCH SHARES SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SUCH AGREEMENT. A COPY OF SUCH VOTING AGREEMENT WILL BE FURNISHED TO THE RECORD HOLDER OF THIS CERTIFICATE WITHOUT CHARGE UPON WRITTEN REQUEST TO THE COMPANY AT ITS PRINCIPAL PLACE OF BUSINESS.

(b) Stop-Transfer Notices. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

**8. Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Participant and his or her heirs, executors, administrators, successors, and assigns.

**9. Interpretation.** Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Participant or by the Company forthwith to the Administrator, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

**10. Governing Law; Severability.** This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of California. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice shall continue in full force and effect.

**11. Entire Agreement.** The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan, the Option Agreement, and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

Submitted by:  
PARTICIPANT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Accepted by:  
UDEMY, INC.

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

**EXHIBIT B**

**INVESTMENT REPRESENTATION STATEMENT**

PARTICIPANT :  
COMPANY : UDEMY, INC.  
SECURITY : COMMON STOCK  
AMOUNT :  
DATE :

In connection with the purchase of the above-listed Securities, the undersigned Participant represents to the Company the following:

(a) Participant is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Participant is acquiring these Securities for investment for Participant's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "**Securities Act**").

(b) Participant acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Participant's investment intent as expressed herein. In this connection, Participant understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Participant's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one (1) year or any other fixed period in the future. Participant further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Participant further acknowledges and understands that the Company is under no obligation to register the Securities. Participant understands that the certificate evidencing the Securities shall be imprinted with any legend required under applicable state securities laws.

(c) Participant is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to Participant, the exercise shall be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such

longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of the applicable conditions specified by Rule 144, including in the case of affiliates (1) the availability of certain public information about the Company, (2) the amount of Securities being sold during any three (3) month period not exceeding specified limitations, (3) the resale being made in an unsolicited "broker's transaction", transactions directly with a "market maker" or "riskless principal transactions" (as those terms are defined under the Securities Exchange Act of 1934) and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which may require (i) the availability of current public information about the Company; (ii) the resale to occur more than a specified period after the purchase and full payment (within the meaning of Rule 144) for the Securities; and (iii) in the case of the sale of Securities by an affiliate, the satisfaction of the conditions set forth in sections (2), (3), and (4) of the paragraph immediately above.

(d) Participant further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption shall be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 shall have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Participant understands that no assurances can be given that any such other registration exemption shall be available in such event.

PARTICIPANT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

2010 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT — EARLY EXERCISE

Unless otherwise defined herein, the terms defined in the 2010 Equity Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement – Early Exercise (the “Option Agreement”).

**I. NOTICE OF STOCK OPTION GRANT**

**Name:** As described on eShares

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:	<i>As described on eShares</i>
Vesting Commencement Date:	<i>As described on eShares</i>
Exercise Price per Share:	<i>As described on eShares</i>
Total Number of Shares Granted:	<i>As described on eShares</i>
Total Exercise Price:	<i>As described on eShares</i>
Type of Option:	<i>As described on eShares</i>
Term/Expiration Date:	<i>As described on eShares</i>

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule:

*As described on eShares*

Termination Period:

This Option shall be exercisable for three (3) months after Participant ceases to be a Service Provider, unless such termination is due to Participant’s death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant ceases to be a Service Provider. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in Section 13 of the Plan.

## **II. AGREEMENT**

1. **Grant of Option.** The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement (“Participant”), an option (the “Option”) to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “Exercise Price”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“ISO”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option (“NSO”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. **Exercise of Option.** This Option shall be exercisable during its term in accordance with the provisions of Section 6 of the Plan as follows:

(a) **Right to Exercise.**

(i) Subject to subsections 2(a)(ii) and 2(a)(iii) below, this Option shall be exercisable cumulatively according to the vesting schedule set forth in the Notice of Stock Option Grant. Alternatively, at the election of Participant, this Option may be exercised in whole or in part at any time as to Shares that have not yet vested. Vested Shares shall not be subject to the Company’s repurchase right (as set forth in the Restricted Stock Purchase Agreement, attached hereto as Exhibit C-1).

(ii) As a condition to exercising this Option for unvested Shares, Participant shall execute the Restricted Stock Purchase Agreement.

(iii) This Option may not be exercised for a fraction of a Share.

(b) **Method of Exercise.** This Option shall be exercisable by delivery of an exercise notice in the form attached as Exhibit A (the “Exercise Notice”) or in a manner and pursuant to such procedures as the Administrator may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with Applicable Laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Participant's Representations. In the event the Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), at the time this Option is exercised, Participant shall, if required by the Company, concurrently with the exercise of all or any portion of this Option, deliver to the Company his or her Investment Representation Statement in the form attached hereto as Exhibit B.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

- (a) cash;
- (b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Administrator, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any Applicable Law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

(b) Further, until the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or after the Administrator determines that it is, will, or may no longer be relying upon the exemption from registration of Options under the Exchange Act as set forth in Rule 12h-1(f) promulgated under the Exchange Act (the "Reliance End Date"), Participant shall not transfer this Option or, prior to exercise, the Shares subject to this Option, in any manner other than (i) to persons who are "family members" (as defined in Rule 701(c)(3) of the Securities Act) through gifts or domestic relations orders, or (ii) to an executor or guardian of Participant upon the death or disability of Participant. Until the Reliance End Date, the Options and, prior to exercise, the Shares subject to this Option, may not be pledged, hypothecated or otherwise transferred or disposed of, including by entering into any short position, any "put equivalent position" or any "call equivalent position" (as defined in Rule 16a-1(h) and Rule 16a-1(b) of the Exchange Act, respectively), other than as permitted in clauses (i) and (ii) of this paragraph.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the Parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.



(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

(c) Code Section 409A. Under Code Section 409A, an Option that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per Share exercise price that is determined by the Internal Revenue Service (the "IRS") to be less than the Fair Market Value of a Share on the date of grant (a "discount option") may be considered "deferred compensation." An Option that is a "discount option" may result in (i) income recognition by Participant prior to the exercise of the Option, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The "discount option" may also result in additional state income, penalty and interest tax to the Participant. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the Fair Market Value of a Share on the date of grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the Fair Market Value of a Share on the date of grant, Participant shall be solely responsible for Participant's costs related to such a determination.

10. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

11. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

UDEMY, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Residence Address

\_\_\_\_\_  
Title

**EXHIBIT A**

**2010 EQUITY INCENTIVE PLAN**

**EXERCISE NOTICE**

Udemy, Inc.  
600 Harrison St, 3<sup>rd</sup> Floor San  
Francisco, CA 94107

Attention: President

1. **Exercise of Option.** Effective as of today, \_\_\_\_\_, \_\_\_\_\_, the undersigned ("Participant") hereby elects to exercise Participant's option (the "Option") to purchase \_\_\_\_\_ shares of the Common Stock (the "Shares") of Udemy, Inc. (the "Company") under and pursuant to the 2010 Equity Incentive Plan (the "Plan") and the Stock Option Agreement – Early Exercise dated \_\_\_\_\_, \_\_\_\_\_ (the "Option Agreement").

2. **Delivery of Payment.** Participant herewith delivers to the Company the full purchase price of the Shares, as set forth in the Option Agreement, and any and all withholding taxes due in connection with the exercise of the Option.

3. **Representations of Participant.** Participant acknowledges that Participant has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

4. **Rights as Stockholder.** Until the issuance of the Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Common Stock subject to an Award, notwithstanding the exercise of the Option. The Shares shall be issued to Participant as soon as practicable after the Option is exercised in accordance with the Option Agreement. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in Section 13 of the Plan.

5. **Company's Right of First Refusal.** Before any Shares held by Participant or any transferee (either being sometimes referred to herein as the "Holder") may be sold or otherwise transferred (including transfer by gift or operation of law), the Company or its assignee(s) shall have a right of first refusal to purchase the Shares on the terms and conditions set forth in this Section 5 (the "Right of First Refusal").

(a) **Notice of Proposed Transfer.** The Holder of the Shares shall deliver to the Company a written notice (the "Notice") stating: (i) the Holder's bona fide intention to sell or otherwise transfer such Shares; (ii) the name of each proposed purchaser or other transferee ("Proposed Transferee"); (iii) the number of Shares to be transferred to each Proposed Transferee; and (iv) the bona fide cash price or other consideration for which the Holder proposes to transfer the Shares (the "Offered Price"), and the Holder shall offer the Shares at the Offered Price to the Company or its assignee(s).

(b) **Exercise of Right of First Refusal.** At any time within thirty (30) days after receipt of the Notice, the Company and/or its assignee(s) may, by giving written notice to the Holder, elect to purchase all, but not less than all, of the Shares proposed to be transferred to any one or more of the Proposed Transferees, at the purchase price determined in accordance with subsection (c) below.

(c) Purchase Price. The purchase price (“Purchase Price”) for the Shares purchased by the Company or its assignee(s) under this Section 5 shall be the Offered Price. If the Offered Price includes consideration other than cash, the cash equivalent value of the non-cash consideration shall be determined by the Board of Directors of the Company in good faith.

(d) Payment. Payment of the Purchase Price shall be made, at the option of the Company or its assignee(s), in cash (by check), by cancellation of all or a portion of any outstanding indebtedness of the Holder to the Company (or, in the case of repurchase by an assignee, to the assignee), or by any combination thereof within thirty (30) days after receipt of the Notice or in the manner and at the times set forth in the Notice.

(e) Holder’s Right to Transfer. If all of the Shares proposed in the Notice to be transferred to a given Proposed Transferee are not purchased by the Company and/or its assignee(s) as provided in this Section 5, then the Holder may sell or otherwise transfer such Shares to that Proposed Transferee at the Offered Price or at a higher price, provided that such sale or other transfer is consummated within one hundred and twenty (120) days after the date of the Notice, that any such sale or other transfer is effected in accordance with any applicable securities laws and that the Proposed Transferee agrees in writing that the provisions of this Section 5 shall continue to apply to the Shares in the hands of such Proposed Transferee. If the Shares described in the Notice are not transferred to the Proposed Transferee within such period, a new Notice shall be given to the Company, and the Company and/or its assignees shall again be offered the Right of First Refusal before any Shares held by the Holder may be sold or otherwise transferred.

(f) Exception for Certain Family Transfers. Anything to the contrary contained in this Section 5 notwithstanding, the transfer of any or all of the Shares during the Participant’s lifetime or on the Participant’s death by will or intestacy to the Participant’s immediate family or a trust for the benefit of the Participant’s immediate family shall be exempt from the provisions of this Section 5. “Immediate Family” as used herein shall mean spouse, lineal descendant or antecedent, father, mother, brother or sister. In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Section 5, and there shall be no further transfer of such Shares except in accordance with the terms of this Section 5.

(g) Termination of Right of First Refusal. The Right of First Refusal shall terminate as to any Shares upon the earlier of (i) the first sale of Common Stock of the Company to the general public, or (ii) a Change in Control in which the successor corporation has equity securities that are publicly traded.

6. Tax Consultation. Participant understands that Participant may suffer adverse tax consequences as a result of Participant’s purchase or disposition of the Shares. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the purchase or disposition of the Shares and that Participant is not relying on the Company for any tax advice.

7. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Participant understands and agrees that the Company shall cause the legends set forth below or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the Shares together with any other legends that may be required by the Company or by state or federal securities laws:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER THE ACT OR, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER OF THESE SECURITIES, SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL HELD BY THE ISSUER OR ITS ASSIGNEE(S) AS SET FORTH IN THE EXERCISE NOTICE BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER FOR A PERIOD OF TIME FOLLOWING THE EFFECTIVE DATE OF THE UNDERWRITTEN PUBLIC OFFERING OF THE COMPANY'S SECURITIES SET FORTH IN AN AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SHARES AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF BY THE HOLDER PRIOR TO THE EXPIRATION OF SUCH PERIOD WITHOUT THE CONSENT OF THE COMPANY OR THE MANAGING UNDERWRITER.

(b) Stop-Transfer Notices. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Exercise Notice or (ii) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

8. Successors and Assigns. The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Exercise Notice shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

9. Interpretation. Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Participant or by the Company forthwith to the Administrator, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

10. Governing Law; Severability. This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of California. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice shall continue in full force and effect.

11. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan, the Restricted Stock Purchase Agreement, the Option Agreement and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

Submitted by:  
PARTICIPANT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Address:  
\_\_\_\_\_  
\_\_\_\_\_

Accepted by:  
UDEMY, INC.

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

Address:  
600 Harrison St, 3rd Floor  
San Francisco, CA 94107

\_\_\_\_\_  
Date Received

**EXHIBIT B**

**INVESTMENT REPRESENTATION STATEMENT**

PARTICIPANT:

COMPANY: UDEMY, INC.

SECURITY: COMMON STOCK

AMOUNT:

DATE:

In connection with the purchase of the above-listed Securities, the undersigned Participant represents to the Company the following:

(a) Participant is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Securities. Participant is acquiring these Securities for investment for Participant's own account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act").

(b) Participant acknowledges and understands that the Securities constitute "restricted securities" under the Securities Act and have not been registered under the Securities Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Participant's investment intent as expressed herein. In this connection, Participant understands that, in the view of the Securities and Exchange Commission, the statutory basis for such exemption may be unavailable if Participant's representation was predicated solely upon a present intention to hold these Securities for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Securities, or for a period of one (1) year or any other fixed period in the future. Participant further understands that the Securities must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. Participant further acknowledges and understands that the Company is under no obligation to register the Securities. Participant understands that the certificate evidencing the Securities shall be imprinted with any legend required under applicable state securities laws.

(c) Participant is familiar with the provisions of Rule 701 and Rule 144, each promulgated under the Securities Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly from the issuer thereof, in a non-public offering subject to the satisfaction of certain conditions. Rule 701 provides that if the issuer qualifies under Rule 701 at the time of the grant of the Option to Participant, the exercise shall be exempt from registration under the Securities Act. In the event the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, ninety (90) days thereafter (or such longer period as any market stand-off agreement may require) the Securities exempt under Rule 701 may be resold, subject to the satisfaction of the applicable conditions specified by Rule 144, including in the case of affiliates (1) the availability of certain public information about the Company, (2) the amount of

Securities being sold during any three (3) month period not exceeding specified limitations, (3) the resale being made in an unsolicited “broker’s transaction”, transactions directly with a “market maker” or “riskless principal transactions” (as those terms are defined under the Securities Exchange Act of 1934) and (4) the timely filing of a Form 144, if applicable.

In the event that the Company does not qualify under Rule 701 at the time of grant of the Option, then the Securities may be resold in certain limited circumstances subject to the provisions of Rule 144, which may require (i) the availability of current public information about the Company; (ii) the resale to occur more than a specified period after the purchase and full payment (within the meaning of Rule 144) for the Securities; and (iii) in the case of the sale of Securities by an affiliate, the satisfaction of the conditions set forth in sections (2), (3) and (4) of the paragraph immediately above.

(d) Participant further understands that in the event all of the applicable requirements of Rule 701 or 144 are not satisfied, registration under the Securities Act, compliance with Regulation A, or some other registration exemption shall be required; and that, notwithstanding the fact that Rules 144 and 701 are not exclusive, the Staff of the Securities and Exchange Commission has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rules 144 or 701 shall have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk. Participant understands that no assurances can be given that any such other registration exemption shall be available in such event.

PARTICIPANT

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date



**EXHIBIT C-1**

**UDEMY, INC.**

**2010 EQUITY INCENTIVE PLAN**

**RESTRICTED STOCK PURCHASE AGREEMENT**

THIS RESTRICTED STOCK PURCHASE AGREEMENT (the "Agreement") is made between \_\_\_\_\_ (the "Purchaser") and Udemey, Inc. (the "Company") or its assignees of rights hereunder as of \_\_\_\_\_, \_\_\_\_.

Unless otherwise defined herein, the terms defined in the 2010 Equity Incentive Plan shall have the same defined meanings in this Agreement.

**RECITALS**

A. Pursuant to the exercise of the option granted to Purchaser under the Plan and pursuant to the Stock Option Agreement – Early Exercise (the "Option Agreement") dated \_\_\_\_\_, \_\_\_\_ by and between the Company and Purchaser with respect to such grant (the "Option"), which Plan and Option Agreement are hereby incorporated by reference, Purchaser has elected to purchase \_\_\_\_\_ of those shares of Common Stock which have not become vested under the vesting schedule set forth in the Option Agreement ("Unvested Shares"). The Unvested Shares and the shares subject to the Option Agreement, which have become vested are sometimes collectively referred to herein as the "Shares."

B. As required by the Option Agreement, as a condition to Purchaser's election to exercise the option, Purchaser must execute this Agreement, which sets forth the rights and obligations of the parties with respect to Shares acquired upon exercise of the Option.

**1. Repurchase Option.**

(a) If Purchaser's status as a Service Provider is terminated for any reason, including for death and Disability, the Company shall have the right and option for ninety (90) days from such date to purchase from Purchaser, or Purchaser's personal representative, as the case may be, all of the Purchaser's Unvested Shares as of the date of such termination at the price paid by the Purchaser for such Shares (the "Repurchase Option").

(b) Upon the occurrence of such termination, the Company may exercise its Repurchase Option by delivering personally or by registered mail, to Purchaser (or his or her transferee or legal representative, as the case may be) with a copy to the escrow agent described in Section 2 below, a notice in writing indicating the Company's intention to exercise the Repurchase Option AND, at the Company's option, (i) by delivering to the Purchaser (or the Purchaser's transferee or legal representative) a check in the amount of the aggregate repurchase price, or (ii) by the Company canceling an amount of the Purchaser's indebtedness to the Company equal to the aggregate repurchase price, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals such aggregate repurchase price. Upon delivery of such notice and payment of the aggregate repurchase price in any of the ways described above, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and the rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Unvested Shares being repurchased by the Company.

(c) Whenever the Company shall have the right to repurchase Unvested Shares hereunder, the Company may designate and assign one or more employees, officers, directors or stockholders of the Company or other persons or organizations to exercise all or a part of the Company's Repurchase Option under this Agreement and purchase all or a part of such Unvested Shares.

(d) If the Company does not elect to exercise the Repurchase Option conferred above by giving the requisite notice within ninety (90) days following the termination, the Repurchase Option shall terminate.

(e) The Repurchase Option shall terminate in accordance with the vesting schedule contained in Purchaser's Option Agreement.

## 2. Transferability of the Shares; Escrow.

(a) Purchaser hereby authorizes and directs the Secretary of the Company, or such other person designated by the Company, to transfer the Unvested Shares as to which the Repurchase Option has been exercised from Purchaser to the Company.

(b) To insure the availability for delivery of Purchaser's Unvested Shares upon repurchase by the Company pursuant to the Repurchase Option under Section 1, Purchaser hereby appoints the Secretary, or any other person designated by the Company as escrow agent (the "Escrow Agent"), as its attorney-in-fact to sell, assign and transfer unto the Company, such Unvested Shares, if any, repurchased by the Company pursuant to the Repurchase Option and shall, upon execution of this Agreement, deliver and deposit with the Escrow Agent, the share certificates representing the Unvested Shares, together with the stock assignment duly endorsed in blank, attached hereto as Exhibit C-2. The Unvested Shares and stock assignment shall be held by the Escrow Agent in escrow, pursuant to the Joint Escrow Instructions of the Company and Purchaser attached as Exhibit C-3 hereto, until the Company exercises its Repurchase Option, until such Unvested Shares are vested, or until such time as this Agreement no longer is in effect. Upon vesting of the Unvested Shares, the Escrow Agent shall promptly deliver to the Purchaser the certificate or certificates representing such Shares in the Escrow Agent's possession belonging to the Purchaser, and the Escrow Agent shall be discharged of all further obligations hereunder; provided, however, that the Escrow Agent shall nevertheless retain such certificate or certificates as Escrow Agent if so required pursuant to other restrictions imposed pursuant to this Agreement.

(c) Neither the Company nor the Escrow Agent shall be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

(d) Transfer or sale of the Shares is subject to restrictions on transfer imposed by any applicable state and federal securities laws. Any transferee shall hold such Shares subject to all the provisions hereof and the Exercise Notice executed by the Purchaser with respect to any Unvested Shares purchased by Purchaser and shall acknowledge the same by signing a copy of this Agreement.

3. Ownership, Voting Rights, Duties. This Agreement shall not affect in any way the ownership, voting rights or other rights or duties of Purchaser, except as specifically provided herein.

4. Legends. The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legend (in addition to any legend required under applicable federal and state securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND RIGHTS OF REPURCHASE AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

5. Adjustment for Stock Split. All references to the number of Shares and the purchase price of the Shares in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares, which may be made by the Company pursuant to Section 13 of the Plan after the date of this Agreement.

6. Notices. Notices required hereunder shall be given in person or by registered mail to the address of Purchaser shown on the records of the Company, and to the Company at their respective principal executive offices.

7. Survival of Terms. This Agreement shall apply to and bind Purchaser and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

8. Section 83(b) Election. Purchaser hereby acknowledges that he or she has been informed that, with respect to the exercise of an Option for Unvested Shares, an election (the "Election") may be filed by the Purchaser with the Internal Revenue Service, within thirty (30) days of the purchase of the exercised Shares, electing pursuant to Section 83(b) of the Code to be taxed currently on any difference between the purchase price of the exercised Shares and their Fair Market Value on the date of purchase. In the case of a Nonstatutory Stock Option, this will result in the recognition of taxable income to the Purchaser on the date of exercise, measured by the excess, if any, of the Fair Market Value of the exercised Shares, at the time the Option is exercised over the purchase price for the exercised Shares. Absent such an Election, taxable income will be measured and recognized by Purchaser at the time or times on which the Company's Repurchase Option lapses. In the case of an Incentive Stock Option, such an Election will result in a recognition of income to the Purchaser for alternative minimum tax purposes on the date of exercise, measured by the excess, if any, of the Fair Market Value of the exercised Shares, at the time the option is exercised, over the purchase price for the exercised Shares. Absent such an Election, alternative minimum taxable income will be measured and recognized by Purchaser at the time or times on which the Company's Repurchase Option lapses.

This discussion is intended only as a summary of the general United States income tax laws that apply to exercising Options as to Shares that have not yet vested and is accurate only as of the date this form Agreement was approved by the Board. The federal, state and local tax consequences to any particular taxpayer will depend upon his or her individual circumstances. Purchaser is strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election under Section 83(b) of the Code. A form of Election under Section 83(b) is attached hereto as Exhibit C-4 for reference.

PURCHASER ACKNOWLEDGES THAT IT IS PURCHASER'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO FILE TIMELY THE ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF PURCHASER REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO MAKE THIS FILING ON PURCHASER'S BEHALF.

9. Representations. Purchaser has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Purchaser is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Purchaser understands that he or she (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

10. Entire Agreement; Governing Law. The Plan and Option Agreement are incorporated herein by reference. The Plan, the Option Agreement, the Exercise Notice, this Agreement, and the Investment Representation Statement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Purchaser with respect to the subject matter hereof, and may not be modified adversely to the Purchaser's interest except by means of a writing signed by the Company and Purchaser. This Agreement is governed by the internal substantive laws but not the choice of law rules of California.

Purchaser represents that he or she has read this Agreement and is familiar with its terms and provisions. Purchaser hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under this Agreement.

IN WITNESS WHEREOF, this Agreement is deemed made as of the date first set forth above.

PARTICIPANT

UDEMY, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Residence Address

\_\_\_\_\_  
Title

Dated: \_\_\_\_\_, \_\_\_\_

**EXHIBIT C-2**

**ASSIGNMENT SEPARATE FROM CERTIFICATE**

FOR VALUE RECEIVED I, \_\_\_\_\_, hereby sell, assign and transfer unto Udemy, Inc. \_\_\_\_\_ shares of the Common Stock of Udemy, Inc. standing in my name of the books of said corporation represented by Certificate No. \_\_\_\_\_ herewith and do hereby irrevocably constitute and appoint \_\_\_\_\_ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Purchase Agreement between Udemy, Inc. and the undersigned dated \_\_\_\_\_, \_\_\_\_\_ (the "Agreement").

Dated: \_\_\_\_\_, \_\_\_\_\_

Signature: \_\_\_\_\_

INSTRUCTIONS: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its "repurchase option," as set forth in the Agreement, without requiring additional signatures on the part of the Purchaser.

EXHIBIT C-3

**JOINT ESCROW INSTRUCTIONS**

Corporate Secretary Udem, Inc.  
600 Harrison St, 3<sup>rd</sup> Floor  
San Francisco, CA 94107

Dear Secretary:

As Escrow Agent for both Udem, Inc. (the "Company"), and the undersigned purchaser of stock of the Company (the "Purchaser"), you are hereby authorized and directed to hold the documents delivered to you pursuant to the terms of that certain Restricted Stock Purchase Agreement (the "Agreement") between the Company and the undersigned, in accordance with the following instructions:

1. In the event the Company and/or any assignee of the Company (referred to collectively for convenience herein as the "Company") exercises the Company's repurchase option set forth in the Agreement, the Company shall give to Purchaser and you a written notice specifying the number of shares of stock to be purchased, the purchase price, and the time for a closing hereunder at the principal office of the Company. Purchaser and the Company hereby irrevocably authorize and direct you to close the transaction contemplated by such notice in accordance with the terms of said notice.

2. At the closing, you are directed (a) to date the stock assignments necessary for the transfer in question, (b) to fill in the number of shares being transferred, and (c) to deliver the stock assignments, together with the certificate evidencing the shares of stock to be transferred, to the Company or its assignee, against the simultaneous delivery to you of the purchase price (by cash, a check, or some combination thereof) for the number of shares of stock being purchased pursuant to the exercise of the Company's repurchase option.

3. Purchaser irrevocably authorizes the Company to deposit with you any certificates evidencing shares of stock to be held by you hereunder and any additions and substitutions to said shares as defined in the Agreement. Purchaser does hereby irrevocably constitute and appoint you as Purchaser's attorney-in-fact and agent for the term of this escrow to execute with respect to such securities all documents necessary or appropriate to make such securities negotiable and to complete any transaction herein contemplated, including but not limited to the filing with any applicable state blue sky authority of any required applications for consent to, or notice of transfer of, the securities. Subject to the provisions of this paragraph 3, Purchaser shall exercise all rights and privileges of a stockholder of the Company while the stock is held by you.

4. Upon written request of the Purchaser, but no more than once per calendar year, unless the Company's repurchase option has been exercised, you shall deliver to Purchaser a certificate or certificates representing so many shares of stock as are not then subject to the Company's repurchase option. Within one hundred and twenty (120) days after cessation of Purchaser's continuous employment by or services to the Company, or any parent or subsidiary of the Company, you shall deliver to Purchaser a certificate or certificates representing the aggregate number of shares held or issued pursuant to the Agreement and not purchased by the Company or its assignees pursuant to exercise of the Company's repurchase option.

5. If at the time of termination of this escrow you should have in your possession any documents, securities, or other property belonging to Purchaser, you shall deliver all of the same to Purchaser and shall be discharged of all further obligations hereunder.

6. Your duties hereunder may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

7. You shall be obligated only for the performance of such duties as are specifically set forth herein and may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed by you to be genuine and to have been signed or presented by the proper party or parties. You shall not be personally liable for any act you may do or omit to do hereunder as Escrow Agent or as attorney-in-fact for Purchaser while acting in good faith, and any act done or omitted by you pursuant to the advice of your own attorneys shall be conclusive evidence of such good faith.

8. You are hereby expressly authorized to disregard any and all warnings given by any of the parties hereto or by any other person or corporation, excepting only orders or process of courts of law and are hereby expressly authorized to comply with and obey orders, judgments or decrees of any court. In case you obey or comply with any such order, judgment or decree, you shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance, notwithstanding any such order, judgment or decree being subsequently reversed, modified, annulled, set aside, vacated or found to have been entered without jurisdiction.

9. You shall not be liable in any respect on account of the identity, authorities or rights of the parties executing or delivering or purporting to execute or deliver the Agreement or any documents or papers deposited or called for hereunder.

10. You shall not be liable for the outlawing of any rights under the Statute of Limitations with respect to these Joint Escrow Instructions or any documents deposited with you.

11. You shall be entitled to employ such legal counsel and other experts as you may deem necessary properly to advise you in connection with your obligations hereunder, may rely upon the advice of such counsel, and may pay such counsel reasonable compensation therefor.

12. Your responsibilities as Escrow Agent hereunder shall terminate if you shall cease to be an officer or agent of the Company or if you shall resign by written notice to each party. In the event of any such termination, the Company shall appoint a successor Escrow Agent.

13. If you reasonably require other or further instruments in connection with these Joint Escrow Instructions or obligations in respect hereto, the necessary parties hereto shall join in furnishing such instruments.

14. It is understood and agreed that should any dispute arise with respect to the delivery and/or ownership or right of possession of the securities held by you hereunder, you are authorized and directed to retain in your possession without liability to anyone all or any part of said securities



until such disputes shall have been settled either by mutual written agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction after the time for appeal has expired and no appeal has been perfected, but you shall be under no duty whatsoever to institute or defend any such proceedings.

15. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to each of the other parties thereunto entitled at the following addresses or at such other addresses as a party may designate by ten (10) days' advance written notice to each of the other parties hereto.

16. By signing these Joint Escrow Instructions, you become a party hereto only for the purpose of said Joint Escrow Instructions; you do not become a party to the Agreement.

17. This instrument shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

18. These Joint Escrow Instructions shall be governed by the internal substantive laws, but not the choice of law rules, of California.

PURCHASER

UDEMY, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
By

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Residence Address

\_\_\_\_\_  
Title

ESCROW AGENT

\_\_\_\_\_  
Corporate Secretary Dated:  
  
\_\_\_\_\_

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**IF YOU WISH TO MAKE A SECTION 83(B) ELECTION, THE FILING OF SUCH ELECTION IS YOUR RESPONSIBILITY.**

**THE FORM FOR MAKING THIS SECTION 83(B) ELECTION IS ATTACHED TO THIS AGREEMENT AS EXHIBIT C-4.**

**YOU MUST FILE THIS FORM WITHIN 30 DAYS OF PURCHASING THE SHARES. YOU (AND NOT THE COMPANY OR ANY OF ITS AGENTS) SHALL BE SOLELY RESPONSIBLE FOR FILING SUCH FORM WITH THE IRS, EVEN IF YOU REQUEST THE COMPANY OR ITS AGENTS TO MAKE THIS FILING ON YOUR BEHALF AND EVEN IF THE COMPANY OR ITS AGENTS HAVE PREVIOUSLY MADE THIS FILING ON YOUR BEHALF.**

**Instructions for the filing of this election follow. See [www.irs.gov](http://www.irs.gov) for additional information.**

## **INSTRUCTIONS FOR FILING IRS SECTION 83(b) ELECTION**

Filing of the IRS Section 83(b) Election is a two-step filing process. One originally signed copy of the 83(b) Election form **must be filed with the Internal Revenue Service within 30 days of the purchase of the shares** (the date that the shares were paid for). The steps outlined below should be followed to ensure the election is filed correctly and timely:

### **FILING STEP ONE:**

- 1) Complete and sign the 83(b) Election form, including your spouse's signature, dated as of the date of purchase. Make four (4) copies: two for the IRS, one for the Company, and one for your records.
- 2) Prepare a cover letter to the IRS (a sample letter follows). The address of your regional IRS office can be found on the IRS website.
- 3) Send a cover letter with one originally signed 83(b) Election and one signed photocopy via *U.S. Certified Mail, Return Receipt Requested* to the IRS, within 30 days of the date of purchase and allow delivery time for Certified Mail. Include a self-addressed, stamped envelope and keep copies of the enclosure letter, your signed 83(b) Election form, and your receipt of mailing as proof of timely filing. Make the IRS filing early in the 30-day period.
- 4) Please send a *photocopy* of the signed 83(b) Election form and cover letter to Wilson Sonsini Goodrich & Rosati, P.C., Attention: Hoy Shih ([hshih@wsgr.com](mailto:hshih@wsgr.com)) and Nisha Ramachandran ([nramachandran@wsgr.com](mailto:nramachandran@wsgr.com)) for the Company's records.
- 5) As proof of filing for the election within 30 days of your stock purchase, retain the green, date-stamped Certified Mail Receipt card, the green and white "postmarked" paper mailing slip, and the IRS date-stamped copy of the 83(b) Election form in your records when returned. If the IRS fails to return a date-stamped copy of the 83(b) Election form, the Certified Mail card and green and white "postmarked" paper mailing slip along with your copy of the enclosure letter sent with the signed form will be your only proof of filing. You may also check the US Postal Service website "track & confirm" for delivery confirmation at [www.usps.com](http://www.usps.com) using the certified postal number.
- 6) If your tax return is audited by the IRS, you will need to produce the documents listed above under Item 5 and your cancelled check for the purchase of the shares of stock. *The IRS will NOT have a copy in your tax file of the first 83(b) Election form filed within 30 days.*

### **FILING STEP TWO:**

- 1) File the second photocopy 83(b) Election of the IRS date-stamped copy (see Item 5) with your personal tax return for that tax year.
- 2) As proof of secondary filing for the election, retain a copy of the filing the second signed 83(b) Election form along with your tax return for the year.

[insert date]

VIA U.S. CERTIFIED MAIL, RETURN RECEIPT REQUESTED

[FOR CA RESIDENTS:

Department of the Treasury

Internal Revenue Service

5045 East Butler Avenue

Fresno, CA 93727]

[ALL OTHER STATES: VERIFY IRS LOCATION]

**Re: 83(b) Election for purchase of Udemy, Inc. Common Stock**

Ladies and Gentlemen:

Enclosed is a completed form of election pursuant to Section 83(b) of the Internal Revenue Code of 1986 relating to my recent purchase of shares of common stock of Udemy, Inc.

Please acknowledge receipt of the enclosed 83(b) Election form by date-stamping the additional copy of this election enclosed and returning it to me in the envelope provided.

Sincerely,

Enclosures

**EXHIBIT C-4**

**ELECTION UNDER SECTION 83(b)  
OF THE INTERNAL REVENUE CODE OF 1986**

The undersigned taxpayer hereby elects, pursuant to Sections 55 and 83(b) of the Internal Revenue Code of 1986, as amended, to include in taxpayer's gross income or alternative minimum taxable income, as the case may be, for the current taxable year the amount of any compensation taxable to taxpayer in connection with taxpayer's receipt of the property described below.

1. The name, address, taxpayer identification number and taxable year of the undersigned are as follows:

	TAXPAYER	SPOUSE
NAME:	_____	_____
ADDRESS:	_____	_____
	_____	_____
TAX ID NO.:	_____	_____
TAXABLE YEAR:	_____	_____

2. The property with respect to which the election is made is described as follows: \_\_\_\_\_ shares (the "Shares") of the Common Stock of Udemy, Inc. (the "Company").
3. The date on which the property was transferred is: \_\_\_\_\_, \_\_\_\_\_.
4. The property is subject to the following restrictions:  
The Shares may not be transferred and are subject to forfeiture under the terms of an agreement between the taxpayer and the Company. These restrictions lapse upon the satisfaction of certain conditions contained in such agreement.
5. The Fair Market Value at the time of transfer, determined without regard to any restriction other than a restriction which by its terms shall never lapse, of such property is: \$\_\_\_\_\_.
6. The amount (if any) paid for such property is: \$\_\_\_\_\_.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The transferee of such property is the person performing the services in connection with the transfer of said property.

The undersigned understands that the foregoing election may not be revoked except with the consent of the Commissioner.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Spouse of Taxpayer

2010 EQUITY INCENTIVE PLAN

STOCK APPRECIATION RIGHT AGREEMENT

Unless otherwise defined herein, the terms defined in the 2010 Equity Incentive Plan (the "**Plan**") shall have the same defined meanings in this Stock Appreciation Right Agreement (the "**Agreement**").

**I. NOTICE OF STOCK APPRECIATION RIGHT GRANT**

**Name: As described on Carta**

The undersigned Participant has been granted a Stock Appreciation Right, subject to the terms and conditions of the Plan and this Agreement, as follows:

Date of Grant:	<u>As described on Carta</u>
Vesting Commencement Date:	<u>As described on Carta</u>
Exercise Base Price per Share:	<u>As described on Carta</u>
Total Number of Shares Covered:	<u>As described on Carta</u>
Term/Expiration Date:	<u>As described on Carta</u>

Vesting Schedule:

As described on Carta

Termination Period:

This Stock Appreciation Right shall be exercisable for three (3) months after Participant ceases to be a Service Provider, unless such termination is due to Participant's death or Disability, in which case this Stock Appreciation Right shall be exercisable for twelve (12) months after Participant ceases to be a Service Provider. Notwithstanding the foregoing sentence, in no event may this Stock Appreciation Right be exercised after the Term/Expiration Date as provided above and this Stock Appreciation Right may be subject to earlier termination as provided in Section 13(c) of the Plan.

**II. AGREEMENT**

**1. Grant of Stock Appreciation Right.** The Company hereby grants to the Participant named in the Notice of Stock Appreciation Right Grant in Part I of this Agreement (the "**Participant**") a Stock Appreciation Right payable solely in cash, subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to Section 18(c) of the Plan, in the UdeMy Stock Appreciation Rights Agreement (March 9, 2021).docx event of a conflict between the terms and conditions of the Plan and this Stock Appreciation Right Agreement, the terms and conditions of the Plan shall prevail.

## 2. Exercise of Stock Appreciation Right.

(a) **Right to Exercise.** This Stock Appreciation Right shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Appreciation Right Grant and with the applicable provisions of the Plan and this Agreement.

(b) **Exercise Periods.** This Stock Appreciation Right may only be exercised during the period beginning on the tenth (10th) day of the second month of each fiscal quarter of the Company and ending on the last day of the second month of each fiscal quarter of the Company (the "**Exercise Period**"); *provided, however*, that at any time the Company's Common Stock is publicly traded, the Exercise Period shall be the open trading window set forth in any policy adopted by the Company governing employee sales of company securities.

(c) **Method of Exercise.** This Stock Appreciation Right shall be exercisable by delivery of an exercise notice in the form attached as **Exhibit A** (the "**Exercise Notice**") or in a manner and pursuant to such procedures as the Administrator may determine, which shall state the election to exercise the Stock Appreciation Right, the number of covered Shares with respect to which the Stock Appreciation Right is being exercised (the "**Exercised Shares**"), and such other representations and agreements as may be required by the Company. This Stock Appreciation Right shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice or completion of such exercise procedure, as the Administrator may determine in its sole discretion.

(d) **Payment upon Exercise.** Upon exercise of all or a specified portion of the Stock Appreciation Right, Participant shall be entitled to receive from the Company the Appreciation Value as calculated in Section 7(f) of the Plan, reduced by any applicable tax withholding and subject to any limitations the Administrator may impose. Such cash payment shall be made as soon as practicable, but in no event later than thirty (30) days following the date of exercise.

**3. Non-Transferability.** The Stock Appreciation Right may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

**4. Term of Stock Appreciation Right.** The Stock Appreciation Right may be exercised only within the term set out in the Notice of Stock Appreciation Right grant and subject to the Plan, and may be exercised during such term only in accordance with the Plan and the terms of this Agreement.

**5. Tax Obligations.** Participant agrees to make appropriate arrangements with the Company (or the Parent, Subsidiary, or other entity employing or retaining Participant) for the satisfaction of all Federal, state, local, and foreign income and employment tax withholding requirements applicable to the Stock Appreciation Right exercise. In this regard, Participant authorizes the Company (or the Parent, Subsidiary, or other entity employing or retaining Participant) to withhold all applicable taxes legally payable by Participant from Participant's cash payment required under this Agreement, wages or other cash compensation paid to Participant by the Company (or the Parent, Subsidiary, or other entity employing or retaining Participant) in an amount sufficient to cover such withholding amounts. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to make the payment required under this Agreement if such withholding amounts are not delivered at the time of exercise.



## 6. Acknowledgements.

(a) Participant acknowledges receipt of a copy of the Plan (including any applicable appendixes or sub-plans thereunder) and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Stock Appreciation Right subject to all of the terms and provisions thereof. Participant has reviewed the Plan (including any applicable appendixes or sub-plans thereunder) and this Stock Appreciation Right Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Stock Appreciation Right and fully understands all provisions of the Stock Appreciation Right. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Stock Appreciation Right. Participant further agrees to notify the Company upon any change in the residence address indicated below.

(b) The Company (and not the Participant's employer) is granting the Stock Appreciation Right. The Company will administer the Plan from outside Participant's country of residence and United States of America law will govern all Stock Appreciation Rights granted under the Plan.

(c) The benefits and rights provided under the Plan are wholly discretionary and, although provided by the Company, do not constitute regular or periodic payments. The benefits and rights provided under the Plan are not to be considered part of Participant's salary or compensation for purposes of calculating any severance, resignation, redundancy, or other end-of-service payments, vacation, bonuses, long-term service awards, indemnification, pension or retirement benefits, or any other payments, benefits, or rights of any kind. Participant waives any and all rights to compensation or damages as a result of the termination of employment with the Company for any reason whatsoever insofar as those rights result or may result from (i) the loss or diminution in value of such rights under the Plan or (ii) ceasing to have any rights under, or ceasing to be entitled to any rights under the Plan as a result of such termination.

(d) The grant of the Stock Appreciation Right, and any future grant of Stock Appreciation Rights under the Plan, is entirely voluntary and at the complete discretion of the Company. Neither the grant of the Stock Appreciation Right nor any future grant of a Stock Appreciation Right by the Company will be deemed to create any obligation to grant any further Stock Appreciation Rights, whether or not such a reservation is explicitly stated at the time of such a grant. The Company has the right at any time to amend, suspend, or terminate the Plan.

(e) The Plan will not be deemed to constitute, and will not be construed by Participant to constitute, part of the terms and conditions of employment, and the Company will not incur any liability of any kind to Participant as a result of any change or amendment or any cancellation of the Plan at any time.

(f) Participation in the Plan will not be deemed to constitute, and will not be deemed by Participant to constitute, an employment or labor relationship of any kind with the Company.

(g) In the event of termination of Participant's employment (whether or not in breach of local labor laws), Participant's right to receive the Stock Appreciation Right and vest in the Stock Appreciation Right under the Plan, if any, will terminate effective as of the date that Participant is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar

period pursuant to local law). Furthermore, in the event of termination of employment (whether or not in breach of local labor laws), Participant's right to exercise the Stock Appreciation Right after termination of employment, if any, will be measured by the date of termination of Participant's active employment and will not be extended by any notice period mandated under local law. The Administrator shall have the exclusive discretion to determine when Participant is no longer actively employed for purposes of his or her Stock Appreciation Right grant.

**7. Data Privacy.** By entering into this Stock Appreciation Right Agreement, and as a condition of the grant of the Stock Appreciation Right, Participant hereby explicitly and unambiguously consents to the collection, use, and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Participant's employer, the Company, and its Subsidiaries and affiliates for the exclusive purpose of implementing, administering, and managing Participant's participation in the Plan.

Participant understands that the Company and the Participant's employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address, email address, telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Stock Appreciation Rights or any entitlement to Shares awarded, canceled, exercised, vested, unvested, or outstanding in Participant's favor, for the purpose of implementing, administering, and managing the Plan ("**Data**"). Participant understands that Data may be transferred to any third parties assisting in the implementation, administration, and management of the Plan, that these recipients may be located in Participant's country or elsewhere, and that the recipients' country (*e.g.*, the United States) may have different data privacy laws and protections than Participant's country. Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting Participant's local human resources representative. Participant authorizes the recipients to receive, possess, use, retain, and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering, and managing Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Participant may elect to deposit any shares of stock acquired upon exercise of the Stock Appreciation Right. Participant understands that Data will be held only as long as is necessary to implement, administer, and manage Participant's participation in the Plan. Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Participant's local human resources representative. Participant understands, however, that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

**8. English Language.** Participant has received the terms and conditions of this Stock

Appreciation Right Agreement and any other related communications, and Participant consents to having received these documents in English. If Participant has received this Stock Appreciation Right Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

**9. Entire Agreement; Governing Law.** The Plan is incorporated herein by reference. The Plan and this Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Agreement is governed by the internal substantive laws but not the choice of law rules of California.

**10. No Guarantee of Continued Service.** PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THIS AWARD PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS STOCK APPRECIATION RIGHT OR RECEIVING A CASH PAYMENT HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER, AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Stock Appreciation Right subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

**PARTICIPANT**

**UDEMY, INC.**

\_\_\_\_\_  
Signature

By

\_\_\_\_\_  
Print Name

Print Name

\_\_\_\_\_

Title

**EXHIBIT A**

**2010 EQUITY INCENTIVE PLAN**

**STOCK APPRECIATION RIGHT AGREEMENT**

**EXERCISE NOTICE**

Udemy, Inc.  
600 Harrison Street, 3<sup>rd</sup> Floor San  
Francisco, CA 94107

Attention: Treasurer

1. **Exercise of Stock Appreciation Right.** Effective as of today, \_\_\_\_\_, \_\_\_\_\_, the undersigned ("**Participant**") hereby elects to exercise \_\_\_\_\_ Shares under and pursuant to the Company's 2010 Equity Incentive Plan (the "**Plan**") and the Stock Appreciation Right Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "**Agreement**"). The exercised Shares will be settled for an amount of cash equal to their Appreciation Value, reduced by any applicable tax withholding. Unless otherwise defined herein, the terms defined in the Plan or the Agreement shall have the same defined meanings in this Exercise Notice.

2. **Representations of Participant.** Participant acknowledges that Participant has received, read and understood the Plan and the Agreement and agrees to abide by and be bound by their terms and conditions.

3. **Tax Consultation.** Participant understands that Participant's exercise hereunder may have tax consequences for Participant. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the exercise hereunder and that Participant is not relying on the Company for any tax advice.

4. **Successors and Assigns.** The Company may assign any of its rights under this Exercise Notice to single or multiple assignees, and this Exercise Notice shall inure to the benefit of the successors and assigns of the Company. This Exercise Notice shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5. **Interpretation.** Any dispute regarding the interpretation of this Exercise Notice shall be submitted by Participant or by the Company forthwith to the Administrator, which shall review such dispute at its next regular meeting. The resolution of such a dispute by the Administrator shall be final and binding on all parties.

6. **Governing Law; Severability.** This Exercise Notice is governed by the internal substantive laws, but not the choice of law rules, of California. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Exercise Notice shall continue in full force and effect.

7. **Entire Agreement.** The Plan and Agreement are incorporated herein by reference. This Exercise Notice, the Plan, and the Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant.

Submitted by:

PARTICIPANT

Signature

Print Name

Address:

Accepted by:

UDEM, INC.

By

Print Name

Title

Address:

600 Harrison Street, 3rd Floor

San Francisco, CA 94107

Date Received

**Subsidiaries of the Registrant**

<u>Entity</u>	<u>Jurisdiction of Incorporation</u>
Udemy Ireland Ltd.	Ireland
Udemy Japan GK	Japan
Udemy Bilisim Teknolojiler I Danismanlik Ve Muhendi	Turkey
Udemy India LLP	India
Udemy Servicos Promocionais Sociedade Limitada	Brazil