Table of Contents

As filed with the Securities and Exchange Commission on September 11, 2012

Registration No. 333-182027

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

AMENDMENT NO. 4
TO
FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

QUALYS, INC.
(Exact name of registrant as specified in its charter)

Delaware	7372	77-0534145
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1600 Bridge Parkway
Redwood City, California 94065
(650) 801-6100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Philippe F. Courtot
Chairman, President and Chief Executive Officer
Qualys, Inc.
1600 Bridge Parkway
Redwood City, California 94065
(650) 801-6100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Jeffrey D. Saper Rezwan D. Pavri Wilson Sonsini Goodrich & Rosati, P.C. 650 Page Mill Road Palo Alto, California 94304 (650) 493-9300	Bruce K. Posey Vice President, General Counsel and Corporate Secretary Qualys, Inc. 1600 Bridge Parkway Redwood City, California 94065 (650) 801-6100	Timothy J. Moore John T. McKenna Cooley LLP 3175 Hanover Street Palo Alto, California 94304 (650) 843-5000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

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

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

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

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

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, par value $0.001 per share	8,711,250	$13.00	$113,246,250	$12,978.02

(1) Includes 1,136,250 shares that the underwriters have the option to purchase to cover over-allotments, if any.
(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(a) under the Securities Act of 1933, as amended.
(3) The registrant previously paid $11,460 of the registration fee with the initial filing of this registration statement.

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

Table of Contents

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

Preliminary Prospectus, subject to completion, dated September 11, 2012

Prospectus

7,575,000 Shares

COMMON STOCK

This is the initial public offering of common stock of Qualys, Inc.

We are offering 6,700,000 of the shares to be sold in this offering. The selling stockholders identified in this prospectus are offering an additional 875,000 shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between $11.00 and $13.00 per share.

We have applied for the listing of our common stock on the NASDAQ Stock Market under the symbol "QLYS."

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to Qualys, Inc., before expenses	$	$
Proceeds to selling stockholders, before expenses	$	$

We have granted the underwriters an option to purchase up to 1,136,250 additional shares of common stock from us to cover over-allotments.

Upon the completion of this offering, our executive officers, directors and principal stockholders will beneficially own approximately 61.5% of our outstanding common stock.

We are an "emerging growth company" as defined under the federal securities laws.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 13.

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

The underwriters expect to deliver the shares of common stock on or about , 2012.

J.P. Morgan **Credit Suisse**

RBC Capital Markets **Pacific Crest Securities**

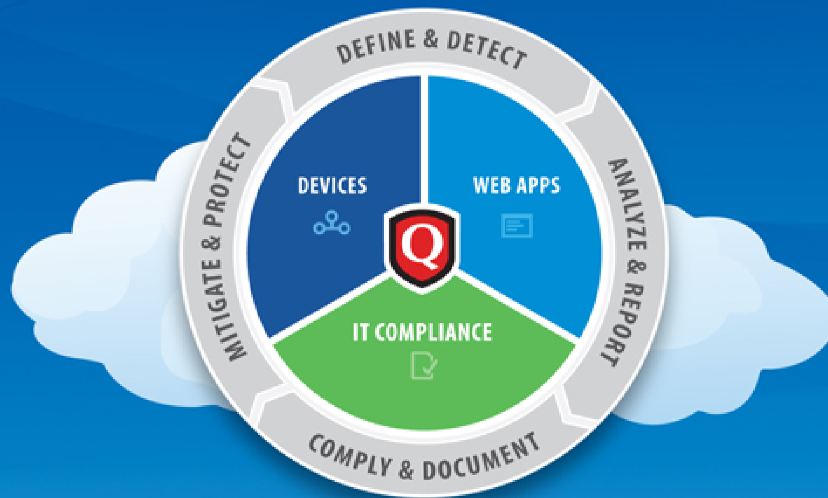
Baird **JMP Securities** **Lazard Capital Markets** **First Analysis Securities Corp.**

Prospectus dated , 2012

Table of Contents

QualysGuard Cloud Platform

A Unified View of Your Security & Compliance



Actionable Security Intelligence

Vulnerabilities

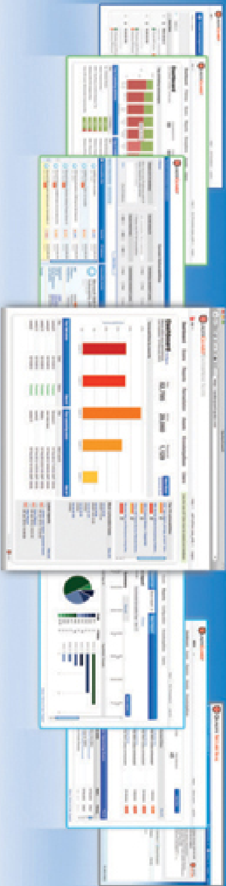
Malware

Compliance

[Table of Contents](#)

QualysGuard Cloud Platform & Integrated Suite of IT Security & Compliance Solutions

– Identify Security Risks
– Protect Against Cyber Attacks
– Automate Compliance



VM Vulnerability Management
PC Policy Compliance
PCI PCI Compliance
WAS Web Application Scanning
MDS Malware Detection Service
WAF* Web Application Firewall
QUALYS SECURE SECURE Seal

* In Beta

600,000,000+[1]
Scans and maps performed yearly

With

5,800+[2]
Global customers

In

100+[2]
Countries

With Only

300+[2]
Employees

Global Customers

70% Americas[3]
25% EMEA[3]
5% Asia[3]

[1] During the twelve months ended June 30, 2012
[2] As of June 30, 2012
[3] Percent based upon number of customers as of June 30, 2012 by geographic location

TABLE OF CONTENTS

Prospectus Summary	1
Risk Factors	13
Special Note Regarding Forward-Looking Statements	38
Industry and Market Data	40
Use of Proceeds	41
Dividend Policy	42
Capitalization	43
Dilution	45
Selected Consolidated Financial and Other Data	47
Management’s Discussion and Analysis of Financial Condition and Results of Operations	52
Business	81
Management	96
Executive Compensation	103
Certain Relationships and Related Party Transactions	113
Principal and Selling Stockholders	117
Description of Capital Stock	120
Shares Eligible for Future Sale	126
Material United States Federal Income Tax Consequences to Non-U.S. Holders	129
Underwriting	133
Legal Matters	139
Experts	139
Where You Can Find More Information	139
Index to Consolidated Financial Statements	F-1

You should rely only on the information contained in this prospectus and in any related free writing prospectus prepared by or on behalf of us. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with information different from, or in addition to, that contained in this prospectus or any related free writing prospectus. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.

Through and including   , 2012 (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.

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

PROSPECTUS SUMMARY

This summary highlights selected information that is presented in greater detail 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, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context otherwise requires, the terms "Qualys," "the company," "we," "us," and "our" in this prospectus refer to Qualys, Inc. and its consolidated subsidiaries.

Overview

We are a pioneer and leading provider of cloud security and compliance solutions that enable organizations to identify security risks to their IT infrastructures, help protect their IT systems and applications from ever-evolving cyber attacks and achieve compliance with internal policies and external regulations. Our cloud solutions address the growing security and compliance complexities and risks that are amplified by the dissolving boundaries between internal and external IT infrastructures and web environments, the rapid adoption of cloud computing and the proliferation of geographically dispersed IT assets. Organizations can use our integrated suite of solutions delivered on our QualysGuard Cloud Platform to cost-effectively obtain a unified view of their security and compliance posture across globally-distributed IT infrastructures.

We designed our QualysGuard Cloud Platform to transform the way organizations secure and protect their IT infrastructures and applications. Our cloud platform offers an integrated suite of solutions that automates the lifecycle of asset discovery, security assessments and compliance management for an organization's IT infrastructure and assets, whether they reside inside the organization, on their network perimeter or in the cloud. Since inception, our solutions have been designed to be delivered through the cloud and to be easily and rapidly deployed on a global scale across a broad range of industries, enabling faster implementation and lower total cost of ownership than traditional on-premise enterprise software products. Our customers, ranging from some of the largest organizations to small businesses, are all served from our globally-distributed cloud platform, enabling us to rapidly deliver new solutions, enhancements and security updates.

Our QualysGuard Cloud Platform is currently used by over 5,800 organizations in more than 100 countries, including a majority of each of the Forbes Global 100 and Fortune 100. We offer our suite of solutions primarily through renewable annual subscriptions. Our revenues increased from $57.4 million in 2009 to $65.4 million in 2010 to $76.2 million in 2011, and reached $43.4 million for the six months ended June 30, 2012, compared to $36.2 million in the six months ended June 30, 2011. We generated net income of $0.9 million in 2009, $0.8 million in 2010 and $2.0 million in 2011, and a net loss of $0.6 million for the six months ended June 30, 2012, compared to net income of $2.2 million for the six months ended June 30, 2011.

Industry Overview

IT infrastructures are rapidly evolving to take advantage of new technology trends, such as increasing adoption of cloud computing, broader usage of virtualization and increasing workforce mobility, that enable organizations to enhance productivity, lower costs, increase operational flexibility and gain a competitive advantage. However, as IT infrastructures evolve into more complex combinations of on-premise products and cloud solutions delivered globally through a wide range of

devices and applications, these technologies also present new security and compliance challenges, which include:

- ***Traditional IT security and compliance approaches struggle to effectively secure evolving IT environments.*** As IT infrastructures evolve to include a mixture of on-premise, cloud and hybrid environments consisting of multiple networks and millions of devices, traditional on-premise enterprise software products may limit the ability of organizations to effectively protect their infrastructures from security threats and ensure compliance with internal policies and external regulations.
- ***Security attacks targeting new layers of the IT infrastructure.*** In addition to well-known vulnerabilities and methods of attack, which are referred to as "attack vectors," the proliferation of networked devices, endpoints and web applications provides cyber attackers with a broader range of additional vulnerabilities to exploit across IT infrastructures.
- ***Costly regulatory and compliance requirements.*** As security breaches have increased, so have regulatory and compliance requirements. Organizations are faced with the increasing challenge and cost of managing policy compliance in addition to maintaining the security of their IT infrastructures.
- ***Security concerns for organizations adopting cloud applications and services.*** IT organizations are under increasing pressure to adopt next-generation cloud applications and services and are seeking solutions that provide comprehensive security across internal and cloud-based infrastructures.

Market Opportunity

The increasing complexity of IT infrastructures demands a new approach to IT security and compliance. Organizations are seeking efficient methods for discovering their IT assets, assessing the vulnerabilities of those assets and promptly remediating vulnerabilities. Reflecting this growing demand for next-generation solutions, International Data Corporation, or IDC, a research firm, forecasts that the vendor revenue tied to Cloud Security based solutions and for all types of Security & Vulnerability Management solutions will grow from a combined $5.1 billion in 2011 to a combined $9.3 billion in 2015, representing a CAGR of 15.9%. We believe there is considerable need for a comprehensive cloud security and compliance platform that can be easily and quickly deployed and can continuously collect and analyze large amounts of data from IT assets and web applications across globally-distributed IT environments.

Our Solution

We provide a cloud platform and integrated suite of solutions that enable organizations to simplify the process and reduce the cost of securing their IT assets and achieving compliance with internal policies and external regulations. Our platform and integrated suite of solutions:

- ***Delivers a robust and integrated suite of security solutions through a cloud platform.*** Our cloud architecture enables regular, automated scanning and analysis across large, global networks for an organization's connected devices, endpoints and web applications from a single platform, and can be extended to third-party systems and applications within an organization's ecosystem of customers and partners.
- ***Provides visibility into security across a broad range of IT assets and attack vectors.*** We enable our customers to substantially improve the security of their IT infrastructures by providing an automated, global and objective assessment of their security and compliance posture from the network to the application, including an organization's

networked devices, endpoints and web applications, as well as web browsers with their corresponding plug-ins.

- ***Enables more effective and lower-cost policy and regulatory compliance.*** Our policy compliance solutions help address a broad range of compliance requirements related to internal policies and external regulations across a variety of industries, including the payment card industry. These solutions enable organizations to automate compliance-related workflows and provide documentation of compliance demanded by regulators, auditors and other governing bodies.
- ***Enhances security of cloud computing.*** We help our customers to securely extend their IT infrastructures to cloud environments. Our cloud platform identifies and evaluates physical and virtual IT assets within internal and third-party IT environments, providing our customers with visibility into their security and compliance postures across their extended infrastructures.

Our Competitive Strengths

Our vision is to transform the way organizations secure and protect their IT infrastructures and applications. We believe our competitive strengths include:

- ***Trusted brand in cloud security.*** We are a pioneer in cloud security, having introduced our vulnerability management solution as a service in 2000, and have since built a reputation as a trusted and objective provider of reliable and accurate vulnerability and compliance assessments.
- ***Scalable and extensible cloud platform serving organizations of all sizes, across many industries globally.*** Our highly-scalable cloud architecture and modular security and compliance solutions allow customers to access the functionality they need to help ensure the security of their IT infrastructures. Our cloud platform is designed to serve organizations ranging from small businesses to large enterprises with millions of unique IP-addressable networked devices and applications across globally-distributed IT infrastructures.
- ***Longstanding focus on innovation in cloud security and compliance.*** Since inception, we have introduced innovative cloud security and compliance solutions that allow our customers to protect their IT environments more effectively and at a lower cost. We have invested significantly to continuously improve our platform and believe that we are well positioned to address the challenges of the evolving IT security and compliance landscape.
- ***Efficient customer acquisition and upsell model.*** Our cloud delivery model allows potential and existing customers to easily and immediately access one or more of our solutions on a trial basis from any web browser. This model also allows our customers to subscribe to only the solutions they need initially and easily expand the breadth of their deployment and the number of solutions they use as their needs evolve.

Our Growth Strategy

We intend to leverage our innovation and extensive expertise to strengthen our leadership position as a trusted provider of cloud security and compliance solutions. The key elements of our growth strategy include:

- Continue to innovate and enhance our cloud platform and suite of solutions;
- Expand the use of our suite of solutions by our large and diverse customer base;
- Drive new customer growth by targeting key accounts and expanding our sales and marketing organization and network of channel partners;

- Broaden our global reach by expanding our relationships with key security consulting organizations, managed security service providers and value added resellers; and
- Selectively pursue technology acquisitions to bolster our capabilities and leadership position.

Risks Related to Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors." Some of these risks include:

- We have a limited history of profitability and may not achieve or maintain profitability in the future;
- If the market for cloud solutions for IT security and compliance does not evolve as we anticipate, our revenues may not grow and our operating results would be harmed;
- If we do not successfully anticipate market needs and opportunities or are unable to enhance our solutions and develop new solutions that meet those needs and opportunities on a timely basis, we may not be able to compete effectively and our ability to generate revenues would suffer;
- If we fail to continue to effectively scale and adapt our platform to meet the performance and other requirements of our customers, our operating results and our business would be harmed;
- Our quarterly operating results may vary from period to period, which could cause the trading price of our stock to decline;
- Adverse economic conditions or reduced IT spending may adversely impact our business;
- Our business depends substantially on retaining our current customers and attracting new customers, and any decline in our customer renewals or slowing in the growth of our customer base could harm our future operating results;
- Subscriptions to our QualysGuard Vulnerability Management solution generate most of our revenues, and if we are unable to continue to renew and grow subscriptions for this solution, our operating results would suffer;
- If we are unable to sell subscriptions to additional solutions, our future revenue growth may be harmed;
- We face competition in our markets, and we may lack sufficient financial or other resources to maintain or improve our competitive position; and
- Immediately following the completion of this offering, our executive officers, directors and holders of 5% or more of our outstanding common stock will beneficially own approximately 61.5% of our common stock and will continue to have control of our management and affairs.

If we are unable to adequately address these and other risks we face, our business, financial condition, operating results and prospects may be adversely affected.

Additionally, we are an "emerging growth company" as defined in the recently enacted Jumpstart Our Business Startups Act, or JOBS Act, and therefore we may take advantage of certain exemptions from various public company reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation

and any golden parachute payments. We may take advantage of these exemptions until we are no longer an "emerging growth company." In addition, the JOBS Act provides that an "emerging growth company" can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

Our Corporate Information

We were incorporated in Delaware on December 30, 1999. Our principal executive offices are located at 1600 Bridge Parkway, Redwood City, California 94065. The telephone number of our principal executive offices is (650) 801-6100, and our main corporate website is www.qualys.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.

Qualys, the Qualys logo and QualysGuard, and other trademarks and service marks of Qualys appearing in this prospectus are the property of Qualys. This prospectus also contains trademarks and trade names of other businesses that are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this prospectus.

The Offering

Common stock offered by us	6,700,000 shares
Common stock offered by the selling stockholders	875,000 shares
Common stock to be outstanding after this offering	30,050,974 shares
Over-allotment option	We have granted the underwriters an option, exercisable for 30 days after the date of this prospectus, to purchase up to an additional 1,136,250 shares from us.
Use of proceeds	We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $71.8 million (or approximately $84.5 million if the underwriters exercise their over-allotment option in full), based on an assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders. We currently intend to use the net proceeds that we receive from this offering for capital expenditures, working capital and other general corporate purposes, which may include hiring additional personnel and investing in sales and marketing and research and development. In addition, we may use a portion of the proceeds that we receive from this offering to acquire or invest in complementary businesses, technologies or other assets. See the section titled "Use of Proceeds" for additional information.
Proposed NASDAQ symbol	"QLYS"

The number of shares of our common stock to be outstanding after this offering is based on 23,350,974 shares of common stock outstanding as of June 30, 2012, and excludes:

- 6,786,082 shares of our common stock issuable upon the exercise of options to purchase common stock that were outstanding as of June 30, 2012, with a weighted-average exercise price of $4.20 per share;
- 180,150 shares of our common stock issuable upon the exercise of options to purchase common stock that were granted after June 30, 2012, with a weighted-average exercise price of $9.40 per share; and

- 3,050,000 shares of our common stock reserved for future issuance pursuant to our 2012 Equity Incentive Plan, or our 2012 Plan, which will become effective prior to the completion of this offering and which contains provisions that automatically increase its share reserve each year.

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

- the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 17,597,258 shares of common stock, which will occur upon the completion of this offering;
- a one–for–ten reverse split of our preferred stock and common stock, which became effective on September 10, 2012;
- the filing and effectiveness of our amended and restated certificate of incorporation in Delaware and the adoption of our amended and restated bylaws, each of which will occur upon the completion of this offering; and
- no exercise by the underwriters of their option to purchase up to an additional 1,136,250 shares of common stock from us in this offering.

Table of Contents

Summary Consolidated Financial and Other Data

The following tables summarize our historical consolidated financial and other data. We derived the summary consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the consolidated balance sheet data as of June 30, 2012 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of our consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and our consolidated balance sheet data as of June 30, 2012. Our historical results are not necessarily indicative of the results that may be expected in the future, and the results for the six months ended June 30, 2012 are not necessarily indicative of operating results to be expected for the full year or any other period.

The following summary consolidated financial and other data should be read in conjunction with the sections titled "Selected Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010[3] (restated)	2011	2011 (unaudited)	2012 (unaudited)
Consolidated Statements of Operations Data:	(in thousands, except per share data)				
Revenues	$57,425	$65,432	$76,212	$36,185	$43,381
Cost of revenues[1]	10,692	11,204	13,247	5,899	8,789
Gross profit	46,733	54,228	62,965	30,286	34,592
Operating expenses:					
Research and development[1]	13,377	15,780	19,633	9,758	10,249
Sales and marketing[1]	24,782	29,056	31,526	14,312	19,030
General and administrative[1]	7,455	8,183	8,900	4,261	5,657
Total operating expenses	45,614	53,019	60,059	28,331	34,936
Income (loss) from operations	1,119	1,209	2,906	1,955	(344)
Other income (expense), net:					
Interest expense	(180)	(186)	(204)	(117)	(115)
Interest income	10	3	14	6	1
Other income (expense), net	130	(383)	(346)	519	(104)
Total other income (expense), net	(40)	(566)	(536)	408	(218)
Income (loss) before provision for (benefit from) income taxes	1,079	643	2,370	2,363	(562)
Provision for (benefit from) income taxes	220	(204)	416	210	0
Net income (loss)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Net income (loss) attributable to common stockholders	$ 171	$ 179	$ 436	$ 471	$ (562)
Net income (loss) per share attributable to common stockholders:[2]					
Basic	$ 0.04	$ 0.04	$ 0.09	$ 0.10	$ (0.10)
Diluted	$ 0.04	$ 0.04	$ 0.08	$ 0.09	$ (0.10)

Table of Contents

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010[3] (restated)	2011	2011	2012 (unaudited)
	(in thousands, except per share data)				
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:[2]					
Basic	4,400	4,706	5,053	4,932	5,392
Diluted	22,804	23,562	24,194	24,088	5,392
Pro forma net income (loss) per share attributable to common stockholders (unaudited):[2]					
Basic			$ 0.09		$(0.02)
Diluted			$ 0.08		$ (0.02)
Weighted-average shares used in computing pro forma net income (loss) per share attributable to common stockholders (unaudited):[2]					
Basic			22,643		22,989
Diluted			24,194		22,989

(1) Includes stock-based compensation as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
	(in thousands)				
Cost of revenues	$ 47	$ 80	$ 143	$ 52	$ 127
Research and development	315	359	499	222	317
Sales and marketing	284	467	578	234	507
General and administrative	474	964	927	454	605
Total stock-based compensation	$ 1,120	$ 1,870	$ 2,147	$962	$ 1,556

(2) See Notes 1 and 12 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net income (loss) per share attributable to common stockholders and pro forma net income (loss) per share attributable to common stockholders.

(3) We have restated our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the restatement.

	June 30, 2012		
	Actual	Pro Forma[1]	Pro Forma As Adjusted[2]
		(unaudited) (in thousands)	
Consolidated Balance Sheet Data:			
Cash	$ 28,459	$ 28,459	$100,231
Total assets	73,963	73,963	145,735
Deferred revenues, current	48,999	48,999	48,999
Deferred revenues, noncurrent	5,510	5,510	5,510
Convertible preferred stock	63,873	—	—
Total stockholders' equity (deficit)	(62,258)	1,615	73,387

(1) The pro forma consolidated balance sheet data above reflects the automatic conversion of all outstanding shares of our convertible preferred stock into 17,597,258 shares of common stock upon the completion of this offering.

(2) The pro forma as adjusted consolidated balance sheet data above reflects (i) the automatic conversion of all outstanding shares of our convertible preferred stock into 17,597,258 shares of common stock upon the completion of this offering, and (ii) the receipt of $71.8 million in net proceeds from the sale of 6,700,000 shares of common stock by us in this offering at an assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each $1.00 increase (decrease) per share in the assumed initial public offering price of $12.00 per share would increase (decrease) each of cash, total assets and total stockholders' equity (deficit) by $6.2 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions payable by us. An increase (decrease) of one million shares of common stock offered by us would increase (decrease) each of cash, total assets and total stockholders' equity (deficit) by $11.2 million, assuming an initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions payable by us.

Other Financial Data (unaudited):

In addition to measures of financial performance presented in our consolidated financial statements, we monitor the key metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies.

	Four Quarters Ended				
	December 31,			June 30,	
	2009	2010	2011	2011	2012
			(in thousands)		
Four-Quarter Bookings	$61,672	$69,977	$85,118	$75,688	$94,046

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
			(in thousands)		
Adjusted EBITDA	$6,162	$7,648	$10,426	$5,476	$4,758

Non-GAAP Financial Measures

Four-Quarter Bookings

We monitor Four-Quarter Bookings, a financial measure that is not prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, which is calculated as revenues for the preceding four quarters plus the change in current deferred revenues for the same

period. We believe this metric provides an additional tool for investors to use in assessing our business performance in a way that more fully reflects current business trends than reported revenues and reduces the variations in any particular quarter caused by customer subscription renewals. We believe Four-Quarter Bookings reflects the material sales trends for our business because it includes sales of subscriptions to new customers, as well as subscription renewals and upsells of additional subscriptions to existing customers. Since over 80% of our subscriptions are one year in length, we use current deferred revenues in this metric in order to focus on revenues to be generated over the next four quarters and to exclude the impact of multi-year subscriptions. Under our revenue recognition policy, we record subscription fees as deferred revenues and recognize revenues ratably over the subscription periods. For this reason, substantially all of our revenues for a period are typically generated from subscriptions commencing in prior periods. In addition, subscription renewals may vary during the year based on the date of our customers' original subscriptions, customer requests to modify subscription periods, or other factors.

The following unaudited table presents the reconciliation of revenues to Four-Quarter Bookings for the four quarters ended December 31, 2009, 2010 and 2011, and June 30, 2011 and 2012.

	Four Quarters Ended				
	December 31,			June 30,	
	2009	2010	2011	2011	2012
	(in thousands)				
Revenues	$57,425	$65,432	$76,212	$70,130	$83,408
Deferred revenues, current					
Beginning of the Four-Quarter Period	29,019	33,266	37,811	32,803	38,361
Ending	33,266	37,811	46,717	38,361	48,999
Net change	4,247	4,545	8,906	5,558	10,638
Four-Quarter Bookings	$61,672	$69,977	$85,118	$75,688	$94,046

Adjusted EBITDA

We monitor Adjusted EBITDA, a non-GAAP financial measure, to analyze our financial results and believe that it is useful to investors, as a supplement to U.S. GAAP measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance. We believe that Adjusted EBITDA helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that we exclude in Adjusted EBITDA. Furthermore, we use this measure to establish budgets and operational goals for managing our business and evaluating our performance. We also believe that Adjusted EBITDA provides an additional tool for investors to use in comparing our recurring core business operating results over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP. We calculate Adjusted EBITDA as net income (loss) before (1) other (income) expense, net, which includes interest income, interest expense and other income and expense, (2) provision for (benefit from) income taxes, (3) depreciation and amortization of property and equipment, (4) amortization of intangible assets and (5) stock-based compensation.

The following unaudited table presents the reconciliation of net income (loss) to Adjusted EBITDA for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010[1] (restated)	2011	2011	2012
			(in thousands)		
Net income (loss)	$ 859	$ 847	$ 1,954	$2,153	$ (562)
Other (income) expense, net	40	566	536	(408)	218
Provision for (benefit from) income taxes	220	(204)	416	210	0
Depreciation and amortization of property and equipment	3,868	4,400	4,939	2,345	3,327
Amortization of intangible assets	55	169	434	214	219
Stock-based compensation	1,120	1,870	2,147	962	1,556
Adjusted EBITDA	$6,162	$ 7,648	$10,426	$5,476	$4,758

(1) We have restated our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the restatement.

Limitations of Four-Quarter Bookings and Adjusted EBITDA

Four-Quarter Bookings and Adjusted EBITDA, non-GAAP financial measures, have limitations as analytical tools, and should not be considered in isolation from or as a substitute for measures presented in accordance with U.S. GAAP. Some of these limitations are:

- Four-Quarter Bookings reflects the amount of revenues over a four-quarter period, plus the net change in the current portion of deferred revenues, while revenues are recognized ratably over the subscription periods;
- Adjusted EBITDA does not reflect certain cash and non-cash charges that are recurring;
- Adjusted EBITDA does not reflect income tax payments that reduce cash available to us;
- Adjusted EBITDA excludes depreciation and amortization of property and equipment and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future; and
- Other companies, including companies in our industry, may calculate Four-Quarter Bookings or Adjusted EBITDA differently or not at all, which reduces their usefulness as a comparative measure.

Because of these limitations, Four-Quarter Bookings and Adjusted EBITDA should be considered alongside other financial performance measures, including revenues, net income (loss) and our financial results presented in accordance with U.S. GAAP.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes, before making a decision to invest in our common stock. If any of the following risks materialize, our business, financial condition, results of operations and prospects could be harmed. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business

We have a limited history of profitability and may not achieve or maintain profitability in the future.

We have not been consistently profitable on a quarterly or annual basis. While we have experienced significant revenue growth over recent years, we may not be able to sustain or increase our growth or return to profitability in the future. Although we had net income in 2009, 2010, and 2011, we experienced a net loss of $0.6 million for the six months ended June 30, 2012. The net loss was primarily due to increased sales and marketing activities in the first half of 2012 as we continued to expand our worldwide customer base as well as focus on the promotion of our new solutions. We plan to continue to invest in our infrastructure, new solutions, research and development and sales and marketing, and as a result, we cannot assure you that we will return to or maintain profitability. In addition, as a public company, we will incur significant accounting, legal and other expenses that we did not incur as a private company. As a result of these increased expenditures, we will have to generate and sustain increased revenues to achieve future profitability. We may incur losses in the future for a number of reasons, including without limitation, the other risks and uncertainties described in this prospectus. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our financial performance may be harmed and we may not again achieve or maintain profitability in the future.

If the market for cloud solutions for IT security and compliance does not evolve as we anticipate, our revenues may not grow and our operating results would be harmed.

Our success will depend to a significant extent on the willingness of organizations to increase their use of cloud solutions for their IT security and compliance. However, the market for cloud solutions for IT security and compliance is at an early stage relative to on-premise solutions, and as such, it is difficult to predict important market trends, including the potential growth, if any, of the market for cloud security and compliance solutions. To date, some organizations have been reluctant to use cloud solutions because they have concerns regarding the risks associated with the reliability or security of the technology delivery model associated with these solutions. If other cloud service providers experience security incidents, loss of customer data, disruptions in service delivery or other problems, the market for cloud solutions as a whole, including our solutions, may be negatively impacted. Moreover, many organizations have invested substantial personnel and financial resources to integrate on-premise software into their businesses, and as a result may be reluctant or unwilling to migrate to a cloud solution. Organizations that use on-premise security products, such as network firewalls, security information and event management products or data loss prevention solutions, may also believe that these products sufficiently protect their IT infrastructure and deliver adequate security. Therefore, they may continue spending their IT security budgets on these products and may not adopt our security and compliance solutions in addition to or as a replacement for such products.

If the market for cloud solutions for IT security and compliance does not evolve in the way we anticipate or if customers do not recognize the benefits of our cloud solutions over traditional on-premise enterprise software products, and as a result we are unable to increase sales of subscriptions to our solutions, then our revenues may not grow or may decline, and our operating results would be harmed.

If we do not successfully anticipate market needs and opportunities or are unable to enhance our solutions and develop new solutions that meet those needs and opportunities on a timely basis, we may not be able to compete effectively and our ability to generate revenues would suffer.

The IT security and compliance market is characterized by rapid technological advances, changes in customer requirements, frequent new product introductions and enhancements and evolving industry standards and regulatory mandates. We must also continually change and improve our solutions in response to changes in operating systems, application software, computer and communications hardware, networking software, data center architectures, programming tools and computer language technology.

We may not be able to anticipate future market needs and opportunities or develop enhancements or new solutions to meet such needs or opportunities in a timely manner or at all. The market for cloud solutions for IT security and compliance is relatively new, and it is uncertain whether our new solutions will gain market acceptance.

Our solution enhancements or new solutions could fail to attain sufficient market acceptance for many reasons, including:

- failure to timely meet market demand for product functionality;
- inability to identify and provide intelligence regarding the attacks or techniques used by cyber attackers;
- inability to interoperate effectively with the database technologies, file systems or web applications of our prospective customers;
- defects, errors or failures;
- delays in releasing our enhancements or new solutions;
- negative publicity about their performance or effectiveness;
- introduction or anticipated introduction of products by our competitors;
- poor business conditions, causing customers to delay IT security and compliance purchases;
- easing or changing of external regulations related to IT security and compliance; and
- reluctance of customers to purchase cloud solutions for IT security and compliance.

Furthermore, diversifying our solutions and expanding into new IT security and compliance markets will require significant investment and planning, require that our research and development and sales and marketing organizations develop expertise in these new markets, bring us more directly into competition with security and compliance providers that may be better established or have greater resources than we do, require additional investment of time and resources in the development and training of our channel partners and entail significant risk of failure.

If we fail to anticipate market requirements or fail to develop and introduce solution enhancements or new solutions to satisfy those requirements in a timely manner, such failure could substantially decrease or delay market acceptance and sales of our present and future solutions and cause us to lose existing customers or fail to gain new customers, which would significantly harm our business, financial condition and results of operations.

If we fail to continue to effectively scale and adapt our platform to meet the performance and other requirements of our customers, our operating results and our business would be harmed.

Our future growth is dependent upon our ability to continue to meet the expanding needs of our customers as their use of our cloud platform grows. As these customers gain more experience with our solutions, the number of users and the number of locations where our solutions are being accessed may expand rapidly in the future. In order to ensure that we meet the performance and other requirements of our customers, we intend to continue to make significant investments to develop and implement new proprietary and third-party technologies at all levels of our cloud platform. These technologies, which include databases, applications and server optimizations, and network and hosting strategies, are often complex, new and unproven. We may not be successful in developing or implementing these technologies. To the extent that we do not effectively scale our platform to maintain performance as our customers expand their use of our platform, our operating results and our business may be harmed.

Our quarterly operating results may vary from period to period, which could result in our failure to meet expectations with respect to operating results and cause the trading price of our stock to decline.

Our operating results have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including:

- the level of demand for our solutions;
- changes in customer renewals of our solutions;
- the extent to which customers subscribe for additional solutions;
- seasonal buying patterns of our customers;
- the level of perceived threats to IT security;
- security breaches, technical difficulties or interruptions with our service;
- changes in the growth rate of the IT security and compliance market;
- the timing and success of new product or service introductions by us or our competitors or any other changes in the competitive landscape of our industry, including consolidation among our competitors;
- the introduction or adoption of new technologies that compete with our solutions;
- decisions by potential customers to purchase IT security and compliance products or services from other vendors;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- the timing of sales commissions relative to the recognition of revenues;
- the announcement or adoption of new regulations and policy mandates or changes to existing regulations and policy mandates;
- price competition;
- insolvency or credit difficulties confronting our customers, affecting their ability to purchase or pay for our solutions;
- changes in foreign currency exchange rates;
- general economic conditions, both domestically and in the foreign markets in which we sell our solutions; and
- future accounting pronouncements or changes in our accounting policies.

Each factor above or discussed elsewhere in this prospectus or the cumulative effect of some of these factors may result in fluctuations in our operating results. This variability and unpredictability could result in our failure to meet expectations with respect to operating results, or those of securities analysts or investors, for a particular period. In addition, a significant percentage of our operating expenses are fixed in nature and based on forecasted trends in revenues. Accordingly, in the event of shortfalls in revenues, we are generally unable to mitigate the negative impact on margins in the short term by reducing our operating expenses. If we fail to meet or exceed expectations for our operating results for these or any other reasons, the market price of our shares could fall and we could face costly lawsuits, including securities class action suits.

Adverse economic conditions or reduced IT spending may adversely impact our business.

Our business depends on the overall demand for IT and on the economic health of our current and prospective customers. In general, worldwide economic conditions remain unstable, and these conditions make it difficult for our customers, prospective customers and us to forecast and plan future business activities accurately, and they could cause our customers or prospective customers to reevaluate their decision to purchase our solutions. Weak global economic conditions, or a reduction in IT spending even if economic conditions improve, could adversely impact our business, financial condition and results of operations in a number of ways, including longer sales cycles, lower prices for our solutions, reduced bookings and lower or no growth.

Our business depends substantially on retaining our current customers, and any reduction in our customer renewals or revenues from such customers could harm our future operating results.

We offer our QualysGuard Cloud Platform and integrated suite of solutions pursuant to a software-as-a-service model, and our customers purchase subscriptions from us that are generally one year in length. Our customers have no obligation to renew their subscriptions after their subscription period expires, and they may not renew their subscriptions at the same or higher levels or at all. As a result, our ability to grow depends in part on customers renewing their existing subscriptions and purchasing additional subscriptions and solutions. Our customers may choose not to renew their subscriptions to our solutions or purchase additional solutions due to a number of factors, including their satisfaction or dissatisfaction with our solutions, the prices of our solutions, the prices of products or services offered by our competitors, reductions in our customers' spending levels due to the macroeconomic environment or other factors. If our customers do not renew their subscriptions to our solutions, renew on less favorable terms, or do not purchase additional solutions or subscriptions, our revenues may grow more slowly than expected or decline and our results of operations may be harmed.

If we are unable to continue to attract new customers and grow our customer base, our growth could be slower than we expect and our business may be harmed.

We believe that our future growth depends in part upon increasing our customer base. Our ability to achieve significant growth in revenues in the future will depend, in large part, upon continually attracting new customers and obtaining subscription renewals to our solutions from those customers. If we fail to attract new customers our revenues may grow more slowly than expected and our business may be harmed.

Subscriptions to our QualysGuard Vulnerability Management solution generate most of our revenues, and if we are unable to continue to renew and grow subscriptions for this solution, our operating results would suffer.

We derived 96%, 92%, 90% and 88% of our revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, from subscriptions to our QualysGuard Vulnerability Management solution, and we expect to continue to derive a significant majority of our revenues from sales of subscriptions to this solution for the foreseeable future. As a result, the market demand for our QualysGuard Vulnerability Management solution is critical to our continued success. Demand for this solution is affected by a number of factors beyond our control, including continued market acceptance of our solution for existing and new use cases, the timing of development and release of new products or services by our competitors, technological change, and growth or contraction in our market. Our inability to renew or increase subscriptions for this solution or a decline in price of this solution would harm our business and operating results more seriously than if we derived significant revenues from a variety of solutions.

If we are unable to sell subscriptions to additional solutions, our future revenue growth may be harmed and our business may suffer.

We will need to increase the revenues that we derive from our current and future solutions other than QualysGuard Vulnerability Management for our business and revenues to grow as we expect. Revenues from our other solutions, including our Web Application Scanning, Policy Compliance, PCI Compliance, Malware Detection Service and Qualys SECURE Seal, have been relatively modest compared to revenues from our QualysGuard Vulnerability Management solution. Our future success depends in part on our ability to sell subscriptions to these additional solutions to existing and new customers. This may require more costly sales and marketing efforts and may not result in additional sales. If our efforts to sell subscriptions to additional solutions to existing and new customers are not successful, our business may suffer.

Our security and compliance solutions are primarily delivered out of two data centers, and any disruption of service at these facilities would interrupt or delay our ability to deliver our solutions to our customers which could reduce our revenues and harm our operating results.

We currently host substantially all of our solutions from two third-party data centers, located in the United States and Switzerland. These facilities are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cybersecurity attacks, terrorist attacks, power losses, telecommunications failures and similar events. The facilities also could be subject to break-ins, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster, an act of terrorism or misconduct, a decision to close the facilities without adequate notice or other unanticipated problems could result in interruptions in our services.

Our data centers are not currently redundant and we cannot rapidly move customers from one data center to another, which may increase delays in the restoration of our service for our customers if an adverse event occurs. We intend to add additional data center facilities in 2013 to provide additional capacity for our cloud platform and enable disaster recovery. These additional facilities may not be operational in the anticipated time frame and we may incur unplanned expenses.

Additionally, our existing data center facilities providers have no obligations to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew our agreements with the facilities providers on commercially reasonable terms or if in the future we add additional data center facility providers, we may experience costs or downtime in connection with the loss of an existing facility or the transfer to, or addition of, new data center facilities.

Any disruptions or other performance problems with our solutions could harm our reputation and business and may damage our customers' businesses. Interruptions in our service delivery might reduce our revenues, cause us to issue credits to customers, subject us to potential liability and cause customers to terminate their subscriptions or not renew their subscriptions.

If we are unable to increase market awareness of our company and our new solutions, our revenues may not continue to grow, or may decline.

We have a limited operating history, particularly in certain markets and solution offerings, and we believe that we need to continue to develop market awareness in the IT security and compliance market. Market awareness of our capabilities and solutions is essential to our continued growth and success in all of our markets, particularly for the large enterprise, service provider and government markets. If our marketing programs are not successful in creating market awareness of our company and our full suite of solutions, our business, financial condition and results of operations may be adversely affected, and we may not be able to achieve our expected growth.

If our solutions fail to help our customers achieve and maintain compliance with regulations and industry standards, our revenues and operating results could be harmed.

We generate a portion of our revenues from solutions that help organizations achieve and maintain compliance with regulations and industry standards. For example, many of our customers subscribe to our security and compliance solutions to help them comply with the security standards developed and maintained by the Payment Card Industry Security Standards Council, or the PCI Council, which apply to companies that store cardholder data. Industry organizations like the PCI Council may significantly change their security standards with little or no notice, including changes that could make their standards more or less onerous for businesses. Governments may also adopt new laws or regulations, or make changes to existing laws or regulations, that could impact the demand for or value of our solutions.

If we are unable to adapt our solutions to changing regulatory standards in a timely manner, or if our solutions fail to assist with or expedite our customers' compliance initiatives, our customers may lose confidence in our solutions and could switch to products offered by our competitors. In addition, if regulations and standards related to data security, vulnerability management and other IT security and compliance requirements are relaxed or the penalties for non-compliance are changed in a manner that makes them less onerous, our customers may view government and industry regulatory compliance as less critical to their businesses, and our customers may be less willing to purchase our solutions. In any of these cases, our revenues and operating results could be harmed.

If our solutions fail to detect vulnerabilities or incorrectly detect vulnerabilities, our brand and reputation could be harmed, which could have an adverse effect on our business and results of operations.

If our solutions fail to detect vulnerabilities in our customers' IT infrastructures, or if our solutions fail to identify and respond to new and increasingly complex methods of attacks, our business and reputation may suffer. There is no guarantee that our solutions will detect all vulnerabilities. Additionally, our security and compliance solutions may falsely detect vulnerabilities or threats that do not actually exist. For example, some of our solutions rely on information on attack sources aggregated from third-party data providers who monitor global malicious activity originating from a variety of sources, including anonymous proxies, specific IP addresses, botnets and phishing sites. If the information from these data providers is inaccurate, the potential for false indications of security vulnerabilities increases. These false positives, while typical in the industry, may impair the perceived reliability of our solutions and may therefore adversely impact market acceptance of our solutions and

could result in negative publicity, loss of customers and sales and increased costs to remedy any problem.

In addition, our solutions do not currently extend to cover mobile devices or personal devices that employees may bring into an organization. As such, our solutions would not identify or address vulnerabilities in mobile devices, such as mobile phones or tablets, or personal devices, and our customers' IT infrastructures may be compromised by attacks that infiltrate their networks through such devices.

An actual or perceived security breach or theft of the sensitive data of one of our customers, regardless of whether the breach is attributable to the failure of our solutions, could adversely affect the market's perception of our security solutions.

Incorrect or improper implementation or use of our solutions could result in customer dissatisfaction and harm our business and reputation.

Our solutions are deployed in a wide variety of IT environments, including large-scale, complex infrastructures. If our customers are unable to implement our solutions successfully, customer perceptions of our platform may be impaired or our reputation and brand may suffer. Our customers have in the past inadvertently misused our solutions, which triggered downtime in their internal infrastructure until the problem was resolved. Any misuse of our solutions could result in customer dissatisfaction, impact the perceived reliability of our solutions, result in negative press coverage, negatively affect our reputation and harm our financial results.

As a security provider, our platform, website and internal systems may be subject to intentional disruption that could adversely impact our reputation and future sales.

Our operations involve providing IT security solutions to our customers, and as a result we could be a target of cyber attacks designed to impede the performance of our solutions, penetrate our network security or the security of our cloud platform or our internal systems, misappropriate proprietary information and/or cause interruptions to our services. If an actual or perceived breach of our network security occurs, it could adversely affect the market perception of our solutions, negatively affecting our reputation, and may expose us to the loss of information, litigation and possible liability. Such a security breach could also divert the efforts of our technical and management personnel. In addition, such a security breach could impair our ability to operate our business and provide solutions to our customers. If this happens, our reputation could be harmed, our revenues could decline and our business could suffer.

Undetected software errors or flaws in our cloud platform could harm our reputation or decrease market acceptance of our solutions, which would harm our operating results.

Our solutions may contain undetected errors or defects when first introduced or as new versions are released. We have experienced these errors or defects in the past in connection with new solutions and solution upgrades and we expect that these errors or defects will be found from time to time in the future in new or enhanced solutions after commercial release of these solutions. Since our customers use our solutions for security and compliance reasons, any errors, defects, disruptions in service or other performance problems with our solutions may damage our customers' business and could hurt our reputation. If that occurs, we may incur significant costs, the attention of our key personnel could be diverted, our customers may delay or withhold payment to us or elect not to renew, or other significant customer relations problems may arise. We may also be subject to liability claims for damages related to errors or defects in our solutions. A material liability claim or other occurrence that harms our reputation or decreases market acceptance of our solutions may harm our business and operating results.

Our solutions could be used to collect and store personal information of our customers' employees or customers, and therefore privacy concerns could result in additional cost and liability to us or inhibit sales of our solutions.

We collect the names and email addresses of our customers in connection with subscriptions to our solutions. Additionally, the data that our solutions collect to help secure and protect the IT infrastructure of our customers may include additional personal information of our customers' employees and their customers. Personal privacy has become a significant issue in the United States and in many other countries where we offer our solutions. The regulatory framework for privacy issues worldwide is currently evolving and is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use, disclosure and retention of personal information. In the United States, these include, for example, rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, or HIPAA, the Gramm-Leach-Bliley Act, or GLB, and state breach notification laws. Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal framework with which we or our customers must comply, including the Data Protection Directive established in the European Union and the Federal Data Protection Act recently passed in Germany.

In addition to laws and regulations, privacy advocacy and industry groups or other private parties may propose new and different privacy standards that either legally or contractually apply to us. Because the interpretation and application of privacy and data protection laws and privacy standards are still uncertain, it is possible that these laws or privacy standards may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our solutions. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our solutions, which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and privacy standards, could result in additional cost and liability to us, damage our reputation, inhibit sales of subscriptions and harm our business.

Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and privacy standards that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our solutions. Privacy concerns, whether valid or not valid, may inhibit market adoption of our solutions particularly in certain industries and foreign countries.

Disruptive technologies could gain wide adoption and supplant our cloud security and compliance solutions, thereby weakening our sales and harming our results of operations.

The introduction of products and services embodying new technologies could render our existing solutions obsolete or less attractive to customers. Our business could be harmed if new security and compliance technologies are widely adopted. We may not be able to successfully anticipate or adapt to changing technology or customer requirements on a timely basis, or at all. If we fail to keep up with technological changes or to convince our customers and potential customers of the value of our solutions even in light of new technologies, our business could be harmed and our revenues may decline.

We face competition in our markets, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

We compete with a large range of established and emerging vulnerability management vendors, compliance vendors and data security vendors in a highly fragmented and competitive environment.

We face significant competition for each of our solutions from companies with broad product suites and greater name recognition and resources than we have, as well as from small companies focused on specialized security solutions.

We compete with large public companies, such as Hewlett-Packard Company, Imperva, Inc., International Business Machines Corporation, McAfee, Inc. (a subsidiary of Intel Corporation), and Symantec Corporation, as well as private security providers including Barracuda Networks, Inc., BeyondTrust Software, Inc., Lumension Security, Inc., nCircle Network Security, Inc., NetIQ Corporation, Rapid7 LLC, Tenable Network Security, Inc. and Trustwave Holdings, Inc. We also seek to replace IT security and compliance solutions that organizations have developed internally. As we continue to extend our cloud platform's functionality by further developing security and compliance solutions, such as web application scanning and firewalls, we expect to face additional competition in these new markets. Our competitors may also attempt to further expand their presence in the IT security and compliance market and compete more directly against one or more of our solutions.

We believe that the principal competitive factors affecting our markets include product functionality, breadth of offerings, flexibility of delivery models, ease of deployment and use, total cost of ownership, scalability and performance, customer support and extensibility of platform. Many of our existing and potential competitors have competitive advantages, including:

- greater brand name recognition;
- larger sales and marketing budgets and resources;
- broader distribution networks and more established relationships with distributors and customers;
- access to larger customer bases;
- greater customer support resources;
- greater resources to make acquisitions;
- greater resources to develop and introduce products that compete with our solutions; and
- substantially greater financial, technical and other resources.

As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. With the introduction of new technologies, the evolution of our service and new market entrants, we expect competition to intensify in the future.

In addition, some of our larger competitors have substantially broader product offerings and can bundle competing products and services with other software offerings. As a result, customers may choose a bundled product offering from our competitors, even if individual products have more limited functionality than our solutions. These competitors may also offer their products at a lower price as part of this larger sale, which could increase pricing pressure on our solutions and cause the average sales price for our solutions to decline. These larger competitors are also often in a better position to withstand any significant reduction in capital spending, and will therefore not be as susceptible to economic downturns.

Furthermore, our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and product and services offerings in the markets we address. In addition, current or potential competitors may be acquired by third parties with greater available resources. As a result of such relationships and acquisitions, our current or potential competitors might be able to adapt more quickly to new

technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. For all of these reasons, we may not be able to compete successfully against our current or future competitors.

Our business and operations have experienced rapid growth, and if we do not appropriately manage any future growth, or are unable to improve our systems and processes, our operating results may be negatively affected.

We have experienced rapid growth over the last several years. From 2009 to 2011, our revenues have grown from $57.4 million to $76.2 million, and our headcount increased from 205 employees at the beginning of 2009 to 300 employees at the end of 2011. We rely on information technology systems to help manage critical functions such as order processing, revenue recognition and financial forecasts. To manage any future growth effectively, and in connection with our transition to a publicly-listed company, we must continue to improve and expand our IT systems, financial infrastructure, and operating and administrative systems and controls, and continue to manage headcount, capital and processes in an efficient manner. We may not be able to successfully implement improvements to these systems and processes in a timely or efficient manner.

Our failure to improve our systems and processes, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to accurately forecast our revenues, expenses and earnings, or to prevent certain losses. In addition, as we continue to grow, our productivity and the quality of our solutions may also be adversely affected if we do not integrate and train our new employees quickly and effectively. Any future growth would add complexity to our organization and require effective coordination across our organization. Failure to manage any future growth effectively could result in increased costs, harm our results of operations and lead to investors losing confidence in our internal systems and processes.

Forecasts of market growth may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, there can be no assurance that our business will grow at similar rates, or at all.

Growth forecasts relating to the expected growth in the market for IT security and compliance and other markets are subject to significant uncertainty and are based on assumptions and estimates which may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth included in this prospectus should not be taken as indicative of our future growth.

If we are unable to continue the expansion of our sales force, sales of our solutions and the growth of our business would be harmed.

We believe that our growth will depend, to a significant extent, on our success in recruiting and retaining a sufficient number of qualified sales personnel and their ability to obtain new customers, manage our existing customer base and expand the sales of our newer solutions. We plan to continue to expand our sales force and make significant investment in our sales and marketing activities. Our recent hires and planned hires may not become as productive as quickly as we would like, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. If we are unable to recruit and retain a sufficient number of productive sales personnel, sales of our solutions and the growth of our business may be harmed. Additionally, if our

efforts do not result in increased revenues, our operating results could be negatively impacted due to the upfront operating expenses associated with expanding our sales force.

Our sales cycle can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, revenues may vary from period to period, which may cause our operating results to fluctuate and could harm our business.

The timing of sales of subscriptions for our solutions is difficult to forecast because of the length and unpredictability of our sales cycle, particularly with large enterprises. We sell subscriptions to our security and compliance solutions primarily to IT departments that are managing a growing set of user and compliance demands, which has increased the complexity of customer requirements to be met and confirmed during the sales cycle and prolonged our sales cycle. Further, the length of time that potential customers devote to their testing and evaluation, contract negotiation and budgeting processes varies significantly, which has also made our sales cycle long and unpredictable. The length of the sales cycle for our solutions typically ranges from six to twelve months but can be more than eighteen months. In addition, we might devote substantial time and effort to a particular unsuccessful sales effort, and as a result we could lose other sales opportunities or incur expenses that are not offset by an increase in revenues, which could harm our business.

We rely on third-party channel partners to generate a substantial amount of our revenues, and if we fail to expand and manage our distribution channels, our revenues could decline and our growth prospects could suffer.

Our success is significantly dependent upon establishing and maintaining relationships with a variety of channel partners and we anticipate that we will continue to depend on these partners in order to grow our business. For 2009, 2010 and 2011 and the six months ended June 30, 2012, we derived approximately 30%, 33%, 38% and 40%, respectively, of our revenues from sales of subscriptions for our solutions through channel partners, and the percentage of revenues derived from channel partners may increase in future periods. Additionally, one of our channel partners, Dell Inc., accounted for 4% and 6% of our revenues for 2011 and the six months ended June 30, 2012, respectively. Our agreements with our channel partners are generally non-exclusive and do not prohibit them from working with our competitors or offering competing solutions, and many of our channel partners have more established relationships with our competitors. If our channel partners choose to place greater emphasis on products of their own or those offered by our competitors, do not effectively market and sell our solutions, or fail to meet the needs of our customers, then our ability to grow our business and sell our solutions may be adversely affected. In addition, the loss of one or more of our larger channel partners, who may cease marketing our solutions with limited or no notice, and our possible inability to replace them, could adversely affect our sales. Moreover, our ability to expand our distribution channels depends in part on our ability to educate our channel partners about our solutions, which can be complex. Our failure to recruit additional channel partners, or any reduction or delay in their sales of our solutions or conflicts between channel sales and our direct sales and marketing activities may harm our results of operations. Even if we are successful, these relationships may not result in greater customer usage of our solutions or increased revenues.

We rely on software-as-a-service vendors to operate certain functions of our business and any failure of such vendors to provide services to us could adversely impact our business and operations.

We rely on software-as-a-service vendors to operate certain critical functions of our business, including financial management and human resource management. If these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices, our expenses could increase, our ability to manage our

finances could be interrupted and our processes for managing sales of our solutions and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and integrated, all of which could harm our business.

We use third-party software and data that may be difficult to replace or cause errors or failures of our solutions that could lead to lost customers or harm to our reputation and our operating results.

We license third-party software as well as security and compliance data from various third parties to deliver our solutions. In the future, this software or data may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of this software or data could result in delays in the provisioning of our solutions until equivalent technology or data is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. In addition, any errors or defects in or failures of this third-party software could result in errors or defects in our solutions or cause our solutions to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third-party providers that could harm our reputation and increase our operating costs.

We will need to maintain our relationships with third-party software and data providers, and to obtain software and data from such providers that does not contain any errors or defects. Any failure to do so could adversely impact our ability to deliver effective solutions to our customers and could harm our operating results.

Our solutions contain third-party open source software components, and our failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our solutions.

Our solutions contain software licensed to us by third-parties under so-called “open source” licenses, including the GNU General Public License, or GPL, the GNU Lesser General Public License, or LGPL, the BSD License, the Apache License and others. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that such open source software infringes the claimants’ intellectual property rights. We could be subject to suits by parties claiming that what we believe to be licensed open source software infringes their intellectual property rights. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. In addition, certain open source licenses require that source code for software programs that are subject to the license be made available to the public and that any modifications or derivative works to such open source software continue to be licensed under the same terms. If we combine our proprietary software with open source software in certain ways, we could, in some circumstances, be required to release the source code of our proprietary software to the public. Disclosing the source code of our proprietary software could make it easier for cyber attackers and other third parties to discover vulnerabilities in or to defeat the protections of our solutions, which could result in our solutions failing to provide our customers with the security they expect from our services. This could harm our business and reputation. Disclosing our proprietary source code also could allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales for us. Any of these events could have a material adverse effect on our business, operating results and financial condition.

Although we monitor our use of open source software in an effort both to comply with the terms of the applicable open sources licenses and to avoid subjecting our solutions to conditions we do not

intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions. In this event, we could be required to seek licenses from third parties to continue offering our solutions, to make our proprietary code generally available in source code form, to re-engineer our solutions or to discontinue the sale of our solutions if re-engineering could not be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

Delays or interruptions in the manufacturing and delivery of our physical scanner appliances by our sole source manufacturer may harm our business.

Upon customer request, we provide physical or virtual scanner appliances on a subscription basis as an additional capability to the customer's subscription for use during their subscription term. Our physical scanner appliances are built by a single manufacturer. Our reliance on a sole manufacturer involves several risks, including a potential inability to obtain an adequate supply of physical scanner appliances and limited control over pricing, quality and timely deployment of such scanner appliances. In addition, replacing this manufacturer may be difficult and could result in an inability or delay in deploying our solutions to customers that request physical scanner appliances as part of their subscriptions.

Furthermore, our manufacturer's ability to timely manufacture and ship our physical scanner appliances depends on a variety of factors, such as the availability of hardware components, supply shortages or contractual restrictions. In the event of an interruption from this manufacturer, we may not be able to develop alternate or secondary sources in a timely manner. If we are unable to purchase physical scanner appliances in quantities sufficient to meet our requirements on a timely basis, we may not be able to effectively deploy our solutions to new customers that request physical scanner appliances, which could harm our business.

A significant portion of our customers and channel partners are located outside of the United States, which subjects us to a number of risks associated with conducting international operations and if we are unable to successfully manage these risks, our business and operating results could be harmed.

We market and sell subscriptions to our solutions throughout the world and have personnel in many parts of the world. In addition, we have sales offices and research and development facilities outside the United States and we conduct, and expect to continue to conduct, a significant amount of our business with organizations that are located outside the United States, particularly in Europe and Asia. Therefore, we are subject to risks associated with having international sales and worldwide operations, including:

- foreign currency exchange fluctuations;
- trade and foreign exchange restrictions;
- economic or political instability in foreign markets;
- greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods;
- changes in regulatory requirements;
- difficulties and costs of staffing and managing foreign operations;
- the uncertainty and limitation of protection for intellectual property rights in some countries;
- costs of compliance with foreign laws and regulations and the risks and costs of non-compliance with such laws and regulations;

- costs of complying with U.S. laws and regulations for foreign operations, including the Foreign Corrupt Practices Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our solutions in certain foreign markets, and the risks and costs of non-compliance;
- heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, and irregularities in, financial statements;
- the potential for political unrest, acts of terrorism, hostilities or war;
- management communication and integration problems resulting from cultural differences and geographic dispersion; and
- multiple and possibly overlapping tax structures.

Our business, including the sales of subscriptions of our solutions, may be subject to foreign governmental regulations, which vary substantially from country to country and change from time to time. Failure to comply with these regulations could adversely affect our business. Further, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. Although we have implemented policies and procedures designed to ensure compliance with these laws and policies, there can be no assurance that all of our employees, contractors, channel partners and agents have complied or will comply with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our solutions and could have a material adverse effect on our business and results of operations. If we are unable to successfully manage the challenges of international operations, our business and operating results could be adversely affected.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Our reporting currency is the U.S. dollar and we generate a majority of our revenues in U.S. dollars. However, in 2011, we incurred approximately 20% of our expenses outside of the United States in foreign currencies, primarily Euros, principally with respect to salaries and related personnel expenses associated with our European operations. Additionally, in 2011, 21% of our revenues were generated in foreign currencies. Accordingly, changes in exchange rates may have a material adverse effect on our business, operating results and financial condition. The exchange rate between the U.S. dollar and foreign currencies has fluctuated substantially in recent years and may continue to fluctuate substantially in the future. We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs, as well as capital and operating expenditures, will continue to be denominated in Euros. The results of our operations may be adversely affected by foreign exchange fluctuations.

We use forward foreign exchange contracts to mitigate the effect of changes in foreign exchange rates on cash and accounts receivable balances denominated in certain foreign currencies. However, we may not be able to purchase derivative instruments that are adequate to insulate ourselves from foreign currency exchange risks. Additionally, our hedging activities may contribute to increased losses as a result of volatility in foreign currency markets.

Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and operating results.

The success of our business depends in part on our ability to protect and enforce our trade secrets, trademarks, copyrights, patents and other intellectual property rights. We attempt to protect our intellectual property under copyright, trade secret, patent and trademark laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection.

We primarily rely on our unpatented proprietary technology and trade secrets. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. The contractual provisions that we enter into with employees, consultants, partners, vendors and customers may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, solutions and intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. We may be unable to determine the extent of any unauthorized use or infringement of our solutions, technologies or intellectual property rights.

We have several pending U.S. patent applications, and may file additional patent applications in the future. Additionally, as of June 30, 2012, we had an exclusive license to four third-party patents. The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. Furthermore, it is possible that our patent applications may not result in granted patents, that the scope of our issued patents will be limited or not provide the coverage originally sought, that our issued patents will not provide us with any competitive advantages, or that our patents and other intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. In addition, issuance of a patent does not guarantee that we have an absolute right to practice the patented invention. As a result, we may not be able to obtain adequate patent protection or to enforce our issued patents effectively.

From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could negatively affect our business, operating results and financial condition. If we are unable to protect our intellectual property rights, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create the innovative solutions that have enabled us to be successful to date.

Assertions by third parties of infringement or other violations by us of their intellectual property rights could result in significant costs and harm our business and operating results.

Patent and other intellectual property disputes are common in our industry. Some companies, including some of our competitors, own large numbers of patents, copyrights and trademarks, which they may use to assert claims against us. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers or channel partners whom we typically indemnify against claims that our solutions infringe, misappropriate or otherwise violate the intellectual property rights of third

parties. As the numbers of products and competitors in our market increase and overlaps occur, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business.

The patent portfolios of our most significant competitors are larger than ours. This disparity may increase the risk that they may sue us for patent infringement and may limit our ability to counterclaim for patent infringement or settle through patent cross-licenses. In addition, future assertions of patent rights by third parties, and any resulting litigation, may involve patent holding companies or other adverse patent owners who have no relevant product revenues and against whom our own patents may therefore provide little or no deterrence or protection. There can be no assurance that we will not be found to infringe or otherwise violate any third-party intellectual property rights or to have done so in the past.

An adverse outcome of a dispute may require us to:

- pay substantial damages, including treble damages, if we are found to have willfully infringed a third party’s patents or copyrights;
- cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others;
- expend additional development resources to attempt to redesign our solutions or otherwise develop non-infringing technology, which may not be successful;
- enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights; and
- indemnify our partners and other third parties.

In addition, royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. Some licenses may also be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. Any of the foregoing events could seriously harm our business, financial condition and results of operations.

If we are required to collect sales and use or other taxes on the solutions we sell, we may be subject to liability for past sales and our future sales may decrease.

Taxing jurisdictions, including state and local entities, have differing rules and regulations governing sales and use or other taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our subscription services in various jurisdictions is unclear. We have recorded sales tax liabilities of $0.4 million on our consolidated balance sheet as of June 30, 2012 with respect to sales and use tax liabilities in various jurisdictions where we have not yet billed sales tax to our customers and where we believe we may have exposure. It is possible that we could face sales tax audits and that our liability for these taxes could exceed our estimates as tax authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. We could also be subject to audits with respect to state and international jurisdictions for which we have not accrued tax liabilities. A successful assertion that we should be collecting additional sales or other taxes on our services in jurisdictions where we have not historically done so and do not accrue for sales taxes could result in substantial tax liabilities for past sales, discourage customers from purchasing our solutions or otherwise harm our business and operating results.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and continuing contributions of our senior management, particularly Philippe F. Courtot, our Chairman, President and Chief Executive Officer, and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. We do not maintain key-man insurance for Mr. Courtot or for any other member of our senior management team. From time to time, there may be changes in our senior management team resulting from the termination or departure of executives. Our senior management and key employees are generally employed on an at-will basis, which means that they could terminate their employment with us at any time. The loss of the services of our senior management, particularly Mr. Courtot, or other key employees for any reason could significantly delay or prevent the achievement of our development and strategic objectives and harm our business, financial condition and results of operations.

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

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel or delays in hiring required personnel, particularly in engineering and sales, may seriously harm our business, financial condition and results of operations. Any of our employees may terminate their employment at any time. Competition for highly skilled personnel is frequently intense, especially in the San Francisco Bay Area, one of the locations in which we have a substantial presence and need for highly-skilled personnel and we may not be able to compete for these employees.

For example, we are required under U.S. GAAP to recognize compensation expense in our operating results for employee stock-based compensation under our equity grant programs, which may negatively impact our operating results and may increase the pressure to limit stock-based compensation that we might otherwise offer to current or potential employees. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information.

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

We deliver our solutions through the Internet. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting data privacy and the use of the Internet. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet or on commerce conducted via the Internet. These laws or charges could limit the viability of Internet-based solutions such as ours and reduce the demand for our solutions.

A portion of our revenues are generated by sales to government entities, which are subject to a number of challenges and risks.

Government entities have historically been particularly concerned about adopting cloud-based solutions for their operations, including security solutions, and increasing sales of subscriptions for our solutions to government entities may be more challenging than selling to commercial organizations. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will win a sale. We have invested in the creation of a cloud offering certified under the Federal Information Security

Management Act, or FISMA, for government usage but we cannot be sure that we will continue to sustain or renew this certification, that the government will continue to mandate such certification or that other government agencies or entities will use this cloud offering. Government demand and payment for our solutions may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions. Government entities may have contractual or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and any such termination may adversely impact our future results of operations. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our solutions, a reduction of revenues or fines or civil or criminal liability if the audit uncovers improper or illegal activities. Any such penalties could adversely impact our results of operations in a material way.

Governmental export or import controls could subject us to liability if we violate them or limit our ability to compete in foreign markets.

Our solutions are subject to U.S. export controls, and we incorporate encryption technology into certain of our solutions. These encryption solutions and the underlying technology may be exported only with the required export authorizations, including by license, a license exception or other appropriate government authorizations. U.S. export controls may require submission of an encryption registration, product classification and/or annual or semi-annual reports. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export authorization for our solutions, when applicable, could harm our international sales and adversely affect our revenues. Compliance with applicable regulatory requirements regarding the export of our solutions, including with respect to new releases of our solutions, may create delays in the introduction of our solutions in international markets, prevent our customers with international operations from deploying our solutions throughout their globally-distributed systems or, in some cases, prevent the export of our solutions to some countries altogether. In addition, various countries regulate the import of our appliance-based solutions and have enacted laws that could limit our ability to distribute solutions or could limit our customers' ability to implement our solutions in those countries. Any new export or import restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons or technologies targeted by such regulations, could result in decreased use of our solutions by existing customers with international operations, declining adoption of our solutions by new customers with international operations and decreased revenues. If we fail to comply with export and import regulations, we may be fined or other penalties could be imposed, including a denial of certain export privileges.

Our success in acquiring and integrating other businesses, products or technologies could impact our financial position.

In order to remain competitive, we have in the past and may in the future seek to acquire additional businesses, products or technologies. The environment for acquisitions in our industry is very competitive and acquisition candidate purchase prices will likely exceed what we would prefer to pay. Moreover, achieving the anticipated benefits of future acquisitions will depend in part upon whether we can integrate acquired operations, products and technology in a timely and cost-effective manner. The acquisition and integration process is complex, expensive and time consuming, and may cause an interruption of, or loss of momentum in, product development and sales activities and operations of both companies. We may not find suitable acquisition candidates, and acquisitions we complete may be unsuccessful. If we consummate a transaction, we may be unable to integrate and manage acquired products and businesses effectively or retain key personnel. If we are unable to effectively execute acquisitions, our business, financial condition and operating results could be adversely affected.

Our financial results are based in part on our estimates or judgments relating to our critical accounting policies. These estimates or judgments may prove to be incorrect, which could harm our operating results and result in a decline in our stock price.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenues and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, goodwill and intangibles, accounting for income taxes and stock-based compensation.

Changes in financial accounting standards may cause adverse and unexpected revenue fluctuations and impact our reported results of operations.

A change in accounting standards or practices could harm our operating results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may harm our operating results or the way we conduct our business.

Because we expense commissions associated with sales of our solutions immediately upon receipt of a subscription order from a customer and generally recognize the revenues associated with such sale over the term of the agreement, our operating income in any period may not be indicative of our financial health and future performance.

We expense commissions paid to our sales personnel in the quarter in which the related order is received. In contrast, we generally recognize the revenues associated with a sale of our solutions ratably over the term of the subscription, which is typically one year. Although we believe increased sales is a positive indicator of the long-term health of our business, increased sales would increase our operating expenses and decrease net income in any particular period. Thus, we may report poor operating results due to higher sales commissions in a period in which we experience strong sales of our solutions. Alternatively, we may report better operating results due to the reduction of sales commissions in a period in which we experience a slowdown in sales. Therefore, you should not rely on our operating results during any one quarter as an indication of our financial health and future performance.

We recognize revenues from subscriptions over the term of the relevant service period, and therefore any decreases or increases in bookings are not immediately reflected in our operating results.

We recognize revenues from subscriptions over the term of the relevant service period, which is typically one year. As a result, most of our reported revenues in each quarter are derived from the recognition of deferred revenues relating to subscriptions entered into during previous quarters. Consequently, a shortfall in demand for our solutions in any period may not significantly reduce our revenues for that period, but could negatively affect revenues in future periods. Accordingly, the effect of significant downturns in bookings may not be fully reflected in our results of operations until future periods. We may be unable to adjust our costs and expenses to compensate for such a potential

shortfall in revenues. Our subscription model also makes it difficult for us to rapidly increase our revenues through additional bookings in any period, as revenues are recognized ratably over the subscription period.

Changes in our provision for income taxes or adverse outcomes resulting from examination of our income tax returns could adversely affect our operating results.

We are subject to income taxes in the United States and various foreign jurisdictions, and our domestic and international tax liabilities are subject to the allocation of expenses in differing jurisdictions. Our tax rate is affected by changes in the mix of earnings and losses in countries with differing statutory tax rates, certain non-deductible expenses arising from the requirement to expense stock options and the valuation of deferred tax assets and liabilities, including our ability to utilize our federal net operating losses, which were $61.2 million as of December 31, 2011. Increases in our effective tax rate could harm our operating results.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by manmade problems such as terrorism.

A significant natural disaster, such as an earthquake, fire or a flood, or a significant power outage could have a material adverse impact on our business, operating results and financial condition. Our corporate headquarters and a significant portion of our operations are located in the San Francisco Bay Area, a region known for seismic activity. In addition, natural disasters could affect our business partners' ability to perform services for us on a timely basis. In the event we or our business partners are hindered by any of the events discussed above, our ability to provide our solutions to customers could be delayed, resulting in our missing financial targets, such as revenues and net income, for a particular quarter. Further, if a natural disaster occurs in a region from which we derive a significant portion of our revenues, customers in that region may delay or forego subscriptions of our solutions, which may materially and adversely impact our results of operations for a particular period. In addition, acts of terrorism could cause disruptions in our business or the business of our business partners, customers or the economy as a whole. All of the aforementioned risks may be exacerbated if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above results in delays of customer subscriptions or commercialization of our solutions, our business, financial condition and results of operations could be adversely affected.

If we fail to maintain an effective system of internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing exchange. To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff. The Sarbanes-Oxley Act requires, among other things, 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 file with the Securities and Exchange Commission, or 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 principal executive and financial officers.

During the quarter ended June 30, 2012, we identified a deficiency in our internal control over financial reporting and we determined that we should restate our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to the tax benefit resulting from a reduction of our liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. We did not release the liability at December 31, 2010 due to an error in the determination of when the statute of limitations would expire. Our review of the tax provision prepared by a third-party tax advisor was not effective in identifying the error in an appropriate timeframe. We concluded that this control deficiency was not a material weakness, but rather constituted a significant deficiency in our internal control over financial reporting. However, other control deficiencies which may rise to the level of a material weakness may be discovered in the future. In addition, our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in additional restatements of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will be required to include in our periodic reports we will file with the SEC under Section 404 of the Sarbanes-Oxley Act. In the event that we are not able to demonstrate compliance with Section 404 of the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the applicable listing exchange.

We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act, and are therefore not yet required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with certain of these rules, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report. Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future. We will remain an “emerging growth company” for up to five years, although, we would cease to be an “emerging growth company” upon the earliest of (i) the first fiscal year following the fifth anniversary of this offering, (ii) the first fiscal year after our annual gross revenues are $1 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt securities, or (iv) the date on which we are deemed to be a “large accelerated filer” as defined in the Exchange Act.

We will incur significantly increased costs and devote substantial management time as a result of operating as a public company, particularly after we are no longer an “emerging growth company,” which could adversely affect our business and operating results.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. For example, we will be required to comply with certain of the requirements of the Sarbanes-Oxley Act and the Dodd Frank Wall Street Reform and Consumer

Protection Act, as well as rules and regulations subsequently implemented by the SEC and our stock exchange, including the establishment and maintenance of effective disclosure controls and procedures, internal control over financial reporting, and changes in corporate governance practices. Despite recent reform made possible by the JOBS Act, which allows us to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not “emerging growth companies,” we expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements.

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 irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not “emerging growth companies.”

After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404(b) of the Sarbanes-Oxley Act, when applicable to us. In that regard, we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors and our board committees or as executive officers.

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

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Risks Related to Our Common Stock and this Offering

Market volatility may affect our stock price and the value of an investment in our common stock.

Following the completion of this offering, the market price for our common stock is likely to be volatile, in part because our shares have not been previously traded publicly. In addition, the market

price of our common stock may fluctuate significantly in response to a number of other factors, most of which we cannot predict or control, including:

- announcements of new solutions, services or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- fluctuations in stock market prices and trading volumes of securities of similar companies;
- general market conditions and overall fluctuations in U.S. equity markets;
- variations in our operating results, or the operating results of our competitors;
- changes in our financial guidance or securities analysts' estimates of our financial performance;
- changes in accounting principles;
- sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;
- additions or departures of any of our key personnel;
- announcements related to litigation;
- changing legal or regulatory developments in the United States and other countries; and
- discussion of us or our stock price by the financial press and in online investor communities.

In addition, the stock market in general, and the stocks of technology companies in particular, have experienced substantial price and volume volatility that is often seemingly unrelated to the operating performance of particular companies. These broad market fluctuations may cause the trading price of our common stock to decline. In the past, securities class action litigation has often been brought against a company after a period of volatility in the market price of its common stock. We may become involved in this type of litigation in the future. Any securities litigation claims brought against us could result in substantial expenses and the diversion of our management's attention from our business.

An active trading market for our common stock may never develop or be sustained.

We have applied to list our common stock on the NASDAQ Stock Market under the symbol "QLYS." However, there can be no assurance that an active trading market for our common stock will develop on that exchange or elsewhere or, if developed, that any market will be sustained. Accordingly, we cannot provide any assurance regarding the liquidity of any trading market or the ability of an investor to sell shares of our common stock when desired or the prices that may be obtained for such shares.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The initial public offering price will be substantially higher than the pro forma as adjusted 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, a purchaser of our common stock in this offering will be immediately diluted by approximately $9.67 per share, which is the difference between the assumed initial public offering price per share of $12.00, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and the pro forma as adjusted net tangible book value per share following this offering. See the section titled "Dilution" for additional information. Furthermore, those who invest in our common stock in this offering will only own approximately 22% of our outstanding shares of common stock after this offering even though they will have contributed 54% of the total consideration received by us in connection with our sale of shares of our capital stock.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of our common stock.

Our management will have broad discretion over the use of our net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of these proceeds. We expect to use the net proceeds from this offering for general corporate purposes, including capital expenditures and working capital, which may in the future include investments in, or acquisitions of, businesses, services or technologies that management deems to likely be complementary. Because of the number and variability of factors that will determine our use of the proceeds from this offering, their ultimate use may vary substantially from their currently intended use. As such, our management could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our common stock. See the section titled “Use of Proceeds” for additional information.

Concentration of ownership among our existing executive officers, directors and holders of 5% or more of our outstanding common stock may prevent new investors from influencing significant corporate decisions.

Upon completion of this offering, our executive officers, directors and holders of 5% or more of our outstanding common stock will beneficially own, in the aggregate, approximately 61.5% of our outstanding common stock. As a result, such persons, acting together, will have the ability to control our management and affairs and substantially all matters submitted to our stockholders for approval, including the election and removal of directors and approval of any significant transaction. These persons will also have the ability to control our management and business affairs. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our business, even if such a transaction would benefit other stockholders.

Future sales of shares by existing stockholders could cause our stock price to decline.

Upon completion of this offering, there will be 30,050,974 shares of our common stock outstanding. Of these, 7,575,000 shares are being sold in this offering (or 8,711,250 shares, if the underwriters exercise their option to purchase additional shares in full). Only 7,575,000 shares will be freely tradable immediately after this offering and the remaining outstanding shares may be sold upon expiration of lock-up agreements 180 days after the date of this prospectus (subject in some cases to volume limitations). In addition, as of June 30, 2012, we had outstanding options to purchase 6,786,082 shares of common stock that, if exercised, will result in these additional shares becoming available for sale upon expiration of the lock-up agreements. A large portion of these shares and options are held by a small number of persons and investment funds. Sales by these stockholders or optionholders of a substantial number of shares after this offering could significantly reduce the market price of our common stock. Moreover, certain holders of shares of common stock will have rights, subject to some conditions, to require us to file registration statements covering the shares they currently hold, or to include these shares in registration statements that we may file for ourselves or other stockholders.

We also intend to register all common stock that we may issue under our 2000 Equity Incentive Plan, or the 2000 Plan, and our 2012 Plan. Effective upon the effectiveness of this registration statement, an aggregate of 3,050,000 shares of our common stock will be reserved for future issuance under our 2012 Plan. Once we register these shares, which we plan to do shortly after the completion of this offering, they can be freely sold in the public market upon issuance, subject to the lock-up agreements referred to above. If a large number of these shares are sold in the public market, the

sales could reduce the trading price of our common stock. See the section titled “Shares Eligible for Future Sale” for additional information.

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

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

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

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the value of their stock.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Provisions in our restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering may delay or prevent an acquisition of us or a change in our management. These provisions include:

- authorizing “blank check” preferred stock, which could be issued by the board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock, which would increase the number of outstanding shares and could thwart a takeover attempt;
- a classified board of directors whose members can only be dismissed for cause;
- the prohibition on actions by written consent of our stockholders;
- the limitation on who may call a special meeting of stockholders;
- the establishment of advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon at stockholder meetings; and
- the requirement of at least two-thirds of the outstanding capital stock to amend any of the foregoing second through fifth provisions.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. Although we believe these provisions collectively provide for an opportunity to obtain greater value for stockholders by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer rejected by our board were considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our financial performance, including our revenues, costs, expenditures, growth rates, operating expenses and ability to generate positive cash flow to attain and sustain profitability;
- anticipated technology trends, such as the use of cloud solutions;
- our ability to adapt to changing market conditions;
- economic and financial conditions, including volatility in foreign exchange rates;
- our ability to attract and retain customers;
- our ability to diversify our sources of revenues;
- the effects of increased competition in our market;
- our ability to effectively manage our growth;
- our anticipated investments in sales and marketing and research and development;
- maintaining and expanding our relationships with channel partners;
- our ability to maintain, protect and enhance our brand and intellectual property;
- costs associated with defending intellectual property infringement and other claims;
- our ability to attract and retain qualified employees and key personnel;
- our ability to successfully enter new markets and manage our international expansion; and
- other factors discussed in this prospectus in the sections titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

We caution that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

Investors should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. We cannot provide assurance that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and investors should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, including independent industry publications, including those generated by Gartner, Inc., IDC, Fortune and Forbes, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our solutions. These data involve a number of assumptions and limitations, and investors are cautioned not to give undue weight to such estimates. We believe the market position, market opportunity and market size information included in this prospectus is generally reliable, and the conclusions contained in the third-party information are reasonable. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

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

The sources of the industry and market data contained in this prospectus are provided below:

(1) IDC, *Worldwide Software as a Service 2011 – 2015 Forecast and 2010 Vendor Shares, Robert P. Mahowald, August 2011.*

(2) IDC, *Worldwide Security and Vulnerability Management 2011 – 2015 Forecast and 2010 Vendor Shares, Charles J. Kolodgy, November 2011.*

(3) IDC, *Worldwide Cloud Security 2011 – 2015 Forecast: A Comprehensive Look at the Cloud/Security Ecosystem, Phil Hochmuth, Sally Hudson, John Grady, Christian A. Christiansen, Charles J. Kolodgy, December 2011.*

(4) Gartner, *Gartner Survey: PCI Compliance Activity Shifts Downstream as Aggressive Enforcement Continues, Avivah Litan, June 2011.*

(5) Fortune, *The Fortune 500, May 2012*.

(6) Forbes, *The Forbes Global 2000, April 2012*.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our common stock in this offering will be approximately $71.8 million, based on an assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds would be approximately $84.5 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

Each $1.00 increase (decrease) in the assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us of this offering by approximately $6.2 million, assuming the number of shares offered by us, as listed on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) the net proceeds that we receive from this offering by approximately $11.2 million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions payable by us.

The principal purposes of this offering are to obtain additional capital and increase our financial flexibility, improve our visibility in the marketplace, create a public market for our common stock and facilitate our future access to the public equity markets.

We currently intend to use the net proceeds that we receive from this offering for capital expenditures, working capital and other general corporate purposes, which may include hiring additional personnel and investing in sales and marketing and research and development. In addition, we expect to spend approximately $20.0 million through December 31, 2013 for capital expenditures, primarily related to infrastructure to support the anticipated growth in our business. We may also use a portion of the net proceeds that we receive from this offering to acquire or invest in complementary businesses, technologies, or other assets. We have not entered into any agreements or commitments with respect to any acquisitions or investments at this time.

We cannot specify with certainty all of the particular uses of the net proceeds that we receive from this offering. Accordingly, we will have broad discretion in using these proceeds. Furthermore, the amount and timing of our actual expenditures will depend on numerous factors, including the cash used in or generated by our operations, the status of our development, the level of our sales and marketing activities, and our technology investments and acquisitions. Our management also has discretion over many of these factors. Pending the use of proceeds from this offering as described above, we plan to invest the net proceeds that we receive in this offering in short-term and intermediate-term interest-bearing obligations, investment-grade investments, certificates of deposit, or direct or guaranteed obligations of the U.S. government. We cannot predict whether the invested proceeds will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid any cash dividend on our capital stock. We currently intend to retain any future earnings to fund business development and growth, 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 our capitalization as of June 30, 2012 on:

- an actual basis;
- a pro forma basis, giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 17,597,258 shares of our common stock, which conversion will take place upon the completion of this offering, as if such conversion had occurred on June 30, 2012; and
- a pro forma as adjusted basis, giving effect to the pro forma adjustments set forth above, the receipt of $71.8 million in net proceeds from the sale of 6,700,000 shares of common stock by us in this offering, based on an assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us and the filing and effectiveness of our amended and restated certificate of incorporation in Delaware.

The pro forma as adjusted information set forth below is illustrative only and will be adjusted based on the actual initial public offering price and other final terms of this offering. This table should be read together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes that are included elsewhere in this prospectus.

	As of June 30, 2012		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except share and per share data)		
Cash	$ 28,459	$ 28,459	$ 100,231
Capital lease obligations	$ 3,131	$ 3,131	$ 3,131
Convertible preferred stock, $0.001 par value:			
176,400,000 shares authorized, 17,597,258 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma or pro forma as adjusted	63,873	—	—
Stockholders' equity (deficit):			
Preferred stock, $0.001 par value:			
no shares authorized, issued and outstanding, actual; 20,000,000 shares authorized, no shares issued and outstanding, pro forma or pro forma as adjusted	—	—	—
Common stock, $0.001 par value:			
299,900,000 shares authorized, 5,753,716 shares issued and outstanding, actual; 299,900,000 shares authorized, 23,350,974 shares issued and outstanding, pro forma; and 1,000,000,000 shares authorized, 30,050,974 shares issued and outstanding, pro forma as adjusted	57	23	30
Additional paid-in capital	15,661	79,568	151,333
Accumulated other comprehensive loss	(1,042)	(1,042)	(1,042)
Accumulated deficit	(76,934)	(76,934)	(76,934)
Total stockholders' equity (deficit)	(62,258)	1,615	73,387
Total capitalization	$ 4,746	$ 4,746	$ 76,518

If the underwriters exercise their over-allotment option in full, pro forma as adjusted cash, additional paid-in capital, total stockholders' equity (deficit) and total capitalization as of June 30, 2012 would be $113.0 million, $164.0 million, $86.1 million and $89.2 million, respectively.

Each $1.00 increase (decrease) in the assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our cash, additional paid-in capital, total stockholders' equity (deficit) and total capitalization by $6.2 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us.

The pro forma and pro forma as adjusted columns in the table above exclude the following:

- 6,786,082 shares of our common stock issuable upon the exercise of options to purchase common stock that were outstanding as of June 30, 2012, with a weighted-average exercise price of $4.20 per share;
- 180,150 shares of our common stock issuable upon the exercise of options to purchase common stock that were granted after June 30, 2012, with a weighted-average exercise price of $9.40 per share; and
- 3,050,000 shares of our common stock reserved for future issuance pursuant to our 2012 Plan, which will become effective prior to the completion of this offering, and which contains provisions that automatically increase its share reserve each year.

DILUTION

An investment in our common stock in this offering will be immediately diluted 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. As of June 30, 2012, our pro forma net tangible book value was approximately $(1.7) million, or $(0.07) per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets reduced by the amount of our total liabilities and divided by the total number of shares of our common stock outstanding as of June 30, 2012, after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 17,597,258 shares of common stock, which conversion will take effect upon the completion of this offering.

After giving effect to the sale by us of 6,700,000 shares of our common stock in this offering at our assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2012 would have been $70.0 million, or $2.33 per share. This represents an immediate increase in pro forma net tangible book value of $2.40 per share to our existing stockholders and an immediate dilution of $9.67 per share to investors purchasing shares of common stock in this offering at the assumed initial public offering price.

The following table illustrates this dilution:

Assumed initial public offering price per share		$12.00
Pro forma net tangible book value per share as of June 30, 2012	$(0.07)	
Increase in pro forma net tangible book value per share attributable to new investors in this offering	2.40	
Pro forma as adjusted net tangible book value per share immediately after this offering		$ 2.33
Dilution in pro forma as adjusted net tangible book value per share to new investors in this offering		$ 9.67

Each $1.00 increase (decrease) in the assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share to new investors by $0.21, and would increase (decrease) dilution per share to new investors in this offering by $0.79, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions payable by us. In addition, to the extent any outstanding options to purchase common stock or convertible preferred stock are exercised, new investors will experience further dilution.

If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering would be $2.65 per share, and the dilution in pro forma as adjusted net tangible book value per share to new investors in this offering would be $9.35 per share.

The following table presents on a pro forma as adjusted basis as of June 30, 2012, after giving effect to the conversion of all outstanding shares of convertible preferred stock into common immediately prior to the completion of this offering, the differences between the existing stockholders and the new investors purchasing shares of our common stock in this offering, with respect to the number of shares purchased from us, the total consideration paid or to be paid to us, which includes

net proceeds received from the issuance of common stock and convertible preferred stock, cash received from the exercise of stock options and the average price per share paid or to be paid to us at an assumed offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	23,350,974	77.7%	$ 69,760,000	46.5%	$ 2.99
New public investors	6,700,000	22.3	80,400,000	53.5	12.00
Total	30,050,974	100.0%	$150,160,000	100.0%	

Each $1.00 increase (decrease) in the assumed initial public offering price of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by approximately $6.7 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions payable by us. In addition, to the extent any outstanding options to purchase common stock are exercised, new investors will experience further dilution.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' over-allotment option. If the underwriters exercise their over-allotment option in full, our existing stockholders would own 74.9% and our new investors would own 25.1% of the total number of shares of our common stock outstanding upon the completion of this offering.

The number of shares of our common stock to be outstanding after this offering is based on the 23,350,974 shares of common stock outstanding as of June 30, 2012, and excludes:

- 6,786,082 shares of our common stock issuable upon the exercise of options to purchase common stock that were outstanding as of June 30, 2012, with a weighted-average exercise price of $4.20 per share;
- 180,150 shares of our common stock issuable upon the exercise of options to purchase common stock that were granted after June 30, 2012, with a weighted-average exercise price of $9.40 per share; and
- 3,050,000 shares of our common stock reserved for future issuance pursuant to our 2012 Plan, which will become effective prior to the completion of this offering, and which contains provisions that automatically increase its share reserve each year.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

We derived the selected consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the selected consolidated balance sheet data as of December 31, 2010 and 2011 from our audited consolidated financial statements included elsewhere in this prospectus. We derived the selected consolidated statements of operations data for the years ended December 31, 2007 and 2008 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 from our audited consolidated financial statements not included in this prospectus. We derived the selected consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and the selected consolidated balance sheet data as of June 30, 2012 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which consist only of normal recurring adjustments, that are necessary for a fair presentation of our consolidated statements of operations data for the six months ended June 30, 2011 and 2012 and our consolidated balance sheet data as of June 30, 2012. Our historical results are not necessarily indicative of the results that may be expected in the future, and the results for the six months ended June 30, 2012 are not necessarily indicative of operating results to be expected for the full year or any other period.

The following selected consolidated financial and other data should be read in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	2007	2008	2009	2010[3] (restated)	2011	2011	2012
	(in thousands, except per share data)					(unaudited)	
Consolidated Statements of Operations Data:							
Revenues	$ 39,492	$ 50,258	$ 57,425	$ 65,432	$ 76,212	$ 36,185	$ 43,381
Cost of revenues[1]	7,474	9,540	10,692	11,204	13,247	5,899	8,789
Gross profit	32,018	40,718	46,733	54,228	62,965	30,286	34,592
Operating expenses:							
Research and development[1]	8,739	11,705	13,377	15,780	19,633	9,758	10,249
Sales and marketing[1]	19,818	22,830	24,782	29,056	31,526	14,312	19,030
General and administrative[1]	4,998	6,670	7,455	8,183	8,900	4,261	5,657
Total operating expenses	33,555	41,205	45,614	53,019	60,059	28,331	34,936
Income (loss) from operations	(1,537)	(487)	1,119	1,209	2,906	1,955	(344)
Other income (expense), net:							
Interest expense	(245)	(263)	(180)	(186)	(204)	(117)	(115)
Interest income	200	85	10	3	14	6	1
Other income (expense), net	219	(176)	130	(383)	(346)	519	(104)
Total other income (expense), net	174	(354)	(40)	(566)	(536)	408	(218)
Income (loss) before provision for (benefit from) income taxes	(1,363)	(841)	1,079	643	2,370	2,363	(562)
Provision for (benefit from) income taxes	25	23	220	(204)	416	210	0
Net income (loss)	$ (1,388)	$ (864)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Net income (loss) attributable to common stockholders	$ (1,388)	$ (864)	$ 171	$ 179	$ 436	$ 471	$ (562)
Net income (loss) per share attributable to common stockholders:[2]							
Basic	$ (0.38)	$ (0.21)	$ 0.04	$ 0.04	$ 0.09	$ 0.10	$ (0.10)
Diluted	$ (0.38)	$ (0.21)	$ 0.04	$ 0.04	$ 0.08	$ 0.09	$ (0.10)

Table of Contents

	Year Ended December 31,					Six Months Ended June 30,	
	2007	2008	2009	2010[3] (restated)	2011	2011	2012 (unaudited)
	(in thousands, except per share data)						
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:[2]							
Basic	3,688	4,144	4,400	4,706	5,053	4,932	5,392
Diluted	3,688	4,144	22,804	23,562	24,194	24,088	5,392
Pro forma net income (loss) per share attributable to common stockholders (unaudited):[2]							
Basic					$ 0.09		$ (0.02)
Diluted					$ 0.08		$ (0.02)
Weighted-average shares used in computing pro forma net income (loss) per share attributable to common stockholders (unaudited):[2]							
Basic					22,643		22,989
Diluted					24,194		22,989

	As of December 31,					As of June 30, 2012 (unaudited)
	2007	2008	2009	2010[3] (restated)	2011[3] (restated)	
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 6,400	$ 7,655	$ 9,949	$ 15,010	$ 24,548	$ 28,459
Total assets	23,259	27,932	34,244	44,360	68,789	73,963
Deferred revenues, current	25,512	29,019	33,266	37,811	46,717	48,999
Deferred revenues, noncurrent	1,573	1,090	1,864	1,734	4,713	5,510
Convertible preferred stock	63,745	63,745	63,745	63,745	63,873	63,873
Total stockholders' equity (deficit)	(74,574)	(74,310)	(72,740)	(69,401)	(64,424)	(62,258)

(1) Includes stock-based compensation as follows:

	Year Ended December 31,					Six Months Ended June 30,	
	2007	2008	2009	2010	2011	2011	2012 (unaudited)
	(in thousands)						
Cost of revenues	$ 23	$ 49	$ 47	$ 80	$ 143	$ 52	$ 127
Research and development	75	227	315	359	499	222	317
Sales and marketing	114	218	284	467	578	234	507
General and administrative	277	309	474	964	927	454	605
Total stock-based compensation	$ 489	$ 803	$ 1,120	$ 1,870	$ 2,147	$ 962	$ 1,556

(2) See Notes 1 and 12 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted income (loss) per share attributable to common stockholders and pro forma income (loss) per share attributable to common stockholders.

(3) We have restated our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the restatement.

Other Financial Data (unaudited):

In addition to measures of financial performance presented in our consolidated financial statements, we monitor the key metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies.

	Four Quarters Ended						
	December 31,					June 30,	
	2007	2008	2009	2010	2011	2011	2012
	(in thousands)						
Four-Quarter Bookings	$ 44,693	$ 53,765	$ 61,672	$ 69,977	$ 85,118	$ 75,688	$ 94,046

	Year Ended December 31,					Six Months Ended June 30,	
	2007	2008	2009	2010	2011	2011	2012
	(in thousands)						
Adjusted EBITDA	$ 1,503	$ 3,677	$ 6,162	$ 7,648	$ 10,426	$ 5,476	$ 4,758

Non-GAAP Financial Measures

Four-Quarter Bookings

We monitor Four-Quarter Bookings, a non-GAAP financial measure, which is calculated as revenues for the preceding four quarters plus the change in current deferred revenues for the same period. We believe this metric provides an additional tool for investors to use in assessing our business performance in a way that more fully reflects current business trends than reported revenues and reduces the variations in any particular quarter caused by customer subscription renewals. We believe Four-Quarter Bookings reflects the material sales trends for our business because it includes sales of subscriptions to new customers, as well as subscription renewals and upsells of additional subscriptions to existing customers. Since over 80% of our subscriptions are one year in length, we use current deferred revenues in this metric in order to focus on revenues to be generated over the next four quarters and to exclude the impact of multi-year subscriptions. Under our revenue recognition policy, we record subscription fees as deferred revenues and recognize revenues ratably over the subscription periods. For this reason, substantially all of our revenues for a period are typically generated from subscriptions commencing in prior periods. In addition, subscription renewals may vary during the year based on the date of our customers' original subscriptions, customer requests to modify subscription periods, or other factors.

The following unaudited table presents the reconciliation of revenues to Four-Quarter Bookings for the four quarters ended December 31, 2007, 2008, 2009, 2010 and 2011, and June 30, 2011 and 2012.

	Four Quarters Ended						
	December 31,					June 30,	
	2007	2008	2009	2010	2011	2011	2012
	(in thousands)						
Revenues	$ 39,492	$ 50,258	$ 57,425	$ 65,432	$ 76,212	$ 70,130	$ 83,408
Deferred revenues, current							
Beginning of the Four-Quarter Period	20,311	25,512	29,019	33,266	37,811	32,803	38,361
Ending	25,512	29,019	33,266	37,811	46,717	38,361	48,999
Net change	5,201	3,507	4,247	4,545	8,906	5,558	10,638
Four-Quarter Bookings	$ 44,693	$ 53,765	$ 61,672	$ 69,977	$ 85,118	$ 75,688	$ 94,046

Table of Contents

Adjusted EBITDA

We monitor Adjusted EBITDA, a non-GAAP financial measure, to analyze our financial results and believe that it is useful to investors, as a supplement to U.S. GAAP measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance. We believe that Adjusted EBITDA helps illustrate underlying trends in our business that could otherwise be masked by the effect of the income or expenses that we exclude in Adjusted EBITDA. Furthermore, we use this measure to establish budgets and operational goals for managing our business and evaluating our performance. We also believe that Adjusted EBITDA provides an additional tool for investors to use in comparing our recurring core business operating results over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP. We calculate Adjusted EBITDA as net income (loss) before (1) other (income) expense, net, which includes interest income, interest expense and other income and expense, (2) provision for (benefit from) income taxes, (3) depreciation and amortization of property and equipment, (4) amortization of intangible assets and (5) stock-based compensation.

The following unaudited table presents the reconciliation of net income (loss) to Adjusted EBITDA for the years ended December 31, 2007, 2008, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012.

	Year Ended December 31,					Six Months Ended June 30,	
	2007	2008	2009	2010[1] (restated)	2011	2011	2012
				(in thousands)			
Net income (loss)	$(1,388)	$ (864)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Other (income) expense, net	(174)	354	40	566	536	(408)	218
Provision for (benefit from) income taxes	25	23	220	(204)	416	210	0
Depreciation and amortization of property and equipment	2,510	3,317	3,868	4,400	4,939	2,345	3,327
Amortization of intangible assets	41	44	55	169	434	214	219
Stock-based compensation	489	803	1,120	1,870	2,147	962	1,556
Adjusted EBITDA	$ 1,503	$ 3,677	$ 6,162	$ 7,648	$10,426	$ 5,476	$ 4,758

(1) We have restated our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the restatement.

Limitations of Four-Quarter Bookings and Adjusted EBITDA

Four-Quarter Bookings and Adjusted EBITDA, non-GAAP financial measures, have limitations as analytical tools, and should not be considered in isolation from or as a substitute for the measures presented in accordance with U.S. GAAP. Some of these limitations are:

- Four-Quarter Bookings reflects the amount of revenues over a four-quarter period, plus the net change in the current portion of deferred revenues, while revenues are recognized ratably over the subscription periods;

- Adjusted EBITDA does not reflect certain cash and non-cash charges that are recurring;
- Adjusted EBITDA does not reflect income tax payments that reduce cash available to us;
- Adjusted EBITDA excludes depreciation and amortization of property and equipment and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future; and
- Other companies, including companies in our industry, may calculate Four-Quarter Bookings or Adjusted EBITDA differently or not at all, which reduces their usefulness as a comparative measure.

Because of these limitations, Four-Quarter Bookings and Adjusted EBITDA should be considered alongside other financial performance measures, including revenues, net income (loss) and our financial results presented in accordance with U.S. GAAP.

[Table of Contents](#)

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

You should read the following discussion in conjunction with the section titled "Selected Consolidated Financial and Other Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks and uncertainties that could cause our actual results to differ materially from our expectations. Factors that could cause such differences include, but are not limited to, those described in the section titled "Risk Factors" and elsewhere in this prospectus.

Overview

We are a pioneer and leading provider of cloud security and compliance solutions that enable organizations to identify security risks to their IT infrastructures, help protect their IT systems and applications from ever-evolving cyber attacks and achieve compliance with internal policies and external regulations. Our cloud solutions address the growing security and compliance complexities and risks that are amplified by the dissolving boundaries between internal and external IT infrastructures and web environments, the rapid adoption of cloud computing and the proliferation of geographically dispersed IT assets. Our integrated suite of security and compliance solutions delivered on our QualysGuard Cloud Platform enable our customers to identify their IT assets, collect and analyze large amounts of IT security data, discover and prioritize vulnerabilities, recommend remediation actions and verify the implementation of such actions. Organizations use our integrated suite of solutions delivered on our QualysGuard Cloud Platform to cost-effectively obtain a unified view of their security and compliance posture across globally-distributed IT infrastructures.

We were founded in December 1999 with a vision of transforming the way organizations secure and protect their IT infrastructure and applications and initially launched our first cloud solution, QualysGuard Vulnerability Management, in 2000. This solution has provided the substantial majority of our revenues to date. As this solution gained acceptance, we introduced new solutions to help customers manage increasing IT security and compliance requirements. In 2006, we added our PCI Compliance solution, and in 2008, we added our Policy Compliance solution. In 2009, we broadened the scope of our cloud services by adding Web Application Scanning. We continued our expansion in 2010, launching Malware Detection Service and Qualys SECURE Seal for automated protection of websites.

We provide our solutions through a software-as-a-service model, primarily with renewable annual subscriptions. These subscriptions require customers to pay a fee in order to access our cloud solutions. We invoice our customers for the entire subscription amount at the start of the subscription term, and the invoiced amounts are treated as deferred revenues and are recognized ratably over the term of each subscription. Historically, we have experienced significant revenue growth from existing customers as they renew and purchase additional subscriptions. Our revenues from customers existing at or prior to the beginning of 2010 grew $3.1 million to $60.5 million in 2010, and our revenues from customers existing at or prior to the beginning of 2011 grew $5.8 million to $71.2 million in 2011. Revenues from customers existing at or prior to June 30, 2011 grew $2.1 million to $38.3 million during the six months ended June 30, 2012. We expect this trend to continue.

We market and sell our solutions to enterprises, government entities and to small and medium size businesses across a broad range of industries, including education, financial services, government, healthcare, insurance, manufacturing, media, retail, technology and utilities. As of June 30, 2012, we had over 5,800 customers in more than 100 countries, including a majority of each of the Forbes Global 100 and Fortune 100. In each of 2009, 2010 and 2011, no one customer accounted for more than 10% of our revenues. In 2009, 2010, 2011 and the six months ended June 30, 2012, approximately 69%, 67%, 67% and 67%, respectively, of our revenues were derived

from customers in the United States. We sell our solutions to enterprises and government entities primarily through our field sales force and to small and medium-sized businesses through our inside sales force. We generate a significant portion of sales through our channel partners, including managed service providers, value-added resellers and consulting firms in the United States and internationally.

We have had strong revenue growth over the past three years. Our revenues increased from $57.4 million in 2009 to $65.4 million in 2010 to $76.2 million in 2011, and reached $43.4 million for the six months ended June 30, 2012, compared to $36.2 million in the six months ended June 30, 2011, representing period-over-period increases of $8.0 million, $10.8 million, and $7.2 million, or 14%, 16% and 20%, respectively. We generated net income of $0.9 million in 2009, $0.8 million in 2010 and $2.0 million in 2011. For the six months ended June 30, 2012, we had a net loss of $0.6 million compared to net income of $2.2 million for the six months ended June 30, 2011.

Key Factors Affecting Our Business

We believe that the growth of our business and our future success are dependent upon many factors, including our ability to expand our customer base, expand adoption of our solutions and successfully invest in our growth. While each of these areas presents significant opportunities for us, they also pose significant risks and challenges that we must successfully address in order to sustain the growth of our business and improve our operating results.

Expanding our Customer Base

Our growth depends on our ability to retain existing customers and attract new customers. Our customer base has grown as the market for cloud solutions for IT security and compliance expanded, as we have increased market awareness of our company and solutions, as we have introduced new solutions and as a result of the efforts of our sales force. However, the market for cloud solutions for IT security and compliance is at an early stage, and may not continue to grow as we expect. In addition, we have a limited operating history, particularly in certain markets and solution offerings, and we will need to continue to enhance market awareness of our IT security and compliance solutions. We must also continue to successfully introduce new solutions. In addition, we must continue to effectively leverage our sales force to expand the adoption of our solutions by existing customers and new customers. If we fail to do one or more of the foregoing, we may not be able to attract new customers, or existing customers may not renew their subscriptions or purchase additional solutions, which could cause our revenues to grow more slowly than expected, if at all.

Expanding Adoption of our Solutions

We derived 96%, 92%, 90% and 88% of our revenues in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, from subscriptions to our QualysGuard Vulnerability Management solution, and we expect to continue to derive a significant majority of our revenues from sales of subscriptions to this solution for the foreseeable future. We will need to increase the revenues that we derive from our current and future solutions other than QualysGuard Vulnerability Management for our business and revenues to grow as we expect. Revenues from our other solutions, including our Web Application Scanning, Policy Compliance, PCI Compliance, Malware Detection Service and Qualys SECURE Seal, have been relatively modest compared to revenues from our QualysGuard Vulnerability Management solution. Our ability to successfully introduce new solutions in the future, and generate significant revenue from solutions other than QualysGuard Vulnerability Management, will depend upon a number of factors, some of which are beyond our control, including anticipating market needs and opportunities, developing new solutions that address those needs and opportunities, market awareness of our company and our new solutions, government regulations, industry standards, the market for IT spending and economic conditions. The foregoing factors, among others, will impact our ability to sell

subscriptions of additional solutions to existing and new customers. If we are unable to sell subscriptions of additional solutions to existing and new customers, our operating results would be harmed.

Investing in Growth

In order to grow our business we must continue to invest in our platform and solutions, people and infrastructure, which will likely result in higher operating expenses and capital expenditures. We plan to continue to invest in research and development to enhance our platform and solutions and develop new security and compliance solutions. Our revenue growth also depends on our ability to expand our sales force domestically and internationally. We expect to invest in hiring, training and retaining qualified personnel, and it may take a significant amount of time for new hires to become productive. We also plan to continue to expand our infrastructure to provide the capacity required to drive future revenue growth. We intend to add additional data center facilities in 2013, to provide additional capacity for our cloud platform and enable disaster recovery. These investments will increase our expenses, and if we are unable to generate additional revenues, our operating results may be harmed.

Key Metrics

In addition to measures of financial performance presented in our consolidated financial statements, we monitor the key metrics set forth below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies.

Four-Quarter Bookings

We monitor Four-Quarter Bookings, a non-GAAP financial measure, which is calculated as revenues for the preceding four quarters plus the change in current deferred revenues for the same period. We believe this metric provides an additional tool for investors to use in assessing our business performance in a way that more fully reflects current business trends than reported revenues and reduces the variations in any particular quarter caused by customer subscription renewals. We believe Four-Quarter Bookings reflects the material sales trends for our business because it includes sales of subscriptions to new customers, as well as subscription renewals and upsells of additional subscriptions to existing customers. Since over 80% of our subscriptions are one year in length, we use current deferred revenues in this metric in order to focus on revenues to be generated over the next four quarters and to exclude the impact of multi-year subscriptions. Under our revenue recognition policy, we record subscription fees as deferred revenues and recognize revenues ratably over the subscription periods. For this reason, substantially all of our revenues for a period are typically generated from subscriptions commencing in prior periods. In addition, subscription renewals may vary during the year based on the date of our customers' original subscriptions, customer requests to modify subscription periods or other factors. See the section titled "Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures" for a reconciliation of revenues to Four-Quarter Bookings.

	Four Quarters Ended				
	December 31,			June 30,	
	2009	2010	2011	2011	2012
	(in thousands)				
Four-Quarter Bookings	$61,672	$69,977	$85,118	$75,688	$94,046
Percentage change from prior year period	15%	13%	22%	15%	24%

Adjusted EBITDA

We monitor Adjusted EBITDA, a non-GAAP financial measure, to analyze our financial results and believe that it is useful to investors, as a supplement to U.S. GAAP measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance. We believe that Adjusted EBITDA helps illustrate underlying trends in our business that

could otherwise be masked by the effect of the income or expenses that we exclude in Adjusted EBITDA. Furthermore, we use this measure to establish budgets and operational goals for managing our business and evaluating our performance. We also believe that Adjusted EBITDA provides an additional tool for investors to use in comparing our recurring core business operating results over multiple periods with other companies in our industry.

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with U.S. GAAP. We calculate Adjusted EBITDA as net income (loss) before (1) other (income) expense, net, which includes interest income, interest expense and other income and expense, (2) provision for (benefit from) income taxes, (3) depreciation and amortization of property and equipment, (4) amortization of intangible assets and (5) stock-based compensation. See the section titled "Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures" for a reconciliation of net income (loss) to Adjusted EBITDA.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
			(in thousands)		
Adjusted EBITDA	$6,162	$7,648	$10,426	$ 5,476	$ 4,758
Percentage of revenues	11%	12%	14%	15%	11%

Key Components of Results of Operations

Revenues

We derive revenues from the sale of subscriptions to our security and compliance solutions, which are delivered on our cloud platform. We generate the substantial majority of our revenues through the sale of subscriptions to our QualysGuard Vulnerability Management solution, and we have a growing number of customers who have purchased our additional solutions. Subscriptions to our solutions allow customers to access our cloud security and compliance solutions through a unified, web-based interface. Customers generally enter into one year renewable subscriptions. The subscription fee entitles the customer to an unlimited number of scans for a specified number of networked devices or web applications and, if requested by a customer as part of their subscription, a specified number of physical or virtual scanner appliances. Our physical and virtual scanner applicances are requested by certain customers as part of their subscriptions in order to scan IT infrastructures within their firewalls and do not function without, and are not sold separately from, subscriptions for our solutions. Customers are required to return physical scanner appliances if they do not renew their subscriptions.

We typically invoice our customers for the entire subscription amount at the start of the subscription term. Invoiced amounts are reflected on our consolidated balance sheet as accounts receivable or as cash when collected, and as deferred revenues until earned and recognized ratably over the subscription period. Accordingly, deferred revenues represents the amount billed to customers that has not yet been earned or recognized as revenues, pursuant to subscriptions entered into in current and prior periods.

Cost of Revenues

Cost of revenues consists primarily of personnel expenses, comprised of salaries, benefits, performance-based compensation and stock-based compensation, for employees who operate our data centers and provide support services to our customers. Other expenses include depreciation of data center equipment and physical scanner appliances provided to certain customers as part of their subscriptions, expenses related to the use of third-party data centers, amortization of third-party technology licensing fees, fees paid to contractors who supplement or support our operations center

personnel and overhead allocations. We expect to make significant capital investments to expand our data center operations, which will increase the cost of revenues in absolute dollars.

Operating Expenses

Research and Development

Research and development expenses consist primarily of personnel expenses, comprised of salaries, benefits, performance-based compensation and stock-based compensation, for our research and development teams. Other expenses include third-party contractor fees, amortization of intangibles related to prior acquisitions and overhead allocations. All research and development costs are expensed as incurred. We expect to continue to devote substantial resources to research and development in an effort to continuously improve our existing solutions as well as develop new solutions and expect that research and development expenses will increase in absolute dollars.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel expenses, comprised of salaries, benefits, sales commissions, performance-based compensation and stock-based compensation for our worldwide sales and marketing teams. Other expenses include marketing and promotional events, lead-generation marketing programs, public relations, travel and overhead allocations. All costs are expensed as incurred, including sales commissions. Sales commissions are expensed in the quarter in which the related order is received and are paid in the month subsequent to the end of that quarter, which results in increased expenses prior to the recognition of related revenues. Our new sales personnel are typically not immediately productive, and the resulting increase in sales and marketing expenses we incur when we add new personnel may not result in increased revenues if these new sales personnel fail to become productive. The timing of our hiring of sales personnel and the rate at which they generate incremental revenues may affect our future operating results. We expect that sales and marketing expenses will increase in absolute dollars.

General and Administrative

General and administrative expenses consist primarily of personnel expenses, comprised of salaries, benefits, performance-based compensation and stock-based compensation, for our executive, finance and accounting, legal, human resources and internal information technology support teams as well as professional services fees and overhead allocations. We anticipate that we will incur additional expenses for personnel and for professional services, including auditing and legal services, insurance and other corporate governance-related expenses, including compliance with Section 404 of the Sarbanes-Oxley Act, related to operating as a public company. We expect that general and administrative expenses will increase in absolute dollars, especially in the near term, as we continue to add personnel to support our growth and operate as a public company.

Other Income (Expense), Net

Our other income (expense), net consists primarily of interest expense associated with our capital leases and foreign exchange gains and losses, the majority of which result from fluctuations between the U.S. dollar and the Euro, British pound and Japanese yen.

Provision for (Benefit from) Income Taxes

Our provision for (benefit from) income taxes consists primarily of corporate income taxes resulting from profits generated in foreign jurisdictions by wholly-owned subsidiaries, along with state income taxes payable in the United States. The provision for (benefit from) income taxes also includes changes to unrecognized tax benefits related to uncertain tax positions.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the tax impact of timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the statutory rate change is enacted into law.

As a result of our current net operating loss position in the United States, we maintain a full valuation allowance on our U.S. federal and state deferred tax assets. Our cash tax expense is impacted by each jurisdiction's individual tax rates, laws on timing of recognition of income and deductions and availability of net operating losses and tax credits. Given the full valuation allowance and sensitivity of current cash taxes to local rules, our effective tax rate fluctuates significantly on an annual basis and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

Results of Operations

The following tables set forth selected consolidated statements of operations data for each of the periods presented.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010[2] (restated)	2011	2011	2012
			(in thousands)	(unaudited)	
Consolidated Statements of Operations Data:					
Revenues	$57,425	$65,432	$76,212	$36,185	$43,381
Cost of revenues[1]	10,692	11,204	13,247	5,899	8,789
Gross profit	46,733	54,228	62,965	30,286	34,592
Operating expenses:					
Research and development[1]	13,377	15,780	19,633	9,758	10,249
Sales and marketing[1]	24,782	29,056	31,526	14,312	19,030
General and administrative[1]	7,455	8,183	8,900	4,261	5,657
Total operating expenses	45,614	53,019	60,059	28,331	34,936
Income (loss) from operations	1,119	1,209	2,906	1,955	(344)
Other income (expense), net	(40)	(566)	(536)	408	(218)
Income (loss) before provision for (benefit from) income taxes	1,079	643	2,370	2,363	(562)
Provision for (benefit from) income taxes	220	(204)	416	210	0
Net income (loss)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)

(1) Includes stock-based compensation as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
			(in thousands)	(unaudited)	
Cost of revenues	$ 47	$ 80	$ 143	$ 52	$ 127
Research and development	315	359	499	222	317
Sales and marketing	284	467	578	234	507
General and administrative	474	964	927	454	605
Total stock-based compensation	$1,120	$1,870	$2,147	$ 962	$ 1,556

(2) We have restated our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the restatement.

The following table sets forth selected consolidated statements of operations data for each of the periods presented as a percentage of revenues.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010[1] (restated)	2011	2011	2012
				(unaudited)	
	(percentage of revenues)				
Revenues	100%	100%	100%	100%	100%
Cost of revenues	19	17	17	16	20
Gross profit	81	83	83	84	80
Operating expenses:					
Research and development	23	24	26	27	24
Sales and marketing	43	44	41	40	44
General and administrative	13	13	12	11	13
Total operating expenses	79	81	79	78	81
Income (loss) from operations	2	2	4	6	(1)
Other income (expense), net	0	(1)	(1)	1	0
Income (loss) before provision for (benefit from) income taxes	2	1	3	7	(1)
Provision for (benefit from) income taxes	1	0	0	1	0
Net income (loss)	1%	1%	3%	6%	(1)%

(1) We have restated our consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in our 2010 provision for income taxes. The restatement relates to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary. See Note 2 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the restatement.

Comparison of Six Months Ended June 30, 2011 and 2012

Revenues

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
Revenues	$36,185	$43,381	$7,196	20%

Revenues increased $7.2 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011. Revenues from customers existing at or prior to June 30, 2011 grew $2.1 million to $38.3 million during the six months ended June 30, 2012 due to increased subscriptions. Subscriptions from new customers added in the twelve months ended June 30, 2012 contributed $5.1 million to the increase in revenues. Of the total increase of $7.2 million, $4.8 million was from customers in the United States and the remaining $2.4 million was from customers in foreign countries. The growth in revenues reflects increased demand for our solutions.

Table of Contents

Cost of Revenues

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
Cost of revenues	$ 5,899	$ 8,789	$2,890	49%
Percentage of revenues	16%	20%		
Gross profit percentage	84%	80%		

Cost of revenues increased $2.9 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to $1.0 million of higher depreciation expenses related to additional data center equipment, third-party software and physical scanner appliances deployed to customers, increased personnel expenses of $0.9 million, principally driven by the addition of employees in our operations team, and increased third-party software maintenance expense of $0.5 million.

Research and Development Expenses

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
Research and development	$ 9,758	$10,249	$ 491	5%
Percentage of revenues	27%	24%		

Research and development expenses increased $0.5 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to an increase in personnel expenses of $0.6 million, principally driven by the addition of employees as we continue to invest in enhancing our platform and developing new solutions.

Sales and Marketing Expenses

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
Sales and marketing	$14,312	$19,030	$4,718	33%
Percentage of revenues	40%	44%		

Sales and marketing expenses increased $4.7 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to an increase in personnel expenses of $2.9 million, principally driven by the addition of employees as we continue to expand our domestic and international sales and marketing efforts, and higher sales commissions as a result of higher bookings, increased travel and related expense of $0.6 million and increased marketing expenses of $0.5 million due to a higher level of trade show and marketing activities.

General and Administrative Expenses

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
General and administrative	$ 4,261	$ 5,657	$1,396	33%
Percentage of revenues	11%	13%		

General and administrative expenses increased $1.4 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to an increase in personnel expenses of $0.8 million, principally driven by the addition of employees to support the growth of our business and an increase in professional services expenses of $0.3 million.

Other Income (Expense), Net

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
Other income (expense), net	$ 408	$ (218)	$ (626)	NM
Percentage of revenues	1%	0%		

Other income (expense), net decreased $0.6 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to foreign exchange fluctuations in the Euro. The six months ended June 30, 2011 included $0.5 million of foreign currency exchange gains, compared to $0.1 million of foreign currency exchange losses in the six months ended June 30, 2012.

Provision for (Benefit from) Income Taxes

	Six Months Ended June 30,		Change	
	2011	2012	$	%
	(unaudited) (in thousands, except percentages)			
Provision for (benefit from) income taxes	$ 210	0	$ (210)	NM
Percentage of revenues	1%	0%		

Provision for (benefit from) income taxes decreased $0.2 million in the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily due to a reduction of the liability for uncertain tax positions of $0.1 million, resulting from closure of the 2008 to 2010 tax years upon completion of an income tax audit of our French subsidiary. The remaining decrease is a result of a pre-tax loss in the six months ended June 30, 2012 compared to pre-tax income in the six months ended June 30, 2011.

Comparison of Years Ended December 31, 2010 and 2011

Revenues

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
Revenues	$65,432	$76,212	$10,780	16%

Revenues increased $10.8 million in 2011 compared to 2010. Revenues from customers existing at or prior to December 31, 2010 grew $5.8 million to $71.2 million in 2011 due to increased subscriptions. Subscriptions from new customers added in 2011 contributed $5.0 million to the increase in revenues. Of the total increase of $10.8 million, $7.4 million was from customers in the United States and the remaining $3.4 million was from customers in foreign countries. The growth in revenues reflects increased demand for our solutions.

Cost of Revenues

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
Cost of revenues	$11,204	$13,247	$2,043	18%
Percentage of revenues	17%	17%		
Gross profit percentage	83%	83%		

Cost of revenues increased $2.0 million in 2011 compared to 2010, primarily due to $1.4 million of increased personnel expenses, principally driven by the addition of employees in our operations team and customer support team, and $0.6 million of higher depreciation expenses, principally driven by additional data center equipment and third-party software.

Research and Development Expenses

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
Research and development	$15,780	$19,633	$3,853	24%
Percentage of revenues	24%	26%		

Research and development expenses increased $3.9 million in 2011 compared to 2010, primarily due to increased personnel expenses of $3.0 million, principally driven by the addition of employees and higher performance-based compensation, as we continued to invest in enhancing our platform and solutions, and developing new solutions, increased travel expenses of $0.3 million, and increased amortization expenses of $0.3 million as a result of the addition of intangible assets acquired through our acquisition of Nemean Networks, LLC, or Nemean, in 2010.

Sales and Marketing Expenses

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
Sales and marketing	$29,056	$31,526	$2,470	9%
Percentage of revenues	44%	41%		

Sales and marketing expenses increased $2.5 million in 2011 compared to 2010, primarily due to increased personnel expenses of $1.5 million, principally driven by the addition of employees as we continued to expand our domestic and international sales and marketing efforts and higher sales commissions as a result of higher bookings, increased marketing program and event expenses of $0.5 million, and higher travel and related expenses of $0.3 million.

Table of Contents

General and Administrative Expenses

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
General and administrative	$ 8,183	$ 8,900	$ 717	9%
Percentage of revenues	13%	12%		

General and administrative expenses increased $0.7 million in 2011 compared to 2010, primarily due to increased personnel expenses of $0.3 million, principally driven by higher performance-based compensation, and higher administrative expenses of $0.3 million, primarily for additions of office equipment and third-party fees to support our growth.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
Other income (expense), net	$ (566)	$ (536)	$ 30	5%
Percentage of revenues	1%	1%		

Other income (expense), net was consistent in 2010 and 2011.

Provision for (Benefit from) Income Taxes

	Year Ended December 31,		Change	
	2010	2011	$	%
	(in thousands, except percentages)			
Provision for (benefit from) income taxes	$ (204)	$ 416	$ 620	NM
Percentage of revenues	0%	0%		

Provision for (benefit from) income taxes increased $0.6 million in 2011 compared to 2010. Our benefit from income taxes in 2010 included a $0.4 million tax benefit resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary in 2010. Our provision for income taxes in 2011 also increased compared to 2010 due to an increase in pre-tax income related to international operations and state taxes, as we utilized net operating losses to offset federal income taxes in the United States.

Comparison of Years Ended December 31, 2009 and 2010

Revenues

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
Revenues	$57,425	$65,432	$8,007	14%

Revenues increased $8.0 million in 2010 compared to 2009. Revenues from customers existing at or prior to December 31, 2009 grew $3.1 million to $60.5 million in 2010 due to increased subscriptions. Subscriptions from new customers added in 2010 contributed $4.9 million to the

increase in revenues. Of the total increase of $8.0 million, $3.8 million was from customers in the United States and the remaining $4.2 million was from customers in foreign countries. The growth in revenues reflects increased demand for our solutions.

Cost of Revenues

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
Cost of revenues	$10,692	$11,204	$ 512	5%
Percentage of revenues	19%	17%		
Gross profit percentage	81%	83%		

Cost of revenues increased $0.5 million in 2010 compared to 2009, primarily due to higher depreciation expenses principally driven by additional data center equipment, third-party software and physical scanner appliances provided to certain customers as part of their subscriptions.

Research and Development Expenses

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
Research and development	$13,377	$15,780	$2,403	18%
Percentage of revenues	23%	24%		

Research and development expenses increased $2.4 million in 2010 compared to 2009, primarily due to an increase in personnel expenses of $2.0 million, principally driven by the addition of employees as we continued to invest in enhancing our platform and solutions and developing new solutions, as well as the addition of several new employees from the acquisition of Nemean in August 2010.

Sales and Marketing Expenses

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
Sales and marketing	$24,782	$29,056	$4,274	17%
Percentage of revenues	43%	44%		

Sales and marketing expenses increased $4.3 million in 2010 compared to 2009, primarily due to increased personnel expenses of $2.3 million, principally driven by the addition of employees as we continued to expand our domestic and international sales and marketing efforts, increased marketing program and event expenses of $1.0 million and increased travel and related expenses of $0.4 million.

General and Administrative Expenses

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
General and administrative	$ 7,455	$ 8,183	$ 728	10%
Percentage of revenues	13%	13%		

Table of Contents

General and administrative expenses increased $0.7 million in 2010 compared to 2009, primarily due to an increase in personnel expenses of $0.4 million, principally driven by higher stock-based compensation expense, and higher professional services fees of $0.2 million.

Other Income (Expense), Net

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
Other income (expense), net	$ (40)	$ (566)	$ (526)	NM
Percentage of revenues	0%	1%		

Other income (expense), net increased $0.5 million in 2010 compared to 2009, primarily due to foreign currency exchange losses of $0.4 million in 2010 compared to foreign exchange gains of $0.1 million in 2009.

Provision for (Benefit from) income Taxes

	Year Ended December 31,		Change	
	2009	2010	$	%
	(in thousands, except percentages)			
Provision for (benefit from) income taxes	$ 220	$ (204)	$ (424)	NM
Percentage of revenues	1%	0%		

Provision for (benefit from) income taxes decreased $0.4 million in 2010 compared to 2009 primarily due to a tax benefit of $0.4 million resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of our French subsidiary in 2010.

Quarterly Results of Operations Data

The following table sets forth our unaudited consolidated statements of operations data for each of the ten consecutive quarters through and including the period ended June 30, 2012, as well as the percentage of revenues for each line item shown. The unaudited quarterly consolidated statements of operations data set forth below have been prepared on the same basis as the audited consolidated financial statements included elsewhere in this prospectus and, in the opinion of management, reflect all necessary adjustments, which consist only of normal recurring adjustments, necessary for a fair presentation of such data. Our historical results are not necessarily indicative of the results for the full year or any other period. This data should be read together with our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Three Months Ended									
	Mar. 31, 2010	Jun. 30, 2010	Sep. 30, 2010	Dec. 31, 2010	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012
	(unaudited) (in thousands)									
Revenues	$ 15,367	$ 16,120	$ 16,689	$ 17,256	$ 17,690	$ 18,495	$ 19,375	$ 20,652	$ 21,191	$ 22,190
Cost of revenues[(1)]	2,605	2,914	2,681	3,004	2,873	3,026	3,225	4,123	4,160	4,629
Gross profit	12,762	13,206	14,008	14,252	14,817	15,469	16,150	16,529	17,031	17,561
Operating expenses:										
Research and development[(1)]	3,856	3,708	3,961	4,255	4,764	4,994	4,922	4,953	5,101	5,148
Sales and marketing[(1)]	7,402	7,161	6,844	7,649	7,002	7,310	7,985	9,229	9,246	9,784
General and administrative[(1)]	2,241	2,026	1,851	2,065	2,214	2,047	2,249	2,390	2,814	2,843
Total operating expenses	13,499	12,895	12,656	13,969	13,980	14,351	15,156	16,572	17,161	17,775
Income (loss) from operations	(737)	311	1,352	283	837	1,118	994	(43)	(130)	(214)
Other income (expense), net	(370)	(452)	432	(176)	337	71	(461)	(483)	(77)	(141)
Income (loss) before provision for (benefit from) income taxes	(1,107)	(141)	1,784	107	1,174	1,189	533	(526)	(207)	(355)
Provision for (benefit from) income taxes	62	56	76	(398)	128	82	81	125	78	(78)
Net income (loss)	$ (1,169)	$ (197)	$ 1,708	$ 505	$ 1,046	$ 1,107	$ 452	$ (651)	$ (285)	$ (277)

(1) Includes stock-based compensation as follows:

Cost of revenues	$ 9	$ 19	$ 25	$ 27	$ 18	$ 34	$ 44	$ 47	$ 54	$ 73
Research and development	83	91	85	100	113	109	118	159	148	169
Sales and marketing	64	120	124	159	118	116	163	181	199	308
General and administrative	220	244	255	245	228	226	225	248	275	330
Total stock-based compensation	$ 376	$ 474	$ 489	$ 531	$ 477	$ 485	$ 550	$ 635	$ 676	$ 880

	Three Months Ended									
	Mar. 31, 2010	Jun. 30, 2010	Sep. 30, 2010	Dec. 31, 2010	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011	Dec. 31, 2011	Mar. 31, 2012	Jun. 30, 2012
	(unaudited) (percentage of revenues)									
Revenues	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenues	17	18	16	17	16	16	17	20	20	21
Gross profit	83	82	84	83	84	84	83	80	80	79
Operating expenses:										
Research and development	25	23	24	25	27	27	25	24	24	23
Sales and marketing	48	44	41	44	40	40	41	45	44	44
General and administrative	15	13	11	12	12	11	12	11	13	13
Total operating expense	88	80	76	81	79	78	78	80	81	80
Income (loss) from operations	(5)	2	8	2	5	6	5	0	(1)	(1)
Other income (expense), net	(2)	(3)	3	(1)	2	0	(2)	(2)	0	0
Income (loss) before provision for (benefit from) income taxes	(7)	(1)	11	1	7	6	3	(2)	(1)	(1)
Provision for (benefit from) income taxes	1	0	1	(2)	1	0	1	1	0	(0)
Net income (loss)	(8)%	(1)%	10%	3%	6%	6%	2%	(3)%	(1)%	(1)%

Cost of Revenues

Cost of revenues generally does not vary directly with changes in revenues, as costs of revenues primarily include on-going and regular costs of personnel, data center, depreciation expense and amortization of third-party technology license fees. Our quarterly trend generally reflects increases in cost of revenues as we add personnel and data center infrastructure and as depreciation expense increases due to purchases of computer hardware to support the expansion of our data centers. The increase in the three months ended December 31, 2010 was primarily due to increased costs incurred to improve our data centers. The increase in the three months ended December 31, 2011 was primarily due to significant capital expenditures, which resulted in higher depreciation expense. The increase in the three months ended June 30, 2012 was primarily due to increased personnel expenses driven by the addition of employees in our operations team, as well as smaller increases in data center costs, depreciation expense and amortization of third-party license fees due to our continued expansion of data center capabilities to support anticipated growth.

Operating Expenses

Research and Development

Research and development expenses generally increased in absolute dollars quarter over quarter as we continued to invest in developing new solutions, and continued to enhance our platform and existing solutions. We also continued to expand our research and development teams outside of the United States. The increases in the three months ended March 31, 2011 and June 30, 2011 were primarily due to increased personnel expenses during these quarters as a result of higher performance-based compensation.

Sales and Marketing

Sales and marketing expenses generally fluctuate from quarter to quarter due to the timing of sales, marketing events and related travel expenses. The significant increase in sales and marketing expenses in the three months ended December 31, 2011 was primarily due to increased sales compensation related to higher bookings in that quarter. The increase in the three months ended June 30, 2012 was primarily due to increased sales compensation related to higher bookings, the addition of employees and increased lead-generation marketing programs, as we continued to expand our domestic and international sales and marketing efforts.

General and Administrative

General and administrative expenses generally fluctuate from quarter to quarter due to the timing of certain professional services, such as accounting and legal, that are not incurred ratably throughout the year. The increase in the three months ended March 31, 2012 was primarily due to higher professional services fees and the addition of employees.

Net Income

We incurred net losses in each of the three months ended December 31, 2011, March 31, 2012 and June 30, 2012, primarily due to increased investments in our data centers and infrastructure, which resulted in higher depreciation expense and third-party license fees. Sales and marketing expenses also increased during these periods, primarily due to higher sales compensation for sales personnel and significant marketing events. We also incurred significant foreign currency exchange losses in the three months ended December 31, 2011. We incurred a benefit from income taxes in each of the three months ended December 31, 2010 and June 30, 2012, primarily resulting from reductions in the liability for uncertain tax positions due to the lapse of the statute of limitations or closure of tax years due to a completed audit of our French subsidiary.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through the proceeds from the issuance of our preferred stock, including $23.2 million invested by Philippe F. Courtot, our Chairman, President and Chief Executive Officer, and cash flows from operations. At June 30, 2012, our principal source of liquidity was cash of $28.5 million, including $1.3 million held outside of the United States by our foreign subsidiaries. We do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. However, if we repatriate these funds, we could be subject to U.S. income taxes on such amounts, less previously paid foreign income taxes.

We have experienced positive cash flows from operations during each of 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012. We believe our existing cash and cash from operations will be sufficient to fund our operations for at least the next twelve months. We expect to spend approximately $20.0 million through December 31, 2013 for capital expenditures, primarily related to infrastructure to support the anticipated growth in our business. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of our spending on research and development efforts, international expansion and investment in data centers. We may also seek to invest in or acquire complementary businesses or technologies. To the extent that existing cash, cash from operations and net proceeds from this offering are insufficient to fund our future activities, we may need to raise additional funding through debt and equity financing. Additional funds may not be available on favorable terms or at all.

Table of Contents

Cash Flows

The following summary of cash flows for the periods indicated has been derived from our consolidated financial statements included elsewhere in this prospectus:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(in thousands)		
Cash provided by operating activities	$ 7,471	$ 9,896	$17,190	$ 9,660	$10,023
Cash used in investing activities	(3,889)	(4,261)	(7,499)	(1,702)	(5,989)
Cash provided by (used in) financing activities	(1,224)	(547)	(10)	56	(61)
Effect of exchange rates on cash	(64)	(27)	(143)	15	(62)
Net increase in cash	$ 2,294	$ 5,061	$ 9,538	$ 8,029	$ 3,911

Cash Flows from Operating Activities

In the six months ended June 30, 2012, operating activities provided $10.0 million in cash related to an increase of $3.1 million in deferred revenues, attributable to increased collections from customers and an increase in subscriptions exceeding one year and a decrease of accounts receivable of $2.3 million due to lower bookings in the second quarter compared to the fourth quarter of the prior year. These working capital increases were partially offset by a net loss of $0.6 million, adjusted by non-cash items such as depreciation and amortization of $3.5 million and stock-based compensation of $1.6 million.

In the six months ended June 30, 2011, operating activities provided $9.7 million in cash as a result of net income of $2.2 million, adjusted by non-cash items including depreciation and amortization of $2.6 million and stock-based compensation of $1.0 million. Working capital sources of cash were also related to an increase of $1.9 million in deferred revenues, attributable to the increased collections from customers and an increase in subscriptions exceeding one year and a $1.0 million increase in accounts payable and accrued liabilities primarily related to increased headcount and operations.

In 2011, operating activities provided $17.2 million in cash as a result of net income of $2.0 million, adjusted by non-cash items, including depreciation and amortization of $5.4 million and stock-based compensation of $2.1 million. Working capital sources of cash were related to an increase of $11.9 million in deferred revenues, attributable to increased collections from customers and subscriptions exceeding one year, a $4.1 million increase in accounts payable and accrued liabilities primarily related to increased headcount and operations, and a $1.7 million increase in other non-current liabilities related to obligations for multi-year maintenance and support agreements for third-party licensed technology. These sources of cash were partially offset by an increase of $6.7 million in accounts receivable due to the overall growth of our business as new bookings outpaced collections of existing receivables and a $3.8 million increase in prepaid expenses and other assets related to long-term maintenance contracts on third-party licensed technology.

In 2010, operating activities provided $9.9 million in cash as a result of net income of $0.8 million, adjusted by non-cash items, including depreciation and amortization of $4.6 million and stock-based compensation of $1.9 million. Working capital sources of cash were related to an increase of $4.4 million in deferred revenues, attributable to increased collections from customers. These sources of cash were partially offset by an increase of $1.2 million in accounts receivable due to the overall growth of our business.

In 2009, operating activities provided $7.5 million in cash as a result of net income of $0.9 million, adjusted by non-cash items, including depreciation and amortization of $3.9 million and stock-based compensation of $1.1 million. Working capital sources of cash were related to an increase of $5.0 million in deferred revenues, which was attributable to increased collections from customers. These sources of cash were partially offset by an increase of $3.1 million in accounts receivable due to the overall growth of our business and $0.5 million decrease in accounts payable and accrued liabilities due to timing of payments.

Cash Flows from Investing Activities

In the six months ended June 30, 2011 and 2012, we used $1.7 million and $6.0 million, respectively, of cash for capital expenditures, including computer hardware and software for our data centers to support our growth and development, and to purchase physical scanner appliances provided to certain customers as part of their subscriptions.

In 2009, 2010 and 2011, we used $3.9 million, $1.5 million and $7.5 million, respectively, of cash for capital expenditures, including computer hardware and software for our data centers to support our growth and development, to purchase physical scanner appliances provided to certain customers as part of their subscriptions and to purchase computer hardware provided to customers as part of their subscriptions. Additionally, in 2010, we used $2.8 million of cash for the acquisition of Nemean.

Cash Flows from Financing Activities

In the six months ended June 30, 2012, cash used in financing activities of $0.1 million was primarily attributable to repayments on our capital lease obligations of $1.3 million partially offset by $1.2 million of proceeds from the exercise of stock options.

In the six months ended June 30, 2011, cash provided by financing activities of $0.1 million was primarily attributable to $0.8 million of proceeds from the exercise of stock options and warrants, partially offset by repayments on our capital leases of $0.8 million.

In 2011, cash used in financing activities of $10,000 was primarily attributable to repayments on our capital lease obligations of $1.5 million partially offset by $1.5 million of proceeds from the exercise of stock options and warrants.

In 2010, cash used in financing activities of $0.5 million was primarily attributable to repayments on our capital lease obligations of $1.1 million partially offset by $0.6 million of proceeds from the exercise of stock options.

In 2009, cash used in financing activities of $1.2 million was primarily attributable to repayments on our capital lease obligations and notes payable of $1.4 million, offset by $0.2 million of proceeds from the exercise of stock options.

Line of Credit

In March 2009, we entered into an equipment line of credit of $1.5 million. In March 2010, we amended this line of credit. The amount available for draws at the time of the amendment was increased by $0.8 million and was available through February 2011. In December 2010, we completed a second amendment to our line of credit. The amount available for draws at the time of the second amendment was increased by an additional $1.0 million and was available through February 2012. At December 31, 2011 and June 30, 2012, we had $0.9 million and $0.5 million, respectively, in outstanding borrowings under this line of credit, which are recorded in capital lease obligations in the

consolidated balance sheets. The remaining amount available for borrowings at December 31, 2011 was $0.9 million. Our line of credit expired in February 2012, and we are not able to draw any further funds from our line of credit.

Contractual Obligations

Our principal commitments consist of obligations under our outstanding leases for office space and third-party data centers, capital lease and third-party software maintenance obligations and non-contingent payments for business acquisitions. The following table summarizes our contractual cash obligations, including future interest payments, at December 31, 2011 and the effect such obligations are expected to have on our liquidity and cash flows in future periods:

	Payment Due by Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in thousands)				
Operating lease obligations[1]	$10,884	$ 2,733	$3,859	$2,846	$ 1,446
Capital lease obligations[2]	4,541	2,093	2,448	—	—
Maintenance obligations[3]	2,611	826	1,785	—	—
Non-contingent payments for business acquisitions[4]	1,050	1,050	—	—	—
Total	$19,086	$ 6,702	$8,092	$2,846	$ 1,446

(1) Operating lease obligations represent our obligations to make payments under the lease agreements for our facilities and office equipment leases. During the six months ended June 30, 2012, we made regular payments on our operating lease obligations of $1.7 million.
(2) Capital lease obligations represent financing on computer equipment and software purchases. During the six months ended June 30, 2012, we made regular payments on our capital lease obligations of $1.3 million.
(3) Maintenance obligations relate to third-party software licenses. During the six months ended June 30, 2012, we made regular payments on our maintenance obligations of $0.6 million.
(4) Non-contingent payments for business acquisitions represents additional cash consideration payable in connection with acquisitions, $0.1 million of which was paid during the six months ended June 30, 2012.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities.

Recent Accounting Pronouncements

Under the JOBS Act we meet the definition of an “emerging growth company.” We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. As a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required from non-emerging growth companies.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*, which generally represents clarifications of ASC Topic 820, Fair Value Measurement, but also includes some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. ASU 2011-04 results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 should be applied

prospectively and is effective for annual periods beginning after December 15, 2011. Early adoption is not permitted. We do not expect the adoption of ASU 2011-04 to have a material impact on our consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to impact our financial position or results of operations.

Quantitative and Qualitative Disclosures about Market Risk

We have domestic and international operations and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. To reduce certain of these risks, we monitor the financial condition of our large customers and limit credit exposure by collecting subscription fees in advance.

Foreign Currency Risk

Our results of operations and cash flows have been and will continue to be subject to fluctuations because of changes in foreign currency exchange rates, particularly changes in exchange rates between the U.S. dollar and the Euro and British pound, the currencies of countries where we currently have our most significant international operations. A portion of our invoicing is denominated in the Euro, British pound and Japanese yen. Our expenses in international locations are generally denominated in the currencies of the countries in which our operations are located.

Beginning in December 2011, we began to use foreign exchange forward contracts to partially mitigate the impact of fluctuations in cash and accounts receivable balances denominated in Euros. We do not use these contracts for speculative or trading purposes, nor are they designated as hedges. These contracts typically have a maturity of one month, and we record gains and losses from these instruments in other income (expense), net.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

We believe that of our significant accounting policies, which are described in the notes to our consolidated financial statements, the following accounting policies involve the greatest degree of judgment and complexity and have the greatest potential impact on our consolidated financial statements. A critical accounting policy is one that is material to the presentation of our consolidated financial statements and requires us to make difficult, subjective or complex judgments for uncertain matters that could have a material effect on our financial condition and results of operations. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Revenue Recognition

We derive revenues from subscriptions that require customers to pay a fee in order to access our cloud solutions. The subscription fee entitles the customer to an unlimited number of scans for a specified number of networked devices or web applications and, if requested by a customer as part of their subscription, a specified number of physical or virtual scanner appliances. Our physical and virtual scanner appliances are requested by certain customers as part of their subscriptions in order to scan IT infrastructures within their firewalls and do not function without, and are not sold separately from, subscriptions for our solutions. Customers are required to return physical scanner appliances if they do not renew their subscriptions. In some limited cases, we also provide certain computer equipment used to extend our QualysGuard Cloud Platform into our customers' private cloud environment. Customers generally enter into one year renewable annual subscriptions. We assess the ability to separate multiple deliverables in accordance with the relevant accounting literature.

We recognize revenues when all of the following conditions are met: (a) there is persuasive evidence of an arrangement; (b) the service has been provided to the customer; (c) the collection of the fees is reasonably assured; and (d) the amount of fees to be paid by the customer is fixed or determinable.

Subscriptions for unlimited scans and certain limited scan arrangements with firm expiration dates are recognized ratably over the period in which the services are performed, generally one year. We recognize revenues for certain other limited scan arrangements, where expiration dates can be extended, on an as-used basis. We recognize the subscription of physical scanner appliances and other computer equipment as revenues ratably over the period of the subscription, which is commensurate with the term of the related subscription. Because the customer's access to our cloud solutions are delivered at the same time or within close proximity to the delivery of physical scanner appliances and the terms are commensurate for these services and equipment, we consider these elements as a single unit of accounting recognized ratably over the subscription term. Costs of shipping and handling charges associated with physical scanner appliances and other computer equipment are included in cost of revenues.

Deferred revenues consist of revenues billed or received that will be recognized in the future under subscriptions existing at the balance sheet date.

Goodwill and Intangibles

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net tangible and identifiable intangible assets acquired. Goodwill and other intangible assets are not amortized and are tested for impairment at least annually or whenever events or changes in circumstances indicate that the fair value is less than carrying value. We have determined that we operate in one reporting unit. We performed a qualitative assessment of our single reporting unit for 2011, which did not indicate that it is more likely than not that the reporting unit fair value is less than its carrying value, and concluded there was no impairment of goodwill. The goodwill balance was $0.3 million as of December 31, 2010 and 2011. No impairment of goodwill was recorded for 2010 or 2011.

Income Taxes

We are subject to taxes in the United States as well as other tax jurisdictions in which we conduct business. Earnings from our non-U.S. activities are subject to local income tax and may be subject to U.S. income tax.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the tax impact of timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using statutory tax rates and laws expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the statutory rate change is enacted in law.

As of December 31, 2011, we had recorded a full valuation allowance on our deferred tax assets. In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent upon generation of future taxable income during the periods in which temporary differences such as loss carry-forwards and tax credits become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment and ensuring that the deferred tax asset valuation allowance is adjusted as appropriate. As of December 31, 2011, based on the accumulation of negative evidence, such as inconsistent quarterly earnings, including operating losses in the three months ended December 31, 2011, March 31, 2012 and June 30, 2012, continued heavy investment in research and development activities and in our infrastructure, and international expansion, management determined it was not more likely than not that the benefits of our deferred tax assets will be realized. If we determine in the future that we will be able to realize all or a portion of our net operating loss or tax credit carryforwards, an adjustment to our net operating loss or tax credit carryforwards would increase net income in the period in which we make such a determination.

We have assessed our income tax positions and recorded tax benefits for all years subject to examination, based upon evaluation of the facts, circumstances and information available at the end of each period. We recognize tax benefits from uncertain tax positions when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. We record interest and penalties related to unrecognized tax benefits in our provision for income taxes.

Significant judgment is required in evaluating tax positions and determining the provision for income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and the deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our financial position, results of operations or cash flows.

Stock-Based Compensation

We recognize compensation expense for our employee stock options over the requisite service period for awards of equity instruments based on the grant-date fair value of those awards ultimately expected to vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Determining the appropriate fair value model and calculating the fair value of stock-based payment awards requires the use of highly subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility. The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but the estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In 2009, 2010, 2011 and the six months ended June 30, 2011 and 2012, we

used the Black-Scholes option-pricing model and the following assumptions to determine fair values of option grants and related compensation expense:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
Expected term (in years)	5.7	5.5	5.6	5.6	5.3 to 6.0
Volatility	51%	57% to 58%	55%	55%	53%
Risk-free interest rate	1.7% to 2.7%	1.1% to 2.6%	0.8% to 2.3%	1.7% to 2.2%	0.7% to 1.0%
Dividend yield	—	—	—	—	—

We have been a private company and have lacked company-specific historical and implied volatility information. Accordingly, we have estimated our expected volatility based on the historical volatility of our self-designated peer group consisting of publicly-held companies selected because of the similarity of their industry, business model and financial risk profile. The expected volatility of options granted has been determined using an average of the historical volatility measures of this peer group of companies for a period equal to the expected term of the option. We intend to continue to consistently apply this process using the same or similar entities until such time that sufficient information regarding the volatility of our share price becomes available or we determine that other companies should be added or are no longer suitable.

The expected term of options was estimated by analyzing the historical period from grant to settlement of the stock option. This analysis includes exercises and forfeitures, and also gives consideration to the expected holding period for those options that are still outstanding. The risk-free interest rate is based on a daily treasury yield curve rate that has a term consistent with the expected life of the stock option. We have not paid and do not anticipate paying cash dividends on our common stock, and therefore our expected dividend yield is assumed to be zero. We also estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. If our actual forfeiture rate is materially different from its estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period.

We also record compensation representing the fair value of stock options granted to non-employees. Stock-based non-employee compensation is recognized over the vesting periods of the options. The value of options granted to non-employees is periodically remeasured as they vest over a performance period.

Our stock-based compensation expense was as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
		(in thousands)			
Cost of revenues	$ 47	$ 80	$ 143	$ 52	$ 127
Research and development	315	359	499	222	317
Sales and marketing	284	467	578	234	507
General and administrative	474	964	927	454	605
Total stock-based compensation	$1,120	$1,870	$2,147	$962	$1,556

We have historically granted stock options at exercise prices equal to the fair value as determined by our board of directors on the date of grant, with inputs from management. Because our common stock is not publicly traded, our board of directors exercises significant judgment in determining the fair

value of our common stock on the date of grant based on a number of objective and subjective factors. Factors considered by our board of directors included:

- contemporaneous independent valuations performed at periodic intervals by outside firms;
- our results of operations, financial condition and future financial projections;
- peer group trading multiples;
- changes in the company since the last time the board of directors approved option grants and made a determination of fair value;
- the illiquidity of shares of our common stock; and
- our future prospects and opportunity for liquidity events such as an initial public offering and possible strategic merger or sale.

The following table summarizes by period the number of shares subject to options granted between January 1, 2011 and July 31, 2012, the per share exercise price of the options and the per share estimated fair value of our common stock at the date of grant:

Period	Number of Shares Subject to Options Granted	Per Share Exercise Price of Option	Common Stock Fair Value Per Share at Grant Date
February 2011	585,389	$ 4.40	$ 4.40
April 2011	271,892	4.80	4.80
May 2011	3,750	4.80	4.80
July 2011	428,499	5.10	5.10
August 2011	12,500	5.10	5.10
November 2011	427,821	5.90	5.90
December 2011	86,999	5.90	5.90
February 2012	264,863	6.70	6.70
April 2012	327,598	8.40	8.40
May 2012	36,000	8.40	8.40
June 2012	514,289	8.90	8.90
July 2012	176,650	9.40	9.40
August 2012	3,500	9.40	9.40

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

Our valuation analysis has been conducted under a probability-weighted expected return method, or PWERM, as prescribed by the AICPA Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The PWERM approach employs various market approach and income approach calculations depending upon the likelihood of various liquidation scenarios. For each of the various scenarios, an equity value is estimated and the rights and preferences for each shareholder class are considered to allocate the equity value to common shares. The common share value is then multiplied by a discount factor reflecting the calculated discount rate and the timing of the event. Lastly, the common share value is multiplied by an estimated probability for each scenario. The probability and timing of each scenario are based upon discussions between our board of directors and our management team. Under the PWERM, the value of our common stock is based on upon three possible future events for our company:

- Completion of an initial public offering;
- Strategic merger or sale; and
- Continuation as a private company.

The market approach uses similar companies or transactions in the marketplace. We utilized the guideline publicly traded company method of the market approach for the initial public offering scenario and the guideline merged and acquired company method of the market approach for the strategic merger or sale scenario. We identified companies similar to our business and used this peer group of companies to develop relevant market multiples and ratios. We then applied these market multiples and ratios to our financial forecasts to create an indication of total equity value. The income approach, which we utilize to assess fair value of the common stock under the assumption we remain a private company, is an estimate of the present value of the future monetary benefits generated by an investment in that asset. Specifically, debt-free cash flows and the estimated terminal value are discounted at appropriate risk-adjusted discount rates to estimate the total invested capital value of the equity.

When considering which companies to include in our comparable peer companies, we focused on U.S. publicly traded companies in the IT security industry in which we operate and software-as-a-service companies with business models similar to ours. We considered a number of factors which required us to make judgments as to the comparability of these companies to ours, including business description, business size, revenue model, development stage and historical operating results. We then analyzed the business and financial profiles of the selected companies for similarities to us and, based on this assessment, we selected our comparable peer companies.

The selection of our comparable peer companies has changed over time as we continue evaluating whether the selected companies remain comparable to us and considering recent initial public offerings and sale transactions. Based on these considerations, we believe the comparable peer companies are a representative group for purposes of performing contemporaneous valuations. However, there could be inherent differences that may impact comparability. Several of the comparable companies are larger than us in terms of total revenues and assets, and several have experienced net operating losses and have not yet generated net income.

Companies in the comparable peer group used for the initial public offering scenario were generally consistent with the peer group utilized to determine estimated volatility, subject to the following differences. The peer group of companies used to determine volatility was made up of a larger number of companies than that considered in our peer group for contemporaneous valuation purposes, primarily due to fewer common comparabilities to us. All but one company in our peer group used for contemporaneous valuation purposes were included in our peer group used to determine estimated volatility.

For all valuation periods presented, for the initial public offering scenario, we reviewed the forecasted twelve-month revenue and last twelve-month revenue multiples of comparable peer companies and selected an appropriate multiple based on our assessment of our comparability to these companies. We then applied the selected multiple to our forecasted twelve-month revenues and last twelve-month revenues and used an average of the two resulting values, which was weighted more heavily for the forecasted revenues, to determine our enterprise value under the initial public offering scenario.

For all valuation periods presented, for the merger or sale scenario, we reviewed the last twelve-month revenue and last twelve-month EBITDA multiples of comparable peer companies who were recently acquired and selected an appropriate multiple based on our assessment of our comparability to these companies. We then applied the selected multiple to our last twelve-month revenues and last twelve-month EBITDA and used an average of the two resulting values to determine our enterprise value under the merger or sale scenario.

We do not use comparable peer companies for any other estimates used in determining valuations. All other assumptions, such as the risk-adjusted discount rate, discount for lack of

marketability, expected term and interest rate, are determined based on the analysis performed by us without reference to comparable peer companies.

Significant factors considered by our board of directors in determining the fair value of our common stock for each of the grant dates include:

February 2011

We performed the PWERM methodology to value our common stock, which reflected various changes in our financial performance, the value of similar publicly-held companies, the value of similar recently merged or sold companies, and other factors. The present values calculated for common stock under the possible outcomes were weighted based on management's estimates of the probability of each scenario occurring, which were 10% for an initial public offering, 80% for a strategic merger or sale and 10% for continuing as a private company. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 3.2 and a last twelve-month revenue multiple of 3.6. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.4 and a last twelve-month EBITDA multiple of 30. We applied a risk-adjusted discount of 27.5%, which was estimated based on our analysis of our weighted average cost of capital and the estimated rate of return expected by venture capital investors at our development stage, and a discount for lack of marketability of 20%. The expected exit date was approximately 14 months from valuation date. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $4.40. The board of directors therefore determined the fair value of common stock to be $4.40 per share and granted 585,389 shares in February 2011 at an exercise price of $4.40 per share.

April and May 2011

We performed the same PWERM methodology as in the previous quarter to value our common stock. Management's estimates of the probability of each scenario occurring remained unchanged at 10% for an initial public offering, 80% for a strategic merger or sale and 10% for continuing as a private company. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 2.8 and a last twelve-month revenue multiple of 3.0. We removed several companies from the peer group of merged or sold companies as we determined the historical transactions were too dated for consideration in the current valuation. Based on the financial information of the remaining companies in the peer group, we determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.2 and a last twelve-month EBITDA multiple of 25. We applied a risk-adjusted discount of 25% and a discount for lack of marketability of 20%. Given the macro-economic conditions and uncertainty in the market place, we delayed the exit date by one quarter, and accordingly, the expected exit date was approximately 14 months from valuation date. We also reduced the risk-adjusted discount rate to 25% to be more in line with our weighted average cost of capital. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $4.80. Although the time to liquidity date did not change, the increase was a result of higher enterprise values calculated based on improved forecasted performance. The board of directors therefore determined the fair value of common stock to be $4.80 per share and granted 271,892 shares in April 2011 and 3,750 shares in May 2011 at an exercise price of $4.80 per share.

July and August 2011

We performed the same PWERM methodology as in the previous quarter to value our common stock. Management's estimates of the probability of each scenario occurring were 10% for an initial public offering, 80% for a strategic merger or sale and 10% for continuing as a private company. We

determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 2.9 and a last twelve-month revenue multiple of 3.1. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.2 and a last twelve-month EBITDA multiple of 25. We applied a risk-adjusted discount of 20% and a discount for lack of marketability of 20%. We continued to delay the exit date by one quarter, and accordingly, the expected exit date was approximately 14 months from valuation date. We also reduced the risk-adjusted discount rate to 20% to be more in line with our weighted average cost of capital. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $5.10. Although the time to liquidity date did not change, the increase was a result of higher enterprise values as we continued to fine-tune our forecast of future revenues, given the bookings growth of the most recent four quarters. The board of directors therefore determined the fair value of common stock to be $5.10 per share and granted 428,499 shares in July 2011 and 12,500 shares in August 2011 at an exercise price of $5.10 per share.

November and December 2011

We performed the same PWERM methodology as in the previous quarter to value our common stock. Management's estimates of the probability of each scenario occurring were 10% for an initial public offering, 80% for a strategic merger or sale and 10% for continuing as a private company. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 2.7 and a last twelve-month revenue multiple of 3.0. We added a company to the peer group of merged or sold companies due to a recent sale transaction within our industry. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.0 and a last twelve-month EBITDA multiple of 25. We applied a risk-adjusted discount of 20% and a discount for lack of marketability of 20%. The expected exit date at the latter part of 2012 remained unchanged and was approximately 11 months from valuation date. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $5.90. The increase primarily resulted from the shortened period to exit date as well as increased enterprise values with improved bookings growth from the prior year's four quarters. The board of directors therefore determined the fair value of common stock to be $5.90 per share and granted 427,821 shares in November 2011 and 86,999 shares in December 2011 at an exercise price of $5.90 per share.

February 2012

We performed the same PWERM methodology as in the previous quarter to value our common stock. Management's estimates of the probability of each scenario occurring were 20% for an initial public offering, 70% for a strategic merger or sale and 10% for continuing as a private company. We had just completed three profitable years and had bookings growth of over 20% for the most recently completed full year. Given our performance and the improving overall market conditions, we felt that we were more likely to pursue an initial public offering and increased the probability to 20% for the initial public offering scenario and reduced the merger and sale scenario to 70%. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 2.7 and a last twelve-month revenue multiple of 3.0. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.2 and a last twelve-month EBITDA multiple of 25. The exit date remained unchanged for the latter part of 2012 and was approximately 8 months from valuation date. As we approached the liquidity date, we also reduced the risk-adjusted discount to 15% and the discount for lack of marketability to 15%. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $6.70. The board of directors therefore determined the fair value of common stock to be $6.70 per share and granted 264,863 shares in February 2012 at an exercise price of $6.70 per share.

April and May 2012

We performed the same PWERM methodology as in the previous quarter to value our common stock. Given our continuing improved performance and increasing strength in the financial markets, in March 2012 we commenced discussions with our attorneys as well as prospective underwriters to explore the potential of an initial public offering. In April 2012, we held our organizational meeting with underwriters. Accordingly, management's estimates of the probability of scenarios were increased to 60% for an initial public offering and decreased to 35% for a merger or sale and 5% for continuing as a private company. We added several companies to our peer group of public companies due to several recent initial public offerings of companies in our industry or with similar business models. As we added companies, we also removed a company from the peer group. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 3.1 and a last twelve-month revenue multiple of 3.7. Similarly, we added companies to the peer group of merged or sold companies due to two transactions that had recently occurred. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.4 and a last twelve-month EBITDA multiple of 30. The exit date remained unchanged for the latter part of 2012 and was approximately 5 months from valuation date. As we started to move forward with the initial public offering process and approached the liquidity date, we reduced the risk-adjusted discount to 10% and the discount for lack of marketability to 10%. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $8.40. The board of directors therefore determined the fair value of common stock to be $8.40 per share and granted 327,598 shares in April 2012 and 36,000 shares in May 2012 at an exercise price of $8.40 per share.

June 2012

We performed the same PWERM methodology as in the previous period to value our common stock. We continued to make progress toward an initial public offering; however, there were no other significant events that warranted changes in the assumptions. Management's estimates of the probability of each scenario remained at 60% for an initial public offering, 35% for a strategic merger or sale and 5% for continuing as a private company. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 3.2 and a last twelve-month revenue multiple of 3.8. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.4 and a last twelve-month EBITDA multiple of 30. The exit date remained unchanged for the latter part of 2012 and was approximately 4 months from the valuation date. The risk-adjusted discount remained at 10% and the discount for lack of marketability also stayed the same at 10%. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $8.90. The board of directors therefore determined the fair value of common stock to be $8.90 per share and granted 514,289 shares in June 2012 at an exercise price of $8.90 per share.

July and August 2012

We performed the same PWERM methodology as in the previous period to value our common stock. We continued to make progress toward an initial public offering and filed our initial registration statement in June 2012. Management's estimates of the probability of each scenario increased to 70% for an initial public offering and decreased to 25% for a strategic merger or sale. The probability for continuing as a private company remained at 5%. We determined the enterprise value under the initial public offering scenario using a forecasted twelve-month revenue multiple of 3.2 and a last twelve-month revenue multiple of 3.8. We determined the enterprise value under the merger or sale scenario using a last twelve-month revenue multiple of 3.4 and a last twelve-month EBITDA multiple of 30. The exit date remained unchanged for the latter part of 2012 and was approximately 2.5 months from the valuation date. The risk-adjusted discount remained at 10% and as we approached the

expected liquidity date, the discount for lack of marketability decreased to 5%. Based on these factors, the probability-weighted expected return value resulted in an estimated fair value of our common stock of $9.40. The board of directors therefore determined the fair value of common stock to be $9.40 per share and granted 176,650 shares in July 2012 and 3,500 shares in August 2012 at an exercise price of $9.40 per share.

The intrinsic value of all outstanding options as of June 30, 2012 was $52.9 million based on the estimated fair value for our common stock of $12.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus. As of June 30, 2012, we had $6.5 million of unrecognized stock-based compensation expense, net of estimated forfeitures, that is expected to be recognized over a weighted-average period of 3 years. In future periods, we expect our stock-based compensation expense to increase in absolute dollars as a result of our existing stock-based compensation to be recognized as these options vest and as we issue additional stock-based awards to attract and retain employees.

In August 2012, in consultation with the underwriters, we determined our estimated offering price range to be $11.00 to $13.00 per share. As of the date of our most recent stock option grants in July and August 2012, our board of directors determined the fair value of our common stock to be $9.40 per share. The determination by our board of directors of the fair value of our common stock in July and August 2012 was based on the objective and subjective factors described above and, in part, on a valuation report that we received from an independent valuation specialist. We believe the difference between the fair value of our common stock on the most recent date of grant of stock options, as determined by our board of directors, and the estimated offering price range, is the result of many factors. In particular, the estimated offering price range takes into account, among other things:

- The successful completion of our initial public offering, which would result in:
  - the elimination of the discounts for illiquidity and lack of marketability of our common stock;
  - the conversion of all of our preferred stock into common stock, which would result in the elimination of the preferences and rights enjoyed by the holders of our preferred stock;
  - the receipt by us of proceeds from the offering, which would substantially strengthen our balance sheet as a result of increased cash; and
  - access to the public company debt and equity markets, and a currency to enable us to make strategic acquisitions;
- The modest increase in the value of the common stock of many of our comparable companies; and
- The modest increase in the value of the New York Stock Exchange, the NASDAQ Stock Market, the S&P 500 and the Dow Jones Industrial Average.

BUSINESS

Overview

We are a pioneer and leading provider of cloud security and compliance solutions that enable organizations to identify security risks to their IT infrastructures, help protect their IT systems and applications from ever-evolving cyber attacks and achieve compliance with internal policies and external regulations. Our cloud solutions address the growing security and compliance complexities and risks that are amplified by the dissolving boundaries between internal and external IT infrastructures and web environments, the rapid adoption of cloud computing and the proliferation of geographically dispersed IT assets. Our integrated suite of security and compliance solutions delivered on our QualysGuard Cloud Platform enable our customers to identify their IT assets, collect and analyze large amounts of IT security data, discover and prioritize vulnerabilities, recommend remediation actions and verify the implementation of such actions. Organizations can use our integrated suite of solutions delivered on our QualysGuard Cloud Platform to cost-effectively obtain a unified view of their security and compliance posture across globally-distributed IT infrastructures.

IT infrastructures are more complex and globally-distributed today than ever before, as organizations of all sizes increasingly rely upon myriad interconnected information systems and related IT assets, such as servers, databases, web applications, routers, switches, desktops, laptops, other physical and virtual infrastructure, and numerous external networks and cloud services. In this environment, new and evolving technologies intended to improve organizations' operations can also increase vulnerability to cyber attacks, which can expose sensitive data, damage IT and physical infrastructures, and result in serious financial or reputational consequences. In addition, the rapidly increasing amount of data and devices in IT environments makes it more difficult to identify and remediate vulnerabilities in a timely manner. The predominant approach to IT security has been to implement multiple disparate security products that can be costly and difficult to deploy, integrate and manage and may not adequately protect organizations. As a result, we believe there is a large and growing opportunity for comprehensive cloud security and compliance solutions.

We designed our QualysGuard Cloud Platform to transform the way organizations secure and protect their IT infrastructures and applications. Our cloud platform offers an integrated suite of solutions that automates the lifecycle of asset discovery, security assessments, and compliance management for an organization's IT infrastructure and assets, whether they reside inside the organization, on their network perimeter or in the cloud. Since inception, our solutions have been designed to be delivered through the cloud and to be easily and rapidly deployed on a global scale across a broad range of industries, enabling faster implementation and lower total cost of ownership than traditional on-premise enterprise software products. Our customers, ranging from some of the largest organizations to small businesses, are all served from our globally-distributed cloud platform, enabling us to rapidly deliver new solutions, enhancements and security updates.

Our QualysGuard Cloud Platform is currently used by over 5,800 organizations in more than 100 countries, including a majority of each of the Forbes Global 100 and Fortune 100. We offer our suite of solutions primarily through renewable annual subscriptions. Our revenues increased from $57.4 million in 2009 to $65.4 million in 2010 and to $76.2 million in 2011, and reached $43.4 million for the six months ended June 30, 2012, compared to $36.2 million in the six months ended June 30, 2011. We generated net income of $0.9 million in 2009, $0.8 million in 2010 and $2.0 million in 2011, and a net loss of $0.6 million for the six months ended June 30, 2012, compared to net income of $2.2 million for the six months ended June 30, 2011.

Industry Overview

IT infrastructures are rapidly evolving to take advantage of new technology trends, such as increasing adoption of cloud computing, broad usage of virtualization and increasing workforce mobility, that enable organizations to enhance productivity, lower costs, increase operational flexibility and gain a competitive advantage. However, as IT infrastructures evolve into more complex combinations of on-premise products and cloud solutions delivered globally through a wide range of devices and applications, these technologies also present new security and compliance challenges.

The rise of cloud computing has expanded the traditional IT infrastructure boundary to incorporate third-party providers that host applications and store and share sensitive data. For example, it is increasingly common for organizations to employ third-party providers to deliver mission-critical financial, human resources or sales and support applications as a service in the cloud. IDC estimates that the worldwide software-as-a-service market will grow from $16.6 billion in 2010 to $53.6 billion in 2015, representing a compound annual growth rate, or CAGR, of 26.4%. This transition to cloud computing reflects a marked departure from the traditional on-premise enterprise software delivery model and exposes organizations to additional security vulnerabilities. Concurrently, other technology trends, such as the broad adoption of virtualization and increasing workforce mobility have also rapidly expanded the scope of physical and virtual endpoints that need to be identified, monitored and managed as these endpoints access and store sensitive corporate, customer, or personal data.

As IT infrastructures have evolved, so too have cyber attackers, who are motivated by the increasing value of stolen information or the potential recognition from disrupting corporate and government assets, such as networks, power plants and financial trading platforms. These cyber attackers are seeking to exploit the increased vulnerability of IT infrastructures and growing number of potential methods that can be used to gain unauthorized access to IT assets, which are referred to as “attack vectors.” As a result, the sophistication, scale and frequency of attacks continue to increase.

Critical Security and Compliance Challenges Facing Organizations

The dramatic changes in IT infrastructures have created significant challenges for organizations of all sizes. These challenges include:

- ***Traditional IT security and compliance approaches struggle to effectively secure evolving IT environments.*** As IT infrastructures evolve to include a mixture of on-premise, cloud and hybrid environments consisting of multiple networks and millions of devices, traditional on-premise enterprise software products may limit the ability of organizations to provide a complete and accurate inventory of IT assets and configurations, and may prevent organizations from effectively protecting their infrastructures from security threats and ensuring compliance with internal policies and external regulations. In an effort to secure their IT infrastructures and achieve compliance, organizations have historically made significant investments in a variety of products and services, each of which was typically designed to address a specific security issue. However, this approach often does not provide a current, accurate and global picture of an organization’s security and compliance posture without costly and labor-intensive integration. The time and effort required to audit an organization’s IT infrastructure, prioritize threats by their potential impact and find remediations for identified vulnerabilities under this traditional approach can impose substantial burdens on IT infrastructure and personnel.
- ***Security attacks targeting new layers of the IT infrastructure.*** In addition to well-known attack vectors, such as email and firewalls, the proliferation of networked devices, endpoints and web applications provides cyber attackers with a broader range of additional vulnerabilities to exploit across the IT infrastructures, many of which are difficult for enterprises to identify and costly to remediate. These vulnerabilities typically result from coding weaknesses in

commercial and custom software, use of outdated software with known security weaknesses, and configuration flaws such as unchanged default passwords or unnecessary access privileges. Some of the common points of vulnerability include:

- Networked devices, including databases, desktops, mobile devices, routers, servers and switches, which are used to store, manage and access sensitive data, are being deployed more rapidly within organizations, with some having millions of these assets. This expansion of networked devices increases the number of security vulnerabilities that may allow hackers to gain unauthorized access to IT systems.
- Modern web applications, which are becoming more prevalent across organizations, making them more difficult to detect, track and manage. The importance of these applications and the quantity and sensitivity of their underlying data have attracted cyber attackers intent on exploiting related coding weaknesses and configuration flaws to steal sensitive data or to reduce application availability.
- Web browsers and browser plug-ins, which are increasingly used to access an organization's data and applications hosted in public and private cloud environments, and often contain vulnerabilities that can lead to malware infection. Although browser providers and plug-in developers frequently release patches or new versions of their software to address these vulnerabilities, remediation of these vulnerabilities can be both time consuming and expensive, particularly in large organizations. Absent appropriate assessment and monitoring tools, outdated browsers and plug-ins can be exploited by cyber attackers to capture information, steal access credentials or gain control of users' devices.

Ÿ ***Costly regulatory and compliance requirements.*** As security breaches have increased, so have regulatory and compliance requirements. Regulations and policies are often required by multiple national and local authorities, and can overlap one another, change frequently, require costly and time consuming compliance measures and carry significant financial and reputational consequences for non-compliance. Examples of such external regulations include the Revised International Capital Framework, or Basel II, the Health Insurance Portability and Accountability Act, or HIPAA, North American Electric Reliability Corporation Standards, or NERC, Payment Card Industry Data Security Standards, or PCI DSS, and the Sarbanes-Oxley Act. A 2011 Gartner survey estimates that it costs organizations an average of $1.7 million to become compliant with PCI DSS. In addition, the growth in attack vectors is compelling organizations to implement increasingly complex internal IT policies. As a result, organizations are faced with the increasing challenge and cost of managing policy compliance in addition to maintaining the security of their IT infrastructures.

Ÿ ***Security concerns for organizations adopting cloud applications and services.*** IT organizations are under increasing pressure to adopt next-generation cloud applications and services that enable organizations to be competitive and operate more effectively. Although many cloud application providers have made significant advancements in securing their environments, they typically provide organizations with limited visibility and access to the underlying architecture, inhibiting IT administrators from identifying potential gaps and validating the effectiveness of their security strategies. As a result, IT organizations are seeking solutions that provide comprehensive security across internal and cloud-based infrastructures.

Market Opportunity

The increasing complexity of IT infrastructures demands a new approach to IT security and compliance. Organizations are seeking efficient methods for discovering their IT assets, assessing the vulnerabilities of those assets and promptly remediating vulnerabilities. Reflecting this growing demand for next-generation solutions, IDC forecasts that the vendor revenue tied to Cloud Security based

solutions and for all types of Security & Vulnerability Management solutions will grow from a combined $5.1 billion in 2011 to a combined $9.3 billion in 2015, representing a CAGR of 15.9%. We believe there is considerable need for a comprehensive cloud security and compliance platform that can be easily and quickly deployed and can continuously collect and analyze large amounts of data from IT assets and web applications across globally-distributed IT environments.

Our Solution

We provide a cloud platform and integrated suite of solutions that enable organizations to simplify the process and reduce the cost of securing their IT assets and achieving compliance with internal policies and external regulations. Our solutions help organizations with globally distributed data centers and IT infrastructures to identify their IT assets, collect and analyze large amounts of IT security data, discover and prioritize vulnerabilities, recommend remediation actions and verify the implementation of such actions. By deploying our solutions, organizations can gain actionable security intelligence into potential vulnerabilities and malware in their IT infrastructure and enable their compliance with internal policies and external regulations.

Our platform and integrated suite of solutions:

- ***Delivers a robust and integrated suite of security solutions through a cloud platform.*** Our cloud architecture enables regular, automated scanning and analysis across large, global networks for an organization's connected devices, endpoints and web applications from a single platform, and can be extended to third-party systems and applications within an organization's ecosystem of customers and partners. This allows an organization to audit, enforce and document network and application security in accordance with internal policies and external regulations and to replace complex, costly and time-consuming manual tasks with automated and repeatable processes. Our suite of solutions is designed to be easily deployed on a global scale and accessed and managed through a unified web-based interface, enabling faster implementation and lower total cost of ownership than traditional solutions.
- ***Provides visibility into security across a broad range of IT assets and attack vectors.*** We enable our customers to substantially improve the security of their IT infrastructures by providing an automated, global and objective assessment of their security and compliance posture from the network to the application, including an organization's networked devices, endpoints and web applications, as well as web browsers with their corresponding plug-ins. Our platform provides detailed reporting and analysis to enable remediation of potential vulnerabilities and confirm that remediation actions have been successfully implemented. Built on a uniform code base, our cloud platform enables our customers to deploy our solutions concurrently or sequentially depending on their security needs and adoption strategy.
- ***Enables more effective and lower-cost policy and regulatory compliance.*** Our policy compliance solutions enable organizations to reduce the risk of internal and external threats, automate compliance-related workflows and provide documentation of compliance demanded by regulators, auditors and other governing bodies. These solutions leverage the scanning capabilities of our cloud platform to collect operating system configurations and application access control data from IT assets and map this information to user-defined policies in order to accurately and efficiently document compliance with regulations and business mandates, thereby potentially reducing cost. Our solutions also provide pre-configured compliance frameworks to automate compliance with external regulations and other requirements, such as Basel II, HIPAA, NERC, PCI DSS and the Sarbanes-Oxley Act.
- ***Enhances security of cloud computing.*** We help our customers to securely extend their IT infrastructures to cloud environments. Our cloud platform identifies and evaluates physical and virtual IT assets within internal and third-party IT environments, providing our customers with visibility into their security and compliance postures across their extended infrastructures. In addition, by utilizing our cloud platform, cloud service providers can more effectively secure their IT infrastructures and demonstrate their level of security and compliance to their customers.

Our Competitive Strengths

Our vision is to transform the way organizations secure and protect their IT infrastructures and applications. We believe our competitive strengths include:

- ***Trusted brand in cloud security.*** We are a pioneer in cloud security, having introduced our vulnerability management solution as a service in 2000, and have since built a reputation as a trusted and objective provider of reliable and accurate vulnerability and compliance assessments. With over 5,800 customers worldwide, our suite of solutions is used by leading organizations, managed service providers and consulting organizations to help protect IT assets.

- ***Scalable and extensible cloud platform serving organizations of all sizes, across many industries globally.*** Our highly-scalable cloud architecture and modular security and compliance solutions allow customers to access the functionality they need to help ensure the security of their IT infrastructures. Our cloud platform is designed to serve organizations ranging from small businesses to large enterprises with millions of unique IP-addressable networked devices and applications across globally-distributed IT infrastructures. Our cloud platform also allows us to rapidly deliver enhancements to our entire customer base. Our world-wide customers and channel partners operate in numerous industries including education, financial services, government, healthcare, insurance, manufacturing, media, retail, technology and utilities.
- ***Longstanding focus on innovation in cloud security and compliance.*** Since inception, we have introduced innovative cloud security and compliance solutions that allow our customers to protect their IT environments more effectively and at a lower cost. We have invested significantly to continuously improve our platform and believe that we are well positioned to address the challenges of the evolving IT security and compliance landscape. Our extensive domain expertise in both security and cloud architecture allows us to rapidly introduce new security and compliance solutions, anticipate evolving security and compliance needs and develop new, innovative solutions for our customers.
- ***Efficient customer acquisition and upsell model.*** Our cloud delivery model allows potential and existing customers to easily and immediately access one or more of our solutions on a trial basis from any web browser. This model also allows our customers to subscribe to only the solutions they need initially and easily expand the breadth of their deployment and the number of solutions they use as their needs evolve. In an effort to increase market awareness of our brand and solutions and to generate sales leads, we also offer several free services from our website, including vulnerability scans, web application scans, malware detection, browser checks and SSL configuration analysis. We believe our customer acquisition model provides the flexibility organizations desire when evaluating software purchases and encourages the adoption of our solutions.

Our Growth Strategy

We intend to leverage our innovation and extensive expertise to strengthen our leadership position as a trusted provider of cloud security and compliance solutions. The key elements of our growth strategy are:

- ***Continue to innovate and enhance our cloud platform and suite of solutions.*** We intend to continue to make significant investments in research and development to extend our cloud platform's functionality by developing new security solutions and further enhancing our existing suite of solutions. We recently introduced several new solutions on our platform, including our Web Application Scanning and Zero-Day Risk Analyzer, and have additional solutions under development.
- ***Expand the use of our suite of solutions by our large and diverse customer base.*** With more than 5,800 customers across many industries and geographies, we believe we have a significant opportunity to sell additional solutions to our customers and expand their use of our suite of solutions. Since the majority of our customers initially deploy only one of our solutions and in select parts of their IT infrastructures, our existing customers serve as a strong source of new sales. In this regard, we have significantly expanded our sales execution and marketing functions to increase adoption of our newly developed solutions among our existing customers.
- ***Drive new customer growth.*** We are pursuing new customers by targeting key accounts and expanding our sales and marketing organization and network of channel partners. We will

Table of Contents

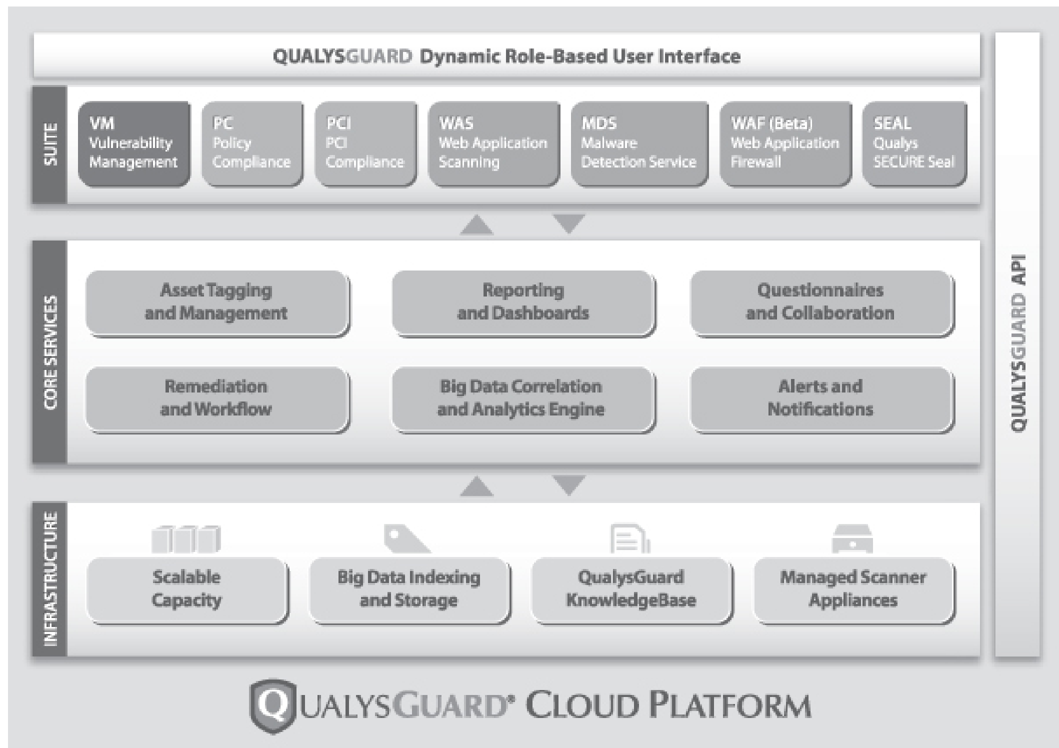
continue to seek to make significant investments to encourage organizations to replace their existing security products with our cloud solutions.

- ***Broaden our global reach.*** We intend to expand our relationships with key security consulting organizations, managed security service providers and value added resellers to accelerate the adoption of our cloud platform. We seek to strengthen existing relationships as well as establish new relationships to increase the distribution and market awareness of our cloud platform and target new geographic regions.
- ***Selectively pursue technology acquisitions to bolster our capabilities and leadership position.*** We may explore acquisitions that are complementary to and can expand the functionality of our cloud platform. We may also seek to acquire technology teams to supplement our own team and increase the breadth of our cloud security and compliance solutions.

Our Platform

Our QualysGuard Cloud Platform consists of a suite of IT security and compliance solutions that leverage our shared and extensible core services and our highly scalable multi-tenant cloud infrastructure.

The following diagram illustrates our QualysGuard Cloud Platform:



Our suite of solutions provides security intelligence by automating the life cycle of IT asset discovery, security assessment and compliance management. Our core services layer provides a set

of advanced shared technologies that are leveraged by our suite of security and compliance solutions, which we refer to as our Core Services.

Built on our cloud platform infrastructure, our Core Services provide an integrated framework with proprietary functionalities that act as building blocks to enable efficient and scalable delivery of our customer-facing cloud solutions. Our cloud platform's infrastructure includes integrated services that deliver a highly automated and scalable scanning infrastructure capable of scanning IT systems and web applications, inside and outside corporate firewalls.

The Core Services and infrastructure layers of our cloud platform deliver benefits to our entire suite of security and compliance solutions, including:

- Dynamic and interactive user interfaces with configurable report templates to present scan data with a wide range of presentation options to match a customer's needs;
- Fast searching of several extensive QualysGuard data sets, including scan results, asset data, scan profiles, users and vulnerabilities;
- Asset management technology for hierarchical asset categorization via dynamic tagging and role-based customer access management; and
- Distributed scanning platform for global cloud-based environments.

We also provide open application program interfaces, or APIs, and other developer tools that allow third parties to embed our technology into their solutions and build applications on our cloud platform.

QualysGuard Cloud Suite

Our suite of solutions, which we refer to as the QualysGuard Cloud Suite, currently includes six solutions: Vulnerability Management, Web Application Scanning, Malware Detection Service, Policy Compliance, PCI Compliance and Qualys SECURE Seal. This integrated set of cloud solutions enables organizations to:

- Discover and catalogue information assets inside the organization, on the perimeter, or in the cloud;
- Manage assets on an ongoing basis to establish a trusted repository for IT system configurations and to maintain hierarchical relationships between them;
- Design policies to establish a secure and compliant IT infrastructure and automate ongoing security and compliance assessments of IT systems and applications in accordance with best practices;
- Proactively identify and help fix vulnerabilities to mitigate security risks and achieve compliance;
- Monitor and measure security and compliance through a unified user interface; and
- Distribute security and compliance reports tailored to differing customer needs, including management personnel, auditors and security professionals.

Our customers can subscribe to one or more of our security and compliance solutions based on their initial needs and expand their subscriptions over time to new areas within their organization or to additional QualysGuard solutions. We offer two editions of our QualysGuard Cloud Suite, the Enterprise edition for large and medium-sized enterprises and the Express edition for small and medium-sized businesses. QualysGuard Cloud Suite solutions are described below.

QualysGuard Vulnerability Management

QualysGuard Vulnerability Management, or QualysGuard VM, is an industry leading and award-winning solution that automates network auditing and vulnerability management across an organization, including network discovery and mapping, asset management, vulnerability reporting, and remediation tracking. Driven by our comprehensive KnowledgeBase of known vulnerabilities, QualysGuard VM enables cost-effective protection against vulnerabilities without substantial resource deployment.

QualysGuard Policy Compliance

QualysGuard Policy Compliance, or QualysGuard PC, allows customers to analyze and collect configuration and access control information from their networked devices and web applications and automatically maps this information to internal policies and external regulations in order to document compliance. QualysGuard PC is fully automated and helps reduce customers' cost of compliance without requiring the use of software agents.

QualysGuard PCI Compliance

QualysGuard PCI Compliance, or QualysGuard PCI, provides organizations that store cardholder data a cost-effective and highly automated solution to verify and document compliance with PCI DSS. QualysGuard PCI allows merchants to complete the annual PCI Self-Assessment Questionnaire, or SAQ**,** to perform vulnerability scanning for quarterly PCI audits and to meet the demands of PCI for web application security.

QualysGuard Web Application Scanning

QualysGuard Web Application Scanning, or QualysGuard WAS, uses the scalability of our cloud platform to allow customers to discover, catalog and scan a large number of web applications. QualysGuard WAS scans and analyzes custom web applications and identifies vulnerabilities that threaten underlying databases or bypass access controls. These web applications are often the main attack vectors for cyber attackers.

QualysGuard Malware Detection Service

QualysGuard Malware Detection Service, or QualysGuard MDS, provides organizations with the ability to scan, identify and remove malware infections from their websites. QualysGuard MDS utilizes behavioral and static analysis to provide malware detection to organizations. It provides periodic scanning to monitor web sites and delivers email alerts to notify customers of infections.

QualysGuard Web Application Firewall

QualysGuard Web Application Firewall, or QualysGuard WAF, currently in beta testing, delivers enterprise-grade web application security without the costs, footprint, and complexity associated with appliance-based web application firewall solutions. It is designed to protect web applications from attack vectors by enhancing default web application configurations and virtual patching. QualysGuard WAF can improve website performance by reducing page load times and optimizing bandwidth.

Qualys SECURE Seal

QualysGuard SECURE Seal helps organizations demonstrate to their online customers that they maintain a proactive security program. This solution includes scanning for the presence of malware, network and web application vulnerabilities and for SSL certificate validation. Websites that regularly

perform these security scans with no critical security issues detected can display a QualysGuard SECURE Seal on their website to demonstrate to visitors that they are proactively securing their websites.

QualysGuard Core Services

Our Core Services enable integrated workflows, management and real-time analysis and reporting across all of our IT security and compliance solutions. Our Core Services include:

- *Asset Tagging and Management.* Enables customers to easily identify, categorize and manage large numbers of assets in highly dynamic IT environments and automates the process of inventory management and hierarchical organization of IT assets.
- *Reporting and Dashboards.* A highly configurable reporting engine that provides customers with reports and dashboards based on their roles and access privileges.
- *Questionnaires and Collaboration.* A configurable workflow engine that enables customers to easily build questionnaires and capture existing business processes and workflows to evaluate controls and gather evidence to validate and document compliance.
- *Remediation and Workflow.* An integrated workflow engine that allows customers to automatically generate helpdesk tickets for remediation and to manage compliance exceptions based on customer-defined policies, enabling subsequent review, commentary, tracking and escalation. This engine automatically distributes remediation tasks to IT administrators upon scan completion, tracks remediation progress and closes open tickets once patches are applied and remediation is verified in subsequent scans.
- *Big Data Correlation and Analytics Engine*. Provides capabilities for indexing, searching and correlating large amounts of security and compliance data with other security incidents and third-party security intelligence data. Embedded workflows enable customers to quickly assess risk and access information for remediation, incident analysis and forensic investigations.
- *Alerts and Notifications.* Creates email notifications to alert customers of new vulnerabilities, malware infections, scan completion, open trouble tickets and system updates.

QualysGuard Cloud Infrastructure

Our infrastructure layer, which we refer to as our Infrastructure, includes the data, data processing capabilities, software and hardware infrastructure and infrastructure management capabilities that provide the foundation for our cloud platform and allow us to automatically scale our Infrastructure and Core Services to scan millions of IPs. Each Infrastructure service is described below:

- *Scalable Capacity*. We have designed a modular and scalable infrastructure that leverages virtualization and cloud technologies. This allows our operations team to dynamically allocate additional capacity on-demand across our entire QualysGuard Cloud Platform to address the growth and scalability of our solutions.
- *Big Data Indexing and Storage.* Built on top of our secure data storage model, this engine indexes petabytes of data and uses this information in real-time to execute tags or rules to dynamically update IT assets' properties, which are used in various workflows for scanning, reporting and remediation.
- *QualysGuard KnowledgeBase.* QualysGuard relies on our comprehensive repository, which we refer to as our KnowledgeBase, of known vulnerabilities and compliance controls for a wide range of devices, technologies and applications that powers our security and compliance scanning technology. We update our KnowledgeBase daily with signatures for new vulnerabilities, control checks, validated fixes and improvements.

- *Managed Scanner Appliances.* As part of our cloud platform, we host and operate a large number of globally distributed physical scanner appliances that our customers use to scan their externally facing systems and web applications. To scan internal IT assets, customers can also deploy our scanners, which are available on a subscription basis as physical appliances or downloadable virtual images, within their internal networks. Our scanner appliances self-update daily in a transparent manner using our automated and proprietary scan management technology. These scanner appliances allow us to scale our cloud platform to scan networked devices and web applications across organizations' networks around the world.

Our Customers

Our integrated suite of security and compliance solutions is used by a large and diverse customer base ranging from some of the largest organizations to small businesses, worldwide. Our customers include organizations in the education, financial services, government, healthcare, insurance, manufacturing, media, retail, technology and utilities industries. We currently have over 5,800 customers in more than 100 countries. Some of our top 100 customers, based on revenues in 2011, that consented to being named in this prospectus include Ally Financial Inc., Automatic Data Processing, Inc., Cargill, Inc., Cigna Corporation, Daimler AG and E.I. duPont de Nemours and Company. The majority of our customers maintain relationships directly with us, while the others purchase subscriptions for our security and compliance solutions through our channel partners.

In each of 2009, 2010 and 2011, no one customer accounted for more than 10% of our revenues. In 2009, 2010, 2011 and the six months ended June 30, 2012, we generated approximately 69%, 67%, 67% and 67% of our revenues, respectively, from customers in the United States and approximately 31%, 33%, 33% and 33% of our revenues, respectively, from customers outside of the United States.

Sales and Marketing

Sales

We market and sell our IT security and compliance solutions to customers directly through our sales teams as well as indirectly through our network of channel partners.

Our global sales force is organized into a field sales team, which focuses on enterprises, generally including organizations with more than 4,000 employees, and an inside sales team, which focuses on small to medium businesses, which generally include organizations with less than 4,000 employees. Both our field and inside sales teams are divided into three geographic regions, including the Americas; Europe, Middle East and Africa; and Asia-Pacific. We also further segment each of our sales teams into groups that focus on adding new customers or expanding relationships with existing customers.

Our channel partners maintain relationships with their customers throughout the territories in which they operate and provide their customers with services and third-party solutions to help meet those customers' evolving security and compliance requirements. As such, these partners offer our IT security and compliance solutions in conjunction with one or more of their own products or services and act as a conduit through which we can connect with these prospective customers to offer our solutions. Our channel partners include security consulting organizations, managed service providers and resellers, such as Computacenter UK Ltd., Dell Inc., FishNet Security, Inc., Insight Technologies, Inc., Symantec Corporation and Verizon Communications Inc.

For sales involving a channel partner, the channel partner engages with the prospective customer directly and involves our sales team as needed to assist in developing and closing an order. When a channel partner secures a sale, we sell the associated subscription to the channel partner who in turn

resells the subscription to the customer, with the channel partner earning a fee based on the total value of the order. Once the order is completed, we provide these customers with direct access to our solutions and other associated back-office applications, enabling us to establish a direct relationship as part of ensuring customer satisfaction with our solutions. At the end of the subscription term, the channel partner engages with the customer to execute a renewal order, with our sales team providing assistance as required. For the six months ended June 30, 2012, 40% of our revenues were generated by channel partners.

Marketing

Our marketing programs include a variety of online marketing, advertising, conferences, events, public relations activities and web-based seminar campaigns targeted at key decision makers within our prospective customers.

We have a number of marketing initiatives to build awareness and encourage customer adoption of our solutions. We offer free trials and services to allow prospective customers to experience the quality of our solutions, to learn in detail about the features and functionality of our cloud platform, and to quantify the potential benefits of our solutions.

Customer Support

We deliver 24x7x365 customer support from centers located in Redwood City, California; Durham, North Carolina; and Slough, United Kingdom. We recruit senior level technical personnel and trained subject matter experts who work closely with engineering and operations personnel to resolve issues quickly. Our security and compliance solutions can be deployed easily and are designed to be implemented and operated without the need for any professional services. Accordingly, we do not sell any professional services. However, we do offer various training programs as part of our subscriptions to all of our customers. We believe that our customer support helps ensure customer satisfaction and is critical to retaining and expanding our customer base. In addition, we leverage the insights drawn from our customers to further improve the functionality of our security and compliance solutions.

Research and Development and Operations

We devote significant resources to maintain, enhance and add new functionality to our QualysGuard Cloud Platform and the integrated suite of solutions that we offer. Our development organization consists of agile engineering teams with substantial security expertise in specific areas of our solutions. In addition to our development teams, we have also built a sophisticated research team focused on identifying threats and developing signatures for vulnerabilities and compliance checks so that we can provide our customers with daily updates and enable them to scan their assets for the latest threats. We conduct our research and development in the United States, Brazil, China, France, India, and United Kingdom, which gives us access to some of the best research and engineering talent in the world. Our focus remains to attract engineering talent as we continue to add new solutions and improve existing ones.

Our development team works closely with our customers and partners to gain valuable insights into their environments and gather feedback for threat research, product development and innovations. We typically release updates to our solutions, including enhancements and new features multiple times a year, and we measure the quality of our scan results on a frequent basis in an effort to maintain the highest level of scan accuracy.

The modular architecture of our cloud platform enables our engineering teams to simultaneously work on different features, accelerating the delivery of new functionalities to customers. Our research

and development team also works collaboratively with our technical support team to ensure customer satisfaction and with our sales team to accelerate the adoption of our solutions.

Research and development expenses were $13.4 million, $15.8 million and $19.6 million for 2009, 2010 and 2011, respectively, and $10.2 million for the six months ended June 30, 2012.

Manufacturing Agreement

Our physical appliances are provided by SYNNEX Corporation, or SYNNEX, pursuant to a manufacturing services agreement dated March 1, 2011. Under this agreement, SYNNEX manufactures, assembles and tests our physical scanner appliances. This agreement has an initial term of one year, which is automatically renewed for additional one-year terms, unless terminated (i) at anytime upon the mutual written agreement of us and SYNNEX, (ii) by either party upon 90 days or more written notice, (iii) upon written notice, subject to applicable cure periods, if the other party has materially breached its obligations under the agreement or (iv) by either party upon the other party seeking an order for relief under the bankruptcy laws of the United States or similar laws of any other jurisdiction, a composition with or assignment for the benefit of creditors, or dissolution or liquidation.

Data Center Agreements

Our data center operations are provided by Savvis Communications Corporation, or Savvis, pursuant to a master services agreement dated June 22, 2010, and Interoute Communications Limited, or Interoute, pursuant to a master agreement dated March 31, 2008. Under these agreements, Savvis and Interoute provide us with data center space in various locations. The Savvis agreement has an initial term of 24 months, which can be renewed, unless terminated upon written notice, subject to applicable cure periods, if the other party has materially breached its obligations under the agreement. The Interoute agreement has an initial term of three years, which is automatically renewed for additional one-year terms, unless terminated (i) immediately upon written notice, subject to applicable cure periods, if the other party has materially breached its obligations, or breached certain specific obligations under the agreement or (ii) by Interoute in the event that we engage in fraud, fail to make undisputed payments or violate certain Interoute policies.

Competition

The expanding capabilities of our security and compliance solutions have enabled us to address a growing array of opportunities in the cloud IT security and compliance market. We compete with a large and broad array of established and emerging vulnerability management vendors, compliance vendors and data security vendors in a highly fragmented and competitive environment.

We compete with large public companies, such as Hewlett-Packard Company, Imperva, Inc., International Business Machines Corporation, McAfee, Inc. (a subsidiary of Intel Corporation) and Symantec Corporation, as well as private security providers including Barracuda Networks, Inc., BeyondTrust Software, Inc., Lumension Security, Inc., nCircle Network Security, Inc., NetIQ Corporation, Rapid7 LLC, Tenable Network Security, Inc. and Trustwave Holdings, Inc. We also seek to replace IT security and compliance solutions that organizations have developed internally. As we continue to extend our cloud platform’s functionality by further developing security and compliance solutions, such as web application scanning and firewalls, we expect to face additional competition in these new markets.

We believe that the principal competitive factors affecting the market for cloud security and compliance solutions include product functionality, breadth of offerings, flexibility of delivery models, ease of deployment and use, total cost of ownership, scalability and performance, customer support and extensibility of platform. We believe that our suite of solutions generally competes favorably with

respect to these factors. However, many of our primary competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets and significantly greater resources than we do.

Intellectual Property

We rely on a combination of trade secrets, copyrights, patents and trademarks, as well as contractual protections, to establish and protect our intellectual property rights and protect our proprietary technology. We have several pending U.S. patent applications and an inbound license to four U.S. patents, which was obtained in connection with our acquisition of Nemean. The inbound license remains in effect until the licensed patents are no longer enforceable, unless the applicable license agreement is first terminated by us or terminated by the licensor for a breach of the agreement or if we undergo certain bankruptcy events. The licenses are currently exclusive and will remain exclusive so long as we make an appropriately-timed written election and pay an annual fixed royalty for ten years thereafter. These exclusive licenses are subject to the licensor's reservation of certain rights in the patents and subject to the U.S. government's reserved rights in the technology. We have a number of registered and unregistered trademarks. We require our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and control access to software, documentation and other proprietary information. We view our trade secrets and know-how as a significant component of our intellectual property assets, as we have spent years designing and developing our QualysGuard Cloud Platform, which we believe differentiates us from our competitors.

Despite our efforts to protect our proprietary technology and our intellectual property rights, unauthorized parties may attempt to copy or obtain and use our technology to develop products with the same functionality as our solution. Policing unauthorized use of our technology and intellectual property rights is difficult.

We expect that software and other solutions in our industry may be subject to third-party infringement claims as the number of competitors grows and the functionality of products in different industry segments overlaps. Any of these third parties might make a claim of infringement against us at any time.

Employees

As of June 30, 2012, we had 334 full-time employees, including 121 in research and development, 127 in sales and marketing, 49 in operations and customer support and 37 in general and administrative. As of June 30, 2012, we had 249 employees in the United States and 85 employees internationally. None of our U.S. employees are covered by collective bargaining agreements. Employees in certain European countries have the benefits of collective bargaining arrangements at the national level. We believe our employee relations are good and we have not experienced any work stoppages.

Facilities

Our principal executive offices are located in Redwood City, California, where we occupy a 50,000 square-foot facility under a lease expiring on November 30, 2017. We have additional U.S. offices in Bellevue, Washington; Denver, Colorado; Durham, North Carolina; and Madison, Wisconsin. We also lease offices in Beijing, China; Courbevoie, France; Manila, Philippines; Munich, Germany; Pune, India; Ras al-Khaimah, United Arab Emirates; Slough, United Kingdom; and Tokyo, Japan. We believe our facilities are adequate for our current needs and for the foreseeable future.

We operate two principal data centers at third-party facilities in Santa Clara, California and Geneva, Switzerland.

Legal Proceedings

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

Table of Contents

MANAGEMENT

Executive Officers and Directors

The following table sets forth the names, ages and positions of our executive officers and directors as of June 30, 2012:

Name	Age	Position
Executive Officers		
Philippe F. Courtot	67	Chairman, President and Chief Executive Officer
Donald C. McCauley	60	Chief Financial Officer
Peter Albert	45	Vice President, Operations
Amer S. Deeba	45	Chief Marketing Officer
Bruce K. Posey	60	Vice President, General Counsel and Corporate Secretary
Sumedh S. Thakar	36	Vice President, Engineering
John N. Wilson	46	Executive Vice President, Worldwide Field Operations
Non-Employee Directors		
Sandra E. Bergeron[1][2]	53	Director
Donald R. Dixon[2]	64	Director
Jeffrey P. Hank[1]	52	Director
General Peter Pace[3]	66	Director
Howard A. Schmidt[3]	62	Director
Yves B. Sisteron[1][3]	57	Director

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

Executive Officers

Philippe F. Courtot has served as our Chairman, President and Chief Executive Officer since March 2001, and has been a director since January 2000. From April 1999 to February 2000, Mr. Courtot served as Chairman and Chief Executive Officer of Signio Inc., a secure payments solution provider, until its acquisition by VeriSign, Inc. Mr. Courtot holds a Master of Science degree from the University of Paris.

We believe that Mr. Courtot possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as our President and Chief Executive Officer and his background in the technology industry, as well as his perspective as one of our significant stockholders.

Donald C. McCauley has served as our Chief Financial Officer since February 2006. From August 1999 to July 2005, Mr. McCauley served as Vice President and Chief Financial Officer of iPass, Inc. Mr. McCauley holds a Bachelor of Science degree from the University of Rhode Island.

Peter Albert has served as our Vice President, Operations since April 2011. From November 1999 to August 2010, Mr. Albert held various positions at iPass, including Vice President of Network Operations and Vice President of Engineering. Mr. Albert holds an Associate of Science degree from West Valley College.

Amer S. Deeba has served as our Chief Marketing Officer since January 2007. Mr. Deeba joined us in 2001 and has held various positions with us since that time, including Vice President, Product

Marketing and Vice President, Strategic Alliances, before assuming his current position. From April 1999 until February 2000, Mr. Deeba served as Director of Product Management at Signio until its acquisition by VeriSign, and from February 2000 until June 2001 he held various positions at VeriSign, including General Manager of the Payment Division. Mr. Deeba holds a Bachelor of Engineering degree from the American University of Beirut and a Master of Science degree from Santa Clara University.

Bruce K. Posey has served as our Vice President and General Counsel since May 2012, and has been our Corporate Secretary since June 2012. From December 2011 to May 2012, Mr. Posey served as Senior Vice President, General Counsel and Corporate Secretary of IntelePeer, Inc. From January 2009 to December 2011, Mr. Posey served as Senior Vice President, General Counsel and Corporate Secretary at Openwave Systems, Inc. From July 2002 to January 2009, Mr. Posey served as Senior Vice President, General Counsel and Corporate Secretary at iPass. Mr. Posey holds a Bachelor of Science degree from the University of Oregon and a Juris Doctor degree from the University of Michigan Law School.

Sumedh S. Thakar has served as our Vice President, Engineering since December 2010. Mr. Thakar joined us in February 2003 and has held various positions with us since that time, including Principal Engineer, Engineering Manager and Director of Engineering, before assuming his current position. Mr. Thakar holds a Bachelor of Science degree from the University of Pune, India.

John N. Wilson has served as our Executive Vice President, Worldwide Field Operations since October 2010. From September 2009 to October 2010, Mr. Wilson served as Vice President of Security Solutions at Verizon Business, a division of Verizon Communications Inc. From October 2008 to September 2009, Mr. Wilson served as Vice President of Worldwide Sales at GFI Software Ltd., a security software company. From January 2005 to October 2008, Mr. Wilson held various positions with us, including Vice President, United States Field Operations. Mr. Wilson holds a Bachelor of Science degree from the United States Military Academy at West Point and a Master of Business Administration degree from Fordham University.

Non-Employee Directors

Sandra E. Bergeron has served as a director of our company since June 2006. From 2004 until 2012, Ms. Bergeron was a venture partner at Trident Capital, Inc., a venture capital firm. Ms. Bergeron currently serves on the board of directors of Sophos plc and previously served on the board of directors of ArcSight, Inc. until it was acquired by Hewlett-Packard Company in September 2010. Ms. Bergeron holds a Bachelor of Business Administration degree from Georgia State University and a Master of Business Administration degree from Xavier University.

We believe that Ms. Bergeron possesses specific attributes that qualify her to serve as a member of our board of directors, including her experience as a director of technology companies and her background in the venture capital industry.

Donald R. Dixon has served as a director of our company since 2000. Since 1993, Mr. Dixon has been a co-founder and managing director of Trident Capital. Since 2008, Mr. Dixon has served on the board of directors of XATA Corporation. Mr. Dixon also currently serves on the boards of directors of several private companies. Mr. Dixon holds a Bachelor of Science degree from Princeton University and a Master of Business Administration degree from the Stanford Graduate School of Business.

We believe that Mr. Dixon possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as a director of technology companies, his background in the venture capital industry and his perspective as a representative of one of our significant stockholders.

Jeffrey P. Hank has served as a director of our company since January 2010. From June 2005 to July 2012, Mr. Hank was the Vice President and Corporate Controller of Intuit, Inc. and since July 2012, he has served as the Vice President of Finance and Chief Accounting Officer of Intuit. From June 2002 until September 2003, Mr. Hank was an audit partner at KPMG LLP. From September 1994 until June 2002, Mr. Hank was an audit partner at Arthur Andersen LLP. Mr. Hank holds a Bachelor of Science degree in Business Administration from the University of California at Berkeley.

We believe that Mr. Hank possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as an executive at a technology company and his background in the accounting industry.

General Peter Pace has served as a director of our company since May 2009. Since October 2007, Gen. Pace has been a principal at Pace Enterprises LLC. From June 1967 until October 2007, Gen. Pace served in the United States Marine Corps, including as Chairman of the Joint Chiefs of Staff. Since February 2010, Gen. Pace has served on the board of directors of Pike Electric Corporation. Since January 2011, Gen. Pace has served on the board of directors of AAR Corp. Gen. Pace also currently serves on the boards of directors of several private companies and previously served on the President's Intelligence Advisory Board and Secretary of Defense's Defense Policy Board. Gen. Pace holds a Bachelor of Science degree from the U.S. Naval Academy and a Master of Science degree in Business Administration from The George Washington University.

We believe that Gen. Pace possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as a director of technology and defense companies and his background in public service.

Howard A. Schmidt has served as a director of our company since June 2012. From September 2008 until January 2010, Mr. Schmidt served as the President and Chief Executive Officer of the Information Security Forum, a non-profit corporation focused on cyber security and risk management. From May 2003 to June 2005, Mr. Schmidt served as the Vice President and Chief Information Officer and Chief Security Strategist at eBay Inc. From April 2004 to June 2005, Mr. Schmidt served as the Chief Security Strategist at the National Cyber Security Division of the Department of Homeland Security. Mr. Schmidt holds a Bachelor of Science degree and a Master of Science degree from the University of Phoenix.

We believe that Mr. Schmidt possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as an executive at technology companies and his background in public service.

Yves B. Sisteron has served as a director of our company since November 2003. Since 2000, Mr. Sisteron has been a Managing Partner and co-founder of GRP Partners, a private investment firm. Mr. Sisteron currently serves on the boards of directors of several private companies. Mr. Sisteron holds a Juris Doctor degree and a Master of Laws degree from the University of Law (Lyon) and a Master of Laws degree from the New York University School of Law.

We believe that Mr. Sisteron possesses specific attributes that qualify him to serve as a member of our board of directors, including his experience as a director of technology companies, his background in the venture capital industry and his perspective as a representative of one of our significant stockholders.

Codes of Business Conduct and Ethics

Our board of directors has adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers.

Table of Contents

Board of Directors

Our business and affairs are managed under the direction of our board of directors. The number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Our board of directors consists of seven directors, six of whom qualify as “independent” under the NASDAQ Stock Market listing standards.

In accordance with our amended and restated certificate of incorporation and our amended and restated bylaws, upon the completion of this offering 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 our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows:

- the Class I directors will be Ms. Bergeron and Mr. Sisteron, and their terms will expire at the annual meeting of stockholders to be held in 2013;
- the Class II directors will be Mr. Dixon and Gen. Pace, and their terms will expire at the annual meeting of stockholders to be held in 2014; and
- the Class III directors will be Mr. Courtot, Mr. Hank and Mr. Schmidt, and their terms will expire at the annual meeting of stockholders to be held in 2015.

Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

This classification of our board of directors may have the effect of delaying or preventing changes in control of our company.

Director Independence

Our board of directors has reviewed the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that each of Ms. Bergeron, Mr. Dixon, Mr. Hank, Gen. Pace, Mr. Schmidt and Mr. Sisteron 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 applicable rules and regulations of the SEC and the listing requirements and rules of the NASDAQ Stock Market. 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.”

Lead Independent Director

Our board of directors has appointed Mr. Dixon to serve as our lead independent director. As lead independent director, Mr. Dixon presides over periodic meetings of our independent directors, serves as a liaison between our Chairman and the independent directors and performs such additional duties as our board of directors may otherwise determine and delegate.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and governance committee. The composition and responsibilities of each of the

committees of our board of directors is described below. Members will serve on these committees until their resignation or until as otherwise determined by our board of directors.

Audit Committee

Our audit committee consists of Ms. Bergeron, Mr. Hank and Mr. Sisteron, with Mr. Hank serving as Chairman. The composition of our audit committee meets the requirements for independence under current NASDAQ Stock Market listing standards and SEC rules and regulations. Each member of our audit committee meets the financial literacy requirements of the NASDAQ Stock Market listing standards. In addition, our board of directors has determined that Mr. Hank is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act. Our audit committee will, among other things:

- select a qualified firm to serve as 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;
- discuss the scope and results of the audit with the independent registered public accounting firm, and review, with management and the independent accountants, our interim and year-end operating results;
- develop procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- review our policies on risk assessment and risk management;
- review related party transactions;
- obtain and review a report by the independent registered public accounting firm at least annually, that describes our internal quality-control procedures, any material issues with such procedures, and any steps taken to deal with such issues; and
- approve (or, as permitted, pre-approve) all audit and all permissible non-audit services, other than de minimis non-audit services, to be performed by the independent registered public accounting firm.

Our audit committee will operate under a written charter, to be effective immediately prior to the completion of this offering, that satisfies the applicable rules of the SEC and the listing standards of the NASDAQ Stock Market.

Compensation Committee

Our compensation committee consists of Ms. Bergeron and Mr. Dixon, with Mr. Dixon serving as Chairman. The composition of our compensation committee meets the requirements for independence under current NASDAQ Stock Market listing standards and SEC rules and regulations. Each member of the compensation committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code. The purpose of our compensation committee is to discharge the responsibilities of our board of directors relating to compensation of our executive officers. Our compensation committee will, among other things:

- review, approve and determine, or make recommendations to our board of directors regarding, the compensation of our executive officers;
- administer our stock and equity incentive plans;

- review and approve and make recommendations to our board of directors regarding incentive compensation and equity plans; and
- establish and review general policies relating to compensation and benefits of our employees.

Our compensation committee will operate under a written charter, to be effective immediately prior to the completion of this offering, that satisfies the applicable rules of the SEC and the listing standards of the NASDAQ Stock Market.

Nominating and Governance Committee

Our nominating and governance committee consists of Gen. Pace, Mr. Schmidt and Mr. Sisteron, with Mr. Schmidt serving as Chairman. The composition of our nominating and governance committee meets the requirements for independence under current NASDAQ Stock Market listing standards and SEC rules and regulations. Our nominating and governance committee will, among other things:

- identify, evaluate and select, or make recommendations to our board of directors regarding, nominees for election to our board of directors and its committees;
- evaluate the performance of our board of directors and of individual directors;
- 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;
- evaluate the adequacy of our corporate governance practices and reporting; and
- develop and make recommendations to our board of directors regarding corporate governance guidelines and matters.

Our nominating and governance committee will operate under a written charter, to be effective immediately prior to the completion of this offering, that satisfies the applicable rules of the SEC and the listing standards of the NASDAQ Stock Market.

Compensation Committee Interlocks and Insider Participation

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

Non-Employee Director Compensation

Prior to this offering, we had not implemented a formal policy with respect to compensation payable to our non-employee directors for service as directors. From time to time, we have granted stock options to our non-employee directors for their service on our board of directors. We have not paid cash compensation to any of our non-employee directors. We do, however, reimburse our directors for expenses associated with attending meetings of our board and meetings of committees of our board.

The following table provides information regarding stock options granted to certain of our non-employee directors during 2011. We did not pay cash or any other compensation to our non-employee directors during 2011. Directors who are also our employees receive no additional compensation for their service as a director. During 2011, one director, Mr. Courtot, our Chairman, President and Chief Executive Officer, was an employee. Mr. Courtot's compensation is discussed in the section titled "Executive Compensation."

Table of Contents

2011 Director Compensation Table

Name	Option Awards ($)[1]	Total ($)
Sandra E. Bergeron	$51,075[2]	$51,075
Donald R. Dixon	—	—
Jeffrey P. Hank	—	—
General Peter Pace	—	—
Alex Pinchev[3]	51,075[4]	51,075
Howard A. Schmidt	—	—
Yves B. Sisteron	—	—

(1) The dollar amounts in this column represent the compensation cost for the year ended December 31, 2011 of stock option awards granted in 2011. These amounts have been calculated in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718, using the Black-Scholes option-pricing model. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see Note 7, "Employee Stock and Benefit Plans" to our consolidated financial statements included elsewhere in this prospectus.

(2) Ms. Bergeron was granted a stock option to purchase 22,500 shares of common stock pursuant to our 2000 Plan. The shares subject to the option vest over 18 months in equal monthly installments. Ms. Bergeron has exercised these options.

(3) Mr. Pinchev resigned as a member of our board of directors in June 2012.

(4) Mr. Pinchev was granted a stock option to purchase 22,500 shares of common stock pursuant to our 2000 Plan. The shares subject to the option vest over 18 months in equal monthly installments. Mr. Pinchev has exercised these options.

On April 30, 2012, Gen. Pace was granted a stock option covering 22,500 shares of common stock with a vesting commencement date of May 18, 2012 and an exercise price per share of $8.40. This option is scheduled to vest, subject to Gen. Pace's continued service to us, as to 1/18th of the total shares on each monthly anniversary of the vesting commencement date. This option was granted pursuant to our 2000 Plan and an individual stock option agreement.

On June 6, 2012, Ms. Bergeron was granted a stock option covering 22,500 shares of common stock with a vesting commencement date of July 1, 2012 and an exercise price per share of $8.90. This option is scheduled to vest, subject to Ms. Bergeron's continued service to us, as to 1/18th of the total shares on each monthly anniversary of the vesting commencement date. This option was granted pursuant to our 2000 Plan and an individual stock option agreement.

On June 18, 2012, Mr. Schmidt was granted a stock option covering 45,000 shares of common stock with a vesting commencement date of June 18, 2012 and an exercise price per share of $8.90. This option is scheduled to vest, subject to Mr. Schmidt's continued service to us, as to 1/36th of the total shares on each monthly anniversary of the vesting commencement date. This option was granted pursuant to our 2000 Plan and an individual stock option agreement.

Following the completion of this offering, we intend to implement a formal policy pursuant to which our non-employee directors will be eligible to receive equity awards and annual cash retainers as compensation for service on our board of directors and committees of our board of directors.

Table of Contents

EXECUTIVE COMPENSATION

2011 Summary Compensation Table

The following table provides information regarding the compensation of our named executive officers during 2011.

Name and Principal Position	Year	Salary ($)	Option Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)	Total ($)
Philippe F. Courtot Chairman, President and Chief Executive Officer	2011	$300,000	$ —	$ 103,500	$403,500
Donald C. McCauley Chief Financial Officer	2011	300,000	340,500[2]	77,625	718,125
Peter Albert[3] Vice President, Operations	2011	143,205	350,859[4]	42,692	536,757

(1) The dollar amounts in this column represent the compensation cost for 2011 of stock option awards granted in 2011. These amounts have been calculated in accordance with FASB ASC Topic 718, using the Black-Scholes option-pricing model. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For a discussion of valuation assumptions, see Note 7, "Employee Stock and Benefit Plans" to our consolidated financial statements included elsewhere in this prospectus.

(2) Mr. McCauley's option vests over two years in equal monthly installments. The option is subject to an early exercise right and may be exercised in full prior to the vesting of the shares underlying the option.

(3) Mr. Albert became our Vice President, Operations in April 2011.

(4) Mr. Albert's option vests over four years in equal monthly installments. The option is subject to an early exercise right and may be exercised in full prior to the vesting of the shares underlying the option.

Non-Equity Incentive Plan Compensation

We provide our named executive officers with an opportunity to receive quarterly formula-based incentive amounts.

2011 Non-Equity Incentive Payments

For 2011, the target incentive amounts and the aggregate annual payments (paid on a quarterly basis) earned by our named executive officers under our 2011 Corporate Bonus Plan were the following:

Named Executive Officer	Target Award Opportunity	Actual Award Amount
Philippe F. Courtot	$ 120,000	$ 103,500
Donald C. McCauley	90,000	77,625
Peter Albert	60,000	42,962

The amount of the incentive payment was determined based on the growth in our bookings for the applicable quarter over the same quarter of the prior year. This bookings metric is calculated as the sum of the amounts of all new, renewal and upsell subscriptions purchased by customers and channel partners in each quarter. A named executive officer's quarterly incentive payment is paid at 100% of target if the bookings metric for the applicable quarter equals or exceeds a certain target threshold as compared to the same quarter in the prior year. The quarterly incentive amount scales down to 25% of target if the bookings metric for the applicable quarter equals a minimum target threshold as compared to the same quarter in the prior year, and is zero if such minimum target threshold is not reached. To

be eligible for a quarterly incentive payment under our 2011 Corporate Bonus Plan, an individual must be employed as of the last day of the quarter.

Executive Employment Arrangements

Philippe F. Courtot

We entered into an offer letter agreement on December 7, 2000 with Philippe F. Courtot, our Chairman, President and Chief Executive Officer. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Courtot's current annual base salary is $300,000 and he is eligible for annual incentive payments equal to 40% of his base salary pursuant to our 2012 Corporate Bonus Plan.

Mr. Courtot holds one stock option that remains partially unvested. This option was granted on December 3, 2009 covering 1,053,235 shares with a vesting commencement date of January 25, 2011 and an exercise price per share of $3.80. This option is scheduled to vest, subject to Mr. Courtot's continued employment, as to 1/48th of the total shares on each monthly anniversary of the vesting commencement date and is early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares upon termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. This option was granted pursuant to our 2000 Plan and an individual stock option agreement thereunder.

Mr. Courtot's option provides that if within 12 months following a "change of control" (as defined in his stock option grant notice), his employment is terminated without "cause" (as defined in his stock option grant notice) or he resigns for "good reason" (as defined in his stock option grant notice), then, in each case, subject to the execution of a release of claims, he receives 100% vesting acceleration of such option. In addition, as described further below under "—Employee Benefit and Stock Plans—2000 Equity Incentive Plan, as amended," (i) upon a change in control transaction where the acquiring entity does not assume or substitute for our outstanding stock options, and (ii) after the effective date of this offering, upon an acquisition by any person of securities representing at least 50% of the combined voting power entitled to vote for directors, Mr. Courtot's outstanding and unvested option fully accelerates, in each case, subject to Mr. Courtot's continuous employment through the applicable transaction.

Donald C. McCauley

We entered into an offer letter agreement on February 7, 2006, which we amended September 7, 2012, with Donald C. McCauley, our Chief Financial Officer. The offer letter agreement has no specific term and constitutes at-will employment. Mr. McCauley's current annual base salary is $300,000 and he is eligible for annual incentive payments equal to 30% of his base salary pursuant to our 2012 Corporate Bonus Plan. Mr. McCauley's offer letter provides that if his employment is terminated without cause, then, subject to execution of a release of claims, Mr. McCauley receives a lump sum severance payment equal to six months of his then-current base salary and six months of Company paid COBRA coverage.

Mr. McCauley holds one stock option that remains partially unvested. This option was granted on February 3, 2011 covering 150,000 shares with a vesting commencement date of February 29, 2012 and an exercise price per share of $4.40. This option is scheduled to vest, subject to Mr. McCauley's continued employment, as to 1/24th of the total shares on each monthly anniversary of the option's vesting commencement date and is early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares upon termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. These options were granted pursuant to our 2000 Plan and an individual stock option agreement thereunder.

Mr. McCauley's option grant provides that if he is our employee, or an employee of a parent or subsidiary of ours, on the date of the consummation of an "acquisition" (as defined in his stock option grant notice), he receives 100% vesting acceleration of such option. In addition, as described further below under "—Employee Benefit and Stock Plans—2000 Equity Incentive Plan, as amended," (i) upon a change in control transaction where the acquiring entity does not assume or substitute for our outstanding stock options, and (ii) after the effective date of this offering, upon an acquisition by any person of securities representing at least 50% of the combined voting power entitled to vote for directors, Mr. McCauley's outstanding and unvested options fully accelerate, in each case, subject to Mr. McCauley's continuous employment through the applicable transaction.

Peter Albert

We entered into an offer letter agreement on April 14, 2011 with Peter Albert, our Vice President, Operations. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Albert's current annual base salary is $200,000 and he is eligible for annual incentive payments equal to 30% of his base salary pursuant to our 2012 Corporate Bonus Plan.

Mr. Albert holds one stock option that remains partially unvested. This option was granted on April 28, 2011 covering 142,394 shares with a vesting commencement date of April 14, 2011 and an exercise price per share of $4.80. This option is scheduled to vest, subject to Mr. Albert's continued employment, as to 1/48th of the total shares on each monthly anniversary of the vesting commencement date and is early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares upon termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. This option was granted pursuant to our 2000 Plan and an individual stock option agreement thereunder.

Mr. Albert's option grant provides that if within 12 months following the consummation of an "acquisition" (as defined in his stock option grant notice), his employment is terminated without "cause" (as defined in his stock option grant notice) or he resigns for "good reason" (as defined in his stock option grant notice), then, in each case, subject to the execution of a release of claims, he receives 50% vesting acceleration of the then unvested shares subject to the option. In addition, as described further below under "—Employee Benefit and Stock Plans—2000 Equity Incentive Plan, as amended," (i) upon a change in control transaction where the acquiring entity does not assume or substitute for stock options, and (ii) after the effective date of this offering, upon an acquisition by any person of securities representing at least 50% of the combined voting power entitled to vote for directors, Mr. Albert's outstanding and unvested options fully accelerate, in each case, subject to Mr. Albert's continuous employment through the applicable transaction.

Outstanding Equity Awards at Fiscal Year-End

The following table presents information concerning equity awards held by our named executive officers as of December 31, 2011.

	Option Awards				
		Number of Securities Underlying Unexercised Options(1)			
Name	Vesting Commencement Date	Exercisable	Unexercisable	Option Exercise Price ($)	Option Expiration Date
Philippe F. Courtot.	1/25/2007	935,782	—	$ 1.90	1/24/2017
	1/25/2011	1,053,235(2)	—	3.80	12/2/2019
Donald C. McCauley	2/28/2006	91,838	—	1.40	6/29/2016
	2/28/2010	150,000	—	2.80	5/7/2019
	2/29/2012	150,000(3)	—	4.40	2/2/2021
Peter Albert	4/14/2011	142,394(4)	—	4.80	4/27/2021

(1) The options listed are subject to an early exercise right and may be exercised in full prior to vesting of the shares underlying the option.
(2) 1/48th of the total number of shares subject to this stock option vest monthly starting on the one month anniversary of the vesting commencement date. 100% of the unvested options will accelerate if, within 12 months following a change of control, Mr. Courtot resigns from his employment for good reason or is terminated without cause.
(3) 1/24th of the total number of shares subject to this stock option vest monthly starting on the one month anniversary of the vesting commencement date. 100% of the unvested shares subject to the option will accelerate upon an acquisition.
(4) 1/48th of the total number of shares subject to this stock option vest monthly starting on the one month anniversary of the vesting commencement date. 50% of the unvested shares subject to the option will accelerate if, within 12 months following an acquisition, Mr. Albert resigns from his employment for good reason or is terminated without cause.

Employee Benefit and Stock Plans

2012 Equity Incentive Plan

Our board of directors adopted our 2012 Plan and our stockholders approved our 2012 Plan. Our 2012 Plan will be effective upon the later to occur of its adoption by our board of directors or one business day prior to the effective date of the registration statement of which this prospectus forms a part. Our 2012 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, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

Authorized Shares

A total of 3,050,000 shares of our common stock have been reserved for issuance pursuant to our 2012 Plan, of which no awards are issued and outstanding. The number of shares available for issuance under our 2012 Plan will also include an annual increase on the first day of each fiscal year of the company beginning with our 2014 fiscal year, equal to the least of:

- 3,050,000 shares;
- 5% of the outstanding shares of common stock as of the last day of our immediately preceding fiscal year; or
- such other amount as our board of directors may determine.

Plan Administration

Our board of directors or one or more committees appointed by our board of directors will administer our 2012 Plan. The compensation committee of our board of directors will administer our 2012 Plan. In the case of an award intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, or Section 162(m), the committee will consist of two "outside directors" within the meaning of Section 162(m). In addition, if we determine it is desirable to qualify transactions under our 2012 Plan as exempt under Rule 16b-3 of the Exchange Act, or Rule 16b-3, such transactions will be structured to satisfy the requirements for exemption under Rule 16b-3. Subject to the provisions of our 2012 Plan, the administrator will have the power to administer the plan, including but not limited to the power to interpret the terms of our 2012 Plan and awards granted under it, to create, amend and revoke rules relating to the administration of our 2012 Plan, including creating sub-plans, and to determine the terms of the awards, including the exercise price, the number of shares subject to each such award, the exercisability of the awards, and the form of consideration, if any, payable upon exercise. The administrator will also have the authority to amend existing awards to reduce or increase their exercise price, to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator, and to institute an exchange program by which outstanding awards may be surrendered in exchange for awards of the same type which may have a higher or lower exercise price or different terms, awards of a different type and/or cash.

Stock Options

Our 2012 Plan provides for the granting of stock options. Our 2012 Plan provides that the exercise price of options granted there under must at least be equal to the fair market value of our common stock on the date of grant. Our 2012 Plan also provides that the term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes of our outstanding stock, the term must not exceed 5 years and the exercise price must equal at least 110% of the fair market value on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the administrator, as well as other types of consideration permitted by applicable law. Our 2012 Plan also provides that after the termination of service of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, under our 2012 Plan, in no event may an option be exercised later than the expiration of its term. Subject to the provisions of our 2012 Plan, the administrator determines the other terms of options.

Stock Appreciation Rights

Our 2012 Plan provides for the granting 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. Stock appreciation rights may not have a term exceeding 10 years. After the termination of service of an employee, director or consultant, he or she may exercise his or her stock appreciation right for the period of time stated in his or her agreement. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of our 2012 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 will be no less than 100% of the fair market value per share on the date of grant.

Restricted Stock

Our 2012 Plan provides for the granting 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 will determine the number of shares of restricted stock granted to any employee, director or consultant and, subject to the provisions of our 2012 Plan, will determine the terms and conditions of such awards. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us); provided, however, that the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units

Our 2012 Plan provides for the granting of restricted stock units. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one share of our common stock. Subject to the provisions of our 2012 Plan, the administrator determines the terms and conditions of restricted stock units, including the vesting criteria (which may include accomplishing specified performance criteria or continued service to us) and the form and timing of payment. Notwithstanding the foregoing, the administrator, in its sole discretion may accelerate the time at which any restrictions will lapse or be removed.

Performance Units and Performance Shares

Our 2012 Plan provides for the granting of performance units and performance shares. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals or other vesting criteria in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance criteria or other vesting provisions for such performance units or performance shares. Performance units shall have an initial dollar value established by the administrator prior to the grant date. Performance shares shall have an initial value equal to the fair market value of our common stock on the grant date. The administrator, in its sole discretion, may pay earned performance units or performance shares in the form of cash, shares or in some combination thereof.

Outside Directors

Our 2012 Plan provides that all non-employee directors are eligible to receive all types of awards (except for incentive stock options) under our 2012 Plan. In connection with this offering, we intend to implement a formal policy pursuant to which our non-employee directors will be eligible to receive equity awards under our 2012 Plan.

Non-Transferability of Awards

Unless the administrator provides otherwise, our 2012 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Certain Adjustments

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under our 2012 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2012 Plan and/or the number, class and price of shares covered by each outstanding award, and the numerical share limits set forth in our 2012 Plan. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or Change in Control

Our 2012 Plan provides that in the event of a merger or change in control, as defined under our 2012 Plan, each outstanding award will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding award, then such award will fully vest, all restrictions on such award will lapse, all performance goals or other vesting criteria applicable to such award will be deemed achieved at 100% of target levels and such award will become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time. If the service of an outside director is terminated on or following a change of control, other than pursuant to a voluntary resignation, his or her options, restricted stock units and stock appreciation rights, if any, will vest fully and become immediately exercisable, all restrictions on his or her restricted stock will lapse, and all performance goals or other vesting requirements for his or her performance shares and units will be deemed achieved at 100% of target levels, and all other terms and conditions met.

Amendments; Terminations

The administrator will have the authority to amend, suspend or terminate our 2012 Plan provided such action does not impair the existing rights of any participant. Our 2012 Plan automatically terminates in 2022, unless we terminate it sooner.

2000 Equity Incentive Plan, as amended

Our board of directors adopted our 2000 Plan in February 2000 and our stockholders approved it in February 2000. The term of our 2000 Plan was extended by our board of directors and our stockholders on January 29, 2010. Our 2000 Plan was most recently amended on June 6, 2012.

Authorized Shares

Our 2000 Plan will be terminated in connection with this offering and, accordingly, no shares will be available for issuance under this plan after the completion of this offering. Our 2000 Plan will continue to govern outstanding awards granted thereunder. An aggregate of 11,987,853 shares of our common stock have been reserved for issuance under our 2000 Plan. Our 2000 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock bonuses and rights to acquire restricted stock. As of June 30, 2012, options to purchase 6,786,082 shares of our common stock were outstanding under our 2000 Plan and options to purchase 180,150 shares of our common stock were granted after June 30, 2012 under our 2000 Plan.

Plan Administration

Our board of directors or one or more committees comprised of one or more members of our board of directors appointed by our board of directors administers our 2000 Plan. Our compensation committee will administer our 2000 Plan. The committee will consist of two or more "outside directors" within the meaning of Section 162(m) of the Code, and/or two or more "non-employee directors" within the meaning of Rule 16b-3, and, within the limits under our 2000 Plan, the board of directors or the compensation committee may delegate administrative authority under our 2000 Plan. Subject to the provisions of our 2000 Plan, the administrator has the power to administer the plan, including but not limited to, the power to interpret the terms of our 2000 Plan and awards granted under it, create, amend and revoke rules for the administration of our 2000 Plan and to determine which persons receive awards, when and how awards will be granted, what type of awards will be granted, the provisions of each award, and the number of shares awarded to each person. The administrator may correct any defect, omission or inconsistency in our 2000 Plan or in any award agreement. The administrator also has the authority to amend existing awards to reduce or increase their exercise price, to allow participants the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator and to institute an exchange program by which outstanding awards may be surrendered in exchange for awards of the same type which may have with a higher or lower exercise price or different terms, awards of a different type and/or cash.

Stock Options

Stock options may be granted under our 2000 Plan. The exercise price per share of all options must equal at least 100% of the fair market value per share of our common stock on the date of grant. The term of an option may not exceed 10 years. An incentive stock option held by a participant who owns more than 10% of the total combined voting power of all classes of our stock, or that of any parent or subsidiary corporations, may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value per share of our common stock on the date of grant. The purchase price of shares acquired on exercise of an option will be paid, to the extent permitted by applicable laws, either in cash or, at the discretion of the administrator, in other forms of legal consideration that may be acceptable to the administrator. After the termination of service of an employee, director or consultant, the participant may exercise his or her option, to the extent vested as of such date of termination, for three months following termination (or such longer or shorter period specified in an option agreement, which period will not be less than 30 days prior to the effective date of this offering). If termination is due to disability or death, the option will remain exercisable, to the extent vested as of such date of termination, for 12 months in the case of disability and 18 months in the case of death (or, in each case, such longer or shorter period specified in a stock option agreement). However, in no event may an option be exercised after its expiration. Subject to the provisions of our 2000 Plan, the administrator determines the other terms of options.

Stock Bonuses

Stock bonuses may be granted under our 2000 Plan. Stock bonus awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. A stock bonus may be awarded in consideration for past services actually rendered. Shares subject to stock bonuses will vest, and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator and set forth in a stock bonus agreement.

Restricted Stock

Restricted stock may be granted under our 2000 Plan. Restricted stock awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares of restricted stock will vest, and the restrictions on such

shares will lapse, in accordance with terms and conditions established by the administrator and set forth in a restricted stock purchase agreement.

Transferability of Awards

Our 2000 Plan generally does not allow for the transfer of awards and only the recipient of an option may exercise such an award during his or her lifetime. The administrator may allow nonstatutory stock options to be transferrable to the extent provided in the option agreement, and prior to the completion of this offering, to the extent permitted by applicable laws.

Capitalization Adjustment

In the event of certain changes in our capitalization, our 2000 Plan will be appropriately adjusted in the class(es) and maximum number of shares subject to our 2000 Plan and any maximum share limitations, and the outstanding awards will be adjusted in the class(es) and number of securities and price per share subject to such outstanding awards. In the event of our proposed liquidation or dissolution, all outstanding awards terminate immediately prior to such event.

Change in Control

Our 2000 Plan provides that in the event of change in control through the sale, lease or other disposition of all or substantially all of our assets, our consolidation or merger or other corporate reorganization in which our shareholders immediately before the transaction own less than 50% of the outstanding voting power of the surviving entity (or its parent) following the transaction, or a transaction or series of transactions in which in excess of 50% of our outstanding voting power is transferred, as described in our 2000 Plan, each outstanding award will be assumed or substituted by the surviving or acquiring entity for an equivalent award. In the event that awards are not assumed or substituted, then with respect to awards held by participants whose continuous service with us has not terminated, the vesting of such awards (and, if applicable, the time during which such awards may be exercised) will be accelerated in full, and the awards will terminate if not exercised (if applicable) at or prior to a time established by the administrator. With respect to any other awards outstanding under our 2000 Plan, such awards will terminate if not exercised (if applicable) at or prior to such event. Our 2000 Plan also provides that after the listing of our common stock on an exchange, in the event of an acquisition of the beneficial ownership of securities representing at least 50% of the combined voting power entitled to vote on directors, then with respect to awards held by participants whose continuous service with us has not terminated, the vesting of such awards (and, if applicable, the time during which such awards may be exercised) will be accelerated in full.

Amendments; Terminations

The administrator may amend, suspend or terminate our 2000 Plan at any time, provided that such action will not impair the existing rights of any participant unless such participant consents in writing. As noted above, in connection with this offering, our 2000 Plan will be terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms.

2012 Corporate Bonus Plan

We sponsor and maintain a 2012 Corporate Bonus Plan, or our 2012 Bonus Plan, for the benefit of our officers and other employees that are designated as participants in our 2012 Bonus Plan. Our 2012 Bonus Plan is effective for the 2012 calendar year. Each calendar quarter is a separate bonus period. The 2012 Bonus Plan provides for quarterly formula-based incentive payments. The amount of each incentive payment is determined based on the growth in our bookings for the applicable quarter over the same quarter of the prior year. This bookings metric is calculated as the sum of the amounts

of all new, renewal and upsell subscriptions purchased by customers and channel partners in each quarter. A participant's quarterly bonus is paid at 100% of target if the bookings metric for the applicable quarter equals or exceeds a certain target threshold as compared to the same quarter in the prior year, and is zero if such minimum target threshold is not reached. The quarterly bonus scales down to 25% of target if the bookings metric for the applicable quarter equals a minimum target threshold as compared to the same quarter in the prior year. To be eligible for a quarterly payment under our 2012 Corporate Bonus Plan, an individual must be employed as of the last day of the quarter.

401(k) Plan

We maintain a tax-qualified retirement plan that provides eligible employees with an opportunity to save for retirement on a tax advantaged basis. All participants' interests in their deferrals are 100% vested when contributed. In 2011 and for the six months ended June 30, 2012, we made no matching contributions into the 401(k) plan. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the 401(k) plan, and all contributions are deductible by us when made.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements and indemnification arrangements discussed above 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, 2009 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 capital stock, or any immediate family member of or person sharing the household with any of these individuals, had or will have a direct or indirect material interest.

Investor Rights Agreement

On July 12, 2005, we entered into an Amended and Restated Investor Rights Agreement with the holders of our outstanding preferred stock, including entities with which certain of our directors are affiliated. As of June 30, 2012, the holders of 17,361,105 shares of our common stock, including our common stock issuable after giving effect to the automatic conversion of all outstanding shares of our convertible preferred stock into common stock, are entitled to rights with respect to the registration of their shares following this offering under the Securities Act. See the section titled “Description of Capital Stock—Registration Rights” for additional information.

Right of First Refusal and Co-Sale Agreement

We are a party to a right of first refusal and co-sale agreement which imposes restrictions on the transfer of our capital stock. Upon the completion of this offering, the right of first refusal and co-sale agreement will terminate and the restrictions on the transfer of our capital stock set forth in the agreement will no longer apply.

Voting Agreement

We are a party to a voting agreement under which certain holders of our capital stock, including entities with which Donald R. Dixon and Yves B. Sisteron, members of our board of directors, are affiliated, have agreed to vote in a certain way on certain matters, including with respect to the election of directors. Messrs. Dixon and Sisteron were elected to our board of directors pursuant to this voting agreement as representatives of our preferred stockholders. Upon the completion of this offering, the voting agreement will terminate and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors or the voting of capital stock of the company.

Secured Promissory Notes

On July 30, 2009, we repaid $1,496,925 to each of Mai Courtot, the wife of our Chairman, President and Chief Executive Officer, Philippe F. Courtot, and Trident Capital, Inc. and certain of its affiliates, entities affiliated with Donald R. Dixon, a member of our board of directors, pursuant to secured promissory notes each dated as of July 12, 2005. These secured promissory notes bore interest at a rate of 7.75% per annum.

The following table summarizes the repayments to Ms. Courtot and Trident Capital, Inc. and certain of its affiliates:

Name	Aggregate Repayment
Mai Courtot	$ 1,496,925
Trident Capital, Inc.[1]	$ 1,496,925

(1) Includes $7,437 repaid to Trident Capital Fund-V Affiliates Fund (Q), L.P, $7,794 repaid to Trident Capital Fund-V Affiliates Fund, L.P., $101,880 repaid to Trident Capital Parallel Fund-V, C.V., $38,814 repaid to Trident Capital Fund-V Principals Fund, L.P. and $1,341,000 repaid to Trident Capital Fund-V, L.P.

Warrant Exercises

In March 2011, Mai Courtot, the wife of our Chairman, President and Chief Executive Officer, Philippe F. Courtot, elected to purchase 4,093 shares of our Series C preferred stock at a price of $3.76 per share pursuant to a warrant dated May 19, 2006 for a total purchase price of $15,385 and elected to purchase 30,754 shares of our Series C preferred stock at a purchase price of $3.66 per share pursuant to a warrant dated July 12, 2005 for a total purchase price of $112,500.

Offer Letter Agreements

In addition to the offer letter agreements discussed in the section titled “Executive Compensation—Executive Employment Arrangements,” we have entered into offer letter agreements with the following individuals.

Amer S. Deeba

We entered into an offer letter agreement on September 4, 2001 with Amer S. Deeba, our Chief Marketing Officer. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Deeba’s current annual base salary is $200,000 and he is eligible for an annual performance-based compensation payment of 30% of his base salary.

Mr. Deeba holds two stock options that remain partially unvested. These stock options were granted on November 5, 2010 covering 50,000 shares, with a vesting commencement date of November 5, 2010 and an exercise price per share of $4.10 and on April 30, 2012 covering 40,000 shares, with a vesting commencement date of April 30, 2012 and an exercise price per share of $8.40. These options are scheduled to vest, subject to Mr. Deeba’s continued employment, as to 1/24th of the total shares on each monthly anniversary of the respective vesting commencement date and are early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares on a termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. These options were granted pursuant to our 2000 Plan and individual stock option agreements.

Sumedh S. Thakar

We entered into an offer letter agreement on January 20, 2003 with Sumedh S. Thakar, our Vice President, Engineering. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Thakar’s current annual base salary is $200,000 and he is eligible for an annual performance-based compensation payment of 30% of his base salary.

Mr. Thakar holds five stock options that remain partially unvested. These stock options were granted on January 28, 2009 covering 5,000 shares with a vesting commencement date of December 16, 2008 and an exercise price per share of $2.80, on May 7, 2010 covering 5,000 shares with a vesting commencement date of December 16, 2009 and an exercise price per share of $4.10,

on February 3, 2011 covering 50,000 shares with a vesting commencement date of December 1, 2010 and an exercise price per share of $4.40, on November 4, 2011 covering 20,000 shares with a vesting commencement date of November 4, 2011 and an exercise price per share of $5.90 and on April 30, 2012 covering 50,000 shares with a vesting commencement date of April 30, 2012 and an exercise price per share of $8.40. These options are scheduled to vest, subject to Mr. Thakar's continued employment, as to 1/48th of the total shares on each monthly anniversary of the respective vesting commencement date and are early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares on a termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. These options were granted pursuant to our 2000 Plan and individual stock option agreements.

John N. Wilson

We entered into an offer letter agreement on August 25, 2010 with John N. Wilson, our Executive Vice President, Worldwide Field Operations. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Wilson's current annual base salary is $200,000 and he is eligible for quarterly payments of $43,750 in sales commissions.

Mr. Wilson holds two stock options that remain partially unvested. These stock options were granted on November 5, 2010 covering 180,591 shares with a vesting commencement date of October 29, 2010 and an exercise price per share of $4.10 and on November 4, 2011 covering 20,000 shares with a vesting commencement date of November 4, 2011 and an exercise price per share of $5.90. These options are scheduled to vest, subject to Mr. Wilson's continued employment, as to 1/36th for the November 5, 2010 grant and 1/48th for the November 4, 2011 grant of the total shares on each monthly anniversary of the respective vesting commencement date and are early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares on a termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. These options were granted pursuant to our 2000 Plan and individual stock option agreements.

Bruce K. Posey

We entered into an offer letter agreement on May 8, 2012 with Bruce K. Posey, our Vice President, General Counsel and Corporate Secretary. The offer letter agreement has no specific term and constitutes at-will employment. Mr. Posey's current annual base salary is $250,000 and he is eligible for an annual performance-based compensation payment of 30% of his base salary.

Mr. Posey holds one stock option grant that remains unvested. This stock option was granted on June 6, 2012 covering 148,093 shares, with a vesting commencement date of May 21, 2012 and an exercise price per share of $8.90. This option grant is scheduled to vest, subject to Mr. Posey's continued employment, as to 1/48th of the total shares on each monthly anniversary of the vesting commencement date and is early-exercisable as to unvested shares, subject to our right to repurchase any unvested shares on a termination of employment for any reason at a repurchase price per share equal to the lesser of the original purchase price per share or the fair market value per share on the termination of employment date. This option was granted pursuant to our 2000 Plan and an individual stock option agreement.

Other Transactions

We have granted stock options to our executive officers and certain of our directors. See the sections titled "Executive Compensation—2011 Summary Compensation Table" and "Management—2011 Director Compensation Table" for additional information.

We have entered into change in control arrangements with certain of our executive officers that, among other things, provide for certain severance and change in control benefits. See the section titled “Executive Compensation—Executive Employment Arrangements” for additional information.

Other than as described in this section titled “Certain Relationships and Related Party Transactions,” since January 1, 2009, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, $120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm’s length dealings with unrelated third parties.

Limitation of Liability and Indemnification of Officers and Directors

We will agree to indemnify our officers and directors for certain matters pursuant to our amended and restated certificate of incorporation and amended and restated bylaws, each of which will become effective upon the completion of this offering, as well as pursuant to indemnification agreements that we will enter into with each of our officers and directors prior to the completion of this offering. See the section titled “Description of Capital Stock—Limitation of Liability and Indemnification of Officers and Directors” for additional information.

Policies and Procedures for Related Party Transactions

Following the completion of this offering, the 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. For purposes of this policy, a related person will be defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and their immediate family members. Our audit committee charter will provide that the audit committee shall review and approve or disapprove any related party transactions. As of the date of this prospectus, we have not adopted any formal standards, policies or procedures governing the review and approval of related party transactions, but we expect that our audit committee will do so in the future.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of June 30, 2012, as adjusted to reflect the shares of common stock to be issued and sold by us in this offering, by:

- each of our executive officers;
- each of our directors;
- all executive officers and directors as a group;
- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our common stock; and
- each of the selling stockholders.

We have determined beneficial ownership in accordance with the rules of the SEC. 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. We have deemed shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of June 30, 2012 to be outstanding and to be beneficially owned by the person holding the option for the purpose of computing the percentage ownership of that person but have not treated them as outstanding for the purpose of computing the percentage ownership of any other person.

We have based percentage ownership of our common stock prior to this offering on 23,350,974 shares of our common stock outstanding as of June 30, 2012, which includes 17,597,258 shares of common stock resulting from the automatic conversion of all outstanding shares of our convertible preferred stock upon the completion of this offering, as if this conversion had occurred as of June 30, 2012. Percentage ownership of our common stock after this offering assumes the sale by us of 6,700,000 shares of common stock in this offering.

Table of Contents

Unless otherwise indicated, the address of each beneficial owner listed on the table below is c/o Qualys, Inc., 1600 Bridge Parkway, Redwood City, California 94065.

Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering+		Number of Shares Being Offered in this Offering	Shares Beneficially Owned After this Offering	
	Number	Percentage		Number	Percentage
Executive Officers and Directors:					
Philippe F. Courtot(1)	9,862,913	38.92%	—	9,862,913	30.78%
Donald C. McCauley(2)	551,837	2.32%	—	551,837	1.81%
Peter Albert(3)	142,394	*	—	142,394	*
Sandra E. Bergeron(4)	112,500	*	—	112,500	*
Amer S. Deeba(5)	347,658	1.47%	—	347,658	1.15%
Donald R. Dixon(6)	6,288,626	26.93%	—	6,288,626	20.93%
Jeffrey P. Hank(7)	45,000	*	—	45,000	*
Gen. Peter Pace(8)	67,500	*	—	67,500	*
Bruce K. Posey(9)	148,093	*	—	148,093	*
Howard A. Schmidt(10)	102,688	*	—	102,688	*
Yves B. Sisteron(11)	2,509,717	10.75%	—	2,509,717	8.35%
Sumedh S. Thakar(12)	151,289	*	—	151,289	*
John N. Wilson(13)	256,091	1.09%	—	256,091	*
All executive officers and directors as a group (13 persons)(14)	20,586,306	76.87%	—	20,586,306	61.49%
5% Stockholders:					
Entities associated with Trident Capital, Inc.(15)	6,288,626	26.93%	—	6,288,626	20.93%
Entities affiliated with GRP Partners(16)	2,509,717	10.75%	—	2,509,717	8.35%
Selling Stockholders:					
Hewlett-Packard Company(17)	496,966	2.13%	496,966	—	—
Gerhard Eschelbeck(18)	329,317	1.41%	35,000	294,317	*
Philippe Langlois	276,661	1.18%	55,332	221,329	*
Eric Saltzman(19)	256,890	1.10%	252,051	4,839	*
Gilles Samoun	237,675	1.02%	35,651	202,024	*

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

* Represents beneficial ownership of less than 1%.

(1) Consists of 6,615,069 shares of common stock issuable upon the conversion of preferred stock, 1,188,201 shares of common stock and 1,989,017 shares of common stock subject to options exercisable within 60 days of June 30, 2012. In addition, consists of 68,427 shares of common stock issuable upon the conversion of preferred stock and 2,199 shares of common stock held of record by Mai Courtot, Mr. Courtot's spouse.

(2) Consists of 159,999 shares of common stock and 391,838 shares of common stock subject to options exercisable within 60 days of June 30, 2012.

(3) Consists of 142,394 shares of common stock subject to an option exercisable within 60 days of June 30, 2012.

(4) Consists of 90,000 shares of common stock and 22,500 shares of common stock subject to an option exercisable within 60 days of June 30, 2012. The outstanding shares of common stock are held in the Bergeron Family Trust DTD 11/15/2004, for which Ms. Bergeron is a trustee.

(5) Consists of 70,831 shares of common stock and 276,827 shares of common stock subject to options exercisable within 60 days of June 30, 2012.

(6) Consists of shares listed in footnote 15 below which are held by Trident Capital, Inc. and its associated entities. Mr. Dixon, one of our directors, shares voting and investment power with respect to the shares held by Trident Capital and its associated entities.

(7) Consists of 45,000 shares of common stock subject to an option exercisable within 60 days of June 30, 2012.

(8) Consists of 45,000 shares of common stock and 22,500 shares of common stock subject to an option exercisable within 60 days of June 30, 2012.

(9) Consists of 148,093 shares of common stock subject to an option exercisable within 60 days of June 30, 2012.

(10) Consists of 48,650 shares of common stock held jointly with Mr. Schmidt's wife, 9,038 shares of common stock issuable upon the conversion of preferred stock held in Mr. Schmidt's name and 45,000 shares of common stock subject to an option exercisable within 60 days of June 30, 2012.

(11) Consists of shares listed in footnote 16 below, which are held by GRP Partners and its affiliated entities. Mr. Sisteron, one of our directors, shares voting and investment power with respect to the shares held by GRP Partners and its affiliates.

(12) Consists of 6,539 shares of common stock and 144,750 shares of common stock subject to options exercisable within 60 days of June 30, 2012.

(13) Consists of 55,500 shares of common stock and 200,591 shares of common stock subject to options exercisable within 60 days of June 30, 2012.

(14) Includes 3,428,510 shares subject to options exercisable within 60 days of June 30, 2012.

(15) Consists of 5,360,320 shares of common stock issuable upon the conversion of preferred stock and 278,981 shares of common stock held of record by Trident Capital Fund-V, L.P., a Delaware limited partnership, 407,238 shares of common stock issuable upon the conversion of preferred stock and 21,192 shares of common stock held of record by Trident Capital Parallel Fund-V, C.V., a partnership organized under the laws of the Netherlands, 148,783 shares of common stock issuable upon the conversion of preferred stock and 8,073 shares of common stock held of record by Trident Capital Fund-V Principals Fund, L.P., a Delaware limited partnership, 31,150 shares of common stock issuable upon the conversion of preferred stock and 1,620 shares of common stock held of record by Trident Capital Fund-V Affiliates Fund, L.P., a Delaware limited partnership, 29,724 shares of common stock issuable upon the conversion of preferred stock and 1,545 shares of common stock held of record by Trident Capital Fund-V Affiliates Fund (Q), L.P., a Delaware limited partnership. Trident Capital Management-V, L.L.C, a Delaware limited liability company ("TCM-V"), is the sole general partner of Trident Capital Fund-V, L.P., Trident Capital Fund-V Affiliates Fund, L.P., Trident Capital Fund-V Affiliates Fund (Q), L.P. and Trident Capital Fund V Principals Fund, L.P. TCM-V is the sole investment general partner of Trident Capital Parallel Fund-V, C.V. The members of TCM-V are Donald R. Dixon, Bonnie N. Kennedy, Peter T. Meekin, John H. Moragne and Robert C. McCormack (collectively, the "Managers"), together in the case of certain such individuals with their respective family planning vehicles. The Managers of TCM-V share voting and investment power with respect to the shares held by each fund. The address of Trident Capital, Inc. is 505 Hamilton Avenue, Suite 200, Palo Alto, California 94301.

(16) Consists of 1,657,723 shares of common stock issuable upon the conversion of preferred stock held of record by AOS Partners, L.P., a Delaware limited partnership, 575,929 shares of common stock issuable upon the conversion of preferred stock held of record by GRPVC, L.P., a Delaware limited partnership, 200,776 shares of common stock issuable upon the conversion of preferred stock held of record by GRP II Investors, L.P., a Delaware limited partnership, and 75,289 shares of common stock issuable upon the conversion of preferred stock held of record by GRP II Partners, L.P., a Delaware limited partnership. Hique, Inc. is the sole general partner of AOS Partners, L.P. GRP Management Services Corp. is the sole general partner of GRPVC, L.P., GRP II Investors, L.P. and GRP II Partners, L.P. The investment committee members of Hique, Inc. are Brian McLoughlin, Mark Suster and Steven Dietz. The investment committee members of GRP Management Services Corp. are Yves B. Sisteron, Steven Dietz, Brian McLoughlin and Mark Suster. The investment committee members of Hique, Inc. and GRP Management Services Corp. share voting and investment power with respect to the shares held by each fund. The address for GRP Partners is 2121 Avenue of the Stars, Suite 1630, Los Angeles, California 90067.

(17) Consists of 496,966 shares of common stock issuable upon the conversion of preferred stock. Hewlett-Packard Company is a publicly-traded company listed on the New York Stock Exchange. The address for Hewlett-Packard Company is 3000 Hanover Street, Palo Alto, California 94304.

(18) Consists of 10,175 shares of common stock issuable upon the conversion of preferred stock and 319,142 shares of common stock.

(19) Consists of 39,325 shares of common stock issuable upon the conversion of preferred stock and 1,692 shares of common stock held of record by The Saltzman Revocable Trust dated October 6, 2000 for which Mr. Saltzman is trustee, 10,640 shares of common stock issuable on the conversion of preferred stock held of record by Millennium Trust Company, LLC Cust. FBO ERIC SALTZMAN IRA for which Mr. Saltzman holds voting and investment power, and 205,233 shares of common stock held by Mr. Saltzman.

DESCRIPTION OF CAPITAL STOCK

General

The following description summarizes the most important terms of our capital stock, as they are expected to be in effect upon the completion of this offering. We intend to adopt an amended and restated certificate of incorporation and amended and restated bylaws in connection with this offering, and this description summarizes the provisions that are expected to be included in such documents. Because it is only a summary, it does not contain all the information that may be important to an investor. For a complete description of the matters set forth in this section, please refer to our amended and restated certificate of incorporation, amended and restated bylaws and investors' rights agreement, which are or will be included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law. Immediately following the completion of this offering, our authorized capital stock will consist of 1,000,000,000 shares of common stock, $0.001 par value per share, and 20,000,000 shares of undesignated preferred stock, $0.001 par value per share.

Assuming the automatic conversion of all outstanding shares of our convertible preferred stock into an aggregate of 17,597,258 shares of our common stock, which will occur upon the completion of this offering, as of June 30, 2012, there were 23,350,974 shares of our common stock outstanding, held by 431 stockholders of record, and no shares of our preferred stock outstanding. Our board of directors is authorized, without stockholder approval, to issue additional shares of our capital stock.

Common Stock

Dividend Rights

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. We have never declared or paid cash dividends on any of our capital stock and currently do not anticipate paying any cash dividends after this offering or in the foreseeable future.

Voting Rights

Each holder of our common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting shares are able to elect all of the directors.

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 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.

Preferred Stock

Immediately after the completion of this offering, our board of directors will have the authority, without further action by our stockholders, to issue up to 20,000,000 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, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The issuance of preferred stock by us 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 of control of our company 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.

Registration Rights

After the completion of this offering, certain holders of our common stock will be entitled to rights with respect to the registration of their shares under the Securities Act. These registration rights are contained in our Amended and Restated Investor Rights Agreement dated as of July 12, 2005 and are described in additional detail below. These registration rights will expire five years following the completion of this offering, or, with respect to any particular stockholder, when, following the completion of this offering, such stockholder (together with its affiliates, partners and former partners) holds less than one percent of our total outstanding common stock, or when such stockholder is able to sell all of its shares pursuant to Rule 144 of the Securities Act or a similar exemption during any 90-day period without volume limitations. We will pay the registration expenses (other than underwriting discounts and selling commissions) of the holders of the shares registered pursuant to the registrations described below. In an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares such holders may include. In connection with this offering, each stockholder that has registration rights agreed not to sell or otherwise dispose of any securities without the prior written consent of the underwriters for a period of 180 days after the date of this prospectus, subject to certain terms and conditions. See the section titled “Underwriting” for additional information.

Demand Registration Rights

After the completion of this offering, the holders of approximately 16,852,965 shares of our common stock will be entitled to certain demand registration rights. 180 days after the effective date of this offering, the holders of at least a majority of these shares then outstanding can request that we register the offer and sale of their shares. If we determine that it would be seriously detrimental to our stockholders to effect such a demand registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 120 days. Additionally, we will not be required to effect a demand registration during the period beginning with the date of filing of, and ending 180 days following the effectiveness of, a registration statement relating to the initial public offering of our securities.

Piggyback Registration Rights

After the completion of this offering, if we propose to register the offer and sale of any of our securities under the Securities Act, in connection with the public offering of such securities the holders of approximately 16,852,965 shares of our common stock may be entitled to certain “piggyback” registration rights allowing the holders to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration statement under

the Securities Act, other than with respect to (1) a registration related to a company stock plan and (2) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of our common stock, the holders of these shares are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration.

S-3 Registration Rights

After the completion of this offering, the holders of approximately 16,852,965 shares of our common stock will be entitled to certain S-3 registration rights. The holders of at least 20% of these shares then outstanding can make a written request that we register the offer and sale of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 so long as the request is received from holders with at least 20% of such shares and covers at least that number of shares with an anticipated aggregate offering price, net of underwriting discounts and commissions, of at least $1.0 million. These stockholders may make an unlimited number of requests for registration on Form S-3; however, we will not be required to effect a registration on Form S-3 if we have effected two such registrations in a given twelve-month period. Additionally, if we determine that it would be seriously detrimental to our stockholders to effect such a registration, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days.

Anti-Takeover Provisions

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying, deferring or discouraging another person from acquiring control of our company. These provisions, which are summarized below, may have the effect of discouraging takeover bids. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

We are governed by the provisions of Section 203 of the Delaware General Corporation Law, or Section 203. In general, Section 203 prohibits a public Delaware corporation 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, unless the business combination is approved in a prescribed manner. A “business combination” includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An “interested stockholder” is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing a change in our control.

Board of Directors Vacancies

Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors but promotes continuity of management.

Classified Board

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board is classified into three classes of directors. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors. See the section titled “Management—Board of Directors” for additional information.

Stockholder Action and Special Meeting of Stockholders

Our amended and restated certificate of incorporation will provide that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated bylaws will further provide that special meetings of our stockholders may be called only by a majority of our board of directors, the Chairman of our board of directors, our Chief Executive Officer or our President, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting

The Delaware General Corporation Law provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless a corporation’s certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation and amended and restated bylaws will not provide for cumulative voting.

Directors Removed Only for Cause

Our amended and restated certificate of incorporation will provide that stockholders may remove directors only for cause.

Amendment of Charter Provisions

Any amendment of the above provisions in our amended and restated certificate of incorporation would require approval by holders of at least two-thirds of our then outstanding common stock.

Issuance of Undesignated Preferred Stock

Our board of directors will have the authority, without further action by the stockholders, to issue up to 20,000,000 shares of undesignated preferred stock with rights and preferences, including voting

rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock enables our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Choice of Forum

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, any action regarding our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. Although our amended and restated certificate of incorporation will include the foregoing provision, in light of several pending lawsuits challenging the validity of choice of forum provisions in other companies' organizational documents, it is possible that a court could rule that such provision is inapplicable or unenforceable.

Limitation of Liability and Indemnification of Officers and Directors

Our amended and restated certificate of incorporation will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, our amended and restated bylaws will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to very limited exceptions.

Further, prior to the completion of this offering, we expect to enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification

agreements will require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements will also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit, or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers. The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws, and indemnification agreements that we enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained or will obtain insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement will provide for indemnification by the underwriters of us and our directors, officers and employees for certain liabilities arising under the Securities Act or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Listing Exchange

We have applied for listing of our common stock on the NASDAQ Stock Market under the symbol "QLYS."

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, Massachusetts 02021, and its telephone number is (800) 662-7232.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the completion of this offering, based on the number of shares of our capital stock outstanding as of June 30, 2012, we will have a total of 30,050,974 shares of our common stock outstanding. Of these outstanding shares, all of the 7,575,000 shares of common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our common stock will be deemed "restricted securities" as defined in Rule 144. Restricted securities may be sold in the public market only if they are registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. In addition, all of our security holders have entered into market standoff agreements with us or lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of our stock for at least 180 days following the date of this prospectus, as described below. As a result of these agreements and the provisions of our Amended and Restated Investor Rights Agreement described above in the section titled "Description of Capital Stock—Registration Rights," subject to the provisions of Rule 144 or Rule 701, based on an assumed offering date of June 30, 2012, shares will be available for sale in the public market as follows:

- beginning on the date of this prospectus, the 7,575,000 shares of our common stock sold in this offering will be immediately available for sale in the public market;
- beginning 181 days after the date of this prospectus, subject to extension as described in the section titled "Underwriting" below, 22,475,974 additional shares of our common stock will become eligible for sale in the public market, of which 17,157,796 shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below; and
- the remainder of the shares of our common stock will be eligible for sale in the public market from time to time thereafter, subject in some cases to the volume and other restrictions of Rule 144, as described below.

Lock-Up Agreements

We, the selling stockholders, all of our directors and officers and the holders of substantially all of our common stock and securities convertible into or exchangeable for our common stock have agreed or will agree that, subject to certain exceptions, without the prior written consent of J.P. Morgan Securities LLC on behalf of the underwriters, we and they will not, for a period of 180 days after the date of this prospectus:

- 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 for common stock, or publicly disclose the intention to make any offer, sale, pledge or disposition;

- enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of common stock or any security convertible into or exercisable or exchangeable for common stock; or
- make any demand for or exercise any right with respect to the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock;

with respect to the first and second bullets above, whether any such transaction is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period;

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event; provided that no such extension shall apply from and after such date, if any, as the Financial Industry Regulation Authority, Inc. shall have publicly announced that Rule 2711(f)(4) is no longer applicable with respect to any public offering (or any public offering with the same characteristics as this offering).

Rule 144

In general, under Rule 144 as currently in effect, 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 person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, and upon expiration of the lock-up agreements described above, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 300,510 shares immediately after this offering assuming no exercise of the underwriters' over-allotment option; 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 that sale;

provided, in each case, that we have been subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Table of Contents

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

Registration Rights

On the date beginning 180 days after the date of this prospectus, the holders of 16,852,965 shares of our common stock, or their transferees, will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See the section titled "Description of Capital Stock—Registration Rights" for additional information.

Equity Incentive Plans

Following the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register shares of our common stock issued or reserved for issuance under our 2000 Plan and our 2012 Plan. The registration statement on Form S-8 will become effective immediately upon filing, and shares covered by such registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above and Rule 144 limitations applicable to affiliates. See the section titled "Executive Compensation—Employee Benefit and Stock Plans" for additional information.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income tax consequences of the ownership and disposition of our common stock to non-U.S. holders, 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 Internal Revenue Code of 1986, as amended, or the Code, Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions.

This summary also does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction or under U.S. federal gift and estate tax laws, except to the limited extent set forth below. 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;
- tax-exempt organizations;
- controlled foreign corporations, passive foreign investment companies and corporations that accumulate earnings to avoid U.S. federal income tax;
- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons that own, or are deemed to own, more than five percent of our capital stock (except to the extent specifically set forth below);
- certain former citizens or long-term residents of the United States;
- persons who hold our common stock as a position in a hedging transaction, “straddle,” “conversion transaction” or other risk reduction transaction;
- persons who do not hold our common stock as a capital asset within the meaning of Section 1221 of the Code; or
- persons deemed to sell our common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock, and partners in such partnerships, should consult their tax advisors.

Please consult with a tax advisor with respect to the application of the U.S. federal income tax laws, as well as any tax consequences of the purchase, ownership and disposition of our common stock arising under the U.S. federal estate or gift tax rules or under the laws of any state, local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, a non-U.S. holder is a beneficial owner of our common stock that is neither a U.S. holder nor a partnership (or other entity classified as a partnership for U.S. federal income tax purposes). A U.S. holder means a beneficial owner of our common stock that is:

- an individual citizen or resident of the United States (for tax purposes);
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (y) which has made an election to be treated as a U.S. person.

Distributions

We have not made any distributions on our common stock. However, if we do make distributions on our common stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce the holder's basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock. See the section titled "—Gain on Disposition of Common Stock" for additional information.

Any dividend paid on our common stock generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. In order to receive a reduced treaty rate, the holder must provide us with an IRS Form W-8BEN or other appropriate version of IRS Form W-8 certifying qualification for the reduced rate. A non-U.S. holder of shares of our common stock eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty be able to obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries.

Dividends received by the holder that are effectively connected with such holder's conduct of a U.S. trade or business (and, if an income tax treaty applies, such dividends are attributable to a permanent establishment maintained by the holder in the U.S.), are includible in the holder's gross income in the taxable year received and may be exempt from U.S. withholding tax. In order to obtain this exemption, the holder must provide us with an IRS Form W-8ECI or other applicable IRS Form W-8 properly certifying such exemption. Such effectively connected dividends, although not subject to withholding tax, are taxed at the same graduated rates applicable to U.S. persons, net of certain deductions and credits, subject to an applicable income tax treaty providing otherwise. In addition, if the holder is a corporate non-U.S. person, dividends it receives that are effectively connected with its conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty.

Gain on Disposition of Common Stock

A holder 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 such holder's conduct of a U.S. trade or business (and, if an income tax treaty applies, the gain is attributable to a permanent establishment maintained by such holder in the United States);
- such holder is 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 U.S. 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 such holder's disposition of, or such holder's holding period for, our common stock.

We believe that we are not currently and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if a holder actually or constructively holds more than five percent of such regularly traded common stock at any time during the shorter of the five-year period preceding such holder's disposition of, or such holder's holding period for, our common stock. If any gain on a holder's disposition is taxable because we are a USRPHC and such holder's ownership of our common stock exceeds 5%, the holder will be taxed on such disposition generally in the manner applicable to U.S. persons and in addition, the purchaser of such common stock may be required to withhold a tax equal to 10% of the amount realized on the sale.

If a holder is a non-U.S. holder described in the first bullet above, such holder will be required to pay tax on the net gain derived from the sale under regular graduated 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 a holder is a non-U.S. holder described in the second bullet above, such holder will be required to pay a flat 30% tax on the gain derived from the sale, which tax may be offset by U.S. source capital losses for the year. Holders of our common stock should consult any applicable income tax or other treaties that may provide for different rules.

Federal Estate Tax

Our common stock beneficially owned by an individual who is not a citizen or resident of the United States (as defined for U.S. federal estate tax purposes) at the time of his or her death will generally be includable in the decedent's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to a holder, such holder's name and address, and the amount of tax withheld, if any. A similar report will be sent to such holder. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in the holder's country of residence.

Payments of dividends or of proceeds on the disposition of stock made to a holder may be subject to information reporting and backup withholding at a current rate of 28% (such rate scheduled to increase to 31% for payments made after December 31, 2012) unless the holder establishes an exemption, for example, by properly certifying its non-U.S. status on a Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person.

Backup withholding is not an additional tax; rather, the U.S. 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

Legislation enacted in 2010 generally will impose a U.S. federal withholding tax of 30% on dividends on our common stock and the gross proceeds from a disposition of our common stock, paid to foreign entities unless certain U.S. information reporting and due diligence requirements have been satisfied. Foreign financial institutions (as specially defined under these rules), will be subject to withholding unless such institutions enter into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the 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). Foreign entities other than foreign financial institutions will be subject to withholding unless such entities provide the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity. The withholding tax is expected to apply to payments of dividends on our common stock beginning January 1, 2014 and to gross proceeds from dispositions of our common stock beginning January 1, 2015. Under certain limited circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

The preceding discussion of U.S. federal tax considerations is for general information only. It is not tax advice. Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our common stock, including the consequences of any proposed change in applicable laws.

UNDERWRITING

We and the selling stockholders are offering the shares of common stock described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC are acting as joint book-running managers of the offering and as representatives of the underwriters. We and the selling stockholders will enter into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we and the selling stockholders will severally agree to sell to the underwriters, and each underwriter will severally agree to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

Name	Number of Shares
J.P. Morgan Securities LLC	
Credit Suisse Securities (USA) LLC	
RBC Capital Markets, LLC	
Pacific Crest Securities LLC	
Robert W. Baird & Co. Incorporated	
JMP Securities LLC	
Lazard Capital Markets LLC	
First Analysis Securities Corporation	
Total	7,575,000

The underwriters will be committed to purchase all the shares of common stock offered by us and the selling stockholders if they purchase any shares. The underwriting agreement will also provide that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

The underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. After the initial public offering of the shares, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside the United States may be made by affiliates of the underwriters. The representatives have advised us that the underwriters do not intend to confirm discretionary sales in excess of 5% of the shares of common stock offered in this offering.

The underwriters will have an option to purchase up to 1,136,250 additional shares of common stock from us to cover sales of shares by the underwriters that exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this over-allotment option. If any shares are purchased with this over-allotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting discounts and commissions are equal to the public offering price per share of common stock less the amount paid by the underwriters to us and the selling stockholders per share of common stock. The underwriting discounts and commissions are $ per share. The following table shows the per share and total underwriting discounts and commissions payable by us and the selling stockholders to the underwriters in connection with this offering assuming both no exercise and full exercise of the underwriters' over-allotment option.

		Total	
	Per share	No exercise	Full exercise
Public offering price	$	$	$
Underwriting discounts and commissions	$	$	$
Proceeds, before expenses, to us	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding underwriting discounts and commissions, will be approximately $3,000,000.

Lazard Frères & Co. LLC referred this transaction to Lazard Capital Markets LLC and will receive a referral fee from Lazard Capital Markets LLC in connection therewith. Entities related to, and employees of, Credit Suisse Securities (USA) LLC will beneficially own approximately 1% of the outstanding capital stock of the company upon the completion of this offering. These shares were acquired between 2001 and 2008. An employee of J.P. Morgan Securities LLC currently holds an aggregate of 1,599 shares of our common stock and 16,076 shares of our Series B preferred stock. These shares were acquired between 2003 and 2008 and the Series B preferred stock will convert into 16,076 shares of our common stock upon the completion of this offering.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We, the selling stockholders, all of our directors and officers and the holders of substantially all of our common stock and securities convertible into or exchangeable for our common stock have agreed or will agree that, subject to certain exceptions, without the prior written consent of J.P. Morgan Securities LLC on behalf of the underwriters, we and they will not, for a period of 180 days after the date of this prospectus:

- 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 for common stock, or publicly disclose the intention to make any offer, sale, pledge or disposition;
- enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of common stock or any security convertible into or exercisable or exchangeable for common stock; or
- make any demand for or exercise any right with respect to the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock;

with respect to the first and second bullets above, whether any such transaction is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period;

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event; provided that no such extension shall apply from and after such date, if any, as the Financial Industry Regulation Authority, Inc. shall have publicly announced that Rule 2711(f)(4) is no longer applicable with respect to any public offering (or any public offering with the same characteristics as this offering).

We and the selling stockholders will agree to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We have applied for listing of our common stock on the NASDAQ Stock Market under the symbol "QLYS."

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, or purchasing and selling shares of, common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. 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 that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock, and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NASDAQ Stock Market, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters will consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our common stock, or that the shares will trade in the public market at or above the initial public offering price.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the shares of common stock offered by this prospectus in any jurisdiction where action for that purpose is required. The shares of common stock offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such shares of common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any shares of common stock offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

United Kingdom

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or the Order, or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order, all such persons together being referred to as relevant persons. The shares of common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares of common stock will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive, each, a Relevant Member State, from and including the date on which the European Union Prospectus Directive, or the EU Prospectus Directive, was implemented in that Relevant Member State, or the Relevant Implementation Date, the Registrant may not make an offer of shares of common stock described in this prospectus to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member

State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that the Registrant may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- to any legal entity that is a qualified investor as defined under the EU Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive); or
- in any other circumstances falling within Article 3(2) of the EU Prospectus Directive, provided that no such offer of securities described in this prospectus shall result in a requirement for the publication by us of a prospectus pursuant to Article 3 of the EU Prospectus Directive.

For the purposes of this provision, the expression an “offer of securities to the public” in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression “EU Prospectus Directive” means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances that do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances that do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted under the laws of Hong Kong) other than with respect to shares that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person that is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an

accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and where each beneficiary of which is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that corporation or trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Switzerland

This document, as well as any other material relating to the shares of our common stock, which are the subject of the offering contemplated by this prospectus, does not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

The shares are being offered in Switzerland by way of a private placement, i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by us from time to time.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

LEGAL MATTERS

Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, will pass upon the validity of the shares of common stock offered hereby. As of the date of this prospectus, an attorney at, and investment partnerships associated with, Wilson Sonsini Goodrich & Rosati, P.C., beneficially owned an aggregate of 43,246 shares of our capital stock. The underwriters are being represented by Cooley LLP, Palo Alto, California in connection with this offering.

EXPERTS

The consolidated financial statements of Qualys, Inc. included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent registered public accountants, upon the authority of such firm as experts in accounting and auditing in giving such report.

The financial statements for Nemean Networks, LLC as of August 31, 2010 and for the eight month period ended August 31, 2010 and for the period from May 18, 2007 (date of inception) through August 31, 2010 included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the report of Grant Thornton LLP, independent certified public accountants, upon the authority of such firm as experts in accounting and auditing in giving such reports.

WHERE YOU CAN FIND MORE INFORMATION

We filed a registration statement on Form S-1 with the SEC with respect to the registration of the common stock offered for sale by this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information about us, the common stock we are offering by this prospectus and related matters, you should review the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus about the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and we refer you to the full text of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits that were filed with the registration statement may be inspected without charge at the SEC's Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the SEC upon payment of the prescribed fee. Information on the operation of the public reference facilities may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the site is http://www.sec.gov. You may also request copies of these filings, at no cost, by mail to: Qualys, Inc., 1600 Bridge Parkway, Redwood City, California 94065, Attention: General Counsel; or at http://www.qualys.com.

Upon completion of this offering, we will become subject to the information and periodic reporting requirements of the Exchange Act, and, in accordance with such requirements, will file periodic reports, proxy statements, and other information with the SEC. These periodic reports, proxy statements, and other information will be available for inspection and copying at the regional offices, public reference facilities, and web site of the SEC referred to above. We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by our independent registered accounting firm.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

	Page
QUALYS, INC.	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Comprehensive Income (Loss)	F-5
Consolidated Statements of Cash Flows	F-6
Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)	F-7
Notes to Consolidated Financial Statements	F-8
NEMEAN NETWORKS, LLC	
Report of Independent Certified Public Accountants	F-36
Balance Sheet	F-37
Statements of Operations	F-38
Statements of Members' Equity	F-39
Statements of Cash Flows	F-40
Notes to Financial Statements	F-41

Report of Independent Registered Public Accounting Firm

Board of Directors
Qualys, Inc.

We have audited the accompanying consolidated balance sheets of Qualys, Inc. (a Delaware corporation) and its subsidiaries (the "Company") as of December 31, 2010 and 2011, and the related consolidated statements of operations, comprehensive income (loss), cash flows and convertible preferred stock and stockholders' equity (deficit) for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Qualys, Inc. and its subsidiaries as of December 31, 2010 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 have been restated to correct a misstatement in the accounting for income taxes.

/s/ GRANT THORNTON LLP
San Francisco, California
June 8, 2012, except for Note 2, as to which the date is August 10, 2012, and the last paragraph of Note 1, as to which the date is September 10, 2012

Qualys, Inc.

CONSOLIDATED BALANCE SHEETS

	December 31,		June 30, 2012	
	2010	2011	Actual	Pro Forma
	(restated)	(restated)	(unaudited)	
	(in thousands, except share and per share data)			
Assets				
Current assets:				
Cash	$ 15,010	$ 24,548	$ 28,459	
Accounts receivable, net of allowance of $138, $230 and $278 at December 31, 2010 and 2011, and June 30, 2012, respectively	14,292	20,750	18,343	
Prepaid expenses and other current assets	2,187	3,774	5,139	
Total current assets	31,489	49,072	51,941	
Restricted cash	115	112	108	
Property and equipment, net	8,210	13,861	16,517	
Intangible assets, net	3,580	3,175	2,972	
Goodwill	317	317	317	
Other noncurrent assets	649	2,252	2,108	
Total assets	$ 44,360	$ 68,789	$ 73,963	
Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)				
Current liabilities:				
Accounts payable	$ 1,010	$ 2,254	$ 3,310	
Accrued liabilities	4,369	8,468	9,460	
Deferred revenues, current	37,811	46,717	48,999	
Capital lease obligations, current	1,516	1,987	1,726	
Total current liabilities	44,706	59,426	63,495	
Deferred revenues, noncurrent	1,734	4,713	5,510	
Income taxes payable, noncurrent	549	661	540	
Other noncurrent liabilities	1,490	2,134	1,398	
Capital lease obligations, noncurrent	1,537	2,406	1,405	
Total liabilities	50,016	69,340	72,348	
Commitments and contingencies				
Convertible preferred stock:				
Series A convertible preferred stock: $0.001 par value; 48,079,860 shares authorized; 4,766,543 shares issued and outstanding at December 31, 2010 and 2011, and June 30, 2012 (actual unaudited); aggregate liquidation preference—$28,774; no shares issued and outstanding (pro forma unaudited)	28,603	28,603	28,603	$ —
Series B convertible preferred stock: $0.001 par value; 110,314,114 shares authorized; 11,031,387 shares issued and outstanding at December 31, 2010 and 2011, and June 30, 2012 (actual unaudited); aggregate liquidation preference—$28,862; no shares issued and outstanding (pro forma unaudited)	28,568	28,568	28,568	—
Series C convertible preferred stock: $0.001 par value; 18,006,026 shares authorized; 1,764,480, 1,799,328 and 1,799,328 shares issued and outstanding at December 31, 2010 and 2011, and June 30, 2012 (actual unaudited), respectively; aggregate liquidation preference—$6,631; no shares issued and outstanding (pro forma unaudited)	6,574	6,702	6,702	—
Total convertible preferred stock	63,745	63,873	63,873	—
Stockholders' equity (deficit):				
Common stock: $0.001 par value; 284,900,000, 299,900,000 and 299,900,000 shares authorized at December 31, 2010 and 2011, and June 30, 2012 respectively; 4,862,351, 5,300,288 and 5,753,716 shares issued and outstanding at December 31, 2010 and 2011, and June 30, 2012 (actual unaudited) respectively; 23,350,974 shares issued and outstanding (pro forma unaudited)	5	5	6	23
Additional paid-in capital	9,738	12,927	15,712	79,568
Accumulated other comprehensive loss	(818)	(984)	(1,042)	(1,042)
Accumulated deficit	(78,326)	(76,372)	(76,934)	(76,934)
Total stockholders' equity (deficit)	(69,401)	(64,424)	(62,258)	$ 1,615
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 44,360	$ 68,789	$ 73,963	

See accompanying Notes to Consolidated Financial Statements

Qualys, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
		(restated)		(unaudited)	
	(in thousands, except per share data)				
Revenues	$57,425	$ 65,432	$76,212	$36,185	$43,381
Cost of revenues	10,692	11,204	13,247	5,899	8,789
Gross profit	46,733	54,228	62,965	30,286	34,592
Operating expenses:					
Research and development	13,377	15,780	19,633	9,758	10,249
Sales and marketing	24,782	29,056	31,526	14,312	19,030
General and administrative	7,455	8,183	8,900	4,261	5,657
Total operating expenses	45,614	53,019	60,059	28,331	34,936
Income (loss) from operations	1,119	1,209	2,906	1,955	(344)
Other income (expense), net:					
Interest expense	(180)	(186)	(204)	(117)	(115)
Interest income	10	3	14	6	1
Other income (expense), net	130	(383)	(346)	519	(104)
Total other income (expense), net	(40)	(566)	(536)	408	(218)
Income (loss) before provision for (benefit from) income taxes	1,079	643	2,370	2,363	(562)
Provision for (benefit from) income taxes	220	(204)	416	210	0
Net income (loss)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Net income (loss) attributable to common stockholders	$ 171	$ 179	$ 436	$ 471	$ (562)
Net income (loss) per share attributable to common stockholders:					
Basic	$ 0.04	$ 0.04	$ 0.09	$ 0.10	$ (0.10)
Diluted	$ 0.04	$ 0.04	$ 0.08	$ 0.09	$ (0.10)
Weighted average shares used in computing net income (loss) per share attributable to common stockholders:					
Basic	4,400	4,706	5,053	4,932	5,392
Diluted	22,804	23,562	24,194	24,088	5,392
Pro forma net income (loss) per share attributable to common stockholders (unaudited):					
Basic			$ 0.09		$ (0.02)
Diluted			$ 0.08		$ (0.02)
Weighted average shares used in computing pro forma net income (loss) per share attributable to common stockholders (unaudited):					
Basic			22,643		22,989
Diluted			24,194		22,989

See accompanying Notes to Consolidated Financial Statements

Qualys, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010 (restated)	2011	2011	2012
			(in thousands)		(unaudited)
Net income (loss)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Foreign currency translation gain (loss), net of zero tax	(104)	(9)	(166)	(32)	(58)
Other comprehensive income (loss), net	(104)	(9)	(166)	(32)	(58)
Comprehensive income (loss)	$ 755	$ 838	$ 1,788	$ 2,121	$ (620)

See accompanying Notes to Consolidated Financial Statements

Qualys, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010 (restated)	2011	2011	2012
			(in thousands)	(unaudited)	
Cash flows from operating activities:					
Net income (loss)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization expense	3,923	4,569	5,373	2,559	3,546
Bad debt expense	95	117	193	113	68
Loss on disposal of property and equipment	5	13	1	—	6
Stock-based compensation	1,120	1,870	2,147	962	1,556
Non-cash interest expense	21	12	36	18	18
Changes in operating assets and liabilities:					
Accounts receivable	(3,061)	(1,166)	(6,651)	839	2,339
Prepaid expenses and other assets	(225)	(112)	(3,835)	(189)	(1,273)
Accounts payable	(292)	(82)	1,248	150	1,063
Accrued liabilities	(193)	(182)	2,817	829	625
Deferred revenues	5,020	4,415	11,885	1,892	3,078
Income taxes payable	58	(488)	333	304	(140)
Other noncurrent liabilities	141	83	1,689	30	(301)
Net cash provided by operating activities	7,471	9,896	17,190	9,660	10,023
Cash flows from investing activities:					
Purchases of property and equipment, net	(3,889)	(1,510)	(7,499)	(1,702)	(5,989)
Acquisition of business, net	—	(2,751)	—	—	—
Net cash used in investing activities	(3,889)	(4,261)	(7,499)	(1,702)	(5,989)
Cash flows from financing activities:					
Principal payments under capital lease obligations	(825)	(1,149)	(1,476)	(786)	(1,261)
Principal payments on notes payable	(599)	—	—	—	—
Proceeds from exercise of stock options	198	522	948	631	1,125
Proceeds from early exercise of stock options	2	80	390	83	75
Proceeds from issuance of Series C Preferred Stock	—	—	128	128	—
Net cash provided by (used in) financing activities	(1,224)	(547)	(10)	56	(61)
Effect of exchange rate changes on cash	(64)	(27)	(143)	15	(62)
Net increase in cash	2,294	5,061	9,538	8,029	3,911
Cash at beginning of period	7,655	9,949	15,010	15,010	24,548
Cash at end of period	$ 9,949	$15,010	$24,548	$23,039	$28,459
Supplemental disclosures of cash flow information					
Cash paid for interest expense	$ 159	$ 163	$ 128	$ 74	$ 92
Cash paid for income taxes, net of refunds	—	303	108	(47)	124
Non-cash investing and financing activities					
Purchase of property and equipment under capital lease	677	2,467	3,100	—	—
Purchase of prepaid maintenance under capital lease	54	—	—	—	—
Issuance of common stock for acquisition of business	—	77	—	—	—
Issuance of common stock for acquisition of license	—	—	—	—	51

See accompanying Notes to Consolidated Financial Statements

Table of Contents

Qualys, Inc.

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

	Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
			(in thousands, except share data)					
Balances at December 31, 2008	17,562,410	$ 63,745	4,490,121	$ 5	$ 5,708	$ (705)	$ (79,318)	$(74,310)
Net income	—	—	—	—	—	—	859	859
Foreign currency translation	—	—	—	—	—	(104)	—	(104)
Issuance of common stock upon exercise of stock options	—	—	153,054	—	198	—	—	198
Vesting of early exercised common stock options	—	—	—	—	211	—	—	211
Issuance of common stock in exchange for services	—	—	9,500	—	32	—	—	32
Stock-based compensation	—	—	—	—	1,088	—	—	1,088
Adjustment to retained earnings upon adoption of accounting for uncertain tax positions	—	—	—	—	—	—	(714)	(714)
Balances at December 31, 2009	17,562,410	63,745	4,652,675	5	7,237	(809)	(79,173)	(72,740)
Net income (restated)	—	—	—	—	—	—	847	847
Foreign currency translation	—	—	—	—	—	(9)	—	(9)
Issuance of common stock upon exercise of stock options	—	—	317,802	—	522	—	—	522
Vesting of early exercised common stock options	—	—	—	—	32	—	—	32
Repurchase of unvested early exercised stock options	—	—	(136,876)	—	—	—	—	—
Issuance of common stock in exchange for services	—	—	3,750	—	15	—	—	15
Issuance of common stock for acquisition of business	—	—	25,000	—	77	—	—	77
Stock-based compensation	—	—	—	—	1,855	—	—	1,855
Balances at December 31, 2010 (restated)	17,562,410	63,745	4,862,351	5	9,738	(818)	(78,326)	(69,401)
Net income	—	—	—	—	—	—	1,954	1,954
Foreign currency translation	—	—	—	—	—	(166)	—	(166)
Issuance of Series C Preferred Stock upon exercise of warrants	34,848	128	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	432,687	—	948	—	—	948
Vesting of early exercised common stock options	—	—	—	—	52	—	—	52
Repurchase of unvested early exercised stock options	—	—	(1,000)	—	—	—	—	—
Issuance of common stock in exchange for services	—	—	6,250	—	59	—	—	59
Stock-based compensation	—	—	—	—	2,088	—	—	2,088
Other adjustments	—	—	—	—	42	—	—	42
Balances at December 31, 2011 (restated)	17,597,258	63,873	5,300,288	5	12,927	(984)	(76,372)	(64,424)
Net loss (unaudited)	—	—	—	—	—	—	(562)	(562)
Foreign currency translation (unaudited)	—	—	—	—	—	(58)	—	(58)
Issuance of common stock upon exercise of stock options (unaudited)	—	—	492,512	1	1,124	—	—	1,125
Vesting of early exercised common stock options (unaudited)	—	—	—	—	54	—	—	54
Repurchase of unvested early exercised stock options (unaudited)	—	—	(60,126)	—	—	—	—	—
Issuance of common stock in exchange for services (unaudited)	—	—	14,945	—	31	—	—	31
Issuance of common stock for acquisition of license (unaudited)	—	—	6,097	—	51	—	—	51
Stock-based compensation (unaudited)	—	—	—	—	1,525	—	—	1,525
Balances at June 30, 2012 (unaudited)	17,597,258	63,873	5,753,716	6	15,712	(1,042)	(76,934)	(62,258)
Conversion of convertible preferred stock into common stock (unaudited)	(17,597,258)	(63,873)	17,597,258	17	63,856	—	—	63,873
Pro forma balances at June 30, 2012 (unaudited)	—	$ —	23,350,974	$ 23	$ 79,568	$ (1,042)	$ (76,934)	$ 1,615

See accompanying Notes to Consolidated Financial Statements

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

NOTE 1. The Company and Summary of Significant Accounting Policies

Description of Business

Qualys, Inc. (the "Company") was incorporated in the state of Delaware on December 30, 1999. The Company is headquartered in Redwood City, California and has majority-owned subsidiaries throughout the world. The Company is a pioneer and leading provider of cloud security and compliance solutions that enable organizations to identify security risks to their IT infrastructures, help protect their IT systems and applications from ever-evolving cyber attacks and achieve compliance with internal policies and external regulations. The Company's cloud solutions address the growing security and compliance complexities and risks that are amplified by the dissolving boundaries between internal and external IT infrastructures and web environments, the rapid adoption of cloud computing and the proliferation of geographically dispersed IT assets. Organizations can use the Company's integrated suite of solutions delivered on its QualysGuard Cloud Platform to cost-effectively obtain a unified view of their security and compliance posture across globally-distributed IT infrastructures.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and include all adjustments necessary for the fair presentation of the Company's consolidated financial position, results of operations and cash flows for the periods presented. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, which are located in Brazil, Canada, France, Germany, Hong Kong, India, Japan, Mexico, Singapore, the United Arab Emirates and the United Kingdom. All significant intercompany transactions and balances have been eliminated.

Subsequent Events

The Company has evaluated subsequent events after the audited balance sheet date of December 31, 2011 through June 8, 2012, the date the accompanying consolidated financial statements were issued.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported results of operations during the reporting period. The Company's management regularly assesses these estimates, which primarily affect revenue recognition, the valuation of accounts receivable, goodwill and intangible assets, common stock, stock-based compensation and the valuation allowances associated with deferred tax assets. Actual results could differ from those estimates and such differences may be material to the accompanying consolidated financial statements.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

Unaudited Interim Financial Information

The accompanying interim consolidated balance sheet as of June 30, 2012, interim consolidated statements of operations, comprehensive income (loss), and cash flows for the six months ended June 30, 2011 and 2012 and interim consolidated statements of convertible preferred stock and stockholders' equity (deficit) for the six months ended June 30, 2012 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with U.S. GAAP. In the opinion of management, these interim consolidated financial statements have been prepared on the same basis as the accompanying audited consolidated financial statements. They reflect all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the interim consolidated balance sheet as of June 30, 2012, interim consolidated results of operations, comprehensive income (loss), and cash flows for the six months ended June 30, 2011 and 2012 and the interim consolidated statements of convertible preferred stock and stockholders' equity (deficit) for the six months ended June 30, 2012.

The consolidated financial data disclosed in these notes to the interim consolidated financial statements related to the six months ended June 30, 2011 and 2012 are also unaudited. The interim consolidated results of operations for the six months ended June 30, 2012 are not necessarily indicative of the results expected for the entire year ending December 31, 2012 or for any other future annual or interim period.

Unaudited Pro Forma Stockholders' Equity

The unaudited pro forma balance sheet and pro forma statement of convertible preferred stock and stockholders' equity (deficit) as of June 30, 2012 reflect the impact of the contemplated initial public offering of the Company's common stock. If the contemplated offering is completed, all 17,597,258 shares of Series A, B and C convertible preferred stock outstanding as of June 30, 2012 would automatically convert into 17,597,258 shares of common stock.

Convertible Preferred Stock

A sale of all or substantially all of the Company's assets or merger or consolidation of the Company with another entity is treated as a liquidation unless, following such transaction, the Company's stockholders directly or indirectly own, in the aggregate, more than 50% of the total voting power of the surviving or acquiring entity. These liquidation provisions and the extent of preferred stock holdings result in the preferred stock having redemption features that are not solely in the control of the Company. Because a potential purchaser could acquire a majority of the outstanding voting stock, triggering a redemption that is outside of the Company's control, all shares of convertible preferred stock have been presented outside of permanent equity in the accompanying consolidated balance sheets for all periods presented.

Concentration of Credit Risk

The Company deposits its cash balances with major financial institutions. Cash balances with any one institution at times may be in excess of federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Credit risk with respect to accounts receivable is dispersed due to the large number of customers. In addition, the Company's credit risk is mitigated by the relatively short collection period. Collateral is not required for accounts receivable. The Company maintains an allowance for potential credit losses based upon the expected collectability of accounts receivable. The Company writes off its receivables when collectability is deemed to be doubtful. As of December 31, 2010, no customer or channel partner accounted for more than 10% of the Company's accounts receivable balance. One channel partner accounted for 13% and 11% of the Company's accounts receivable balance as of December 31, 2011 and June 30, 2012, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less when acquired. These investments are stated at cost, which approximates fair market value. The Company's balance of $15,010,000, $24,548,000 and $28,459,000 at December 31, 2010 and 2011, and June 30, 2012, respectively, consists entirely of cash held in banks.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses and is determined based on a review of existing accounts receivable by aging category to identify significant customers or invoices with known disputes or collectability issues. For those invoices not specifically reviewed, the reserve is calculated based on the age of the receivable.

Any change in the assumptions used in analyzing a specific account receivable may result in an additional allowance for doubtful accounts being recognized in the period in which the change occurs. When the Company ultimately concludes that a receivable is uncollectible, the balance is charged against the allowance for doubtful accounts. Payments subsequently received on such receivables are credited back to the allowance for doubtful accounts.

Deferred Offering Costs

Deferred offering costs relating to the Company's initial public offering are capitalized in prepaid expenses and other current assets on the consolidated balance sheet and consist primarily of legal, accounting, printing and filing fees. The deferred offering costs will be offset against the proceeds from the offering upon its completion. If the offering is terminated, the deferred offering costs will be expensed. No costs related to this offering were incurred as of December 31, 2010 and 2011. As of June 30, 2012, the Company had capitalized $1,148,000 of deferred offering costs.

Restricted Cash

Restricted cash includes amounts maintained with banks as security deposits for certain leased facilities and, accordingly, is classified as a non-current asset.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets,

which range from three to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the estimated useful life of the asset or the lease term. Property under capital lease is amortized over the term of the respective lease or the estimated useful life of the asset, whichever is shorter.

The Company purchases physical scanner appliances and other computer equipment that are provided on a subscription basis. This equipment is recorded as an asset within property and equipment, and the depreciation is allocated to cost of revenues over an estimated useful life of three years.

Upon retirement or disposal, the cost of assets and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of operations. Repairs and maintenance that do not extend the life of an asset are expensed as incurred, and major improvements are capitalized as property or equipment.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets, which consist of property and equipment, for indicators of possible impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists if the carrying amounts of such assets exceed the estimates of future net undiscounted cash flows expected to be generated by such assets. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset’s estimated fair value. As of December 31, 2010 and 2011 and June 30, 2012, the Company has not written down any of its long-lived assets as a result of impairment.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination and is not subject to amortization. Goodwill and other intangible assets with indefinite lives are not amortized, but tested for impairment annually or if certain circumstances indicate a possible impairment may exist. These tests are performed at the reporting unit level. The Company’s operations are organized as one reporting unit.

In testing for a potential impairment of goodwill, the Company first performs a qualitative assessment of its reporting units to determine if it is more likely than not (a more than 50% likelihood) that the fair value of the reporting unit is less than its carrying amount. If the fair value is not considered to be less than the carrying amount, no further evaluation is necessary. The Company performed the annual qualitative assessment for the year ended December 31, 2011 and concluded there was no impairment of goodwill.

If the qualitative assessment indicates there is more than a 50% likelihood that the fair value is less than the carrying amount, the Company would perform a two-step test. In the first step, the carrying value of the reporting unit is compared to its estimated fair value. If the estimated fair value is less than the carrying value, then potential impairment exists. In the second step, the Company calculates the amount of any impairment by determining the implied fair value of goodwill using a

hypothetical purchase price allocation, similar to that which would be applied if it were an acquisition and the purchase price was equivalent to fair value as calculated in the first step. Impairment is equivalent to any excess of goodwill carrying value over its implied fair value.

Certain other intangible assets acquired are amortized over their estimated useful lives and tested for impairment if certain circumstances indicate an impairment may exist. The Company's intangible assets are comprised primarily of existing technology, patent license, and non-competition agreements and are amortized over periods ranging from three to fourteen years on a straight-line basis.

Software Development Costs

The Company capitalizes qualifying computer software costs developed or obtained for internal use. These costs generally include internal costs, such as payroll and benefits of those employees directly associated with the development of the software. Total capitalized development costs are $251,000 at December 31, 2010 and 2011, and June 30, 2012; and the related accumulated amortization is $240,000, $251,000 and $251,000 at December 31, 2010 and 2011 and June 30, 2012, respectively. The capitalized development costs are recorded in other noncurrent assets and were fully amortized at December 31, 2011 and June 30, 2012.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company to reduce foreign currency exchange risks. The Company uses foreign currency forward contracts to mitigate the impact of foreign currency fluctuations of certain non-U.S. dollar denominated asset positions, primarily cash and accounts receivable. These contracts are included in prepaid expenses and other current assets in the consolidated balance sheets. Gains and losses resulting from the impact of currency exchange rate movements on these forward contracts are recognized in other income (expense) in the accompanying consolidated statements of operations in the period in which the exchange rates change and offset the foreign currency gains and losses on the underlying exposure being hedged. The Company does not enter into financial instruments for trading or speculative purposes.

At December 31, 2011, the Company had one outstanding forward contract with a notional amount of 3,680,000 Euros, which expired on January 31, 2012. At June 30, 2012, the Company had one outstanding forward contract with a notional amount of 7,100,000 Euros, which expired on July 31, 2012. These contracts were entered into at the end of each period, and thus the fair value of the contracts was $0 at December 31, 2011 and June 30, 2012. The Company recorded a gain of $271,000 from these contracts, which partially offset the foreign currency transaction losses of $366,000 during the six months ended June 30, 2012. These derivatives were not designated as hedges. The Company did not have any outstanding contracts at December 31, 2010.

Stock-Based Compensation

The Company recognizes compensation expense for its employee stock options over the requisite service period for awards of equity instruments based on the grant-date fair value of those awards ultimately expected to vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Option grants to non-employees are accounted for at the fair value of the consideration received or the fair value of the equity instrument issued, as calculated using the Black-Scholes model, whichever is more readily determinable. The stock-based compensation expense for non-employees is subject to periodic adjustments as the options vest, and the expense is recognized over the period in which services are received.

Revenue Recognition

The Company derives revenues from subscriptions that require customers to pay a fee in order to access the Company's cloud solutions. Customers generally enter into one year renewable subscriptions. The subscription fee entitles the customer to an unlimited number of scans for a specified number of networked devices or web applications and, if requested by a customer as part of their subscription, a specified number of physical or virtual scanner appliances. The Company's physical and virtual scanner appliances are requested by certain customers as part of their subscriptions in order to scan IT infrastructures within their firewalls and do not function without, and are not sold separately from, subscriptions for the Company's solutions. Customers are required to return physical scanner appliances if they do not renew their subscriptions.

The Company recognizes revenues when all of the following conditions are met:

- There is persuasive evidence of an arrangement.
- The service has been provided to the customer.
- The collection of the fees is reasonably assured.
- The amount of fees to be paid by the customer is fixed or determinable.

Subscriptions are recognized ratably over the subscription period. The Company recognizes revenues from subscriptions that include physical scanner appliances and other computer equipment ratably over the period of the subscription. Because the customer's access to the Company's cloud solutions are delivered at the same time as or within close proximity to the delivery of physical scanner appliances and the terms are commensurate for these services and equipment, the Company considers these elements as a single unit of accounting recognized ratably over the subscription period.

In October 2009, the Financial Accounting Standards Board ("FASB") issued revised accounting guidance on revenue recognition, which was effective for new or materially modified contracts the Company entered into during 2011.

Beginning on January 1, 2011, the Company adopted this authoritative accounting guidance on multiple-element arrangements, using the prospective method for all arrangements entered into or materially modified from the date of adoption. As a result of implementing this authoritative guidance, the Company's revenues for the year ended December 31, 2011 and the six months ended June 30, 2012 were not materially different from what would have been recognized under the previous guidance for multiple-element arrangements. The Company does not expect that the adoption of this standard will have a significant impact on its revenue recognition in the future.

Deferred revenues consist of revenues billed or received that will be recognized in the future under subscriptions existing at the balance sheet date. The current portion of deferred revenues represents amounts that are expected to be recognized within one year of the consolidated balance sheet date.

Costs of shipping and handling charges incurred by the Company associated with physical scanner appliances and other computer equipment are included in cost of revenues.

Sales taxes and other taxes collected from customers to be remitted to government authorities are excluded from revenues.

Advertising Expenses

Advertising costs are expensed as incurred and include costs of advertising, trade show costs and promotional materials. For the years ended December 31, 2009, 2010 and 2011, the Company incurred advertising costs of $3,236,000, $3,754,000 and $4,054,000, respectively, and for the six months ended June 30, 2011 and 2012, such costs were $1,912,000 and $2,153,000, respectively.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using statutory tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company operates in various tax jurisdictions and is subject to audit by various tax authorities. Tax positions are based upon their technical merits, relevant tax law and the specific facts and circumstances as of each reporting period. Changes in facts and circumstances could result in material changes to the amounts recorded for such tax positions. A tax position is only recognized in the financial statements if it is “more likely than not” to be sustained based solely on its technical merits as of the reporting date. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments that could result in recognition of additional tax benefits or additional charges to the tax provision and may not accurately reflect actual outcomes. The Company’s policy is to recognize interest and penalties relating to unrecognized tax benefits as a component of the provision for income tax.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of foreign currency translation adjustments, which are reflected net of tax of zero, that are not included in the Company’s net income. Total comprehensive income (loss) includes net income (loss) and other comprehensive income (loss) and is included in the consolidated statements of comprehensive income (loss).

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

Foreign Currency Translation

The Company's operations are conducted in various countries around the world and the financial statements of its foreign subsidiaries are reported in the applicable local foreign currencies (functional currencies). Financial information is translated from the applicable functional currency to the U.S. dollar, the reporting currency, for inclusion in the Company's consolidated financial statements. Accordingly, the assets and liabilities of the Company's foreign subsidiaries are translated using exchange rates in effect as of the balance sheet date, and income and expenses are translated at average exchange rates during the year. Resulting translation adjustments are included as a component of accumulated other comprehensive income (loss) in stockholders' equity (deficit).

Foreign currency transaction gains or losses are recognized in other income (expense). The Company recorded foreign currency transaction gains (losses) of $128,000, ($372,000) and ($338,000) during the years ended December 31, 2009, 2010 and 2011, respectively, and $516,000 and ($95,000) during the six months ended June 30, 2011 and 2012, respectively.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For certain of the Company's financial instruments, including cash, accounts receivable, accounts payable, and other current liabilities, the carrying amounts approximate their fair value due to the relatively short maturity of these balances.

The Company has an asset that is valued in accordance with the provisions of the authoritative accounting guidance that addresses fair value measurements. This guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2—Valuations based on other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Valuations based on inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

At December 31, 2011 and June 30, 2012, a derivative financial instrument, consisting of a foreign currency forward contract, was valued at $0 as the contract was entered into on the last day of the period. This instrument was valued using Level 2 inputs.

Net Income (Loss) Per Share Attributable to Common Stockholders

We compute net income (loss) attributable to common stockholders using the two-class method required for participating securities. We consider our convertible preferred stock and shares of

common stock subject to repurchase resulting from the early exercise of stock options to be participating securities since they contain non-forfeitable rights to dividends or dividend equivalents in the event we declare a dividend for common stock. In accordance with the two-class method, earnings allocated to these participating securities are subtracted from net income after deducting preferred stock dividends, if any, to determine total undistributed earnings to be allocated to common stockholders. The holders of our convertible preferred stock do not have a contractual obligation to share in our net losses and such shares are excluded from the computation of basic earnings per share in periods of net loss.

Basic net income (loss) per share attributable to common stockholders is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the period. All participating securities are excluded from basic weighted-average common shares outstanding. In computing diluted net income (loss) attributable to common stockholders, undistributed earnings are reallocated to reflect the potential impact of dilutive securities. Diluted net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for the effects of potentially dilutive common shares, which are comprised of outstanding stock options, warrants, convertible preferred stock and contingently issuable shares related to an acquisition. The dilutive potential common shares are computed using the treasury stock method or the as-if converted method, as applicable. The effects of outstanding stock options, warrants, convertible preferred stock and contingently issuable shares related to an acquisition are excluded from the computation of diluted net income (loss) per common share in periods in which the effect would be antidilutive.

Recent Accounting Pronouncements

Under the Jumpstart Our Business Startups Act, or the JOBS Act, the Company meets the definition of an “emerging growth company.” The Company has irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. As a result, the Company will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required from non-emerging growth companies.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement*, which generally represents clarifications of ASC Topic 820, *Fair Value Measurement*, but also includes some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. ASU 2011-04 results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 should be applied prospectively and is effective for annual periods beginning after December 15, 2011. Early adoption is not permitted. The Company does not expect the adoption of ASU 2011-04 to have a material impact on its consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. This newly issued accounting standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position as well as instruments and transactions executed under a master netting

or similar arrangement and was issued to enable users of financial statements to understand the effects or potential effects of those arrangements on its financial position. This ASU is required to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. As this accounting standard only requires enhanced disclosure, the adoption of this standard is not expected to have an impact the Company's financial position or results of operations.

Reverse Stock Split

In September 2012, the Company's board of directors and stockholders approved an amendment to the Company's amended and restated certificate of incorporation effecting a one-for-ten reverse stock split of the Company's issued and outstanding shares of common and convertible preferred stock. The par value of the common and convertible preferred stock was not adjusted as a result of the reverse stock split. All issued and outstanding common stock, convertible preferred stock, warrants for convertible preferred stock, options for common stock, contingently issuable shares of common stock and per share amounts contained in the Company's consolidated financial statements have been retroactively adjusted to reflect this reverse stock split for all periods presented. The reverse stock split was effected on September 10, 2012.

NOTE 2. Restatement of Previously Issued Financial Statements

The Company has restated its consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in the 2010 provision for income taxes. The restatement relates to the tax benefit resulting from a reduction of the liability for uncertain tax positions upon the lapse of the statute of limitations for the 2007 tax year of its French subsidiary. The Company did not release the liability at December 31, 2010 due to an error in the determination of when the statute of limitations would expire.

The following table presents the impact of the restatement adjustment on the Company's consolidated balance sheets as of December 31, 2010 and 2011:

	As of December 31, 2010		
	As Previously Reported	Effect of Restatement	As Restated
Income taxes payable, noncurrent	$ 989	$ (440)	$ 549
Accumulated deficit	(78,766)	440	(78,326)

	As of December 31, 2011		
	As Previously Reported	Effect of Restatement	As Restated
Income taxes payable, noncurrent	$ 1,101	$ (440)	$ 661
Accumulated deficit	(76,812)	440	(76,372)

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

The following table presents the impact of the restatement adjustment on the Company's consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2010:

	Year Ended December 31, 2010		
	As Previously Reported	Effect of Restatement	As Restated
Provision for (benefit from) income taxes	$ 236	$ (440)	$ (204)
Net income	407	440	847
Comprehensive income	398	440	838
Net income attributable to common stockholders	86	93	179
Net income per share attributable to common stockholders			
Basic	$ 0.02		$ 0.04
Fully-diluted	$ 0.02		$ 0.04

This restatement did not have a net impact on the cash provided by (used in) the Company's operating, investing or financing activities for the years ended December 31, 2010 and 2011.

The accompanying notes to consolidated financial statements have been updated, as necessary, to reflect the impact of the restatement adjustment.

NOTE 3. Property and Equipment

Property and equipment, which includes assets under capital lease, consists of the following:

	December 31,		June 30,
	2010	2011	2012 (unaudited)
		(in thousands)	
Computer equipment	$ 8,359	$ 12,483	$ 15,782
Computer software	1,844	5,720	5,814
Furniture, fixtures and equipment	1,162	1,330	1,412
Scanner appliances	11,504	13,394	15,501
Leasehold improvements	1,378	1,418	1,565
Total property and equipment	24,247	34,345	40,074
Less: accumulated depreciation and amortization	(16,037)	(20,484)	(23,557)
Property and equipment, net	$ 8,210	$ 13,861	$ 16,517

Assets held under capital lease included in computer equipment and software at December 31, 2010 and 2011 and June 30, 2012 totaled approximately $4,812,000, $8,053,000 and $8,053,000, respectively. The related accumulated depreciation at December 31, 2010 and 2011 and June 30, 2012 totaled $1,954,000, $3,313,000 and $4,165,000 respectively. The capital lease obligations are secured by the related equipment.

Physical scanner appliances and other computer equipment that are or will be subject to subscriptions by customers have a net carrying value of $3,519,000, $3,436,000 and $4,863,000 at December 31, 2010 and 2011 and June 30, 2012, respectively, including assets that have not been

placed in service of $709,000, $210,000 and $1,075,000, respectively. Other fixed assets not placed in service at December 31, 2010 and 2011 and June 30, 2012, included in computer equipment and leasehold improvements, relate to new information technology systems and tenant improvements of approximately $440,000, $500,000 and $1,893,000, respectively. Depreciation and amortization expense relating to property and equipment, including capitalized leases, was $3,861,000, $4,400,000 and $4,939,000 for the years ended December 31, 2009, 2010 and 2011, respectively, and $2,345,000 and $3,327,000 for the six months ended June 30, 2011 and 2012, respectively.

NOTE 4. Business Combination

On August 31, 2010, the Company acquired Nemean Networks, LLC (“Nemean”), a company developing network security solutions for detection and awareness of external intrusions to computer networks. The Company acquired Nemean to provide additional solutions on its cloud platform. The consideration for this acquisition consisted of $3.7 million in cash and common stock, including a non-contingent cash payment of $1.0 million in cash and 6,250 shares of common stock each payable two years after the acquisition date. The non-contingent cash payment amount is recorded in current liabilities at its net present value. Additionally, the Company acquired an exclusive license to certain patents in connection with the Nemean acquisition and may elect to make annual payments of $25,000 for ten years beginning September 1, 2012 to a third party in order to maintain the exclusivity of the license. The Company accounted for this transaction as a business combination.

The valuation of acquired net assets is as follows (in thousands):

Net tangible assets	$ 55
Existing technology	1,910
Patent license	1,339
Non-competition agreements	111
Goodwill	317
Total purchase price consideration	$3,732

The estimated economic lives of the intangible assets is 7 years for existing technology, 14 years for the patent license and 3 years for the non-competition agreements. The goodwill balance represents buyer-specific value resulting from synergies with the Company’s planned services that are not included in the fair value of assets, and it is not deductible for tax purposes.

In performing the purchase price allocation, the Company considered, among other factors, its intention for future use of the acquired assets, estimates of future performance and integration into its existing platform. The fair value of the intangible assets was primarily based on the income approach.

NOTE 5. Goodwill and Intangible Assets, Net

Intangible assets consist primarily of existing technology, patent license and non-competition agreements acquired in business combinations. Acquired intangibles are amortized on a straight-line basis over the respective estimated useful lives of the assets.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)**

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

			December 31,				June 30, 2012 (unaudited)	
			2010		2011			
	Estimated Lives	Cost	Accumulated Amortization	Net Book Value	Accumulated Amortization	Net Book Value	Accumulated Amortization	Net Book Value
Existing technology	7 years	$1,910	$ (91)	$ 1,819	$ (364)	$ 1,546	$ (500)	$ 1,410
Patent license	14 years	1,339	(32)	1,307	(127)	1,212	(175)	1,164
Non-competition agreements	3 years	111	(12)	99	(49)	62	(68)	43
Total intangibles subject to amortization		$3,360	$ (135)	3,225	$ (540)	2,820	$ (743)	2,617
Intangible assets not subject to amortization				355		355		355
Total intangible assets, net				$ 3,580		$ 3,175		$ 2,972

Intangibles amortization expense was $135,000 and $405,000 for the years ended December 31, 2010 and 2011, respectively, and $203,000 for each of the six months ended June 30, 2011 and 2012. No intangible amortization expense was recorded for the year ended December 31, 2009.

As of December 31, 2011, the Company expects amortization expense in future periods to be as follows (in thousands):

2012	$ 406
2013	393
2014	368
2015	368
2016	369
2017 and thereafter	916
Total expected future amortization expense	$2,820

Goodwill, which is not subject to amortization, totaled $317,000 as of December 31, 2010 and 2011, and June 30, 2012. The Company performed its annual goodwill impairment test for the year ended December 31, 2011 using a qualitative assessment and concluded there was no impairment of goodwill as the qualitative assessment performed did not indicate that it is more likely than not that the single reporting unit fair value is less than its carrying value.

NOTE 6. Commitments and Contingencies

Line of Credit

In March 2009, the Company entered into an equipment line of credit of $1,500,000. The line of credit allowed the Company to borrow to purchase specific equipment. Each advance was immediately amortizable and payable in 30 monthly installments, with the final maturity date to be no later than September 2012. Each advance was secured by the specific equipment and carried an interest rate of 9.0%. In March 2010, the Company amended its equipment line of credit. The amount available for draws at the time of the amendment was increased by $775,000 and was available through February

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

2011. Each advance was immediately amortizable and payable in 30 monthly installments, with final maturity date to be no later than August 2013, and carried an interest rate of 7.5%. In December 2010, the Company completed a second amendment to its equipment line of credit. The amount available for draws at the time of the amendment was increased by an additional $1,000,000 and was available through February 2012. Each advance is immediately amortizable and payable in 30 monthly installments, with the final maturity date to be no later than August 2014, and carries an interest rate of 6.5%. At December 31, 2011 and June 30, 2012, the Company had $892,000 and $491,000, respectively, in outstanding borrowings under this line of credit, which are recorded in capital lease obligations in the consolidated balance sheets. The remaining amount available for borrowings at December 31, 2011 was $937,000. The line of credit expired in February 2012, and the Company is not able to draw any further funds from the line of credit.

Leases

The Company leases certain computer equipment and its corporate office facilities under noncancelable operating leases for varying periods through 2019. The Company has also entered into capital lease obligations, with varying interest rates from 1.8% to 9.0%, a portion of which are secured by the related computer equipment and software as of December 31, 2011.

In 2011, the Company entered into a $3,100,000 financing arrangement for computer software, accounted for as a capital lease, with minimum quarterly payments scheduled through 2014. In connection with this transaction, the Company also has minimum obligations for related maintenance and support of $2,611,000 over the same period. Such obligation for maintenance and support is recorded in current and other noncurrent liabilities at December 31, 2011 and June 30, 2012.

The following are the minimum annual lease payments due under these leases at December 31, 2011:

	Operating Leases	Capital Leases
	(in thousands)	
2012	$ 2,733	$ 2,093
2013	2,309	1,370
2014	1,550	1,078
2015	1,403	—
2016	1,443	—
2017 and thereafter	1,446	—
Total minimum lease payments	$10,884	4,541
Less amount representing interest		(148)
Present value of minimum payments		4,393
Less current portion		(1,987)
Capital lease obligations, noncurrent		$ 2,406

Rent expense was $3,240,000, $3,339,000 and $3,376,000 for the years ended December 31, 2009, 2010 and 2011, respectively, and $1,109,000 and $1,343,000 for the six months ended June 30, 2011 and 2012, respectively. Although certain of the operating lease agreements provide for escalating rent payments over the terms of the leases, rent expense under these agreements is recognized on a straight-line basis. As of December 31, 2010 and 2011, and June 30, 2012 the Company has accrued $491,000, $346,000 and $267,000, respectively, of deferred rent related to these agreements, which is reflected in other noncurrent liabilities in the accompanying consolidated balance sheets.

Sales and Other Taxes

The Company's software-as-a-service solution is subject to sales and other taxes in certain jurisdictions where the Company does business. The Company bills sales and other taxes to customers and remits these to the respective government authorities. For those jurisdictions where the Company has not yet billed sales tax to its customers and believes it may have exposure, it has recorded an accrual of $290,000, $345,000 and $374,000 at December 31, 2010 and 2011, and June 30, 2012, respectively, included in accrued liabilities in the consolidated balance sheets. However, taxing jurisdictions have differing rules and regulations, which are subject to varying interpretations that may change over time. Other than the liability that the Company has accrued in its consolidated balance sheets, the Company has been unable to assess the probability, or estimate the amount, of its sales tax exposure, if any. There are no pending reviews at December 31, 2011 or June 30, 2012 of which the outcome is expected to result in sales and other taxes due in excess of accrued liabilities. Management does not anticipate that its sales tax exposure, if any, would have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Indemnifications

The Company indemnifies customers from certain liabilities arising from potential infringement of intellectual property rights, as well as potential damages caused by limited product defects. The Company has not recorded any liability in connection with such indemnifications, as it believes that the maximum amount of future payments is not material and the likelihood of incurring such payments is remote.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a liability for such matters when it is probable a loss has been incurred and such loss can be reasonably estimated. In the opinion of management, there are no pending claims at December 31, 2010 or 2011, or June 30, 2012 of which the outcome is expected to result in a material adverse effect on the financial position or results of operations of the Company.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

NOTE 7. Stockholders' Equity

Common Stock

The Company had reserved shares of common stock for future issuance as follows:

	December 31,		June 30,
	2010	2011	2012 (unaudited)
Options outstanding under the stock option plan	5,600,875	6,312,041	6,786,082
Options available for future grants under the stock option plan	446,090	803,237	796,810
Convertible preferred stock outstanding	17,562,410	17,597,258	17,597,258
Warrants to purchase convertible preferred stock	34,848	—	—
Total shares reserved for future issuance	23,644,223	24,712,536	25,180,150

Convertible Preferred Stock

The Company is authorized to issue 176,400,000 shares of preferred stock with a par value of $0.001 per share. The Company has designated 48,079,860 of the authorized shares as Series A Preferred Stock, 110,314,114 of the authorized shares as Series B Preferred Stock, and 18,006,026 of the authorized shares as Series C Preferred Stock (cumulatively referred to as "Series Preferred").

During 2000 and 2001, the Company issued 1,498,137 shares and 574,998 shares, respectively, of Series A Preferred Stock at an issuance price of $14.00 per share.

During 2003, the Company issued 11,031,387 shares of Series B Preferred Stock at an issuance price of $2.60 per share. Certain of these shares were issued upon the conversion of the Company's then existing notes payable and related accrued interest at a conversion price per share equal to the price paid by other investors that purchased Series B Preferred Stock for cash.

In connection with the issuance of the Series B Preferred Stock in 2003, holders of Series A Preferred Stock were entitled to additional shares of Series A Preferred Stock in accordance with the antidilution provisions of the Company's amended certificate of incorporation. The additional shares issued from the recapitalization resulted in a decrease to the average price of Series A Preferred Stock from $14.00 per share at issuance to $6.00 per share.

During 2004, the Company issued 1,729,636 shares of Series C Preferred Stock at an issuance price of $3.76 per share.

Dividends

The holders of Series Preferred are entitled to receive dividends, as may be declared by the Board of Directors, at the rate of eight percent of the original issuance price, as adjusted for any stock dividends, combinations, splits, recapitalizations and the like, in preference to holders of any other capital stock. Holders of Series C Preferred Stock are entitled to receive dividends in preference to holders of Series A Preferred Stock and Series B Preferred Stock. Further, holders of Series B Preferred Stock are entitled to receive dividends in preference to holders of Series A Preferred Stock.

Dividends are noncumulative. To date, no dividends have been declared, and there are no dividends in arrears as of December 31, 2011 and June 30, 2012.

Conversion

Any share of Series Preferred is convertible at any time, at the option of holder, into fully paid and nonassessable shares of common stock. The number of shares of common stock to which a holder of Series Preferred is entitled upon conversion is the product obtained by multiplying the conversion rate by the number of shares being converted, subject to certain antidilution provisions. The conversion rate is the quotient obtained by dividing the original issuance price by the conversion price. The conversion price is the original issuance price, as adjusted from time to time due to any recapitalizations, dividends, or distributions. As of December 31, 2011 and June 30, 2012, Series Preferred shares are convertible at a ratio of 1-to-1 into common stock.

Each share of Series Preferred automatically converts into shares of common stock at the effective conversion rate immediately upon the earlier to occur of (i) the Company's sale of its common stock in a bona fide firm commitment underwriting pursuant to a registration statement filed under the Securities Act of 1933, as amended, at the public offering price of not less than $12.00 per share (as adjusted to reflect subsequent stock dividends, stock splits, or recapitalizations) and $20 million in the aggregate or (ii) the date specified by written consent of agreement of the holders of a majority of the outstanding shares of Series C Preferred Stock.

Liquidation Rights

Initial Distribution—Series C Preferred

In the event of any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the holders of Series C Preferred Stock are entitled to receive a liquidation payment prior and in preference to any distribution of any of the assets of the Company to holders of Series B Preferred Stock, Series A Preferred Stock, and common stock by reason of their ownership. The liquidation rights will be in an amount per share of Series C Preferred Stock equal to the original issuance price, adjusted for any stock dividends, combinations, or splits with respect to such shares and amounts equal to declared but unpaid dividends on such shares. At liquidation, if the assets of the Company are insufficient to make payment in full to all holders of Series C Preferred Stock outstanding at that date, then such assets shall be distributed among the holders of Series C Preferred Stock, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

Secondary Distribution—Series B Preferred

After payment of the full liquidation preference of the Series C Preferred Stock, holders of Series B Preferred Stock are entitled to receive a liquidation payment prior and in preference to any distribution of any of the assets of the Company to holders of Series A Preferred Stock and common stock. The liquidation rights will be in an amount per share of Series B Preferred Stock equal to the original issuance price, adjusted for any stock dividends, combinations, or splits with respect to such shares and amounts equal to declared but unpaid dividends on such shares. At liquidation, if the remaining assets of the Company are insufficient to make payment in full to all holders of Series B

Preferred Stock outstanding at that date, then such assets shall be distributed among the holders of Series B Preferred Stock, ratably in proportion to the full amounts to which they would otherwise be respectively entitled.

Tertiary Distribution—Series A Preferred

After full payment of the liquidation preference of the Series C Preferred Stock and Series B Preferred Stock, the holders of Series A Preferred Stock are entitled to receive a liquidation payment prior and in preference to any distribution of any assets of the Company to holders of common stock. The liquidation rights will be in an amount per share of Series A Preferred Stock equal to the original issuance price, adjusted for any stock dividends, combinations, or splits with respect to such shares and amounts equal to declared but unpaid dividends on such shares. At liquidation, if the remaining assets of the Company are insufficient to make payment in full to all holders of Series A Preferred Stock outstanding at that date, then such assets shall be distributed among the holders of Series A Preferred, ratably in proportion to the full amounts to which they would otherwise be entitled.

Remaining Assets Distribution—Common Stock

After full payment of the liquidation preference of the Series Preferred stockholders, any remaining assets of the Company legally available shall be distributed among the holders of common stock on a pro rata basis based on the number of shares of common stock held by each.

Warrants

In connection with the issuance of promissory notes in July 2005, the Company granted warrants to purchase 61,507 shares of Series C Preferred Stock at an exercise price of $3.66 per share. The warrants were sold to the note holders at a purchase price of $0.10 per share and have an expiration date in July 2015. In 2007 and 2011, 30,754 and 30,754 shares of Series C Preferred Stock were purchased, respectively, upon exercise of these warrants. No warrants are exercisable or outstanding as of December 31, 2011 and June 30, 2012.

Also in connection with the notes, in May 2006, the Company granted warrants to purchase 8,185 shares of Series C Preferred Stock at an exercise price of $3.76 per share with an expiration date in May 2016. In 2007 and 2011, 4,093 and 4,094 shares of Series C Preferred Stock had been purchased, respectively, upon exercise of these warrants. No warrants are exercisable or outstanding as of December 31, 2011 and June 30, 2012.

Voting

The holder of each share of Series Preferred is entitled to the number of votes equal to the number of shares of common stock into which each share of preferred stock can be converted.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

NOTE 8. Employee Stock and Benefit Plans

Stock Options

Under the 2000 Equity Incentive Plan (the "Plan"), the Company has been authorized to grant to eligible participants either incentive stock options ("ISOs") or nonstatutory stock options ("NSOs") to purchase up to 11,987,853 shares of common stock. The ISOs may be granted at a price per share not less than the fair market value at the date of grant. The NSOs may be granted at a price per share not less than 85% of the fair market value at the date of grant. Options granted to date are immediately exercisable, and unvested shares are subject to repurchase by the Company.

Options and unvested shares granted generally vest over a period of up to four years, with a maximum term of ten years. Upon termination of employment of an option holder, the Company has the right to repurchase at the original purchase price any issued but unvested common shares. At December 31, 2010 and 2011, and June 30, 2012, there were 26,938, 76,437 and 20,231 shares, respectively, that were subject to the Company's right to repurchase at the original purchase price. Shares repurchased by the Company are added to the pool of options available for future grant. The Company repurchased 136,876, 1,000 and 60,126 unvested common shares in the years ended December 31, 2010 and 2011 and the six months ended June 30, 2012, respectively. No shares were repurchased in 2009. The amounts paid for these shares purchased under an early exercise of stock options are not reported as a component of stockholders' equity (deficit) until those shares vest. The amounts received in exchange for these shares totaling $79,000, $414,000 and $82,000 as of December 31, 2010 and 2011, and June 30, 2012, respectively, have been recorded as an accrued liability in the accompanying consolidated balance sheets and will be reclassified to common stock and additional paid-in capital as the shares vest.

Common shares purchased under the Plan are subject to certain restrictions, including the right of first refusal by the Company for sale or transfer of these shares to third parties. The Company's right of first refusal terminates upon completion of an initial public offering of common stock.

Stock-based employee compensation is included in the consolidated statements of income as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(in thousands)		
Cost of revenues	$ 45	$ 77	$ 139	$ 50	$ 123
Research and development	308	346	458	216	294
Sales and marketing	263	460	579	226	440
General and administrative	451	869	811	399	479
Total stock-based employee compensation	$1,067	$1,752	$1,987	$891	$ 1,336

Compensation cost is recognized on a straight-line basis over the service period, based on awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)**

As of December 31, 2011 and June 30, 2012, the Company had $4,832,000 and $6,219,000, respectively, of total unrecognized employee compensation cost related to nonvested awards that it expects to recognize over a weighted-average period of 3 years.

The fair value of each option granted to employees is estimated on the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
Expected term (in years)	5.7	5.5	5.6	5.6	5.3 to 6.0
Volatility	51%	57% to 58%	55%	55%	53%
Risk-free interest rate	1.7% to 2.7%	1.1% to 2.3%	0.9% to 2.3%	2.0% to 2.2%	0.7% to 0.9%
Dividend yield	—	—	—	—	—

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. Volatility is based on historical volatility of several public entities that are similar to the Company, as the Company does not have sufficient historical transactions in its own shares on which to base expected volatility. The Company has not historically issued any dividends and does not expect to in the future.

The Company records compensation representing the fair value of stock options granted to non-employees. Stock-based non-employee compensation was $21,000, $103,000 and $101,000 for the years ended December 31, 2009, 2010 and 2011, respectively, and $60,000 and $189,000 for the six months ended June 30, 2011 and 2012, respectively. These options were valued using a Black-Scholes valuation method with the following assumptions:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
Expected term (in years)	5.7	5.5	5.6	5.6	6.0
Volatility	51%	57% to 58%	55%	55%	53%
Risk-free interest rate	1.7% to 2.7%	1.1% to 2.6%	0.8% to 2.3%	1.7% to 2.2%	0.7% to 1.0%
Dividend yield	—	—	—	—	—

Stock-based non-employee compensation is recognized over the vesting periods of the options. The value of options granted to non-employees is periodically remeasured as they vest over a performance period.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

A summary of the Company's stock option activity is as follows:

	Outstanding Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of December 31, 2008	3,375,802	$ 1.85	5.8	$ 3,214
Granted	2,513,545	3.39		
Exercised	(153,054)	1.30		
Canceled	(523,309)	2.37		
Balance as of December 31, 2009	5,212,984	2.56	6.6	6,486
Granted	1,357,702	4.10		
Exercised	(317,802)	1.89		
Canceled	(652,009)	3.51		
Balance as of December 31, 2010	5,600,875	2.86	6.4	6,964
Granted	1,816,850	5.06		
Exercised	(432,687)	3.09		
Canceled	(672,997)	3.89		
Balance as of December 31, 2011	6,312,041	3.36	6.9	16,012
Granted (unaudited)	1,142,750	8.23		
Exercised (unaudited)	(492,512)	2.44		
Canceled (unaudited)	(176,197)	5.14		
Balance as of June 30, 2012 (unaudited)	6,786,082	4.20	7.3	31,867
Vested and expected to vest—December 31, 2011	5,701,335	3.20	7.0	
Exercisable—December 31, 2011	6,305,105	3.36	6.9	
Vested and expected to vest—June 30, 2012 (unaudited)	6,216,622	3.93	6.9	
Exercisable—June 30, 2012 (unaudited)	6,783,552	4.20	7.3	

The following tables summarize the outstanding and vested stock options at December 31, 2011:

	Outstanding			Vested	
Exercise Price	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price Per Share
$1.10 - $1.40	591,109	$ 1.20	4.1	591,107	$ 1.20
$1.50 - $2.40	1,349,593	1.92	4.7	1,349,591	1.92
$2.50 - $2.90	830,610	2.77	6.5	700,835	2.77
$3.00 - $3.90	1,218,136	3.80	7.7	342,080	3.80
$4.00 - $4.90	1,494,521	4.30	8.1	420,416	4.17
$5.00 - $5.90	828,072	5.52	8.9	17,868	5.25
	6,312,041	3.36	6.9	3,421,897	2.45

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

The following tables summarize the outstanding and vested stock options at June 30, 2012:

	Outstanding			Vested	
Exercise Price	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price Per Share
			(unaudited)		
$1.10 - $1.40	509,260	$ 1.30	3.8	509,260	$ 1.30
$1.50 - $2.40	1,194,431	1.93	4.6	1,194,431	1.93
$2.50 - $2.90	679,310	2.78	6.6	646,985	2.78
$3.00 - $3.90	1,185,506	3.80	7.4	478,088	3.80
$4.00 - $4.90	1,345,423	4.30	8.2	577,432	4.22
$5.00 - $6.90	994,265	5.78	9.1	99,796	5.38
$7.00 - $8.90	877,887	8.69	9.9	6,515	8.40
	6,786,082	4.20	7.3	3,512,507	2.74

The weighted-average grant date fair value of the Company's stock options granted during the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012 was $1.66, $2.14, $2.56, $2.33, and $4.08 respectively. The aggregate grant date fair value of the Company's stock options granted during the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012 was $4,179,000, $2,904,000, $4,657,000, and $2,008,000 and $4,658,000, respectively.

The intrinsic value of options exercised was $235,000, $698,000 and $811,000 during the years ended December 31, 2009, 2010 and 2011, respectively, and $468,000 and $2,658,000 for the six months ended June 30, 2011 and 2012, respectively.

401(k) Plan

The Company's 401(k) Plan (the "401(k) Plan") was established in 2000 to provide retirement and incidental benefits for its employees. As allowed under section 401(k) of the Internal Revenue Code, the 401(k) Plan provides tax-deferred salary deductions for eligible employees. Contributions to the 401(k) Plan are limited to a maximum amount as set periodically by the Internal Revenue Service. To date, the Company has not made any contributions to the 401(k) Plan.

NOTE 9. Other Income (Expense), Net

Other income (expense), net consists of the following:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(in thousands)		
Foreign exchange gains (losses)	$ 128	$ (372)	$ (338)	$ 515	$ (95)
Other income (expense)	2	(11)	(8)	4	(9)
Other income (expense), net	$ 130	$ (383)	$ (346)	$ 519	$ (104)

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

NOTE 10. Income Taxes

The Company's geographical breakdown of income (loss) before provision for (benefit from) income taxes is as follows:

	Year Ended December 31,		
	2009	2010	2011
		(in thousands)	
Domestic	$ 323	$ (21)	$1,593
Foreign	756	664	777
Income before provision for (benefit from) income taxes	$1,079	$ 643	$2,370

The provision for (benefit from) income taxes consists of the following:

	Year Ended December 31,		
	2009	2010	2011
		(restated)	
		(in thousands)	
Current			
Federal	$ (22)	$ (39)	$ 45
State	31	37	112
Foreign	211	(202)	259
Total current provision (benefit)	220	(204)	416
Total provision for (benefit from) income taxes	$ 220	$(204)	$ 416

The reconciliation of the statutory federal income tax rate of 34% to the Company's effective tax rate is as follows:

	Year Ended December 31,		
	2009	2010	2011
		(restated)	
Federal statutory rate	34.0%	34.0%	34.0%
State taxes	4.7	3.9	3.5
Stock-based compensation	28.8	81.3	19.4
Foreign source income	9.9	(50.8)	1.4
Change in valuation allowance	(56.3)	(102.3)	(44.0)
Other	(0.7)	2.2	3.3
Provision for (benefit from) income taxes	20.4%	(31.7)%	17.6%

The provision for (benefit from) income taxes for the six months ended June 30, 2011 and 2012 was $210,000 and $0, respectively. The income tax provision for the six months ended June 30, 2012 was $0, reflecting the provision for income taxes for international operations and state taxes, offset by a tax benefit of $114,000, resulting from a reduction of the liability for uncertain tax positions due to closure of the 2008 to 2010 tax years upon completion of a tax audit of the French subsidiary.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)**

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liabilities are as follows:

	At December 31,	
	2010	2011
	(in thousands)	
Deferred tax assets		
Net operating loss carryforwards	$ 22,239	$ 22,584
Research and development credit carryforwards	3,193	3,744
Accrued liabilities	359	409
Deferred revenues	634	1,670
Deferred rent	165	112
Fixed assets	247	—
Intangible assets	192	198
Stock-based compensation	343	506
Foreign	24	30
Other	284	463
Gross deferred tax assets	27,680	29,716
Valuation allowance	(27,568)	(26,766)
Net deferred tax assets	112	2,950
Deferred tax liabilities		
Fixed assets	—	(2,884)
Total deferred tax liabilities	—	(2,884)
Net deferred tax assets	$ 112	$ 66

Current and non-current deferred tax assets and liabilities included in the consolidated balance sheets are recorded as follows:

	At December 31,	
	2010	2011
	(in thousands)	
Current deferred tax assets	$ 4	$ 69
Current deferred tax liabilities	—	—
Noncurrent deferred tax assets	108	—
Noncurrent deferred tax liabilities	—	(3)
Net deferred tax assets	$ 112	$ 66

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. As of December 31, 2011, we have provided a valuation allowance for our deferred tax assets that we believe are more likely than not unrealizable. The valuation allowance decreased by $0.8 million for the year ended December 31, 2011 and increased by $0.2 million for the year ended December 31, 2010.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

At December 31, 2011, the Company had federal and state net operating loss carryforwards of approximately $61.2 million and $29.5 million, respectively, available to reduce federal and state taxable income. The Company's federal net operating losses expire in the years 2021 to 2030, and its state net operating losses expire from 2012 to 2029. Utilization of the Company's net operating loss carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss carryforwards before utilization. As of December 31, 2011, the Company had federal and state research and development credits of $2.2 million and $1.5 million, respectively. Federal research and development credits expire in the years 2017 to 2026. State research and development credits do not expire.

U.S. income taxes were not provided on undistributed earnings from investments in non-U.S. subsidiaries as the Company intends to continue to reinvest the earnings of these foreign subsidiaries indefinitely. The Company's share of undistributed earnings of foreign subsidiaries that could be subject to additional U.S. income tax if remitted was approximately $7.1 million and $7.5 million as of December 31, 2010 and 2011, respectively. Determination of the amount of unrecognized deferred tax liability for temporary differences related to investments in these non-U.S. subsidiaries that are essentially permanent in duration is not practicable.

On January 1, 2009, the Company adopted authoritative accounting guidance that clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the accounting and financial statement disclosure of tax positions taken or expected to be taken in a tax return. The evaluation of a tax position is a two-step process. The first step requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step requires the Company to recognize in the financial statement each tax position that meets the more likely than not criteria, measured at the amount of benefit that has a greater than fifty percent likelihood of being realized.

A reconciliation of the Company's unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2009	2010 (restated)	2011 (restated)
		(in thousands)	
Unrecognized tax benefits beginning balance	$4,471	$ 4,495	$ 2,648
Gross increase for tax positions of prior years	30	71	87
Gross decrease for tax positions of prior years	(561)	(1,792)	(120)
Gross increase for tax positions of current year	555	276	242
Lapse of statute of limitations	—	(402)	(65)
Total unrecognized tax benefits	$4,495	$ 2,648	$ 2,792

The unrecognized tax benefits, if recognized and in absence of full valuation allowance, would impact the income tax provision by $1.9 million, $0.5 million and $1.2 million as of December 31, 2009 and 2010 and 2011, respectively.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

The Company has elected to include interest and penalties as a component of income tax expense. As of December 31, 2010 and 2011, the Company had accrued approximately $32,000 and $32,000, respectively, for the payment of interest and penalties relating to the unrecognized tax benefits. The Company recognized net interest and penalties of $29,000, $(20,000), and $0 for the years ended December 31, 2009, 2010 and 2011, respectively.

The Company files income tax returns in the United States, including various state jurisdictions. The Company's subsidiaries file tax returns in various foreign jurisdictions. The tax years 2005 to 2011 remain open to examination by the major taxing jurisdictions in which the Company is subject to tax, with the exception of France which remains open to examination for the 2011 tax year only. As of December 31, 2011, the Company was not under examination by the Internal Revenue Service or any state tax jurisdictions.

On February 20, 2009, the California 2009-2010 Budget Bill (S.B. X3 15) was signed into law. As of January 1, 2011, the Company intends to make the annual, irrevocable election to use a single sales factor for apportionment in the state of California. Also effective in 2011, the cost of performance provisions with respect to sales of other than tangible property are repealed. Instead, services are sourced to the location where the services are used. The Company estimates that the combination of these two changes will likely result in a decrease to the effective California tax rate beginning in 2011. Accordingly, by applying the lower tax rate to future tax benefits, the Company reduced the balance of deferred tax assets by approximately $260,000.

NOTE 11. Segment Information and Information about Geographic Area

The Company operates in one segment. The Company's chief operating decision maker ("CODM") is the Chairman, President and Chief Executive Officer, who makes operating decisions, assesses performance and allocates resources on a consolidated basis. All of the Company's principal operations and decision-making functions are located in the United States. Revenues by geographic area, based on the location of the customer, are as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(in thousands)		
United States	$39,856	$43,669	$51,044	$ 24,207	$ 29,021
Other	17,569	21,763	25,168	11,978	14,360
Total revenues	$57,425	$65,432	$76,212	$ 36,185	$ 43,381

As of December 31, 2010 and 2011, and June 30, 2012, property and equipment locations outside the United States were not material.

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND
SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

NOTE 12. Net Income (Loss) Per Share Attributable to Common Stockholders and Pro Forma Net Income (Loss) Per Share Attributable to Common Stockholders

The computations for basic and diluted net income (loss) per share attributable to common stockholders are as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010 (restated)	2011	2011	2012
				(unaudited)	
			(in thousands)		
Numerator:					
Net income (loss)	$ 859	$ 847	$ 1,954	$ 2,153	$ (562)
Net income attributable to participating securities	(688)	(668)	(1,518)	(1,682)	—
Net income (loss) attributable to common stockholders – basic	171	179	436	471	(562)
Undistributed earnings reallocated to participating securities	681	666	1,516	1,680	—
Net income (loss) attributable to common stockholders – diluted	$ 852	$ 845	$ 1,952	$ 2,151	$ (562)
Denominator:					
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders – basic	4,400	4,706	5,053	4,932	5,392
Effect of potentially dilutive securities:					
Convertible preferred stock	17,562	17,562	17,590	17,583	—
Common stock options	842	1,282	1,537	1,558	—
Warrants	—	4	2	3	—
Contingently issuable shares related to an acquisition	—	8	12	12	—
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders – diluted	22,804	23,562	24,194	24,088	5,392
Net income (loss) per share attributable to common stockholders:					
Basic	$ 0.04	$ 0.04	$ 0.09	$ 0.10	$ (0.10)
Diluted	$ 0.04	$ 0.04	$ 0.08	$ 0.09	$ (0.10)

Potentially dilutive securities not included in the calculation of diluted net income (loss) per share because doing so would be antidilutive are as follows:

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(in thousands)		
Convertible preferred stock	—	—	—	—	17,597
Common stock options	1,391	1,948	2,758	2,762	6,466
Warrants	35	—	—	—	—
Contingently issuable shares related to an acquisition	—	—	—	—	8
	1,426	1,948	2,758	2,762	24,071

Qualys, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011 AND SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (UNAUDITED)

The computations for pro forma basic and diluted net income (loss) per share attributable to common stockholders are as follows:

	Year Ended December 31, 2011	Six Months Ended June 30, 2012 (unaudited)
	(in thousands, except per share data)	
Numerator:		
Net income (loss)	$ 1,954	$ (562)
Net income attributable to participating securities	(2)	—
Net income (loss) attributable to common stockholders—basic	$ 1,952	$ (562)
Undistributed earnings reallocated to participating securities	—	—
Net income (loss) attributable to common stockholders—diluted	$ 1,952	$ (562)
Denominator:		
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders—basic	5,053	5,392
Pro forma adjustment to reflect assumed weighted-average effect of conversion of convertible preferred stock	17,590	17,597
Pro forma weighted-average shares used in computing net income (loss) per share attributable to common stockholders—basic	22,643	22,989
Pro forma adjustments to reflect effect of potentially dilutive securities:		
Common stock options	1,537	—
Warrants	2	—
Contingently issuable shares related to an acquisition	12	—
Pro forma weighted-average shares used in computing net income (loss) per share attributable to common stockholders—diluted	24,194	22,989
Pro forma net income (loss) per share attributable to common stockholders		
Basic	$ 0.09	$ (0.02)
Diluted	$ 0.08	$ (0.02)

NOTE 13. Responsibility for Updated Evaluation of Subsequent Events in Connection with Reissuance (unaudited)

As described in Note 2 to our consolidated financial statements, the Company is reissuing its consolidated financial statements as of December 31, 2010 and 2011 and for the year ended December 31, 2010 to correct an error in the financial statements discovered subsequent to their original issuance. In connection with the reissuance of these financial statements, the Company has considered whether there are other subsequent events that have occurred since June 8, 2012 and through August 10, 2012 (the date of reissuance) that require recognition or disclosure in the 2010 and 2011 financial statements and believes that there are no such events.

Report of Independent Certified Public Accountants

Board of Directors
Nemean Networks, LLC

We have audited the accompanying balance sheets of Nemean Networks, LLC (a Delaware limited liability company) (a development stage company) as of August 31, 2010, and the related statements of operations, members' equity, and cash flows for the eight month period ended August 31, 2010 and for the period from May 18, 2007 (date of inception) through August 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nemean Networks, LLC as of August 31, 2010, and the results of its operations and its cash flows for the eight month period ended August 31, 2010 and the period from May 18, 2007 (date of inception) through August 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP
Madison, Wisconsin
November 2, 2010

NEMEAN NETWORKS, LLC
(A Development Stage Company)

BALANCE SHEET

	August 31, 2010
ASSETS	
Current assets	
Cash and cash equivalents	$ 27,740
Prepaid expenses	5,089
Security deposit	1,816
Total current assets	34,645
Property and equipment—at cost	
Computer equipment	116,092
Office furniture and equipment	30,089
Total property and equipment	146,181
Less accumulated depreciation	97,785
Property and equipment, net	48,396
Intangible assets, less accumulated amortization of $21,377 at August 31, 2010	53,623
Total assets	$ 136,664
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities	
Accounts payable	$ 20,592
Accrued liabilities	75,567
Total current liabilities	96,159
Commitments and contingencies	
Members' equity	
Members' capital	2,942,968
Deficit accumulated during the development stage	(2,902,463)
Total members' equity	40,505
Total liabilities and members' equity	$ 136,664

The accompanying notes are an integral part of these statements.

NEMEAN NETWORKS, LLC
(A Development Stage Company)

STATEMENTS OF OPERATIONS

	Eight months ended August 31, 2010	Cumulative totals for the period from May 18, 2007 (date of inception) through August 31, 2010
Revenues	$ —	$ —
Operating expenses		
General and administrative	221,510	904,466
Research and development	398,784	2,008,856
Total operating expenses	620,294	2,913,322
Operating loss	(620,294)	(2,913,322)
Other income (expense)		
Interest income	380	27,169
Interest expense	—	(16,310)
Total other income (expense)	380	10,859
Net loss	$(619,914)	$ (2,902,463)

The accompanying notes are an integral part of these statements.

NEMEAN NETWORKS, LLC
(A Development Stage Company)

STATEMENTS OF MEMBERS' EQUITY
For the eight month period ended August 31, 2010 and for the period from May 18, 2007 (date of inception) through August 31, 2010

	Member units		Deficit accumulated during the development stage	Members' equity
	Units	Amount		
Balances at May 18, 2007, (date of inception)	—	$ —	$ —	$ —
Issuance of founder units at $.001	703,333	703	—	703
Issuance of member units at $1.00	950,000	950,000	—	950,000
Unit issuance costs	—	(40,031)	—	(40,031)
Conversion of notes payable	550,000	550,000	—	550,000
Net loss	—	—	(290,127)	(290,127)
Balances at December 31, 2007	2,203,333	1,460,672	(290,127)	1,170,545
Issuance of member units at $1.00	700,000	700,000	—	700,000
Exercise of member unit options at $1.00	60,000	60,000	—	60,000
Unit compensation expense	—	91,820	—	91,820
Net loss	—	—	(1,006,575)	(1,006,575)
Balances at December 31, 2008	2,963,333	2,312,492	(1,296,702)	1,015,790
Issuance of member units at $1.00	269,426	269,426	—	269,426
Unit issuance cost	—	(17,722)	—	(17,722)
Unit compensation expense	—	62,331	—	62,331
Net loss	—	—	(985,847)	(985,847)
Balances at December 31, 2009	3,232,759	2,626,527	(2,282,549)	343,978
Issuance of member units at $1.00	317,266	317,266	—	317,266
Unit issuance costs	—	(6,750)	—	(6,750)
Unit compensation expense	—	5,925	—	5,925
Net loss	—	—	(619,914)	(619,914)
Balances at August 31, 2010	3,550,025	$2,942,968	$(2,902,463)	$ 40,505

The accompanying notes are an integral part of these statements.

Table of Contents

NEMEAN NETWORKS, LLC
(A Development Stage Company)

STATEMENTS OF CASH FLOWS

	Eight months ended August 31, 2010	Cumulative totals for the period from May 18, 2007 (date of inception) through August 31, 2010
Cash flows from operating activities		
Net loss	$(619,914)	$ (2,902,463)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	32,595	119,162
Unit compensation expense	5,925	160,076
Changes in operating assets and liabilities:		
Accounts receivable	—	—
Prepaid expenses	2,636	(5,089)
Security deposit	—	(1,816)
Accounts payable	12,496	20,592
Accrued liabilities	18,109	75,567
Net cash used in operating activities	(548,153)	(2,533,971)
Cash flows from investing activities		
Purchase of property and equipment	(3,343)	(146,181)
Cash flows from financing activities		
Proceeds from long-term obligations	—	550,000
Payments on long-term obligations	—	(75,000)
Proceeds from exercise of member unit options	—	60,000
Proceeds from issuance of member units, net of issuance costs	310,516	2,172,892
Net cash provided by financing activities	310,516	2,707,892
Net (decrease) increase in cash and cash equivalents	(240,980)	27,740
Cash and cash equivalents at beginning of period	268,720	—
Cash and cash equivalents at end of period	$ 27,740	$ 27,740
Supplemental disclosure of cash flow information		
Interest paid	$ —	$ 16,310

Supplemental disclosure of non-cash investing and financing activities:

During 2007, long-term obligations of $550,000 were converted to member units.

During 2007, the Company recorded increases in intangible assets and long-term obligations of $75,000 related to amounts due to the Wisconsin Alumni Research Foundation (“WARF”) for licensing fees.

The accompanying notes are an integral part of these statements.

NEMEAN NETWORKS, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

For the eight month period ended August 31, 2010 and for the period
from May 18, 2007 (date of inception) through August 31, 2010

NOTE 1. NATURE OF OPERATIONS

Nemean Networks, LLC (the "Company") was formed on May 18, 2007 as a Delaware limited liability company and is located in Madison, Wisconsin. The Company is developing network security solutions for detection and awareness of external intrusions to computer networks. The technology utilized by the Company is based on three patents that the Company is licensing from the WARF.

On August 31, 2010, Qualys, Inc. ("Qualys") purchased substantially all of the assets and assumed substantially all of the liabilities of the Company for cash and 250,000 shares of Qualys common stock totaling approximately $3,700,000. Approximately 62,500 shares of Qualys common stock and $1,000,000 will be retained by Qualys as an equity hold-back for two years subject to offset by certain losses, as defined in the purchase agreement. As a result of the acquisition, Qualys owns the exclusive rights to the Company's technology, including all patents. The accompanying financial statements reflect the operations of the Company immediately before the acquisition of the Company by Qualys. As a result, the financial statements do not include the effects of the acquisition of the Company's assets or assumption of the Company's liabilities by Qualys.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Development Stage Company

The Company has been in the development stage since its inception on May 18, 2007. The Company's primary activities since inception have been: (i) organizational activities; (ii) research and development; and (iii) raising capital. No revenues have been generated from planned principal operations. As of August 31, 2010, the Company continues to be in the development stage.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

The Company has cash and cash equivalents deposited in financial institutions in which the balances occasionally exceed the federal government agency ("FDIC") insured limits of $250,000. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

NEMEAN NETWORKS, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
For the eight month period ended August 31, 2010 and for the period
from May 18, 2007 (date of inception) through August 31, 2010

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the following estimated useful lives:

Office furniture and equipment	5 years
Computer equipment	3 years

Depreciation expense associated with property and equipment was $27,595 for the eight month period ended August 31, 2010 and $97,785 for the period from May 18, 2007 (date of inception) through August 31, 2010.

Intangible Assets

Intangible assets consist primarily of costs related to the filing of patents and licensed technology costs.

The costs are capitalized as incurred and amortized over their estimated useful lives of ten years. Total amortization expense was $5,000 for the eight month period ended August 31, 2010 and $21,377 for the period from May 18, 2007 (date of inception) through August 31, 2010.

Estimated future amortization expense on amortizable intangible assets as of August 31, 2010 is as follows:

Years ending December 31,	
2011	$ 7,500
2012	7,500
2013	7,500
2014	7,500
2015	7,500
Thereafter	16,123
	$53,623

The Company has evaluated the intangible assets for impairment, noting no impairment as of August 31, 2010.

Research and Development Costs

Research and development costs are expensed in the period incurred.

Unit-Based Compensation

The Company accounts for unit-based payment awards in accordance with ASC 718, *Compensation—Stock Compensation* (“ASC 718”), for its unit option plan which was approved on August 19, 2008.

All unit-based payments, including grants of employee unit options, are measured at fair value and expensed in the statement of operations over the service period (generally the vesting period) of the grant.

NEMEAN NETWORKS, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
For the eight month period ended August 31, 2010 and for the period
from May 18, 2007 (date of inception) through August 31, 2010

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments, which include cash equivalents, accounts payable and accrued liabilities, approximate their fair value at August 31, 2010 due to their short maturities.

NOTE 3. FAIR VALUE MEASUREMENTS

The cash equivalents of the Company are valued in accordance with guidance on fair value. The guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

The money market fund is valued at the quoted market value as of the last business day of the Company, as determined based on the market values of the individual investments comprising the fund.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table summarizes financial assets measured at fair value on a recurring basis as of August 31, 2010:

	Level 1 2010
Money Market Fund	$10,376

NOTE 4. LICENSE AGREEMENTS

In October 2007, the Company entered into a license agreement with WARF. The agreement was amended on January 30, 2008 and November 3, 2008. Under this agreement, the Company obtained exclusive rights to various patents and patent applications owned by WARF that will allow the Company to make, use, sell and otherwise distribute products under WARF's patents anywhere in the

Table of Contents

world. In consideration for the agreement (as amended), the Company agreed to pay $75,000 in licensing fees through June 30, 2009. The Company made payments of $40,000 upon execution of the agreement, $10,000 during 2008 and $25,000 during 2009. As of August 31, 2010, there are no remaining amounts due to WARF under the terms of the agreement. The agreement was further amended on August 31, 2010, upon the closing of the acquisition of Nemean by Qualys. Under the amended agreement, Nemean paid WARF $75,000 on August 31, 2010 in consideration for the assignment of the license agreement to Qualys. Such amount was recorded as an expense in the accompanying statements of operations.

In addition to the license fees, under the terms of the license agreement with WARF, the Company is obligated to pay $20,000 for each U.S patent filed, $5,000 for international applications filed under the Patent Cooperation Treaty and $7,500 for other international patent applications. The Company has accrued $49,000 for patent costs due to WARF as August 31, 2010.

Under the terms of this agreement (as amended), the Company was obligated to pay royalties based on future sales. Royalties were due at 5% of the selling price of products covered by the WARF license agreement until cumulative Company sales reach $15,000,000, at which point the royalties would be reduced to 4%. Commencing in 2010, a minimum royalty fee of $30,000 was due to WARF. This minimum royalty fee obligation was waived pursuant to the August 31, 2010 assignment of the license agreement to Qualys.

NOTE 5. LEASE COMMITMENTS

Operating Lease

The Company leases office space under an operating lease in Madison, Wisconsin. The lease required monthly rental payments of $3,890 through June 30, 2010. Subsequent to the lease expiring in June 2010, the Company has been paying monthly rental payments of $4,047 on a month-to-month basis.

Total rental expense under the operating lease was $31,273 for the eight month period ended August 31, 2010 and $140,693 for the period from May 18, 2007 (date of inception) through August 31, 2010.

NOTE 6. INCOME TAXES

The Company is organized as a limited liability company and the members of the Company personally report the net earnings or loss of the Company on their individual income tax returns. Accordingly, no provision has been made in the accompanying financial statements for federal and state income taxes.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, the Company applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open. The Company operates as a partnership for federal tax purposes, thus it is generally not subject to income tax. As a result, there are no uncertain tax positions.

NEMEAN NETWORKS, LLC
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
For the eight month period ended August 31, 2010 and for the period
from May 18, 2007 (date of inception) through August 31, 2010

All tax years since incorporation in 2007 are open under the statute of limitations. The Company recognizes, if any, interest accrued related to unrecognized tax benefits in interest expense and recognizes penalties in operating expenses for all periods presented.

NOTE 7. EQUITY ISSUANCES

The Company issued 703,333 member units to the founders upon the formation of the Company at $.001 per unit for total proceeds of $703.

In December 2007, the Company issued 950,000 member units to investors at $1 per unit for total proceeds of $950,000.

In December 2007, $550,000 in notes payable to debtors were converted to 550,000 member units, valued at $1 per unit. Interest accrued on these notes was paid in cash to the debtors upon conversion.

In 2009, the Company issued 269,426 member units to investors at $1 per unit for total proceeds of $269,426.

In 2010, the Company issued 317,266 member units to investors at $1 per unit for total proceeds of $317,266.

NOTE 8. UNIT OPTION PLAN

On August 19, 2008, the Company adopted the 2008 Unit Option Plan (the “Plan”), pursuant to which the Company’s Board of Directors may grant unit options to employees, directors, officers and consultants in the form of incentive compensation. The plan authorizes grants of options to purchase a total of 1,200,000 units of the Company. Generally, unit options have ten-year terms and vest ratably on the last day of the calendar year over a three- or four-year term, depending on the terms of the individual agreement. However, in 2008 60,000 options granted were immediately vested. Under the plan, 3,000 unit options were granted in 2010 and 60,000 options have been exercised as of August 31, 2010 since inception.

A summary of the Company’s unit option plan is as follows:

	Eight months ended August 31, 2010		May 18, 2007 (date of inception) through August 31, 2010	
	Unit options	Weighted average exercise price	Unit options	Weighted average exercise price
Outstanding at beginning of period	290,000	$ 1.00	—	$ —
Granted	3,000	1.00	380,500	1.00
Exercised	—	—	(60,000)	1.00
Forfeited	—	—	(27,500)	1.00
Outstanding at end of period	293,000	$ 1.00	293,000	$ 1.00
Options exercisable at end of period	204,668	$ 1.00	204,668	$ 1.00

NEMEAN NETWORKS, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
For the eight month period ended August 31, 2010 and for the period
from May 18, 2007 (date of inception) through August 31, 2010

The following table summarizes additional information as of August 31, 2010:

	Outstanding			Exercisable		
Range of exercise price	Unit options	Average remaining contractual life (years)	Weighted average exercise price	Unit options	Average remaining contractual life (years)	Weighted average exercise price
$1.00	293,000	8.06	$ 1.00	204,668	8.08	$ 1.00

A summary of the status of the Company's non-vested unit options is as follows:

	Eight months ended August 31, 2010		May 18, 2007 (date of inception) through August 31, 2010	
	Unit options	Weighted average exercise price	Unit options	Weighted average exercise price
Non-vested at beginning of period	98,332	$ 1.00	—	$ —
Granted	3,000	1.00	380,500	1.00
Vested	(13,000)	1.00	(269,668)	1.00
Forfeited	—	1.00	(22,500)	1.00
Non-vested at end of period	88,332	$ 1.00	88,332	$ 1.00

The Company uses the Black-Scholes option pricing model to value unit options. For options granted, the Company used historical stock prices of companies which it considered to be a peer group as the basis for its volatility assumptions. The assumed risk-fee rates were based on U.S. Treasury rates in effect at the time of the grant with a term consistent with the expected option lives. The Company employed the plain-vanilla type method of estimating the expected term of the options as the Company did not have significant historical experience. The expense is being allocated using the straight-line method. For the eight month period ended August 31, 2010, the Company recorded $1,755 of compensation expense and $4,170 of consulting expense related to options granted and valued under ASC 718. For the period from May 18, 2007 (date of inception) through August 31, 2010, the Company recorded $148,200 of compensation expense and $11,876 of consulting expense related to options granted. At August 31, 2010, the Company had unrecognized expense related to its unit options of $52,468. The expense is expected to be recognized over the next two years.

The fair value of each option grant for the eight month period ended August 31, 2010 and for the period from May 18, 2007 (date of inception) through August 31, 2010 was estimated at the date of grant using the Black-Scholes option pricing model based on the following assumptions:

	Eight months ended August 31, 2010	May 18, 2007 (date of inception) through August 31, 2010
Expected life (years)	6.25	6.25
Risk-free interest rate	2.74%	2.74% - 3.39%
Expected volatility	60%	60%
Dividend yield	—	—

NEMEAN NETWORKS, LLC
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
For the eight month period ended August 31, 2010 and for the period
from May 18, 2007 (date of inception) through August 31, 2010

The weighted average grant date fair value of the stock options granted during the period ended August 31, 2010 and for the period from May 18, 2007 (date of inception) through August 31, 2010 was $0.59.

NOTE 9. SUBSEQUENT EVENTS

The Company evaluated its August 31, 2010 financial statements for subsequent events through November 2, 2010, the date the financial statements were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Our mission: To empower organizations to achieve security and compliance

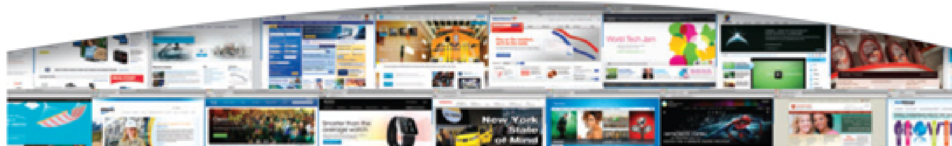


Table of Contents

7,575,000 Shares

QUALYS®

Common Stock

Prospectus

J.P. Morgan **Credit Suisse**

RBC Capital Markets **Pacific Crest Securities**

Baird **JMP Securities** **Lazard Capital Markets** **First Analysis Securities Corp.**

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee.

SEC registration fee	$ 12,978
FINRA filing fee	12,487
NASDAQ initial listing fee	250,000
Printing and engraving	130,000
Legal fees and expenses	1,640,000
Accounting fees and expenses	610,000
Blue sky fees and expenses (including legal fees)	20,000
Transfer agent and registrar fees	15,000
Miscellaneous	309,535
Total	$ 3,000,000

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

Prior to the completion of this offering, we expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 172 of the Delaware General Corporation Law; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directions will be further limited to the greatest extent permitted by the Delaware General Corporation Law.

In addition, prior to the completion of this offering, we expect to adopt amended and restated bylaws which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the

fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit, or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to very limited exceptions.

Further, prior to the completion of this offering, we expect to enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. These indemnification agreements will require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements will also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit, or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws and in indemnification agreements that we enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder’s investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or who is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

Prior to the completion of this offering, we expect to obtain insurance policies under which, subject to the limitations of the policies, coverage will be provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

Item 15. Recent Sales of Unregistered Securities

From April 1, 2009 to September 7, 2012, we have made the following sales of unregistered securities:

- We have issued to directors, officers, employees, and consultants options to purchase an aggregate of 6,612,474 shares of our common stock with per share exercise prices ranging from $2.80 to $9.40 under our 2000 Plan and have issued an aggregate of 1,514,390 shares of our common stock upon exercise of options; further, we have issued an additional 21,250 shares of our common stock at a fair value ranging from $2.80 to $8.40 outside of our 2000 Plan;

- On May 4, 2012, we issued 18,292 shares of our common stock at $4.10 per share pursuant to a stock purchase agreement;
- On March 15, 2011, we sold 4,093 shares and 30,754 shares of our Series C preferred stock to an accredited investor pursuant to the exercise of two outstanding warrants to purchase shares of our Series C preferred stock at a price per share of $3.76 and $3.66, respectively, for an aggregate purchase price of $127,884.84; and
- On August 31, 2010, we issued 6,250 shares and 18,750 shares of our common stock to Nemean Networks LLC at $4.10 per share pursuant to an asset purchase agreement.

We believe these transactions were exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act or Regulation D promulgated thereunder, or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationship with us, to information about us.

Share and per share amounts contained in the paragraphs above do not reflect the anticipated stock split of our common stock, which we expect to occur prior to the effectiveness of this offering.

There were no underwritten offerings employed in connection with any of the transactions described above.

Item 16. Exhibits

(a) See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Act, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 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 Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act of 1933, as amended, 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, as amended, shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended (the "Securities Act"), the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Redwood City, State of California on September 11, 2012.

QUALYS, INC.

By: /s/ PHILIPPE F. COURTOT
Name: Philippe F. Courtot
Title: Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this registration statement has been signed by the following persons in the capacities indicated on the date indicated:

Signature	Title	Date
/s/ PHILIPPE F. COURTOT Philippe F. Courtot	Chairman, President and Chief Executive Officer (principal executive officer)	September 11, 2012
/s/ DONALD C. MCCAULEY Donald C. McCauley	Chief Financial Officer (principal financial and accounting officer)	September 11, 2012
* Sandra E. Bergeron	Director	September 11, 2012
* Donald R. Dixon	Director	September 11, 2012
* Jeffrey P. Hank	Director	September 11, 2012
* General Peter Pace	Director	September 11, 2012
* Yves B. Sisteron	Director	September 11, 2012
/s/ HOWARD A. SCHMIDT Howard A. Schmidt	Director	September 11, 2012

*By: /s/ DONALD C. MCCAULEY
Donald C. McCauley
Attorney in Fact

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
1.1	Form of Underwriting Agreement.
3.1*	Amended and Restated Certificate of Incorporation, as amended, of Qualys, Inc., as currently in effect.
3.2*	Amendment No. 7 to Amended and Restated Certificate of Incorporation of Qualys, Inc., as filed July 31, 2012.
3.3	Form of Amended and Restated Certificate of Incorporation of Qualys, Inc. to be effective upon completion of this offering.
3.4*	Bylaws of Qualys, Inc., as currently in effect.
3.5	Form of Amended and Restated Bylaws of Qualys, Inc. to be effective upon completion of this offering.
3.6	Amendment No. 8 to Amended and Restated Certificate of Incorporation of Qualys, Inc., as filed September 10, 2012.
4.1	Form of common stock certificate.
4.2*	Amended and Restated Investor Rights Agreement, by and among Qualys, Inc. and the investors party thereto, dated July 12, 2005.
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.
10.1*	2000 Equity Incentive Plan, as amended, and the form of stock option agreement thereunder.
10.2	2012 Equity Incentive Plan and forms of agreements thereunder.
10.3*	Offer Letter, between Qualys, Inc. and Philippe F. Courtot, dated December 7, 2000.
10.4*	Offer Letter, between Qualys, Inc. and Amer S. Deeba, dated September 4, 2001.
10.5*	Offer Letter, between Qualys, Inc. and Sumedh S. Thakar, dated January 20, 2003.
10.6	Offer Letter, between Qualys, Inc. and Donald C. McCauley, dated February 7, 2006, as amended.
10.7*	Offer Letter, between Qualys, Inc. and John N. Wilson, dated August 20, 2010.
10.8*	Offer Letter, between Qualys, Inc. and Peter Albert, dated April 14, 2011.
10.9*	Offer Letter, between Qualys, Inc. and Bruce K. Posey, dated May 8, 2012.
10.10*	Form of director and executive officer indemnification agreement.
10.11*	Lease Agreement, between Qualys, Inc. and Westport Office Park, LLC, dated July 11, 2006, as amended August 10, 2007, May 20, 2010 and December 5, 2011.
10.12*	2011 Corporate Bonus Plan.
10.13†*	2012 Corporate Bonus Plan.
10.14	Master Services Agreement, between Qualys, Inc. and Savvis Communications Corporation, dated June 22, 2010.
10.15†	Master Agreement, between Qualys, Inc. and Interoute Communications Limited, dated March 31, 2008.
10.16†	Manufacturing Services Agreement, between Qualys, Inc. and Synnex Corporation, dated March 1, 2011.
21.1*	List of subsidiaries of Qualys, Inc.
23.1	Consent of Grant Thornton LLP, independent registered public accounting firm.
23.2	Consent of Grant Thornton LLP, independent certified public accountants.
23.3	Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1).
24.1*	Power of Attorney (see page II-5 to the original filing of this registration statement on Form S-1).

* Previously filed.

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from the registration statement and submitted separately to the Securities and Exchange Commission.

Exhibit 1.1

QUALYS, INC.

Shares of Common Stock

Underwriting Agreement

, 2012

J.P. MORGAN SECURITIES LLC
CREDIT SUISSE SECURITIES (USA) LLC
As Representatives of
the several Underwriters listed in
Schedule 1 to the Underwriting
Agreement referred to below

c/o J. P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179

c/o Credit Suisse Securities (USA) LLC
11 Madison Avenue
New York, NY 10010

Ladies and Gentlemen:

Qualys, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters listed in Schedule 1 hereto (the "Underwriters"), for whom you are acting as representatives (the "Representatives"), an aggregate of [—] shares of Common Stock, par value $0.001 per share, of the Company, and certain stockholders of the Company named in Schedule 2 hereto (collectively, the "Selling Stockholders") propose to sell to the several Underwriters an aggregate of [—] shares of Common Stock of the Company (collectively, the "Underwritten Shares"). In addition, the Company proposes to issue and sell, at the option of the Underwriters, up to an additional [—] shares of Common Stock of the Company (collectively, the "Option Shares"). The Underwritten Shares and the Option Shares are herein referred to as the "Shares". The shares of Common Stock of the Company to be outstanding after giving effect to the sale of the Shares are referred to herein as the "Stock".

The Company and the Selling Stockholders hereby confirm their agreement with the several Underwriters concerning the purchase and sale of the Shares, as follows:

1. Registration Statement. The Company has prepared and filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended,

and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form S-1 (File No. 333-182027), including a prospectus, relating to the Shares. Such registration statement, as amended at the time it became effective, including the information, if any, deemed pursuant to Rule 430A under the Securities Act to be part of the registration statement at the time of its effectiveness ("Rule 430A Information"), is referred to herein as the "Registration Statement"; and as used herein, the term "Preliminary Prospectus" means each prospectus included in such registration statement (and any amendments thereto) before effectiveness, any prospectus filed with the Commission pursuant to Rule 424(a) under the Securities Act and the prospectus included in the Registration Statement at the time of its effectiveness that omits Rule 430A Information, and the term "Prospectus" means the prospectus in the form first used (or made available upon request of purchasers pursuant to Rule 173 under the Securities Act) in connection with confirmation of sales of the Shares. If the Company has filed an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Registration Statement and the Prospectus.

At or prior to the Applicable Time (as defined below), the Company had prepared the following information (collectively with the pricing information set forth in item (b) of Annex B hereto, the "Pricing Disclosure Package"): a Preliminary Prospectus dated September 11, 2012 contained in the Registration Statement at the time of its effectiveness and each "free-writing prospectus" (as defined pursuant to Rule 405 under the Securities Act) listed in item (a) of Annex B hereto.

"Applicable Time" means [—] P.M., New York City time, on [—], 2012.

2. Purchase of the Shares by the Underwriters.

(a) On the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, (i) the Company agrees to issue and sell and each of the Selling Stockholders agrees, severally and not jointly, to sell, the Underwritten Shares to the several Underwriters as provided in this Agreement, and (ii) each Underwriter agrees, severally and not jointly, to purchase from the Company the respective number of Underwritten Shares (subject, however, to such adjustments to eliminate any fractional Shares as the Representatives in their sole discretion shall make) set forth opposite such Underwriter's name in Schedule 1 hereto at a price per share (the "Purchase Price") of $[—] and from each of the Selling Stockholders the number of Underwritten Shares (subject, however, to such adjustments to eliminate any fractional Shares as the Representatives in their sole discretion shall make) determined by multiplying the aggregate number of Underwritten Shares to be sold by each of the Selling Stockholders as set forth opposite their respective names in Schedule 2 hereto by a fraction, the numerator of which is the aggregate number of Underwritten Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule 1

hereto and the denominator of which is the aggregate number of Underwritten Shares to be purchased by all the Underwriters from all of the Selling Stockholders hereunder.

In addition, on the basis of the representations, warranties and agreements set forth herein and subject to the conditions set forth herein, (i) the Company agrees to issue and sell and each of the Selling Stockholders agrees, severally and not jointly, as and to the extent indicated in Schedule 2 hereto, to sell, the Option Shares to the several Underwriters as provided in this Agreement, and (ii) the Underwriters shall have the option to purchase, severally and not jointly, from each of the Company and each Selling Stockholder the Option Shares at the Purchase Price less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Shares but not payable on the Option Shares.

If any Option Shares are to be purchased, the number of Option Shares to be purchased by each Underwriter shall be the number of Option Shares which bears the same ratio to the aggregate number of Option Shares being purchased as the number of Underwritten Shares set forth opposite the name of such Underwriter in Schedule 1 hereto (or such number increased as set forth in Section 12 hereof) bears to the aggregate number of Underwritten Shares being purchased from the Company and the Selling Stockholders by the several Underwriters, subject, however, to such adjustments to eliminate any fractional Shares as the Representatives in their sole discretion shall make. Any such election to purchase Option Shares shall be made in proportion to the maximum number of Option Shares to be sold by the Company and each Selling Stockholder as set forth in Schedule 2 hereto.

The Underwriters may exercise the option to purchase Option Shares at any time in whole, or from time to time in part, on or before the thirtieth day following the date of the Prospectus, by written notice from the Representatives to the Company and the Attorneys-in-Fact (as defined below). Such notice shall set forth the aggregate number of Option Shares as to which the option is being exercised and the date and time when the Option Shares are to be delivered and paid for, which may be the same date and time as the Closing Date (as hereinafter defined) but shall not be earlier than the Closing Date or later than the tenth full business day (as hereinafter defined) after the date of such notice (unless such time and date are postponed in accordance with the provisions of Section 12 hereof). Any such notice shall be given at least two business days prior to the date and time of delivery specified therein.

(b) The Company and the Selling Stockholders understand that the Underwriters intend to make a public offering of the Shares as soon after the effectiveness of this Agreement as in the judgment of the Representatives is advisable, and initially to offer the Shares on the terms set forth in the Prospectus. The Company and the Selling Stockholders acknowledge and agree that the Underwriters may offer and sell Shares to or through any affiliate of an Underwriter.

(c) Payment for the Shares shall be made by wire transfer in immediately available funds to the accounts specified by the Company and the Attorneys-in-Fact or any of them (with regard to payment to the Selling Stockholders) to the Representatives in the case of the Underwritten Shares, at the offices of Wilson Sonsini Goodrich & Rosati, P.C., 650 Page Mill

Road, Palo Alto, CA 94304 at 10:00 A.M., New York City time, on [—], 2012, or at such other time or place on the same or such other date, not later than the fifth business day thereafter, as the Representatives, and the Company and the Attorneys-in-Fact may agree upon in writing or, in the case of the Option Shares, on the date and at the time and place specified by the Representatives in the written notice of the Underwriters' election to purchase such Option Shares. The time and date of such payment for the Underwritten Shares is referred to herein as the "Closing Date", and the time and date for such payment for the Option Shares, if other than the Closing Date, is herein referred to as an "Additional Closing Date".

Payment for the Shares to be purchased on the Closing Date or an Additional Closing Date, as the case may be, shall be made against delivery to the Representatives for the respective accounts of the several Underwriters of the Shares to be purchased on such date with any transfer taxes payable in connection with the sale of such Shares duly paid by the Company and the Selling Stockholders, as applicable. Delivery of the Shares shall be made through the facilities of The Depository Trust Company ("DTC") unless the Representatives shall otherwise instruct. The certificates for the Shares will be made available for inspection and packaging by the Representatives at the office of DTC or its designated custodian not later than 1:00 P.M., New York City time, on the business day prior to the Closing Date or the Additional Closing Date, as the case may be.

(d) Each of the Company and each Selling Stockholder acknowledges and agrees that the Underwriters are acting solely in the capacity of an arm's length contractual counterparty to the Company and the Selling Stockholders with respect to the offering of Shares contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company, the Selling Stockholders or any other person. Additionally, none of the Representatives or any other Underwriter is advising the Company, the Selling Stockholders or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company and the Selling Stockholders shall consult with their own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and the Underwriters shall have no responsibility or liability to the Company or the Selling Stockholders with respect thereto. Any review by the Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company or the Selling Stockholders.

3. Representations and Warranties of the Company. The Company represents and warrants to each Underwriter and Selling Stockholder that:

(a) *Preliminary Prospectus.* No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and the Preliminary Prospectus included in the Pricing Disclosure Package, at the time of filing thereof, complied in all material respects with the Securities Act, and no Preliminary Prospectus, at the time of filing thereof, contained any untrue statement of a material fact or omitted

to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in any Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 9(c) hereof.

(b) *Pricing Disclosure Package*. The Pricing Disclosure Package as of the Applicable Time did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Pricing Disclosure Package, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 9(c) hereof.

(c) *Issuer Free Writing Prospectus.* Other than the Registration Statement, the Preliminary Prospectus and the Prospectus, the Company (including its agents and representatives, other than the Underwriters in their capacity as such) has not prepared, used, authorized, approved or referred to and will not prepare, use, authorize, approve or refer to any "written communication" (as defined in Rule 405 under the Securities Act) that constitutes an offer to sell or solicitation of an offer to buy the Shares (each such communication by the Company or its agents and representatives (other than a communication referred to in clause (i) below) an "Issuer Free Writing Prospectus") other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or any document not constituting an offer pursuant to Rule 135 under the Securities Act, or (ii) the documents listed on Annex B hereto, each electronic road show and any other written communications approved in writing in advance by the Representatives, such approval not to be unreasonably withheld or delayed. Each such Issuer Free Writing Prospectus, if any, complied in all material respects with the Securities Act, has been or will be (within the time period specified in Rule 433) filed in accordance with the Securities Act (to the extent required thereby) and, when taken together with the Preliminary Prospectus accompanying, or delivered prior to delivery of, such Issuer Free Writing Prospectus, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in each such Issuer Free Writing Prospectus

or Preliminary Prospectus in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in such Issuer Free Writing Prospectus or Preliminary Prospectus, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 9(c) hereof.

(d) *Emerging Growth Company*. From the time of the initial filing of the Registration Statement with the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters-Communication) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Securities Act (an “Emerging Growth Company”). “Testing-the-Waters Communication” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

(e) *Testing-the-Waters Materials*. The Company (i) has not alone engaged in any Testing-the-Waters Communications and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed or approved for distribution any Written Testing-the-Waters Communications. “Written Testing-the-Waters Communication” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act. Any individual Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement or the Pricing Disclosure Package, complied in all material respects with the Securities Act, and when taken together with the Pricing Disclosure Package as of the Applicable Time, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) *Registration Statement and Prospectus.* The Registration Statement has been declared effective by the Commission. No order suspending the effectiveness of the Registration Statement has been issued by the Commission, and, to the Company’s knowledge, no proceeding for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the offering of the Shares has been initiated or threatened by the Commission; as of the applicable effective date of the Registration Statement and any post-effective amendment thereto, the Registration Statement and any such post-effective amendment complied and will comply in all material respects with the Securities Act, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and as of the date of the Prospectus and any amendment or supplement thereto and as of the Closing Date and as of the Additional

Closing Date, as the case may be, the Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that the Company makes no representation and warranty with respect to any statements or omissions made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement and the Prospectus and any amendment or supplement thereto, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 9(c) hereof.

(g) *Financial Statements.* The financial statements (including the related notes thereto) of the Company and its consolidated subsidiaries included in the Registration Statement, the Pricing Disclosure Package and the Prospectus comply in all material respects with the applicable requirements of the Securities Act and present fairly in all material respects the financial position of the Company and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis throughout the periods covered thereby, except unaudited financial statements, which are subject to normal year-end adjustment and do not contain certain footnotes as permitted by the applicable rules of the Commission, and any supporting schedules included in the Registration Statement present fairly in all material respects the information required to be stated therein; the other financial information included in the Registration Statement, the Pricing Disclosure Package and the Prospectus has been derived from the accounting records of the Company and its consolidated subsidiaries, has been compiled on a basis consistent with the financial statements presented therein and presents fairly in all material respects the information shown thereby; all disclosures contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations under the Securities Act) comply with Regulation G of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Item 10 of Regulation S-K under the Securities Act, to the extent applicable; and the Company and its consolidated subsidiaries do not have any material liabilities or obligations, direct or contingent, that are not disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus. There are no financial statements (historical or pro forma) that are required to be included in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not included as required.

(h) *No Material Adverse Change.* Since the date of the most recent financial statements of the Company included in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (i) there has not been any change in the capital stock (other than the issuance of shares of Common Stock upon exercise of stock options and warrants described as outstanding in, and the grant of options and awards under existing

equity incentive plans described in, the Registration Statement, the Pricing Disclosure Package and the Prospectus), any material change in the short-term debt or long-term debt of the Company or any of its subsidiaries, or any dividend or distribution of any kind declared, set aside for payment, paid or made by the Company on any class of capital stock, or any material adverse change, or any development involving a material adverse change, in or affecting the business, properties, management, financial position, stockholders' equity, results of operations or prospects of the Company and its subsidiaries taken as a whole; (ii) neither the Company nor any of its subsidiaries has entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole; and (iii) neither the Company nor any of its subsidiaries has sustained any loss or interference with its business that is material to the Company and its subsidiaries taken as a whole that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority, except in each case as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(i) *Organization and Good Standing.* The Company and each of its subsidiaries have been duly organized and are validly existing and in good standing (to the extent such concepts are applicable under such laws) under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing (to the extent such concepts are applicable under such laws) in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the business, properties, management, financial position, stockholders' equity, results of operations or prospects of the Company and its subsidiaries taken as a whole or on the performance by the Company of its obligations under this Agreement (a "Material Adverse Effect"). The Company does not own or control, directly or indirectly, any corporation, association or other entity other than the subsidiaries listed in Exhibit 21 to the Registration Statement.

(j) *Capitalization.* On the Closing Date, the Company will have an authorized capitalization as set forth in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading "Capitalization"; all the outstanding shares of capital stock of the Company (including the Shares to be sold by the Selling Stockholders) have been duly and validly authorized and issued and are fully paid and non-assessable and are not subject to any pre-emptive or similar rights; except as described in or expressly contemplated by the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no outstanding rights (including,

without limitation, pre-emptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any shares of capital stock or other equity interest in the Company or any of its subsidiaries, or any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any capital stock of the Company or any such subsidiary, any such convertible or exchangeable securities or any such rights, warrants or options; the capital stock of the Company conforms in all material respects to the description thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and all the outstanding shares of capital stock or other equity interests of each subsidiary owned, directly or indirectly, by the Company have been duly and validly authorized and issued, are fully paid and non-assessable (except, in the case of any foreign subsidiary, for directors' qualifying shares) and are owned directly or indirectly by the Company, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party, except where the failure would not, individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

(k) *Stock Options.* With respect to the stock options (the "Stock Options") granted pursuant to the stock-based compensation plans of the Company and its subsidiaries (the "Company Stock Plans"), (i) each Stock Option intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), so qualifies, (ii) each grant of a Stock Option was duly authorized no later than the date on which the grant of such Stock Option was by its terms to be effective (the "Grant Date") by all necessary corporate action, including, as applicable, approval by the board of directors of the Company (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (iii) each such grant was made in all material respects in accordance with the terms of the Company Stock Plans, the Exchange Act, and all other applicable laws and regulatory rules or requirements and (iv) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of the Company.

(l) *Due Authorization.* The Company has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all action required to be taken for the due and proper authorization, execution and delivery by it of this Agreement and the consummation by it of the transactions contemplated hereby has been duly and validly taken.

(m) *Underwriting Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(n) *The Shares.* The Shares to be issued and sold by the Company hereunder have been duly authorized by the Company and, when issued and delivered and paid for as provided herein, will be duly and validly issued, will be fully paid and nonassessable

and will conform in all material respects to the descriptions thereof in the Registration Statement, the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights.

(o) *Description of the Underwriting Agreement.* This Agreement conforms in all material respects to the description thereof contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(p) *No Violation or Default.* Neither the Company nor any of its subsidiaries is (i) in violation of its charter or by-laws or similar organizational documents; (ii) in default, and no event has occurred that, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject; or (iii) in violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (ii) and (iii) above, for any such default or violation that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) *No Conflicts.* The execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated by this Agreement will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, (ii) result in any violation of the provisions of the charter or by-laws or similar organizational documents of the Company or any of its subsidiaries or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation or default that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) *No Consents Required.* No consent, approval, authorization, order, license, registration or qualification of or with any court or arbitrator or governmental or regulatory authority is required for the execution, delivery and performance by the Company of this Agreement, the issuance and sale of the Shares and the consummation of the transactions contemplated by this Agreement, except for the registration of the Shares under the Securities Act and such consents, approvals, authorizations, orders and registrations or qualifications as may be required by the Nasdaq Stock Market LLC or the

Financial Industry Regulatory Authority, Inc. (“FINRA”) and under applicable state and foreign securities laws in connection with the purchase and distribution of the Shares by the Underwriters.

(s) *Legal Proceedings.* Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which the Company or any of its subsidiaries is or may be a party or to which any property of the Company or any of its subsidiaries is or may be the subject that, individually or in the aggregate, if determined adversely to the Company or any of its subsidiaries, would reasonably be expected to have a Material Adverse Effect; to the knowledge of the Company, no such investigations, actions, suits or proceedings are threatened or, contemplated by any governmental or regulatory authority or threatened by others; and (i) there are no current or pending legal, governmental or regulatory actions, suits or proceedings that are required under the Securities Act to be described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and (ii) there are no statutes, regulations or contracts or other documents that are required under the Securities Act to be filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement, the Pricing Disclosure Package and the Prospectus.

(t) *Independent Accountants*. Grant Thornton LLP, who have certified certain financial statements of the Company and its subsidiaries is an independent registered public accounting firm with respect to the Company and its subsidiaries within the applicable rules and regulations adopted by the Commission and the Public Company Accounting Oversight Board (United States) and as required by the Securities Act.

(u) *Title to Real and Personal Property*. The Company and its subsidiaries have valid and marketable rights to lease or otherwise use all items of real and personal property and assets that are material to the respective businesses of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances, claims and defects and imperfections of title except those that (i) do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries, (ii) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect or (iii) exist pursuant to the Company’s equipment line of credit. Any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries. The Company and its subsidiaries do not own any real property.

(v) *Title to Intellectual Property*. The Company and its subsidiaries own or possess adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses and know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) and other technology and intellectual property rights, including the right to sue for past, present and future infringement, misappropriation or dilution of any of the same used by them or necessary for the conduct of their respective businesses as currently conducted and as proposed to be conducted ("Intellectual Property"), and the conduct of their respective businesses will not conflict in any material respect with any such rights of others. The Company and its subsidiaries have not received any notice of any claim of infringement, misappropriation or conflict with any such rights of others in connection with its Intellectual Property that could reasonably be expected to have a Material Adverse Effect. Except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, (i) to the Company's knowledge, there are no third parties who have or will be able to establish ownership rights or rights to use any Intellectual Property, except for (A) the retained rights of the owners of Intellectual Property which is licensed to the Company or its subsidiaries and (B) the rights of customers and channel partners to use Intellectual Property in the ordinary course, consistent with past practice, (ii) there is no pending, or to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights or any of its subsidiaries' rights in or to any Intellectual Property; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any Intellectual Property; (iv) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company or any of its subsidiaries infringes or misappropriates any intellectual property or other proprietary rights of others; and (v) to the Company's knowledge, no Intellectual Property has been obtained or is being used by the Company or any of its subsidiaries in violation of any contractual obligation binding on the Company or any of its subsidiaries, or otherwise in violation of the rights of any persons, except, in the case of each of (i) through (v) above, where the outcome of which would not be expected to be material in light of all relevant facts and circumstances to the Company and its subsidiaries, taken as a whole. The Company and its subsidiaries have taken reasonable steps necessary to secure interests in the Intellectual Property developed by their employees, consultants, agents and contractors in the course of their service to the Company. There are no outstanding options, licenses or binding agreements of any kind relating to the Intellectual Property owned by the Company or any of its subsidiaries that are required to be described in the Registration Statement, the Pricing Disclosure Package and the Prospectus and are not described in all material respects. The Company and its subsidiaries are not a party to or bound by any options, licenses or binding agreements with respect to the intellectual property of any other person or entity that are required to be set forth in the Prospectus and are not described in all material respects. The Company and its subsidiaries have used all software and other materials distributed under a "free," "open source," or similar licensing model (including but not limited to the GNU General Public License, GNU Lesser General Public License and GNU Affero General Public License) ("Open Source

Materials") in compliance with all license terms applicable to such Open Source Materials, except where the failure to comply would not reasonably be expected to be material to the Company and its subsidiaries, taken as a whole. Neither the Company nor any of its subsidiaries has used or distributed any Open Source Materials in a manner that requires or has required (i) the Company or any of its subsidiaries to permit reverse engineering of any products or services of the Company or any of its subsidiaries, or any software code or other technology owned by the Company or any of its subsidiaries; or (ii) any products or services of the Company or any of its subsidiaries, or any software code or other technology owned by the Company or any of its subsidiaries, to be (A) disclosed or distributed in source code form, (B) licensed for the purpose of making derivative works, or (C) redistributed at no charge, except, in the case of each of (i) and (ii) above, such as would not reasonably be expected to be material to the Company and its subsidiaries taken as a whole.

(w) *No Undisclosed Relationships*. No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or any of its subsidiaries, on the other, that is required by the Securities Act to be described in the Registration Statement and the Prospectus and that is not so described in such documents and in the Pricing Disclosure Package.

(x) *Investment Company Act*. The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof received by the Company as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, will not be required to register as an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Investment Company Act").

(y) *Taxes.* The Company and its subsidiaries have paid all federal, state, local and foreign taxes, except for any tax that is being contested in good faith and for which an adequate reserve or accrual has been established in accordance with GAAP and filed all tax returns required to be paid or filed through the date hereof; and except as otherwise disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there is no tax deficiency that has been, or would reasonably be expected to be, asserted against the Company or any of its subsidiaries or any of their respective properties or assets, except where the failure to pay or file or where such deficiency would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(z) *Licenses and Permits.* The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration

Statement, the Pricing Disclosure Package and the Prospectus, except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, neither the Company nor any of its subsidiaries has received notice of any revocation or modification of any such license, certificate, permit or authorization or has any reason to believe that any such license, certificate, permit or authorization will not be renewed in the ordinary course, except where such revocation, modification or nonrenewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(aa) *No Labor Disputes.* No labor disturbance by or dispute with employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is contemplated or threatened, and the Company is not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, except as would not reasonably be expected to have a Material Adverse Effect.

(bb) *Compliance with and Liability under Environmental Laws*. (i) The Company and its subsidiaries (a) are, and at all prior times were, in compliance with any and all applicable federal, state, local and foreign laws, rules, regulations, requirements, decisions, judgments, decrees, orders and the common law relating to pollution or the protection of the environment, natural resources or human health or safety, including those relating to the generation, storage, treatment, use, handling, transportation, Release or threat of Release of Hazardous Materials (collectively, "Environmental Laws"), (b) have received and are in compliance with all permits, licenses, certificates or other authorizations or approvals required of them under applicable Environmental Laws to conduct their respective businesses, (c) have not received notice of any actual or potential liability under or relating to, or actual or potential violation of, any Environmental Laws, including for the investigation or remediation of any Release or threat of Release of Hazardous Materials, (d) are not conducting or paying for, in whole or in part, any investigation, remediation or other corrective action pursuant to any Environmental Law at any location, and (e) are not a party to any order, decree or agreement that imposes any obligation or liability under any Environmental Law, and (ii) there are no costs or liabilities associated with Environmental Laws of or relating to the Company or its subsidiaries, except in the case of each of (i) and (ii) above, for any such matter, as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (iii) except as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no proceedings that are pending or threatened in writing against the Company or any of its subsidiaries under any Environmental Laws in which a governmental entity is also a party, other than such proceedings regarding which it is reasonably believed no monetary sanctions of $100,000 or more will be imposed.

(cc) *Hazardous Materials.* There has been no storage, generation, transportation, use, handling, treatment, Release or threat of Release of Hazardous

Materials by, relating to or caused by the Company or any of its subsidiaries (or, to the knowledge of the Company and its subsidiaries, any other entity (including any predecessor) for whose acts or omissions the Company or any of its subsidiaries is liable) at, on, under or from any property or facility now or previously owned, operated or leased by the Company or any of its subsidiaries, or at, on, under or from any other property or facility, in violation of any Environmental Laws, except for any violation or liability which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. "Hazardous Materials" means any material, chemical, substance, waste, pollutant, contaminant, compound, mixture, or constituent thereof, in any form or amount, including petroleum (including crude oil or any fraction thereof) and petroleum products, natural gas liquids, asbestos and asbestos containing materials, naturally occurring radioactive materials, brine, and drilling mud, regulated or which can give rise to liability under any Environmental Law. "Release" means any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, or migrating in, into or through the environment, or in, into, from or through any building or structure.

(dd) *Compliance with ERISA.* (i) Each employee benefit plan, within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for which the Company or any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have any liability (each, a "Plan") has been maintained in compliance with its terms and the requirements of any applicable statutes, orders, rules and regulations, including but not limited to ERISA and the Code, except for noncompliance that would not reasonably be expected to result in material liability to the Company or its subsidiaries; (ii) no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred with respect to any Plan excluding transactions effected pursuant to a statutory or administrative exemption that would reasonably be expected to result in a material liability to the Company or its subsidiaries; (iii) for each Plan that is subject to the funding rules of Section 412 of the Code or Section 302 of ERISA, the minimum funding standard of Section 412 of the Code or Section 302 of ERISA, as applicable, has been satisfied (without taking into account any waiver thereof or extension of any amortization period) and is reasonably expected to be satisfied in the future (without taking into account any waiver thereof or extension of any amortization period); (iv) the fair market value of the assets of each Plan exceeds the present value of all benefits accrued under such Plan (determined based on those assumptions used to fund such Plan); (v) no "reportable event" (within the meaning of Section 4043(c) of ERISA) has occurred or is reasonably expected to occur that either has resulted, or would reasonably be expected to result, in material liability to the Company or its subsidiaries; (vi) neither the Company nor any member of the Controlled Group has incurred, nor reasonably expects to incur, any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the PBGC, in the ordinary course and without default) in respect of a Plan (including a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA); and (vii) to

the Company's knowledge, there is no pending audit or investigation by the Internal Revenue Service, the U.S. Department of Labor, the Pension Benefit Guaranty Corporation or any other governmental agency or any foreign regulatory agency with respect to any Plan that would reasonably be expected to result in material liability to the Company or its subsidiaries. None of the following events has occurred or is reasonably likely to occur: (x) a material increase in the aggregate amount of contributions required to be made to all Plans by the Company or its subsidiaries in the current fiscal year of the Company and its subsidiaries compared to the amount of such contributions made in the Company and its subsidiaries' most recently completed fiscal year; or (y) a material increase in the Company and its subsidiaries' "accumulated post-retirement benefit obligations" (within the meaning of Statement of Financial Accounting Standards 106) compared to the amount of such obligations in the Company and its subsidiaries' most recently completed fiscal year.

(ee) *Disclosure Controls*. The Company and its subsidiaries maintain an effective system of "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that has been designed to comply with the requirements of the Exchange Act and ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

(ff) *Accounting Controls.* The Company and its subsidiaries maintain systems of "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that have been designed to comply with the requirements of the Exchange Act and have been designed by, or under the supervision of, their respective principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the Registration Statement, the Pricing Disclosure Package and the Prospectus, there are no material weaknesses in the Company's internal controls. The Company's auditors [and the Audit Committee of the Board of Directors of the Company] have been advised of: (i) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which have

adversely affected or are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(gg) *Insurance.* The Company and its subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as are reasonably adequate to protect the Company and its subsidiaries and their respective businesses; and neither the Company nor any of its subsidiaries has received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance.

(hh) *No Unlawful Payments.* Neither the Company nor any of its subsidiaries nor has, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person associated with or acting on behalf of the Company or any of its subsidiaries has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(ii) *Compliance with Money Laundering Laws*. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(jj) *Compliance with OFAC.* None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC"); and the Company will not, directly or indirectly, use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(kk) *No Restrictions on Subsidiaries*. No subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's properties or assets to the Company or any other subsidiary of the Company.

(ll) *No Broker's Fees.* Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or any of its subsidiaries or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares.

(mm) *No Registration Rights*. Except as has been exercised or waived in connection with the offering, no person has the right to require the Company or any of its subsidiaries to register any offering of securities for sale under the Securities Act by reason of the filing of the Registration Statement with the Commission or the issuance and sale of the Shares by the Company or, to the knowledge of the Company, the sale of the Shares to be sold by the Selling Stockholders hereunder.

(nn) *No Stabilization.* The Company has not taken, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Shares.

(oo) *Margin Rules*. The application of the proceeds received by the Company from the issuance, sale and delivery of the Shares as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(pp) *Forward-Looking Statements.* No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(qq) *Statistical and Market Data*. Nothing has come to the attention of the Company that has caused the Company to believe that the statistical, industry-related and market-related data included in the Registration Statement, the Pricing Disclosure Package and the Prospectus are not based on or derived from sources that are reliable and accurate in all material respects, and such data agree with the sources on which they are based or from which they are derived.

(rr) *Sarbanes-Oxley Act*. There is and has been no failure on the part of the Company or, to the knowledge of the Company, any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act"), including Section 402 related to loans and Sections 302 and 906 related to certifications.

(ss) *Status under the Securities Act*. At the time of filing the Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a *bona fide* offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Shares and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Securities Act. The Company has paid the registration fee for this offering pursuant to Rule 457 under the Securities Act.

(tt) *Debt Securities and Preferred Stock*. There are no debt securities or preferred stock of, or guaranteed by, the Company or any of its subsidiaries that are rated by a "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act.

4. Representations and Warranties of the Selling Stockholders. Each of the Selling Stockholders severally and not jointly represents and warrants to each Underwriter and the Company that:

(a) *Required Consents; Authority*. All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement, the Power of Attorney (the "Power of Attorney") and the Custody Agreement (the "Custody Agreement") hereinafter referred to, and for the sale and delivery of the Shares to be sold by such Selling Stockholder hereunder, have been obtained; and such Selling Stockholder has full right, power and authority to enter into this Agreement, the Power of Attorney and the Custody Agreement and to sell, assign, transfer and deliver the Shares to be sold by such Selling Stockholder hereunder; this Agreement, the Power of Attorney and the Custody Agreement have each been duly authorized, executed and delivered by such Selling Stockholder.

(b) *No Conflicts*. The execution, delivery and performance by such Selling Stockholder of this Agreement, the Power of Attorney and the Custody Agreement, the sale of the Shares to be sold by such Selling Stockholder and the consummation by such Selling Stockholder of the transactions contemplated herein or therein will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of such Selling Stockholder pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound or to which any of the property or assets of such Selling Stockholder is subject, (ii) result in any

violation of the provisions of the charter or by-laws or similar organizational documents of such Selling Stockholder, if applicable, or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory agency; except for such conflicts, breaches, violations, defaults, in the case of clauses (i) or (iii), as would not reasonably be expected to impair in any material respect the ability of such Selling Stockholder to fulfill its obligations under this Agreement, the Power of Attorney or the Custody Agreement.

(c) *Title to Shares*. Such Selling Stockholder has, and immediately prior to the Closing Date or the Additional Closing Date (as defined in Section 2(c) hereof) such Selling Stockholder will have, good and valid title to the Shares to be sold at the Closing Date or the Additional Closing Date, as the case may be, by such Selling Stockholder hereunder, free and clear of all liens, encumbrances, equities or adverse claims; such Selling Stockholder will have, immediately prior to the Closing Date or the Additional Closing Date, as the case may be, good and valid title to the Shares to be sold at the Closing Date or the Additional Closing Date, as the case may be, by such Selling Stockholder, free and clear of all liens, encumbrances, equities or adverse claims; and, upon delivery of the certificates representing such Shares and payment therefor pursuant hereto, good and valid title to such Shares, free and clear of all liens, encumbrances, equities or adverse claims, will pass to the several Underwriters.

(d) *No Stabilization*. Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Shares.

(e) *Pricing Disclosure Package*. The Pricing Disclosure Package, at the Applicable Time, did not, and as of the Closing Date and as of the Additional Closing Date, as the case may be, will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that such Selling Stockholder's representation and warranty under this Section 4(e) shall only apply to any untrue statement of a material fact or omission to state a material fact made in reliance upon and in conformity with information relating to such Selling Stockholder furnished by or on behalf of such Selling Stockholder in writing to the Company expressly for use in the Pricing Disclosure Package, it being understood and agreed that such information furnished by such Selling Stockholder consists only of (A) the legal name, address and the number of shares of Common Stock owned by such Selling Stockholder before and after the offering, (B) information regarding such Selling Stockholder's direct or indirect interest, or lack of any interest, in any transaction since the beginning of the Company's last fiscal year, or proposed transaction, in which the Company was or is to be a participant and the amount involved exceeds $120,000, and (C) the other information (excluding percentages) with respect to such Selling Stockholder which appear in the table (and corresponding footnotes) under the caption "Principal and Selling Stockholders" in the Registration Statement, any Preliminary

Prospectus, the Prospectus or any Issuer Free Writing Prospectus (with respect to each Selling Stockholder, the "Selling Stockholder Information").

(f) *Issuer Free Writing Prospectus and Written Testing-the-Waters Communication*. Other than the Registration Statement, the Preliminary Prospectus and the Prospectus, such Selling Stockholder (including its agents and representatives, other than the Underwriters in their capacity as such) has not prepared, used, authorized, approved or referred to and will not prepare, use, authorize, approve or refer to any Issuer Free Writing Prospectus or Written Testing-the-Waters communication, other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or (ii) the documents listed on Annex B or Annex D hereto, each electronic road show and any other written communications approved in writing in advance by the Company and the Representatives.

(g) *Registration Statement and Prospectus*. As of the applicable effective date of the Registration Statement and any post-effective amendment thereto, the Registration Statement and any such post-effective amendment complied and will comply in all material respects with the Securities Act, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and as of the date of the Prospectus and any amendment or supplement thereto and as of the Closing Date and as of the Additional Closing Date, as the case may be, the Prospectus will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that such Selling Stockholder's representation and warranty under this Section 4(g) shall only apply to any untrue statement of a material fact or omission to state a material fact made in reliance upon and in conformity with information relating to such Selling Stockholder furnished by or on behalf of such Selling Stockholder in writing to the Company expressly for use in the Pricing Disclosure Package, it being understood and agreed that such information furnished by such Selling Stockholder consists only of such Selling Stockholder's Selling Stockholder Information.

(h) *Material Information*. As of the date hereof, as of the Closing Date and as of the Additional Closing Date, as the case may be, that the sale of the Shares by such Selling Stockholder is not and will not be prompted by any material information concerning the Company which is not set forth in the Registration Statement, the Pricing Disclosure Package or the Prospectus.

Each of the Selling Stockholders represents and warrants that certificates in negotiable form representing all of the Shares to be sold by such Selling Stockholders hereunder have been placed in custody under a Custody Agreement relating to such Shares, in the form heretofore furnished to you, duly executed and delivered by such Selling Stockholder to Computershare Inc., as custodian (the "Custodian"), and that such

Selling Stockholder has duly executed and delivered Powers of Attorney, in the form heretofore furnished to you, appointing the person or persons indicated in Schedule 2 hereto, and each of them, as such Selling Stockholder's Attorneys-in-fact (the "Attorneys-in-Fact" or any one of them the "Attorney-in Fact") with authority to execute and deliver this Agreement on behalf of such Selling Stockholder, to determine the purchase price to be paid by the Underwriters to the Selling Stockholders as provided herein, to authorize the delivery of the Shares to be sold by such Selling Stockholder hereunder and otherwise to act on behalf of such Selling Stockholder in connection with the transactions contemplated by this Agreement and the Custody Agreement.

Each of the Selling Stockholders specifically agrees that the Shares represented by the certificates held in custody for such Selling Stockholder under the Custody Agreement, are subject to the interests of the Underwriters hereunder, and that the arrangements made by such Selling Stockholder for such custody, and the appointment by such Selling Stockholder of the Attorneys-in-Fact by the Power of Attorney, are to that extent irrevocable. Each of the Selling Stockholders specifically agrees that the obligations of such Selling Stockholder hereunder shall not be terminated by operation of law, whether by the death or incapacity of any individual Selling Stockholder, or, in the case of an estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or in the case of a partnership, corporation or similar organization, by the dissolution of such partnership, corporation or organization, or by the occurrence of any other event. If any individual Selling Stockholder or any such executor or trustee should die or become incapacitated, or if any such estate or trust should be terminated, or if any such partnership, corporation or similar organization should be dissolved, or if any other such event should occur, before the delivery of the Shares hereunder, certificates representing such Shares shall be delivered by or on behalf of such Selling Stockholder in accordance with the terms and conditions of this Agreement and the Custody Agreement, and actions taken by the Attorneys-in-Fact pursuant to the Powers of Attorney shall be as valid as if such death, incapacity, termination, dissolution or other event had not occurred, regardless of whether or not the Custodian, the Attorneys-in-Fact, or any of them, shall have received notice of such death, incapacity, termination, dissolution or other event.

5. Further Agreements of the Company. The Company covenants and agrees with each Underwriter that:

(a) *Required Filings.* The Company will file the final Prospectus with the Commission within the time periods specified by Rule 424(b) and Rule 430A under the Securities Act, will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the Securities Act; and will furnish copies of the Prospectus and each Issuer Free Writing Prospectus (to the extent not previously delivered) to the Underwriters in New York City prior to 10:00 A.M., New York City time, on the business day next succeeding the date of this Agreement in such quantities as the Representatives may reasonably request.

(b) *Delivery of Copies.* The Company will deliver, without charge, (i) to the Representatives, three signed copies of the Registration Statement as originally filed and each amendment thereto, in each case including all exhibits and consents filed therewith; and (ii) to each Underwriter (A) a conformed copy of the Registration Statement as originally filed and each amendment thereto (without exhibits) and (B) during the Prospectus Delivery Period (as defined below), as many copies of the Prospectus (including all amendments and supplements thereto and each Issuer Free Writing Prospectus) as the Representatives may reasonably request. As used herein, the term "Prospectus Delivery Period" means such period of time after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters a prospectus relating to the Shares is required by law to be delivered (or required to be delivered but for Rule 172 under the Securities Act) in connection with sales of the Shares by any Underwriter or dealer.

(c) *Amendments or Supplements, Issuer Free Writing Prospectuses.* Before preparing, using, authorizing, approving, referring to or filing any Issuer Free Writing Prospectus, and before filing any amendment or supplement to the Registration Statement or the Prospectus, the Company will furnish to the Representatives and counsel for the Underwriters a copy of the proposed Issuer Free Writing Prospectus, amendment or supplement for review and will not prepare, use, authorize, approve, refer to or file any such Issuer Free Writing Prospectus or file any such proposed amendment or supplement to which the Representatives reasonably object.

(d) *Notice to the Representatives.* The Company will advise the Representatives promptly, and confirm such advice in writing (which confirmation may be delivered via electronic mail), (i) when the Registration Statement has become effective; (ii) when any amendment to the Registration Statement has been filed or becomes effective; (iii) when any supplement to the Prospectus, any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication or any amendment to the Prospectus has been filed or distributed; (iv) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or the receipt of any comments from the Commission relating to the Registration Statement or any other request by the Commission for any additional information including, but not limited to, any request for information concerning any Testing-the-Waters Communication; (v) of the issuance by the Commission of any order suspending the effectiveness of the Registration Statement or preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package, the Prospectus or any Written Testing-the-Waters Communication or the initiation or threatening of any proceeding for that purpose or pursuant to Section 8A of the Securities Act; (vi) of the occurrence of any event or development within the Prospectus Delivery Period as a result of which the Prospectus, the Pricing Disclosure Package, any Issuer Free Writing Prospectus or Written Testing-the-Waters Communication as then amended or supplemented would include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the

circumstances existing when the Prospectus, the Pricing Disclosure Package, any such Issuer Free Writing Prospectus or Written Testing-the-Waters Communication is delivered to a purchaser, not misleading; and (vii) of the receipt by the Company of any notice with respect to any suspension of the qualification of the Shares for offer and sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; and the Company will use its reasonable best efforts to prevent the issuance of any such order suspending the effectiveness of the Registration Statement, preventing or suspending the use of any Preliminary Prospectus, any of the Pricing Disclosure Package, the Prospectus or any Written Testing-the-Waters Communication or suspending any such qualification of the Shares and, if any such order is issued, will obtain as soon as possible the withdrawal thereof.

(e) *Ongoing Compliance.* (1) If during the Prospectus Delivery Period (i) any event shall occur or condition shall exist as a result of which the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Prospectus to comply with the Securities Act, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Prospectus as may be necessary so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances existing when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus will comply with the Securities Act and (2) if at any time prior to the Closing Date (i) any event or development shall occur or condition shall exist as a result of which the Pricing Disclosure Package as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, not misleading or (ii) it is necessary to amend or supplement the Pricing Disclosure Package to comply with the Securities Act, the Company will promptly notify the Underwriters thereof and forthwith prepare and, subject to paragraph (c) above, file with the Commission (to the extent required) and furnish to the Underwriters and to such dealers as the Representatives may designate such amendments or supplements to the Pricing Disclosure Package as may be necessary so that the statements in the Pricing Disclosure Package as so amended or supplemented will not, in the light of the circumstances existing when the Pricing Disclosure Package is delivered to a purchaser, be misleading or so that the Pricing Disclosure Package will comply with the Securities Act.

(f) *Blue Sky Compliance.* If required by applicable law, the Company will qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Representatives shall reasonably request and will continue such qualifications in effect so long as required for distribution of the Shares; provided that the

Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

(g) *Earning Statement.* The Company will make generally available to its security holders and the Representatives as soon as practicable an earning statement that satisfies the provisions of Section 11(a) of the Securities Act and Rule 158 of the Commission promulgated thereunder covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the "effective date" (as defined in Rule 158) of the Registration Statement, it being understood and agreed that such earning statement shall be deemed to have been made available by the Company if the Company's compliance with its reporting obligations pursuant to the Exchange Act, if such compliance satisfies the conditions of Rule 158, and if such earnings statement is made available on the Commission's Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

(h) *Clear Market.* For a period of 180 days after the date of the Prospectus, the Company will not (i) 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, or file with the Commission a registration statement under the Securities Act relating to, any shares of Stock or any securities convertible into or exercisable or exchangeable for Stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing (other than filings on Form S-8 relating to the Company Stock Plans), or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise, without the prior written consent of J.P. Morgan Securities LLC, other than (A) the Shares to be sold hereunder, (B) any shares of Stock of the Company issued upon the exercise or vesting of options or other securities convertible into or exchangeable for Stock granted under the Company Stock Plans or upon the conversion of the preferred stock of the Company outstanding as of the date of this Agreement, and (C) up to ten percent (10%) of the Company's outstanding securities, determined as of the Closing Date, that may be issued by the Company in connection with mergers, acquisitions or commercial or strategic transactions; provided, that in the case of (B) and (C) above, the holders of such securities execute and deliver to the Representatives a lock-up agreement in the form set forth on Exhibit A. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions imposed by this Agreement shall continue to apply until the expiration of the 18-day period beginning on

the issuance of the earnings release or the occurrence of the material news or material event; provided that no such extension shall apply from and after such date, if any, as FINRA shall have publicly announced that Rule 2711(f)(4) is no longer applicable with respect to any public offering (or any public offering with the same characteristics as the offering contemplated by this Agreement).

If J.P. Morgan Securities LLC, in its sole discretion, agrees to release or waive the restrictions set forth in a lock-up letter described in Section 8(l) hereof for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit C hereto through a major news service at least two business days before the effective date of the release or waiver.

The Company further agrees that it will not release any security holder from, or waive any provision of, any lock-up or similar agreement between the Company and any security holder without the prior written consent of J.P. Morgan Securities LLC.

(i) *Use of Proceeds.* The Company intends to apply the net proceeds from the sale of the Shares as described in the Registration Statement, the Pricing Disclosure Package and the Prospectus under the heading “Use of Proceeds”.

(j) *No Stabilization.* The Company will not take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock.

(k) *Exchange Listing.* The Company will use its best efforts to list for quotation the Shares on the Nasdaq Stock Market LLC (the “Nasdaq Market”).

(l) *Reports.* For a period of three years from the date of this Agreement, if the Shares are outstanding, the Company will furnish to the Representatives, as soon as they are available, copies of all reports or other communications (financial or other) furnished to holders of the Shares, and copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or automatic quotation system; provided the Company will be deemed to have furnished such reports and financial statements to the Representatives to the extent they are filed on EDGAR.

(m) *Record Retention*. The Company will, pursuant to reasonable procedures developed in good faith, retain copies of each Issuer Free Writing Prospectus that is not filed with the Commission in accordance with Rule 433 under the Securities Act.

(n) *Filings.* The Company will file with the Commission such reports as may be required by Rule 463 under the Securities Act.

(o) *Investment Company*. The Company will not invest, or otherwise use the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company to register as an investment company under the Investment Company Act.

(p) *Transfer Agent*. The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(q) *Lock up Agreements*. The Company has caused each of its officers, directors, selling stockholders and the holders of substantially all of the Company's Common Stock and securities convertible into or exchangeable for its Common Stock to furnish to the Representatives, on or prior to the date of this Agreement, a "lock-up" agreement, each substantially in the form of Exhibit A hereto.

(r) *Emerging Growth Company*. The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of Shares within the meaning of the Securities Act and (ii) completion of the 180-day restricted period referred to in Section 5(h) hereof.

6. Further Agreements of the Selling Stockholders. Each of the Selling Stockholders covenants and agrees with each Underwriter that:

(a) *Tax Form*. Such Selling Stockholder will deliver to the Representatives prior to or at the Closing Date a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by the Treasury Department regulations in lieu thereof) in order to facilitate the Underwriters' documentation of their compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated.

7. Certain Agreements of the Underwriters. Each Underwriter hereby represents and agrees that:

(a) It has not used, authorized use of, referred to or participated in the planning for use of, and will not use, authorize use of, refer to or participate in the planning for use of, any "free writing prospectus", as defined in Rule 405 under the Securities Act (which term includes use of any written information furnished to the Commission by the Company and not incorporated by reference into the Registration Statement and any press release issued by the Company) other than (i) a free writing prospectus that contains no "issuer information" (as defined in Rule 433(h)(2) under the Securities Act) that was not included (including through incorporation by reference) in any Preliminary Prospectus or a previously filed Issuer Free Writing Prospectus, (ii) any Issuer Free Writing Prospectus listed on Annex B or prepared pursuant to Section 3(c) or

Section 5(c) above (including any electronic road show approved in advance by the Company), or (iii) any free writing prospectus prepared by such underwriter and approved by the Company in advance in writing (each such free writing prospectus referred to in clauses (i) or (iii), an "Underwriter Free Writing Prospectus"). It has not and will not distribute any Underwriter Free Writing Prospectus referred to in clause (i) of this Section 7(a) in a manner reasonably designed to lead to its broad unrestricted dissemination.

(b) It has not and will not, without the prior written consent of the Company, use any free writing prospectus that contains the final terms of the Shares unless such terms have previously been included in a free writing prospectus filed with the Commission; provided that Underwriters may use a term sheet substantially in the form of Annex C hereto without the consent of the Company; provided further that any Underwriter using such term sheet shall notify the Company, and provide a copy of such term sheet to the Company, prior to, or substantially concurrently with, the first use of such term sheet.

(c) It is not subject to any pending proceeding under Section 8A of the Securities Act with respect to the offering (and will promptly notify the Company and the Selling Stockholders if any such proceeding against it is initiated during the Prospectus Delivery Period).

8. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase the Underwritten Shares on the Closing Date or the Option Shares on the Additional Closing Date, as the case may be, as provided herein is subject to the performance by the Company and each of the Selling Stockholders of their respective covenants and other obligations hereunder and to the following additional conditions:

(a) *Registration Compliance; No Stop Order.* No order suspending the effectiveness of the Registration Statement shall be in effect, and no proceeding for such purpose pursuant to Section 8A under the Securities Act shall be pending before or threatened by the Commission; the Prospectus and each Issuer Free Writing Prospectus shall have been timely filed with the Commission under the Securities Act (in the case of an Issuer Free Writing Prospectus, to the extent required by Rule 433 under the Securities Act) and in accordance with Section 5(a) hereof; and all requests by the Commission for additional information shall have been complied with to the reasonable satisfaction of the Representatives.

(b) *Representations and Warranties.* The respective representations and warranties of the Company and the Selling Stockholders contained herein shall be true and correct on the date hereof and on and as of the Closing Date or the Additional Closing Date, as the case may be; and the statements of the Company and its officers and each of the Selling Stockholders and their officers made in any certificates delivered pursuant to this Agreement shall be true and correct on and as of the Closing Date or the Additional Closing Date, as the case may be.

(c) *No Material Adverse Change.* No event or condition of a type described in Section 3(h) hereof shall have occurred or shall exist, which event or condition is not described in the Pricing Disclosure Package (excluding any amendment or supplement thereto) and the Prospectus (excluding any amendment or supplement thereto) and the effect of which in the judgment of the Representatives makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

(d) *Officer's Certificate.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, (i) a certificate of the chief executive officer of the Company and chief financial officer of the Company, in such person's capacity as an officer of the Company and not in his individual capacity, (A) confirming that such officers have carefully reviewed the Registration Statement, the Pricing Disclosure Package and the Prospectus and, to the knowledge of such officers, the representations of the Company set forth in Sections 3(b) and 3(d) hereof are true and correct on and as of such date, (B) confirming that the other representations and warranties of the Company in Section 3 of this Agreement are true and correct and that the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such date, and (C) to the effect set forth in paragraphs (a) and (c) of this Section 8, and (ii) a certificate of each of the Selling Stockholders (executed by one of the Attorneys-in-Fact on behalf of such Selling Stockholders), in form and substance reasonably satisfactory to the Representatives, (A) confirming that the representations and warranties of such Selling Stockholder in Section 4 of this Agreement are true and correct on and as of such date and that such Selling Stockholder has complied with all agreements and satisfied all conditions on their part to be performed or satisfied hereunder at or prior to such date.

(e) *Comfort Letters.* On the date of this Agreement and on the Closing Date or the Additional Closing Date, as the case may be, Grant Thornton LLP shall have furnished to the Representatives, at the request of the Company, letters, dated the respective dates of delivery thereof and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, containing statements and information of the type customarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Pricing Disclosure Package and the Prospectus; provided, that the letter delivered on the Closing Date or any Additional Closing Date, as the case may be, shall use a "cut-off" date no more than three business days prior to such Closing Date or such Additional Closing Date, as the case may be.

(f) *Opinion and Negative Assurance Letter of Counsel for the Company.* Wilson Sonsini Goodrich & Rosati, P.C., counsel for the Company, shall have furnished to the Representatives, at the request of the Company, their written opinion and negative assurance letter, dated the Closing Date or the Additional Closing Date, as the case may

be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives to the effect set forth in Annex A-1 hereto.

(g) *Opinion of Counsel for the Selling Stockholders*. Wilson Sonsini Goodrich & Rosati, P.C., counsel for the Selling Stockholders, shall have furnished to the Representatives, at the request of the Selling Stockholders, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex A-1 hereto.

(h) *Opinion of Counsel for the Foreign Selling Stockholders*. Baker & McKenzie SCP, counsel for certain of the Selling Stockholders (the "Foreign Selling Stockholders"), shall have furnished to the Representatives, at the request of the Foreign Selling Stockholders, their written opinion, dated the Closing Date or the Additional Closing Date, as the case may be, and addressed to the Underwriters, in form and substance reasonably satisfactory to the Representatives, to the effect set forth in Annex A-2 hereto.

(i) *Opinion and Negative Assurance Letter of Counsel for the Underwriters.* The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, an opinion and negative assurance letter of Cooley LLP, counsel for the Underwriters, with respect to such matters as the Representatives may reasonably request, and such counsel shall have received such documents and information as they may reasonably request to enable them to pass upon such matters.

(j) *No Legal Impediment to Issuance and/or Sale.* No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares by the Company or the sale of the Shares by the Selling Stockholders; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date or the Additional Closing Date, as the case may be, prevent the issuance or sale of the Shares by the Company or the sale of the Shares by the Selling Stockholders.

(k) *Good Standing*. The Representatives shall have received on and as of the Closing Date or the Additional Closing Date, as the case may be, satisfactory evidence of the good standing of the Company and its significant subsidiaries in their respective jurisdictions of organization and their good standing as foreign entities in such other jurisdictions as the Representatives may reasonably request, in each case in writing or any standard form of telecommunication from the appropriate governmental authorities of such jurisdictions.

(l) *Exchange Listing.* The Shares to be delivered on the Closing Date or Additional Closing Date, as the case may be, shall have been approved for listing on the Nasdaq Stock Market LLC, subject to official notice of issuance.

(m) *Lock-up Agreements*. The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain securityholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date or Additional Closing Date, as the case may be.

(n) *Additional Documents.* On or prior to the Closing Date or the Additional Closing Date, as the case may be, the Company and the Selling Stockholders shall have furnished to the Representatives such further certificates and documents as the Representatives may reasonably request.

All opinions, letters, certificates and evidence mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

9. Indemnification and Contribution.

(a) *Indemnification of the Underwriters by the Company.* The Company agrees to indemnify and hold harmless each Underwriter, its affiliates, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, reasonable legal fees and other expenses incurred in connection with any suit, action or proceeding or any claim asserted, as such fees and expenses are incurred), joint or several, that arise out of, or are based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act, any Written Testing-the-Waters Communication, any road show as defined in Rule 433(h) under the Securities Act (a "road show") or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), or caused by any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, in each case except insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (c) below.

(b) *Indemnification of the Underwriters by the Selling Stockholders*. Each of the Selling Stockholders severally in proportion to the number of Shares to be sold by such Selling Stockholder hereunder agrees to indemnify and hold harmless each Underwriter, its affiliates, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the indemnity set forth in paragraph (a) above, in each case, insofar as such losses, claims, damages or liabilities arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information furnished in writing by such Selling Stockholder expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, or any Written Testing-the-Waters Communication, it being understood and agreed that such information furnished by such Selling Stockholder consists only of such Selling Stockholder's Selling Stockholder Information. Notwithstanding the foregoing provisions, the liability of a Selling Stockholder pursuant to this subsection (b) shall be limited in the aggregate to an amount equal to the aggregate Purchase Price (less underwriting discounts and commissions) of the Shares sold by such Selling Stockholder under this Agreement (the "Selling Stockholder Proceeds").

(c) *Indemnification of the Company and the Selling Stockholders.* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors, its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and each of the Selling Stockholders, to the same extent as the indemnity set forth in paragraph (a) above, but only with respect to any losses, claims, damages or liabilities that arise out of, or are based upon, any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to such Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use in the Registration Statement, the Prospectus (or any amendment or supplement thereto), any Issuer Free Writing Prospectus, any Written Testing-the-Waters Communication, any road show or any Pricing Disclosure Package (including any Pricing Disclosure Package that has subsequently been amended), it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the third paragraph under the caption "Underwriting", the information contained in the third, eighth, twelfth, and thirteenth paragraphs under the caption "Underwriting" and the information contained in the first two sentences of the seventh paragraph under the caption "Underwriting".

(d) *Notice and Procedures.* If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any person in respect of which indemnification may be sought pursuant to the preceding paragraphs in this Section 9, such person (the "Indemnified Person") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Person") in writing; provided that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have under the preceding paragraphs in this Section 9 except to the extent that

it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided, further, that the failure to notify the Indemnifying Person shall not relieve it from any liability that it may have to an Indemnified Person otherwise than under the preceding paragraphs in this Section 9. If any such proceeding shall be brought or asserted against an Indemnified Person and it shall have notified the Indemnifying Person thereof, the Indemnifying Person shall be entitled to participate therein and, to the extent that it may wish, jointly with any other Indemnifying Persons similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to the Indemnified Person (who shall not, except with the consent of the Indemnified Person, be counsel to the Indemnifying Person), any after notice from the Indemnifying Person to the Indemnified person of its election to so assume the defense thereof, the Indemnifying Person will not be liable to such Indemnified Person under this Section 9 for any legal or other expenses subsequently incurred by the Indemnified Person in connection with the defense thereof other than reasonable costs of investigation. In any such proceeding, any Indemnified Person shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless (i) the Indemnifying Person and the Indemnified Person shall have mutually agreed to the contrary; (ii) the Indemnifying Person has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Person; (iii) the Indemnified Person shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Indemnifying Person; or (iv) the named parties in any such proceeding (including any impleaded parties) include both the Indemnifying Person and the Indemnified Person and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. It is understood and agreed that the Indemnifying Person shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Persons, and that all such fees and expenses shall be paid or reimbursed as they are incurred. Any such separate firm for any Underwriter, its affiliates, directors and officers and any control persons of such Underwriter shall be designated in writing by each of J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC and any such separate firm for the Company, its directors, its officers who signed the Registration Statement and any control persons of the Company shall be designated in writing by the Company and any such separate firm for the Selling Stockholders shall be designated in writing by the Attorneys-in-Fact or any one of them. The Indemnifying Person shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Indemnifying Person agrees to indemnify each Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Person shall have requested that an Indemnifying Person reimburse the Indemnified Person for fees and expenses of counsel as contemplated by this paragraph, the Indemnifying Person shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Indemnifying Person of such request and (ii) the Indemnifying Person shall not have reimbursed the Indemnified Person in accordance with such request prior to the date of such settlement. No Indemnifying Person shall, without the written consent of the Indemnified Person (which consent shall not be unreasonably withheld or

delayed), effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Person is or could have been a party and indemnification could have been sought hereunder by such Indemnified Person, unless such settlement (x) includes an unconditional release of such Indemnified Person, in form and substance reasonably satisfactory to such Indemnified Person, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

(e) *Contribution.* If the indemnification provided for in paragraphs (a), (b) and (c) above is unavailable to an Indemnified Person or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each Indemnifying Person under such paragraph, in lieu of indemnifying such Indemnified Person thereunder, shall contribute to the amount paid or payable by such Indemnified Person as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Indemnifying Person or Persons, on the one hand, and the Indemnified Person or Persons, on the other, from the offering of the Shares or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Indemnifying Person or Persons, on the one hand, and the Indemnified Person or Persons, on the other, in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations and, if the Company and any of the Selling Stockholders together are the Indemnified or Indemnifying Persons, with the proportion among the Company and the Selling Stockholders to reflect the relative fault of the Company and each of the Selling Stockholders. The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters on the other, shall be deemed to be in the same respective proportions as the net proceeds (after deducting underwriting discounts and commissions but before deducting expenses) received by the Company and the Selling Stockholders from the sale of the Shares and the total underwriting discounts and commissions received by the Underwriters in connection therewith, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate offering price of the Shares. The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters on the other, and among the Company and the Selling Stockholders, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and the Selling Stockholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. Notwithstanding the foregoing provisions, the liability of a Selling Stockholder pursuant to this subsection (e) shall be limited in the aggregate to an amount equal to the Selling Stockholder Proceeds less any amounts that such Selling Stockholder is obligated to pay under subsection (b) above.

(f) *Limitation on Liability.* The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Selling Stockholders or the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not

take account of the equitable considerations referred to in paragraph (e) above. The amount paid or payable by an Indemnified Person as a result of the losses, claims, damages and liabilities referred to in paragraph (e) above shall be deemed to include, subject to the limitations set forth above, any reasonable legal or other expenses incurred by such Indemnified Person in connection with any such action or claim. Notwithstanding the provisions of this Section 9, in no event shall an Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Shares exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 9 are several in proportion to their respective purchase obligations hereunder and not joint.

(g) *Non-Exclusive Remedies.* The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Person at law or in equity.

(h) *Selling Stockholder Limits of Liability*. Notwithstanding anything to the contrary in this Agreement, the aggregate liability of each Selling Stockholder under such Selling Stockholder's representations and warranties contained in this Agreement, under any certificate or agreement delivered pursuant to this Agreement, under the indemnity and contribution agreements contained in this Section 9, the reimbursement obligations under Section 13 or otherwise pursuant to this Agreement shall not exceed such Selling Stockholder's Selling Stockholder Proceeds; provided, however, that this Section 9(h) shall not affect the obligation under Section 13(b) of any Selling Stockholder who fails to tender its Shares.

10. Effectiveness of Agreement. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

11. Termination. This Agreement may be terminated in the absolute discretion of the Representatives, by notice to the Company and the Selling Stockholders, if after the execution and delivery of this Agreement and prior to the Closing Date or, in the case of the Option Shares, prior to the Additional Closing Date (i) trading generally shall have been suspended or materially limited on or by any of the New York Stock Exchange, the American Stock Exchange, the Nasdaq Stock Market, the Chicago Board Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade; (ii) trading of any securities issued or guaranteed by the Company shall have been suspended on any exchange or in any over-the-counter market; (iii) a general moratorium on commercial banking activities shall have been declared by federal or New York State authorities; or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis, either within or outside the United States, that, in the judgment of the Representatives, is material and adverse and makes it impracticable or inadvisable to proceed with the offering, sale or delivery of the Shares on the

Closing Date or the Additional Closing Date, as the case may be, on the terms and in the manner contemplated by this Agreement, the Pricing Disclosure Package and the Prospectus.

12. Defaulting Underwriter.

(a) If, on the Closing Date or the Additional Closing Date, as the case may be, any Underwriter defaults on its obligation to purchase the Shares that it has agreed to purchase hereunder on such date, the non-defaulting Underwriters may in their discretion arrange for the purchase of such Shares by other persons satisfactory to the Company and the Selling Stockholders on the terms contained in this Agreement. If, within 36 hours after any such default by any Underwriter, the non-defaulting Underwriters do not arrange for the purchase of such Shares, then the Company and the Selling Stockholders shall be entitled to a further period of 36 hours within which to procure other persons satisfactory to the non-defaulting Underwriters to purchase such Shares on such terms. If other persons become obligated or agree to purchase the Shares of a defaulting Underwriter, either the non-defaulting Underwriters or the Company and the Selling Stockholders may postpone the Closing Date or the Additional Closing Date, as the case may be, for up to five full business days in order to effect any changes that in the opinion of counsel for the Company, counsel for the Selling Stockholders or counsel for the Underwriters may be necessary in the Registration Statement and the Prospectus or in any other document or arrangement, and the Company agrees to promptly prepare any amendment or supplement to the Registration Statement and the Prospectus that effects any such changes. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context otherwise requires, any person not listed in Schedule 1 hereto that, pursuant to this Section 12, purchases Shares that a defaulting Underwriter agreed but failed to purchase.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters, the Company and the Selling Stockholders as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, does not exceed one-eleventh of the aggregate number of Shares to be purchased on such date, then the Company and the Selling Stockholders shall have the right to require each non-defaulting Underwriter to purchase the number of Shares that such Underwriter agreed to purchase hereunder on such date plus such Underwriter's pro rata share (based on the number of Shares that such Underwriter agreed to purchase on such date) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by the non-defaulting Underwriters, the Company and the Selling Stockholders as provided in paragraph (a) above, the aggregate number of Shares that remain unpurchased on the Closing Date or the Additional Closing Date, as the case may be, exceeds one-eleventh of the aggregate amount of Shares to be purchased on such date, or if the Company and the Selling Stockholders shall not exercise the right described in paragraph (b) above, then this Agreement or, with respect to any Additional Closing Date, the obligation of the Underwriters to purchase Shares on the Additional Closing Date shall terminate without liability

on the part of the non-defaulting Underwriters. Any termination of this Agreement pursuant to this Section 12 shall be without liability on the part of the Company, except that the Company will continue to be liable for the payment of expenses as set forth in Section 13 hereof and except that the provisions of Section 9 hereof shall not terminate and shall remain in effect.

(d) Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company, the Selling Stockholders or any non-defaulting Underwriter for damages caused by its default.

13. Payment of Expenses.

(a) Whether or not the transactions contemplated by this Agreement are consummated or this Agreement is terminated, the Company and the Selling Stockholders will pay or cause to be paid all costs and expenses incident to the performance of its obligations hereunder (other than the underwriting discounts and commissions), including without limitation, (i) the costs incident to the authorization, issuance, sale, preparation and delivery of the Shares and any taxes payable in that connection; (ii) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement, the Preliminary Prospectus, any Issuer Free Writing Prospectus, any Pricing Disclosure Package and the Prospectus (including all exhibits, amendments and supplements thereto) and the distribution thereof; (iii) the costs of reproducing and distributing this Agreement; (iv) the fees and expenses of the Company's counsel and independent accountants; (v) the fees and expenses incurred in connection with the registration or qualification of the Shares under the state or foreign securities or blue sky laws of such jurisdictions as the Representatives may designate and the preparation, printing and distribution of a Blue Sky Memorandum (including the related reasonable fees and expenses of counsel for the Underwriters), provided that the amount payable by the Company pursuant to clause (iv) shall not exceed $10,000; (vi) the cost of preparing stock certificates; (vii) the costs and charges of any transfer agent and any registrar; (viii) all expenses and application fees incurred in connection with any filing with, and clearance of the offering by, FINRA (including the related reasonable fees and expenses of counsel for the Underwriters), provided that the amount payable by the Company pursuant to clause (viii) shall not exceed $25,000; (ix) all expenses incurred by or on behalf of the Company in connection with any "road show" presentation to potential investors (including 50% of the cost of any aircraft or other transportation chartered in connection therewith); and (x) all expenses and application fees related to the listing of the Shares on the Nasdaq Stock Market LLC. Notwithstanding the foregoing, it is understood and agreed that except as expressly provided in Section 9 or Section 13(b) of this Agreement, the Underwriters will pay all of their own costs and expenses, including, without limitation, fees and disbursements of their counsel other than for Blue Sky and FINRA matters to the extent expressly provided for in this Section 13(a), transfer taxes on the resale by them of any of the Shares, the transportation and other expenses incurred by or on their behalf in connection with "road show" presentations to potential investors (including 50% of the cost of any aircraft or other transportation chartered in connection with such "road show") and any advertising expenses relating to offers of Shares that they make.

(b) If (i) this Agreement is terminated pursuant to clause (ii) of Section 11, (ii) the Company or the Selling Stockholders for any reason fail to tender the Shares for delivery to the Underwriters (other than by reason of a default by any Underwriter) or (iii) the Underwriters decline to purchase the Shares because any of the conditions to the Underwriters' obligations set forth in Section 8 have not been met, the Company (and, only in the case of (ii) if any Selling Stockholder fails to tender its Shares, such non-tendering Selling Stockholder) agrees to reimburse the Underwriters for all out-of-pocket costs and expenses (including the fees and expenses of their counsel) reasonably incurred by the Underwriters in connection with this Agreement and the offering contemplated hereby.

14. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and any controlling persons referred to in Section 9 hereof. Nothing in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein. No purchaser of Shares from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

15. Survival. The respective indemnities, rights of contribution, representations, warranties and agreements of the Company, the Selling Stockholders and the Underwriters contained in this Agreement or made by or on behalf of the Company, the Selling Stockholders or the Underwriters pursuant to this Agreement or any certificate delivered pursuant hereto shall survive the delivery of and payment for the Shares and shall remain in full force and effect, regardless of any termination of this Agreement or any investigation made by or on behalf of the Company, the Selling Stockholders or the Underwriters.

16. Certain Defined Terms. For purposes of this Agreement, (a) except where otherwise expressly provided, the term "affiliate" has the meaning set forth in Rule 405 under the Securities Act; (b) the term "business day" means any day other than a day on which banks are permitted or required to be closed in New York City; (c) the term "subsidiary" has the meaning set forth in Rule 405 under the Securities Act; and (d) the term "significant subsidiary" has the meaning set forth in Rule 1-02 of Regulation S-X under the Exchange Act.

17. Miscellaneous.

(a) *Authority of J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC.* Any action by the Underwriters hereunder may be taken by J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC on behalf of the Underwriters, and any such action taken by J.P. Morgan Securities LLC or Credit Suisse Securities (USA) LLC shall be binding upon the Underwriters.

(b) *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted and confirmed by any standard form of telecommunication. Notices to the Underwriters shall be given to the Representatives c/o J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179 (fax: (212)

622-8358), Attention Equity Syndicate Desk; and c/o Credit Suisse Securities (USA) LLC, [11 Madison Avenue, New York, NY 10010 (fax: [—]), Attention [—]]. Notices to the Company shall be given to it at 1600 Bridge Parkway, Redwood City, California 94065, Attention: General Counsel.

(c) *Governing Law.* This Agreement and any claim, controversy or dispute arising under or related to this Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in such state.

(d) *Counterparts.* This Agreement may be signed in counterparts (which may include counterparts delivered by any standard form of telecommunication), each of which shall be an original and all of which together shall constitute one and the same instrument.

(e) *Amendments or Waivers.* No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

(f) *Headings.* The headings herein are included for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

[*Signature Page Follows*]

If the foregoing is in accordance with your understanding, please indicate your acceptance of this Agreement by signing in the space provided below.

Very truly yours,

QUALYS, INC.

By: ______________________________
Name:
Title:

SELLING STOCKHOLDERS

By: ______________________________
Name:
Title:

By: ______________________________
Name:
Title:

As Attorneys-in-Fact acting on behalf of each of the Selling Stockholders named in Schedule 2 to this Agreement.

Accepted: , 2012

J.P. MORGAN SECURITIES LLC

For itself and on behalf of the
several Underwriters listed
in Schedule 1 hereto.

By: ______________________________
Authorized Signatory

CREDIT SUISSE SECURITIES (USA) LLC

For itself and on behalf of
the several Underwriters listed
in Schedule 1 hereto.

By: ______________________________

Authorized Signatory

Exhibit 3.3

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

QUALYS, INC.

a Delaware Corporation

Qualys, Inc., a Corporation organized and existing under the laws of the State of Delaware (the "**Corporation**"), hereby certifies as follows:

A. The Corporation was originally incorporated and the original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 30, 1999. The original Certificate of Incorporation of the Corporation was restated on February 10, 2000 and was amended and restated on December 7, 2000, on July 25, 2002, November 18, 2003, November 12, 2004 and again on July 5, 2005

B. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "**DGCL**"), and restates, integrates and further amends the provisions of the Corporation's Certificate of Incorporation, and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL.

C. The Certificate of Incorporation of this Corporation is hereby amended and restated to read in its entirety as follows:

ARTICLE I

The name of the Corporation is Qualys, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware 19808. The name of the Corporation's registered agent at said address is Corporation Service Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

4.1 Authorized Capital Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is 1,020,000,000 shares, consisting of 1,000,000,000 shares of Common Stock, par value $0.001 per share (the "**Common Stock**"), and 20,000,000 shares of Preferred Stock, par value $0.001 per share (the "**Preferred Stock**").

4.2 Increase or Decrease in Authorized Capital Stock. The number of authorized shares of Preferred Stock or Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote generally in the election of directors, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), voting together as a single class, without a separate vote of the holders of the class or classes the number of authorized shares of which are being increased or decreased, unless a vote by any holders of one or more series of Preferred Stock is required by the express terms of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Section 4.4 of this Article IV.

4.3 Common Stock.

(a) The holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of shares of Common Stock are entitled to vote. Except as otherwise required by law or this certificate of incorporation (this “**Certificate of Incorporation**” which term, as used herein, shall mean the certificate of incorporation of the Corporation , as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock), and subject to the rights of the holders of Preferred Stock, at any annual or special meeting of the stockholders the holders of shares of Common Stock shall have the right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation that relates solely to the terms, number of shares, powers, designations, preferences, or relative participating, optional or other special rights (including, without limitation, voting rights), or to qualifications, limitations or restrictions thereon, of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one more other such series, to vote thereon pursuant to this Certificate of Incorporation (including, without limitation, by any certificate of designations relating to any series of Preferred Stock) or pursuant to the DGCL.

(b) Subject to the rights of the holders of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board of Directors from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

4.4 Preferred Stock.

(a) The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board of Directors). The Board of Directors is further authorized, subject to limitations prescribed by law, to fix by resolution or resolutions and to set forth in a certification of designations filed pursuant to the DGCL, the powers, designations, preferences and relative, participation, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, if any, of any wholly unissued series of Preferred Stock, including without limitation authority to fix by resolution or resolutions the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any such series, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

(b) The Board of Directors is further authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any series, the number of which was fixed by it, subsequent to the issuance of shares of such series then outstanding, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the Certificate of Incorporation or the resolution of the Board of Directors originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

5.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

5.2 Number of Directors; Election; Term.

(a) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the number of directors that constitutes the entire Board of Directors of the Corporation shall be fixed solely by resolution of the Board of Directors.

(b) Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, effective upon the closing date (the “**Effective Date**”) of the initial sale of shares of common stock in the Corporation’s initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended, the directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The initial assignment of members of the Board of Directors to each such class shall be made by the Board of Directors. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of the stockholders following the Effective Date, the term of office of the initial Class II directors shall expire at the second annual meeting of the stockholders following the Effective Date and the term of office of the initial Class III directors shall expire at the third annual meeting of the stockholders following the

Effective Date. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders following the Effective Date, each of the successors elected to replace the directors of a class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, if the number of directors that constitutes the Board of Directors is changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(c) Notwithstanding any other provisions of this Article, and subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director shall serve until his or her successor is duly elected and qualified or until his or her earlier death, resignation, or removal.

(d) Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

5.3 Removal. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, a director may be removed from office by the stockholders of the Corporation only for cause.

5.4 Vacancies and Newly Created Directorships. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, and except as otherwise provided in the DGCL, vacancies occurring on the Board of Directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, or by a sole remaining director, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been assigned by the Board of Directors and until his or her successor shall be duly elected and qualified.

ARTICLE VI

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation.

ARTICLE VII

7.1 No Action by Written Consent of Stockholders. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting.

7.2 Special Meetings. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to call a special meeting of the holders of such series, special meetings of stockholders of the Corporation may be called only by the Board of Directors, the chairperson of the Board of Directors, the chief executive officer or the president (in the absence of a chief executive officer), and the ability of the stockholders to call a special meeting is hereby specifically denied. The Board of Directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

7.3 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

ARTICLE VIII

8.1 Limitation of Personal Liability. To the fullest extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, 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. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

8.2 Indemnification.

The Corporation shall indemnify, to the fullest extent permitted by applicable law, any director or officer of the Corporation 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**") by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding. The Corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board.

The Corporation shall have the power to indemnify, to the extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, any employee or agent of the Corporation who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

Any repeal or amendment of this Article VIII by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate of Incorporation inconsistent with this Article VIII will, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to further limit or eliminate the liability of directors or officers) and shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to acts or omissions occurring prior to such repeal or amendment or adoption of such inconsistent provision.

ARTICLE IX

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any director or officer of the Corporation to the Corporation or the Corporation's stockholders, (C) any action or proceeding asserting a claim against the Corporation arising pursuant to any provision of the DGCL or the Corporation's Certificate of Incorporation or Bylaws, or (D) any action or proceeding asserting a claim against the Corporation governed by the internal affairs doctrine.

ARTICLE X

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation (including any rights, preferences or other designations of Preferred Stock), in the manner now or hereafter prescribed by this Certificate of Incorporation and the DGCL; and all rights, preferences and privileges herein conferred upon stockholders by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the right reserved in this Article X. Notwithstanding any other provision of this Certificate of Incorporation, and in addition to any other vote that may be required by law or the terms of any series of Preferred Stock, the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision as part of this Certificate of Incorporation inconsistent with the purpose and intent of, Article V, Article VI, Article VII or this Article X (including, without limitation, any such Article as renumbered as a result of any amendment, alteration, change, repeal or adoption of any other Article).

IN WITNESS WHEREOF, Qualys, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer of the Corporation on this day of 2012.

By: ____________________________

Philippe Courtot
Chief Executive Officer

Exhibit 3.5

AMENDED AND RESTATED BYLAWS OF

QUALYS, INC.

(initially adopted on February 9, 2000)

(as amended and restated on   , 2012 and effective as of the closing of the corporation's initial public offering)

TABLE OF CONTENTS

		Page
ARTICLE I — CORPORATE OFFICES		1
1.1	REGISTERED OFFICE	1
1.2	OTHER OFFICES	1
ARTICLE II — MEETINGS OF STOCKHOLDERS		1
2.1	PLACE OF MEETINGS	1
2.2	ANNUAL MEETING	1
2.3	SPECIAL MEETING	1
2.4	ADVANCE NOTICE PROCEDURES	2
2.5	NOTICE OF STOCKHOLDERS' MEETINGS	6
2.6	QUORUM	6
2.7	ADJOURNED MEETING; NOTICE	6
2.8	CONDUCT OF BUSINESS	6
2.9	VOTING	7
2.10	STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING	7
2.11	RECORD DATES	7
2.12	PROXIES	8
2.13	LIST OF STOCKHOLDERS ENTITLED TO VOTE	8
2.14	INSPECTORS OF ELECTION	9
ARTICLE III — DIRECTORS		9
3.1	POWERS	9
3.2	NUMBER OF DIRECTORS	9
3.3	ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS	9
3.4	RESIGNATION AND VACANCIES	10
3.5	PLACE OF MEETINGS; MEETINGS BY TELEPHONE	10
3.6	REGULAR MEETINGS	10
3.7	SPECIAL MEETINGS; NOTICE	11
3.8	QUORUM; VOTING	11
3.9	BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING	11
3.10	FEES AND COMPENSATION OF DIRECTORS	12
3.11	REMOVAL OF DIRECTORS	12
ARTICLE IV — COMMITTEES		12
4.1	COMMITTEES OF DIRECTORS	12
4.2	COMMITTEE MINUTES	12
4.3	MEETINGS AND ACTION OF COMMITTEES	12
4.4	SUBCOMMITTEES	13
ARTICLE V — OFFICERS		13
5.1	OFFICERS	13
5.2	APPOINTMENT OF OFFICERS	14
5.3	SUBORDINATE OFFICERS	14
5.4	REMOVAL AND RESIGNATION OF OFFICERS	14

TABLE OF CONTENTS
(continued)

		Page
5.5	VACANCIES IN OFFICES	14
5.6	REPRESENTATION OF SHARES OF OTHER CORPORATIONS	14
5.7	AUTHORITY AND DUTIES OF OFFICERS	15
5.8	THE CHAIRPERSON OF THE BOARD	15
5.9	THE VICE CHAIRPERSON OF THE BOARD	15
5.10	THE CHIEF EXECUTIVE OFFICER	15
5.11	THE PRESIDENT	15
5.12	THE VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS	15
5.13	THE SECRETARY AND ASSISTANT SECRETARIES	16
5.14	THE CHIEF FINANCIAL OFFICER AND ASSISTANT TREASURERS	16
ARTICLE VI — STOCK		16
6.1	STOCK CERTIFICATES; PARTLY PAID SHARES	16
6.2	SPECIAL DESIGNATION ON CERTIFICATES	17
6.3	LOST, STOLEN OR DESTROYED CERTIFICATES	17
6.4	DIVIDENDS	17
6.5	TRANSFER OF STOCK	18
6.6	STOCK TRANSFER AGREEMENTS	18
6.7	REGISTERED STOCKHOLDERS	18
ARTICLE VII — MANNER OF GIVING NOTICE AND WAIVER		18
7.1	NOTICE OF STOCKHOLDERS’ MEETINGS	18
7.2	NOTICE BY ELECTRONIC TRANSMISSION	19
7.3	NOTICE TO STOCKHOLDERS SHARING AN ADDRESS	19
7.4	NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL	20
7.5	WAIVER OF NOTICE	20
ARTICLE VIII — INDEMNIFICATION		20
8.1	INDEMNIFICATION OF DIRECTORS AND OFFICERS IN THIRD PARTY PROCEEDINGS	20
8.2	INDEMNIFICATION OF DIRECTORS AND OFFICERS IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION	21
8.3	SUCCESSFUL DEFENSE	21
8.4	INDEMNIFICATION OF OTHERS	21
8.5	ADVANCED PAYMENT OF EXPENSES	21
8.6	LIMITATION ON INDEMNIFICATION	22
8.7	DETERMINATION; CLAIM	22
8.8	NON-EXCLUSIVITY OF RIGHTS	23
8.9	INSURANCE	23
8.10	SURVIVAL	23
8.11	EFFECT OF REPEAL OR MODIFICATION	23
8.12	CERTAIN DEFINITIONS	23
ARTICLE IX — GENERAL MATTERS		24
9.1	EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS	24

TABLE OF CONTENTS
(continued)

		Page
9.2	FISCAL YEAR	24
9.3	SEAL	24
9.4	CONSTRUCTION; DEFINITIONS	24
ARTICLE X — AMENDMENTS		24

AMENDED AND RESTATED BYLAWS OF QUALYS, INC.

ARTICLE I — CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Qualys, Inc. shall be fixed in the corporation’s certificate of incorporation. References in these bylaws to the certificate of incorporation shall mean the certificate of incorporation of the corporation, as amended from time to time, including the terms of any certificate of designations of any series of Preferred Stock.

1.2 OTHER OFFICES

The corporation’s board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II — MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. The board of directors 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 General Corporation Law of the State of Delaware (the “**DGCL**”). In the absence of any such designation or determination, stockholders’ meetings shall be held at the corporation’s principal executive office.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held on such date, at such time, and at such place (if any) within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the corporation’s notice of the meeting. At the annual meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

(i) A special meeting of the stockholders, other than those required by statute, may be called at any time only by (A) the board of directors, (B) the chairperson of the board of directors, (C) the chief executive officer or (D) the president (in the absence of a chief executive officer). A special meeting of the stockholders may not be called by any other person or persons. The board of directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

(ii) The notice of a special meeting shall include the purpose for which the meeting is called. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting by or at the direction of the board of directors, the chairperson of the board of directors, the chief executive officer or the president (in the absence of a chief executive officer). Nothing contained in this Section 2.3(ii) shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 ADVANCE NOTICE PROCEDURES

(i) *Advance Notice of Stockholder Business.* At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be brought: (A) pursuant to the corporation's proxy materials with respect to such meeting, (B) by or at the direction of the board of directors, or (C) by a stockholder of the corporation who (1) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(i) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has timely complied in proper written form with the notice procedures set forth in this Section 2.4(i). In addition, for business to be properly brought before an annual meeting by a stockholder, such business must be a proper matter for stockholder action pursuant to these bylaws and applicable law. Except for proposals properly made in accordance with Rule 14a-8 under the Securities and Exchange Act of 1934, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations), and included in the notice of meeting given by or at the direction of the board of directors, for the avoidance of doubt, clause (C) above shall be the exclusive means for a stockholder to bring business before an annual meeting of stockholders.

(a) To comply with clause (C) of Section 2.4(i) above, a stockholder's notice must set forth all information required under this Section 2.4(i) and must be timely received by the secretary of the corporation. To be timely, a stockholder's notice must be received by the secretary at the principal executive offices of the corporation not later than the 45th day nor earlier than the 75th day before the one-year anniversary of the date on which the corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the preceding year's annual meeting; *provided*, *however*, that in the event that no annual meeting was held in the previous year or if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year's annual meeting, then, for notice by the stockholder to be timely, it must be so received by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of (i) the 90th day prior to such annual meeting, or (ii) the tenth day following the day on which Public Announcement (as defined below) of the date of such annual meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described in this Section 2.4(i)(a). "**Public Announcement**" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or any successor thereto (the "**1934 Act**").

(b) To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter of business the stockholder intends to bring before the annual meeting: (1) a brief description of the business intended to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the corporation's books, of the stockholder proposing such business and any Stockholder Associated Person (as defined below), (3) the

class and number of shares of the corporation that are held of record or are beneficially owned by the stockholder or any Stockholder Associated Person and any derivative positions held or beneficially held by the stockholder or any Stockholder Associated Person, (4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, (5) any material interest of the stockholder or a Stockholder Associated Person in such business, and (6) a statement whether either such stockholder or any Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry the proposal (such information provided and statements made as required by clauses (1) through (6), a "**Business Solicitation Statement**"). In addition, to be in proper written form, a stockholder's notice to the secretary must be supplemented not later than ten days following the record date for notice of the meeting to disclose the information contained in clauses (3) and (4) above as of the record date for notice of the meeting. For purposes of this Section 2.4, a "**Stockholder Associated Person**" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 2.4(i) and, if applicable, Section 2.4(ii). In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that business was not properly brought before the annual meeting and in accordance with the provisions of this Section 2.4(i), and, if the chairperson should so determine, he or she shall so declare at the annual meeting that any such business not properly brought before the annual meeting shall not be conducted.

(ii) *Advance Notice of Director Nominations at Annual Meetings.* Notwithstanding anything in these bylaws to the contrary, only persons who are nominated in accordance with the procedures set forth in this Section 2.4(ii) shall be eligible for election or re-election as directors at an annual meeting of stockholders. Nominations of persons for election or re-election to the board of directors of the corporation shall be made at an annual meeting of stockholders only (A) by or at the direction of the board of directors or (B) by a stockholder of the corporation who (1) was a stockholder of record at the time of the giving of the notice required by this Section 2.4(ii) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has complied with the notice procedures set forth in this Section 2.4(ii). In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

(a) To comply with clause (B) of Section 2.4(ii) above, a nomination to be made by a stockholder must set forth all information required under this Section 2.4(ii) and must be received by the secretary of the corporation at the principal executive offices of the corporation at the time set forth in, and in accordance with, the final three sentences of Section 2.4(i)(a) above.

(b) To be in proper written form, such stockholder's notice to the secretary must set forth:

(1) as to each person (a "**nominee**") whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the nominee, (B) the principal occupation or employment of the nominee, (C) the class and number of shares of the corporation that are held of record or are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (D) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the nominee, (E) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, (F) a written statement executed by the nominee acknowledging that as a director of the corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the corporation and its stockholders, and (G) any other information relating to the nominee that would be required to be disclosed about such nominee if proxies were being solicited for the election or re-election of the nominee as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation the nominee's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected or re-elected, as the case may be); and

(2) as to such stockholder giving notice, (A) the information required to be provided pursuant to clauses (2) through (5) of Section 2.4(i)(b) above, and the supplement referenced in the second sentence of Section 2.4(i)(b) above (except that the references to "business" in such clauses shall instead refer to nominations of directors for purposes of this paragraph), and (B) a statement whether either such stockholder or Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of a number of the corporation's voting shares reasonably believed by such stockholder or Stockholder Associated Person to be necessary to elect or re-elect such nominee(s) (such information provided and statements made as required by clauses (A) and (B) above, a "**Nominee Solicitation Statement**").

(c) At the request of the board of directors, any person nominated by a stockholder for election or re-election as a director must furnish to the secretary of the corporation (1) that information required to be set forth in the stockholder's notice of nomination of such person as a director as of a date subsequent to the date on which the notice of such person's nomination was given and (2) such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director or audit committee financial expert of the corporation under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of the corporation and (3) that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such stockholder's nomination shall not be considered in proper form pursuant to this Section 2.4(ii).

(d) Without exception, no person shall be eligible for election or re-election as a director of the corporation at an annual meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 2.4(ii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the annual meeting, and the defective nomination shall be disregarded.

(iii) Advance Notice of Director Nominations for Special Meetings.

(a) For a special meeting of stockholders at which directors are to be elected or re-elected, nominations of persons for election or re-election to the board of directors shall be made only (1) by or at the direction of the board of directors or (2) by any stockholder of the corporation who (A) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(iii) and on the record date for the determination of stockholders entitled to vote at the special meeting and (B) delivers a timely written notice of the nomination to the secretary of the corporation that includes the information set forth in Sections 2.4(ii)(b) and (ii)(c) above. To be timely, such notice must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected or re-elected at such meeting. A person shall not be eligible for election or re-election as a director at a special meeting unless the person is nominated (i) by or at the direction of the board of directors or (ii) by a stockholder in accordance with the notice procedures set forth in this Section 2.4(iii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading.

(b) The chairperson of the special meeting shall, if the facts warrant, determine and declare at the meeting that a nomination or business was not made in accordance with the procedures prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the meeting, and the defective nomination or business shall be disregarded.

(iv) Other Requirements and Rights. In addition to the foregoing provisions of this Section 2.4, a stockholder must also comply with all applicable requirements of state law and of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4. Nothing in this Section 2.4 shall be deemed to affect any rights of:

(a) a stockholder to request inclusion of proposals in the corporation’s proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act; or

(b) the corporation to omit a proposal from the corporation’s proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act.

2.5 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 communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the 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 as of the record date for determining the stockholders entitled to notice of the meeting.

2.6 QUORUM

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. 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 a 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 power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, 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 corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL and Section 2.11of these bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.8 CONDUCT OF BUSINESS

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. The chairperson of any meeting of stockholders shall be designated by the board of directors; in the absence of

such designation, the chairperson of the board of directors, if any, the chief executive officer (in the absence of the chairperson) or the president (in the absence of the chairperson of the board of directors and the chief executive officer), or in their absence any other executive officer of the corporation, shall serve as chairperson of the stockholder meeting.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 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 or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

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.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof that have been expressly granted the right to take action by written consent, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 RECORD DATES

In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors 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 of directors and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and 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.

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, however,* that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the provisions of Section 213 of the DGCL and this Section 2.11 at the adjourned meeting.

In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders 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 of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

2.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders 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. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; *provided, however,* if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date. The stockholder list shall be arranged in alphabetical order and show the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation 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 10 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 corporation's principal place of business. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. 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. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 INSPECTORS OF ELECTION

Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed and designated shall (i) ascertain the number of shares of capital stock of the corporation outstanding and the voting power of each share; (ii) determine the shares of capital stock of the corporation represented at the meeting and the validity of proxies and ballots; (iii) count all votes and ballots; (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; (v) certify their determination of the number of shares of capital stock of the corporation represented at the meeting and such inspector or inspectors' count of all votes and ballots; (vi) determine when the polls shall close; (vii) determine the result; and (viii) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the corporation, the inspector or inspectors may consider such information as is permitted by applicable law. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE III — DIRECTORS

3.1 POWERS

The business and affairs of the corporation shall be managed by or under the direction of the board of directors, except as may be otherwise provided in the DGCL or the certificate of incorporation.

3.2 NUMBER OF DIRECTORS

The board of directors 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 solely by resolution of the board of directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. 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. If so provided in the certificate of incorporation, the directors of the corporation shall be divided into three classes.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation; *provided*, *however*, that if such notice is given by electronic transmission, 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 director. 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. Acceptance of such resignation shall not be necessary to make it effective. 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 of directors, 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, 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 shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If the directors are divided into classes, a person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified.

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 of directors (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.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors 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 of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, 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.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairperson of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors, at such times and places as he or she or they shall designate.

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 corporation'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 corporation's principal executive office) nor the purpose of the meeting.

3.8 QUORUM; VOTING

At all meetings of the board of directors, 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 of directors, 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 of directors, 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.

3.9 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 of directors, or of any committee thereof, may be taken without a meeting if all members of the board of directors 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 of directors 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.

3.10 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.11 REMOVAL OF DIRECTORS

A director may be removed from office by the stockholders of the corporation only for cause.

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 IV — COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board of directors 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 of directors 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 of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation 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 corporation.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.5 (place of meetings and meetings by telephone);

(ii) Section 3.6 (regular meetings);

(iii) Section 3.7 (special meetings; notice);

(iv) Section 3.8 (quorum; voting);

(v) Section 3.9 (action 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 of directors and its members. *However*:

(i) the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee;

(ii) special meetings of committees may also be called either by resolution of the board of directors or by resolution of the committee; 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 of directors 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.

4.4 SUBCOMMITTEES

Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the board of directors 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 V — OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the board of directors, a chairperson of the board of directors, a vice chairperson of the board of directors, a chief executive officer, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, 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.

5.2 APPOINTMENT OF OFFICERS

The board of directors shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in this Section 5 for the regular election to such office.

5.3 SUBORDINATE OFFICERS

The board of directors 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 corporation 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 of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board of directors or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written or electronic notice to the corporation; *provided, however*, that if such notice is given by electronic transmission, 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 officer. 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 corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors or as provided in Section 5.3.

5.6 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairperson of the board of directors, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. 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.

5.7 AUTHORITY AND DUTIES OF OFFICERS

All officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the board of directors.

5.8 THE CHAIRPERSON OF THE BOARD

The chairperson of the board of directors shall have the powers and duties customarily and usually associated with the office of the chairperson of the board of directors. The chairperson of the board of directors shall preside at meetings of the stockholders and of the board of directors.

5.9 THE VICE CHAIRPERSON OF THE BOARD

The vice chairperson of the board of directors, if any has been appointed or elected, shall have the powers and duties customarily and usually associated with the office of the vice chairperson of the board of directors. In the case of absence or disability of the chairperson of the board of directors, the vice chairperson of the board of directors shall perform the duties and exercise the powers of the chairperson of the board of directors.

5.10 THE CHIEF EXECUTIVE OFFICER

The chief executive officer shall have, subject to the supervision, direction and control of the board of directors, ultimate authority for decisions relating to the supervision, direction and management of the affairs and the business of the corporation customarily and usually associated with the position of chief executive officer, including, without limitation, all powers necessary to direct and control the organizational and reporting relationships within the corporation. If at any time the office of the chairperson and vice chairperson of the board of directors shall not be filled, or in the event of the temporary absence or disability of the chairperson of the board of directors and the vice chairperson of the board of directors, the chief executive officer shall perform the duties and exercise the powers of the chairperson of the board of directors unless otherwise determined by the board of directors.

5.11 THE PRESIDENT

The president shall have, subject to the supervision, direction and control of the board of directors, the general powers and duties of supervision, direction and management of the affairs and business of the corporation customarily and usually associated with the position of president. The president shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board of directors or the chief executive officer. In the event of the absence or disability of the chief executive officer, the president shall perform the duties and exercise the powers of the chief executive officer unless otherwise determined by the board of directors.

5.12 THE VICE PRESIDENTS AND ASSISTANT VICE PRESIDENTS

Each vice president and assistant vice president shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board of directors, the chief executive officer or the president.

5.13 THE SECRETARY AND ASSISTANT SECRETARIES

(i) The secretary shall attend meetings of the board of directors and meetings of the stockholders and record all votes and minutes of all such proceedings in a book or books kept for such purpose. The secretary shall have all such further powers and duties as are customarily and usually associated with the position of secretary or as may from time to time be assigned to him or her by the board of directors, the chairperson of the board of directors, the chief executive officer or the president.

(ii) Each assistant secretary shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board of directors, the chief executive officer, the president or the secretary. In the event of the absence, inability or refusal to act of the secretary, the assistant secretary (or if there shall be more than one, the assistant secretaries in the order determined by the board of directors) shall perform the duties and exercise the powers of the secretary.

5.14 THE CHIEF FINANCIAL OFFICER AND ASSISTANT TREASURERS

(i) The chief financial officer shall be the treasurer of the corporation. The chief financial officer shall have custody of the corporation's funds and securities, shall be responsible for maintaining the corporation's accounting records and statements, shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit or cause to be deposited monies or other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. The chief financial officer shall also maintain adequate records of all assets, liabilities and transactions of the corporation and shall assure that adequate audits thereof are currently and regularly made. The chief financial officer shall have all such further powers and duties as are customarily and usually associated with the position of chief financial officer, or as may from time to time be assigned to him or her by the board of directors, the chairperson of the board of directors, the chief executive officer or the president.

(ii) Each assistant treasurer shall have such powers and perform such duties as may from time to time be assigned to him or her by the board of directors, the chairperson of the board of directors, the chief executive officer, the president or the chief financial officer. In the event of the absence, inability or refusal to act of the chief financial officer, the assistant treasurer (or if there shall be more than one, the assistant treasurers in the order determined by the board of directors) shall perform the duties and exercise the powers of the chief financial officer.

ARTICLE VI — STOCK

6.1 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors 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 corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by the chairperson of the board of directors or vice-chairperson of the board of directors, or the president or a vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation 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 corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The corporation shall not have power to issue a certificate in bearer form.

The corporation 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 corporation 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 corporation 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 corporation 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 corporation shall issue to represent such class or series of stock; *provided*, *however*, 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 corporation shall issue to represent such class or series of stock, a statement that the corporation 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 corporation 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 corporation 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, STOLEN OR DESTROYED 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 corporation and cancelled at the same time. The corporation 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 corporation may require the owner of the lost, stolen or destroyed certificate, or such owner’s legal representative, to give the corporation 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 of directors, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the corporation’s capital stock. Dividends may be paid in cash, in property, or in shares of the corporation’s capital stock, subject to the provisions of the certificate of incorporation.

The board of directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

6.5 TRANSFER OF STOCK

Transfers of record of shares of stock of the corporation 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; *provided, however,* that such succession, assignment or authority to transfer is not prohibited by the certificate of incorporation, these bylaws, applicable law or contract.

6.6 STOCK TRANSFER AGREEMENTS

The corporation 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 corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.7 REGISTERED STOCKHOLDERS

The corporation:

(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.

ARTICLE VII — MANNER OF GIVING NOTICE AND WAIVER

7.1 NOTICE OF STOCKHOLDERS' 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 corporation's records. An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or other agent of the corporation 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 corporation 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 corporation. Any such consent shall be deemed revoked if:

(i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the corporation 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 corporation 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.

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 corporation 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 corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation 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 corporation 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 to stockholders, directors or other persons 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 or the board of directors, as the case may be, 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 — INDEMNIFICATION

8.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN THIRD PARTY PROCEEDINGS

Subject to the other provisions of this Article VIII, the corporation 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 corporation) by reason of the fact that such person is or was a director of the corporation or an officer of the corporation, or while a director of the corporation or officer of the corporation is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by 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 corporation, 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 corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person’s conduct was unlawful.

8.2 INDEMNIFICATION OF DIRECTORS AND OFFICERS IN ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

Subject to the other provisions of this Article VIII, the corporation 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 corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the corporation, or while a director or officer of the corporation is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by 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 corporation; 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 corporation 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.

8.3 SUCCESSFUL DEFENSE

To the extent that a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 8.1 or Section 8.2, 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.

8.4 INDEMNIFICATION OF OTHERS

Subject to the other provisions of this Article VIII, the corporation shall have power to indemnify its employees and its agents to the extent not prohibited by the DGCL or other applicable law. The board of directors shall have the power to delegate the determination of whether employees or agents shall be indemnified to such person or persons as the board of directors of determines.

8.5 ADVANCED PAYMENT OF EXPENSES

Expenses (including attorneys' fees) incurred by an officer or director of the corporation in defending any Proceeding shall be paid by the corporation 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 VIII 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 corporation deems reasonably appropriate. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 8.6(ii) or 8.6(iii) prior to a determination that the person is not entitled to be indemnified by the corporation.

8.6 LIMITATION ON INDEMNIFICATION

Subject to the requirements in Section 8.3 and the DGCL, the corporation shall not be obligated to indemnify any person pursuant to this Article VIII 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 1934 Act, 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 corporation 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 corporation, as required in each case under the 1934 Act (including any such reimbursements that arise from an accounting restatement of the corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**"), or the payment to the corporation 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 against the corporation or its directors, officers, employees, agents or other indemnitees, unless (a) the board of directors authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (b) the corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the corporation under applicable law, (c) otherwise required to be made under Section 8.7 or (d) otherwise required by applicable law; or

(v) if prohibited by applicable law; *provided, however*, that if any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

8.7 DETERMINATION; CLAIM

If a claim for indemnification or advancement of expenses under this Article VIII is not paid in full within 90 days after receipt by the corporation of the 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. The corporation shall indemnify such person against any and all expenses that are incurred by such person in connection with any action for indemnification or advancement of expenses from the corporation under this Article VIII, to the extent such person is successful in such action, and to the extent not prohibited by law. In any such suit, the corporation 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.

8.8 NON-EXCLUSIVITY OF RIGHTS

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII 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 corporation 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.

8.9 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or 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 corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

8.10 SURVIVAL

The rights to indemnification and advancement of expenses conferred by this Article VIII 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.

8.11 EFFECT OF REPEAL OR MODIFICATION

Any amendment, alteration or repeal of this Article VIII 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.

8.12 CERTAIN DEFINITIONS

For purposes of this Article VIII, references to the "**corporation**" 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 VIII 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 VIII, 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 "**serving at the request of the corporation**" shall

include any service as a director, officer, employee or agent of the corporation 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 corporation**" as referred to in this Article VIII.

ARTICLE IX — GENERAL MATTERS

9.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

Except as otherwise provided by law, the certificate of incorporation or these bylaws, the board of directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any document or instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.2 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

9.3 SEAL

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.4 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 an entity and a natural person.

ARTICLE X — AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote; *provided, however*, that the affirmative vote of the holders of at least 66 2/3% of the total voting power of outstanding voting securities, voting together as a single class, shall be required for the stockholders of the corporation to alter, amend or repeal, or adopt any bylaw inconsistent with, the following provisions of these bylaws: Article II, Sections 3.1, 3.2, 3.4 and 3.11 of Article III, Article VIII and this Article X (including, without limitation, any such Article or Section as renumbered as a result of any amendment, alteration, change, repeal, or adoption of any other Bylaw). The board of directors shall also have the power to adopt, amend or repeal bylaws; *provided, however*, that 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 of directors.

QUALYS, INC.

CERTIFICATE OF AMENDMENT OF BYLAWS

The undersigned hereby certifies that he or she is the duly elected, qualified, and acting Secretary or Assistant Secretary of QUALYS, INC., a Delaware corporation and that the foregoing bylaws, comprising 24 pages, were amended and restated on   , 2012 by the corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand this   day of   , 2012.

____

Secretary

Exhibit 3.6

AMENDMENT NO. 8
TO
THE AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
QUALYS, INC.

Qualys, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "**Corporation**"), does hereby certify:

1. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 30, 1999. The original Certificate of Incorporation of the Corporation was restated on February 10, 2000, was amended and restated on December 7, 2000, July 25, 2002, November 18, 2003, November 12, 2004 and again on July 11, 2005, and was further amended on May 22, 2006, August 17, 2007, May 15, 2008, July 30, 2009, December 3, 2009, February 3, 2011 and again on July 31, 2012.

2. This Amendment No. 8 to the Amended and Restated Certificate of Incorporation has been duly adopted in accordance with Section 242 of the Delaware General Corporation Law and further amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation.

3. A new Section B of Article IV of the Amended and Restated Certificate of Incorporation is hereby added to read in its entirety as follows:

Immediately upon the filing of this Amendment No. 8, each ten (10) outstanding shares of Common Stock, each ten (10) outstanding shares of Series A Preferred Stock, each ten (10) outstanding shares of Series B Preferred Stock and each ten (10) outstanding shares of Series C Preferred Stock will be exchanged and combined, automatically and without further action, into one (1) share of Common Stock, one (1) share of Series A Preferred Stock, one (1) share of Series B Preferred Stock and one (1) share of Series C Preferred Stock, respectively (the "Reverse Stock Split"). The Reverse Stock Split shall also apply to any outstanding securities or rights convertible into, or exchangeable or exercisable for, Common Stock or Preferred Stock of the Corporation. The Reverse Stock Split shall be effected on a certificate-by-certificate basis and no fractional shares shall be issued upon the exchange and combination. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay an amount of cash equal to the product of (i) the fractional share to which the holder would otherwise be entitled and (ii) the then fair value of a share as determined in good faith by the Board of Directors of the Corporation.

The Reverse Stock Split shall occur automatically without any further action by the holders of the shares affected thereby, and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent. The Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock or Preferred Stock, as the case may be, resulting from the Reverse Stock Split unless the certificates evidencing such shares of Common Stock or Preferred Stock are either delivered to the Corporation or its transfer agent as provided above, 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 and its transfer agent from any loss incurred by it in connection with such certificates. The Corporation shall, as soon as practicable after such delivery, or such agreement and indemnification in

the case of a lost, stolen or destroyed certificate, issue and deliver at such office to such holder of Common Stock or Preferred Stock, as the case may be, a certificate or certificates for the number of shares of Common Stock or Preferred Stock upon written request by such holder and a check payable to the holder in the amount of any cash amounts payable as the result of a conversion of fractional shares into cash to which he, she or it shall be entitled as aforesaid.

4. The previous Sections B, C, D, E and F of Article IV shall become new Sections C, D, E, F and G, respectively, of Article IV of the Amended and Restated Certificate of Incorporation.

IN WITNESS WHEREOF, QUALYS, INC. has caused this Amendment No. 8 to the Amended and Restated Certificate of Incorporation to be signed by its President and Chief Executive Officer this 10th day of September, 2012.

QUALYS, INC.

By: /s/ Philippe F. Courtot
Philippe F. Courtot
President and Chief Executive Officer

Exhibit 4.1

Qualys, Inc.

PO BOX 43004, Providence, RI 02940-3004

MR A SAMPLE
DESIGNATION (IF ANY)
ADD 1
ADD 2
ADD 3
ADD 4

CUSIP			XXXXXX XX X
Holder ID			XXXXXXXXXX
Insurance Value			1,000,000.00
Number of Shares			123456
DTC	12345678		123456789012345
Certificate Numbers	Num/No.	Denom.	Total
1234567890/1234567890	1	1	1
1234567890/1234567890	2	2	2
1234567890/1234567890	3	3	3
1234567890/1234567890	4	4	4
1234567890/1234567890	5	5	5
1234567890/1234567890	6	6	6
Total Transaction			7

016570| 003590|127C|RESTRICTED||4|057-423

COMMON STOCK

PAR VALUE $0.001

COMMON STOCK

THIS CERTIFICATE IS TRANSFERABLE IN CANTON, MA AND NEW YORK, NY

Certificate Number

ZQ 000000

Shares

000000****
000000**
****000000****
*****000000***
******000000**

QUALYS, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT MR. SAMPLE & MRS. SAMPLE & MR. SAMPLE & MRS. SAMPLE

CUSIP 74758T 30 3

SEE REVERSE FOR CERTAIN DEFINITIONS

is the owner of ***ZERO HUNDRED THOUSAND ZERO HUNDRED AND ZERO***

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Qualys, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Certificate of Incorporation, as amended, and the By-Laws, as amended, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

Chief Financial Officer

Bruce K. Posey
Vice President, General Counsel and Corporate Secretary

QUALYS, INC. CORPORATE SEAL 1999 DELAWARE

DATED <<Month Day, Year>>

COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR,

By ______________________
AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

1234567

QUALYS, INC.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE CERTIFICATE OF INCORPORATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ____________ (Cust) Custodian ____________ (Minor) under Uniform Gifts to Minors Act ____________ (State)

UNIF TRF MIN ACT - ____________ (Cust) Custodian (until age ____________) ____________ (Minor) under Uniform Transfers to Minors Act ____________ (State)

Additional abbreviations may also be used though not in the above list.

For value received, ____________ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

____

____

____ Shares

of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

____ Attorney

to transfer the said stock on the books of the within-named Company with full power of substitution in the premises.

Dated: ____________________ 20 ________

Signature: ____________________

Signature: ____________________

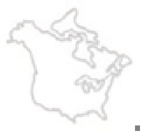
Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

SECURITY INSTRUCTIONS

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.



The IRS requires that we report the cost basis of certain shares acquired after January 1, 2011. If your shares were covered by the legislation and you have sold or transferred the shares and requested a specific cost basis calculation method, we have processed as requested. If you did not specify a cost basis calculation method, we have defaulted to the first in, first out (FIFO) method. Please visit our website or consult your tax advisor if you need additional information about cost basis.

If you do not keep in contact with us or do not have any activity in your account for the time periods specified by state law, your property could be subject to state unclaimed property laws and transferred to the appropriate state.

Exhibit 5.1

Wilson Sonsini Goodrich & Rosati
PROFESSIONAL CORPORATION

650 Page Mill Road
Palo Alto, CA 94304-1050
PHONE 650.493.9300
FAX 650.493.6811
www.wsgr.com

September 11, 2012

Qualys, Inc.
1600 Bridge Parkway
Redwood City, California 94065

Re: Registration Statement on Form S-1

Ladies and Gentlemen:

This opinion is furnished to you in connection with the Registration Statement on Form S-1 (Registration No. 333-182027), as amended (the "Registration Statement"), filed by Qualys, Inc. (the "Company") with the Securities and Exchange Commission in connection with the registration under the Securities Act of 1933, as amended, of 8,711,250 shares of the Company's common stock, $0.001 par value per share (the "Shares"), of which up to 7,836,250 shares (including up to 1,136,250 shares issuable upon exercise of an over-allotment option granted by the Company) will be issued and sold by the Company and up to 875,000 shares will be sold by certain selling stockholders (the "Selling Stockholders"). We understand that the Shares are to be sold to the underwriters for resale to the public as described in the Registration Statement and pursuant to an underwriting agreement, substantially in the form filed as an exhibit to the Registration Statement, to be entered into by and among the Company, the Selling Stockholders and the underwriters (the "Underwriting Agreement").

We are acting as counsel for the Company in connection with the sale of the Shares by the Company and the Selling Stockholders. In such capacity, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary for the purposes of rendering this opinion. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with the originals of all documents submitted to us as copies, the authenticity of the originals of such documents and the legal competence of all signatories to such documents.

We express no opinion herein as to the laws of any state or jurisdiction other than the General Corporation Law of the State of Delaware (including the statutory provisions and all applicable judicial decisions interpreting those laws) and the federal laws of the United States of America.

On the basis of the foregoing, we are of the opinion, that (1) the Shares to be issued and sold by the Company have been duly authorized and, when such Shares are issued and paid for in accordance with the terms of the Underwriting Agreement, will be validly issued, fully paid and nonassessable, and (2) the Shares to be sold by the Selling Stockholders have been duly authorized and are validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement, and we consent to the reference of our name under the caption "Legal Matters" in the prospectus forming part of the Registration Statement.

Very truly yours,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

/s/ Wilson Sonsini Goodrich & Rosati, P.C.

Exhibit 10.2

QUALYS, INC.

2012 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide additional incentive to Employees, Directors and Consultants, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units and Performance Shares.

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) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

(d) "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.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) 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 fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered

to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control; or

(ii) 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) 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 fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). 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 definition, 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.

(g) "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder shall include such section or regulation, any

valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 hereof.

(i) "Common Stock" means the common stock of the Company.

(j) "Company" means Qualys, Inc., a Delaware corporation, or any successor thereto.

(k) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(l) "Director" means a member of the Board.

(m) "Disability" means total and permanent disability as defined in Section 22(e)(3) of the Code, 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.

(n) "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.

(o) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(p) "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 increased or reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(q) "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 New York Stock Exchange, 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;

(iii) For purposes of any Awards granted on the Registration Date, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock; or

(iv) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(r) "Fiscal Year" means the fiscal year of the Company.

(s) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) "Inside Director" means a Director who is an Employee.

(u) "Nonstatutory Stock Option" means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(v) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) "Option" means a stock option granted pursuant to the Plan.

(x) "Outside Director" means a Director who is not an Employee.

(y) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) "Participant" means the holder of an outstanding Award.

(aa) "Performance Share" means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.

(bb) "Performance Unit" means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.

(cc) "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.

(dd) "Plan" means this 2012 Equity Incentive Plan.

(ee) "Registration Date" means the effective date of the first registration statement that is filed by the Company and declared effective pursuant to Section 12(g) of the Exchange Act, with respect to any class of the Company's securities.

(ff) "Restricted Stock" means Shares issued pursuant to a Restricted Stock award under Section 7 of the Plan, or issued pursuant to the early exercise of an Option.

(gg) "Restricted Stock Unit" means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 8. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(hh) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(ii) "Section 16(b)" means Section 16(b) of the Exchange Act.

(jj) "Service Provider" means an Employee, Director or Consultant.

(kk) "Share" means a share of the Common Stock, as adjusted in accordance with Section 13 of the Plan.

(ll) "Stock Appreciation Right" means an Award, granted alone or in connection with an Option, that pursuant to Section 9 is designated as a Stock Appreciation Right.

(mm) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

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 issued under the Plan is 3,050,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Automatic Share Reserve Increase. Subject to the provisions of Section 13 of the Plan, the number of Shares available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2014 Fiscal Year, in an amount equal to the least of (i) 3,050,000 Shares, (ii) five percent (5%) of the outstanding Shares on the last day of the immediately preceding Fiscal Year or (iii) such number of Shares determined by the Board.

(c) 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, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to 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 (i.e., the net Shares 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, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company, 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 Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Sections 3(b) and 3(c).

(d) 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) Section 162(m). To the extent that the Administrator determines it to be desirable to qualify Awards granted hereunder as “performance-based compensation” within the meaning of Section 162(m) of the Code, the Plan will be administered by a Committee of two (2) or more “outside directors” within the meaning of Section 162(m) of the Code.

(iii) Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iv) 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 granted hereunder;

(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 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(b) of the Plan regarding Incentive Stock Options);

(x) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 14 of the Plan;

(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 would otherwise 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, Restricted Stock Units, Performance Shares and Performance Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, 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(a), 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.

(b) Term of Option. The term of each Option will be stated in the Award Agreement. In the case of an Incentive Stock Option, the term will be ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, 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.

(c) Option Exercise Price and Consideration.

(i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

(1) In the case of an Incentive Stock Option

(A) granted to an Employee who, at the time the Incentive Stock Option is granted, 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.

(B) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(3) Notwithstanding the foregoing, 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, Section 424(a) of the Code.

(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 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 a broker-assisted (or other) 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.

(d) 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) a 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 withholding taxes). 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 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 such Option as set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will 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 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 will 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 following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the option be exercised later than the expiration of the term of such Option as set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to 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 will remain exercisable for twelve (12) months following Participant's death. 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. 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 7 or the Award Agreement, 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 7, 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.

8. 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 under the Plan, 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, divisional, business unit, or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws 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 only 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.

9. 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 Stock Appreciation Rights granted to any Service Provider.

(c) Exercise Price and Other Terms. The per share exercise price for the Shares to be issued pursuant to exercise of a Stock Appreciation Right will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. 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(b) relating to the maximum term and Section 6(d) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Performance Units and Performance Shares 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. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the

number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company, and again will be available for grant under the Plan.

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 (1st) 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. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

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, and the numerical Share limits in Section 3 of the Plan.

(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) Change in Control. In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. The Administrator will not be required to treat all Awards similarly in the transaction.

In the event that the successor corporation does not assume or substitute for the Award, the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the 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.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the 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 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, Performance Unit or Performance Share, 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 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.

(d) Outside Director Awards. With respect to Awards granted to an Outside Director that are assumed or substituted for, if on the date of or following such assumption or

substitution the Participant's status as a Director or a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the Participant (unless such resignation is at the request of the acquirer), then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

14. Tax.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof) or such earlier time as any tax withholding obligations are due, 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) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, or (c) delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld. 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.

(c) 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 such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under 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.

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 the later to occur of (i) its adoption by the Board or (ii) the business day immediately prior to the Registration Date. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 18 of the Plan.

18. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator 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 or to complete or comply with the requirements of any registration or other qualification of the Shares under any state, federal or foreign law or under the rules and regulations of the Securities and Exchange Commission, the stock exchange on which Shares of the same class are then listed, or any other governmental or regulatory body, which authority, registration, qualification or rule compliance is deemed by the Company's counsel to be necessary or advisable for the 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, registration, qualification or rule compliance 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.

QUALYS, INC.

2012 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

Unless otherwise defined herein, the terms defined in the Qualys, Inc. 2012 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Unit Agreement, including the Notice of Restricted Stock Unit Grant (the "Notice of Grant"), the Terms and Conditions of Restricted Stock Unit Grant, attached hereto as Exhibit A, and any Appendix, attached hereto as Exhibit B (all together, the "Award Agreement").

NOTICE OF RESTRICTED STOCK UNIT GRANT

Participant Name:

Address:

Participant has been granted the right to receive an Award of Restricted Stock Units, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number	______________________________
Date of Grant	______________________________
Vesting Commencement Date	______________________________
Number of Restricted Stock Units	______________________________

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or set forth below, the Restricted Stock Units will vest in accordance with the following schedule:

[Twenty-five percent (25%) of the Restricted Stock Units will vest on the one (1) year anniversary of the Vesting Commencement Date, and twenty-five percent (25%) of the Restricted Stock Units will vest each year thereafter on the same day as the Vesting Commencement Date, subject to Participant continuing to be a Service Provider through each such date.]

In the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the Restricted Stock Units, the Restricted Stock Units and Participant's right to acquire any Shares hereunder will immediately terminate.

By Participant's signature and the signature of the representative of Qualys, Inc. (the "Company") below, Participant and the Company agree that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, which are made a part of this document. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement and fully understands all provisions of the Plan and Award

Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT:	QUALYS, INC.
_______________________	_______________________
Signature	By
_______________________	_______________________
Print Name	Title
Residence Address:	
_______________________	
_______________________	

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant. The Company hereby grants to the individual named in the Notice of Grant (the "Participant") under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Award Agreement and 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 the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Sections 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with Sections 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her estate) in whole Shares, subject to Participant satisfying any obligations for Tax-Related Items (as defined in Section 7). Subject to the provisions of Section 4, such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within the period sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Award Agreement.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Restricted Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Award Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 4 shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A.

Notwithstanding anything in the Plan or this Award Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6)

month period following Participant's termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination as a Service Provider, unless Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death. It is the intent of this Award Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Award Agreement, the balance of the Restricted Stock Units that have not vested as of the time of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares hereunder will immediately terminate. The date of Participant's termination as a Service Provider is detailed in Section 10(h).

6. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Notwithstanding any contrary provision of this Award Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items") which the Company determines must be withheld with respect to such Shares. Prior to vesting and/or settlement of the Restricted Stock Units, Participant will pay or make adequate arrangements satisfactory to the Company and/or Participant's employer (the "Employer") to satisfy all withholding and payment obligations of Tax-Related Items of the Company and/or the Employer. In this regard, Participant authorizes the Company and/or the Employer to withhold any Tax-Related Items legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Employer or from proceeds of the sale of Shares. Alternatively, or in addition, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such tax withholding obligation, in whole or in part (without limitation) by (a) paying cash, (b) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount required to be withheld, (c) selling a sufficient number of such Shares otherwise deliverable to Participant

through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld, or (d) if Participant is a U.S. employee, delivering to the Company already vested and owned Shares having a Fair Market Value equal to the amount required to be withheld. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any obligations for Tax-Related Items by reducing the number of Shares otherwise deliverable to Participant [and, until determined otherwise by the Company, this will be the method by which such tax withholding obligations are satisfied]. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any Tax-Related Items hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or Tax-Related Items related to Restricted Stock Units otherwise are due, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS 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 AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD 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 WILL 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.

10. Nature of Grant. In accepting the grant, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for purposes of 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 underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(h) for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's service agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Administrator, Participant's right to vest in the Restricted Stock Units 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 service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(i) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits

transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(j) the following provisions apply only if Participant is providing services outside the United States:

i. the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose;

ii. Participant acknowledges and agrees that none of the Company, the Employer, or any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement; and

iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units 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 service agreement, if any), and in consideration of the grant of the Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company, any Subsidiary or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company, any Parent, any Subsidiary and the Employer 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 shall 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.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

12. **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 Award Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Employer, the Company and any Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.***

Participant understands that the Company and the Employer 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 of stock or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to shares of stock 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 will be transferred to a stock plan service provider as may be selected by the Company in the future, which is 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 (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 his or her local human resources representative. 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) 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 in writing his or her local human resources representative. 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 Employer 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 Restricted Stock Units 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 his or her local human resources representative.

13. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Qualys, Inc., 1600 Bridge Parkway, Redwood Shores, California 94065, or at such other address as the Company may hereafter designate in writing.

14. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby,

or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

15. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

17. Plan Governs. This Award Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Award Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Award Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award Agreement.

19. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Language. If Participant has received this Award 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.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

22. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Governing Law and Venue. This Award Agreement will be governed by the laws of California without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Mateo County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

25. [Appendix. Notwithstanding any provisions in this Award Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in any appendix to this Award Agreement for Participant's country (the "Appendix"). Moreover, if Participant relocates to one of the countries included in the Appendix, 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 Appendix constitutes part of this Award Agreement.]

26. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise the Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock.

27. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Participant or any other Participant.

EXHIBIT B

[ANY APPLICABLE APPENDIX TO BE ADDED]

QUALYS, INC.

2012 EQUITY INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

Unless otherwise defined herein, the terms defined in the Qualys, Inc. 2012 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Agreement, including the Notice of Restricted Stock Grant (the "Notice of Grant"), the Terms and Conditions of Restricted Stock Grant, attached hereto as Exhibit A, and any Appendix, attached hereto as Exhibit B (all together, the "Agreement").

NOTICE OF RESTRICTED STOCK GRANT

Participant Name: ______________________________

Address: ______________________________

____

Participant has been granted the right to receive an Award of Restricted Stock, subject to the terms and conditions of the Plan and this Agreement, as follows:

Grant Number ______________________________

Date of Grant ______________________________

Vesting Commencement Date ______________________________

Total Number of Shares Granted ______________________________

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan or set forth below, the Restricted Stock will vest and the Company's right to reacquire the Restricted Stock will lapse in accordance with the following schedule:

[Twenty-five percent (25%) of the Shares of Restricted Stock will vest on the one (1) year anniversary of the Vesting Commencement Date, and twenty-five percent (25%) of the Shares of Restricted Stock will vest each year thereafter on the same day as the Vesting Commencement Date, subject to Participant continuing to be a Service Provider through each such date.]

By Participant's signature and the signature of the representative of Qualys, Inc. (the "Company") below, Participant and the Company agree that this Award of Restricted Stock is granted under and governed by the terms and conditions of the Plan and this Agreement, including exhibits hereto, all of which are made a part of this document. 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 Plan and Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT	QUALYS, INC.
________________________	________________________
Signature	By
________________________	________________________
Print Name	Title

Address:

____

____

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK GRANT

1. Grant of Restricted Stock. The Company hereby grants to the Participant named in the Notice of Grant (the "Participant") under the Plan for past services and as a separate incentive in connection with his or her services and not in lieu of any salary or other compensation for his or her services, an Award of Shares of Restricted Stock, subject to all of the terms and conditions in this Agreement and 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 the terms and conditions of this Agreement, the terms and conditions of the Plan will prevail.

2. Escrow of Shares.

(a) All Shares of Restricted Stock will, upon execution of this Agreement, be delivered and deposited with an escrow holder designated by the Company (the "Escrow Holder"). The Shares of Restricted Stock will be held by the Escrow Holder until such time as the Shares of Restricted Stock vest or the date Participant ceases to be a Service Provider.

(b) The Escrow Holder will not be liable for any act it may do or omit to do with respect to holding the Shares of Restricted Stock in escrow while acting in good faith and in the exercise of its judgment.

(c) Upon Participant's termination as a Service Provider for any reason, the Escrow Holder, upon receipt of written notice of such termination, will take all steps necessary to accomplish the transfer of the unvested Shares of Restricted Stock to the Company. Participant hereby appoints the Escrow Holder with full power of substitution, as Participant's true and lawful attorney-in-fact with irrevocable power and authority in the name and on behalf of Participant to take any action and execute all documents and instruments, including, without limitation, stock powers which may be necessary to transfer the certificate or certificates evidencing such unvested Shares of Restricted Stock to the Company upon such termination.

(d) The Escrow Holder will take all steps necessary to accomplish the transfer of Shares of Restricted Stock to Participant after they vest following Participant's request that the Escrow Holder do so.

(e) Subject to the terms hereof, Participant will have all the rights of a stockholder with respect to the Shares while they are held in escrow, including without limitation, the right to vote the Shares and to receive any cash dividends declared thereon.

(f) In the event of 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, the Shares of Restricted Stock will be increased, reduced or otherwise changed, and by virtue of any such change Participant will in his or her capacity as owner of unvested Shares of Restricted Stock be entitled to new or additional or different shares

of stock, cash or securities (other than rights or warrants to purchase securities); such new or additional or different shares, cash or securities will thereupon be considered to be unvested Shares of Restricted Stock and will be subject to all of the conditions and restrictions which were applicable to the unvested Shares of Restricted Stock pursuant to this Agreement. If Participant receives rights or warrants with respect to any unvested Shares of Restricted Stock, such rights or warrants may be held or exercised by Participant, provided that until such exercise any such rights or warrants and after such exercise any shares or other securities acquired by the exercise of such rights or warrants will be considered to be unvested Shares of Restricted Stock and will be subject to all of the conditions and restrictions which were applicable to the unvested Shares of Restricted Stock pursuant to this Agreement. The Administrator in its absolute discretion at any time may accelerate the vesting of all or any portion of such new or additional shares of stock, cash or securities, rights or warrants to purchase securities or shares or other securities acquired by the exercise of such rights or warrants.

(g) The Company may instruct the transfer agent for its Common Stock to place a legend on the certificates representing the Restricted Stock or otherwise note its records as to the restrictions on transfer set forth in this Agreement.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Shares of Restricted Stock awarded by this Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares of Restricted Stock scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock will be considered as having vested as of the date specified by the Administrator.

5. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Agreement, the balance of the Shares of Restricted Stock that have not vested as of the time of Participant’s termination as a Service Provider for any or no reason will be forfeited and automatically transferred to and reacquired by the Company at no cost to the Company upon the date of such termination and Participant will have no further rights thereunder. The date of Participant’s termination as a Service Provider is detailed in Section 10(h). Participant will not be entitled to a refund of the price paid for the Shares of Restricted Stock, if any, returned to the Company pursuant to this Section 5. Participant hereby appoints the Escrow Agent with full power of substitution, as Participant’s true and lawful attorney-in-fact with irrevocable power and authority in the name and on behalf of Participant to take any action and execute all documents and instruments, including, without limitation, stock powers which may be necessary to transfer the certificate or certificates evidencing such unvested Shares to the Company upon such termination of service.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to Participant’s designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of

Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Notwithstanding any contrary provision of this Agreement, no certificate representing the Shares of Restricted Stock may be released from the escrow established pursuant to Section 2, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items") which the Company determines must be withheld with respect to such Shares. Prior to vesting of the Restricted Stock, Participant will pay or make adequate arrangements satisfactory to the Company and/or the Participant's employer (the "Employer") to satisfy all withholding and payment obligations of Tax-Related Items of the Company and/or the Employer. In this regard, Participant authorizes the Company and/or the Employer to withhold any Tax-Related Items legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Employer or from proceeds of the sale of Shares. Alternatively, or in addition, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such tax withholding obligation, in whole or in part (without limitation) by (a) paying cash, (b) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount required to be withheld, (c) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld, or (d) if Participant is a U.S. employee, delivering to the Company already vested and owned Shares having a Fair Market Value equal to the amount required to be withheld. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any obligations for Tax-Related Items by reducing the number of Shares otherwise deliverable to Participant [and, until determined otherwise by the Company, this will be the method by which such tax withholding obligations are satisfied]. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and a date of relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for tax in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any Tax-Related Items hereunder at the time any applicable Shares otherwise are scheduled to vest pursuant to Sections 3 or 4 or Tax-Related Items related to the applicable Shares otherwise are due, Participant will permanently forfeit such Shares and the Shares will be returned to the Company at no cost to the Company.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant or the Escrow Agent. Except as provided in Section 2(f), after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the

Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE SHARES OF RESTRICTED STOCK 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 RESTRICTED STOCK 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 WILL 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.

10. Nature of Grant. In accepting the grant, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Restricted Stock is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock, or benefits in lieu of Restricted Stock, even if Restricted Stock have been granted in the past;

(c) all decisions with respect to future Restricted Stock or other grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the Restricted Stock and the Shares subject to the Restricted Stock are not intended to replace any pension rights or compensation;

(f) the Restricted Stock and the Shares subject to the Restricted Stock, and the income and value of same, are not part of normal or expected compensation for purposes of 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 underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(h) for purposes of the Restricted Stock, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later to be found invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's service agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Administrator, Participant's right to vest in Restricted Stock 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 service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(i) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(j) the following provisions apply only if Participant is providing services outside the United States:

i. the Restricted Stock and the Shares subject to the Restricted Stock are not part of normal or expected compensation or salary for any purpose;

ii. Participant acknowledges and agrees that none of the Company, the Employer, or any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock or of any amounts due to Participant pursuant to the settlement of the Restricted Stock or the subsequent sale of any Shares; and

iii. no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock 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 service agreement, if any), and in consideration of the grant of the Restricted Stock to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company, any Subsidiary or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company, any Parent, any

Subsidiary and the Employer 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 shall 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.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

12. **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 Agreement and any other Restricted Stock grant materials by and among, as applicable, the Employer, the Company and any Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.***

Participant understands that the Company and the Employer 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 of stock or directorships held in the Company, details of all Restricted Stock or any other entitlement to shares of stock 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 will be transferred to a stock plan service provider as may be selected by the Company in the future, which is 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 (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 his or her local human resources representative. 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) 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 in writing his or her local human resources representative. 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 Employer 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 Restricted Stock 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 his or her local human resources representative.

13. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at Qualys, Inc., 1600 Bridge Parkway, Redwood Shores, California 94065, or at such other address as the Company may hereafter designate in writing.

14. Grant is Not Transferable. Except to the limited extent provided in Section 6, the unvested Shares subject to this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any unvested Shares of Restricted Stock subject to this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

15. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Additional Conditions to Release from Escrow. The Company will not be required to issue any certificate or certificates for Shares hereunder or release such Shares from the escrow established pursuant to Section 2 prior to fulfillment of all the following conditions: (a) the admission of such Shares to listing on all stock exchanges on which such class of stock is then listed; (b) the completion of any registration or other qualification of such Shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body or the securities exchange on which the Shares are then registered, which the Administrator will, in its absolute discretion, deem necessary or advisable; (c) the obtaining of any approval or other clearance from any state or federal governmental agency, which the Administrator will, in its absolute discretion, determine to be necessary or advisable; and (d) the lapse of such reasonable period of time following the Date of Grant of the Restricted Stock as the Administrator may establish from time to time for reasons of administrative convenience.

17. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and

application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares of Restricted Stock have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Shares of Restricted Stock awarded under the Plan or future Restricted Stock that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

20. Language. If Participant has received this 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.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Governing Law and Venue. This Agreement will be governed by the laws of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California**,** and agree that such litigation will be conducted in the courts of San Mateo County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock is made and/or to be performed.

25. [Appendix. Notwithstanding any provisions in this Agreement, the Restricted Stock grant shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country (the "Appendix"). Moreover, if Participant relocates to one of the countries included in the Appendix, 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 Appendix constitutes part of this Agreement.]

26. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection to this Award of Restricted Stock.

27. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

EXHIBIT B

[ANY APPLICABLE APPENDIX TO BE ADDED]

QUALYS, INC.

2012 EQUITY INCENTIVE PLAN

STOCK OPTION AGREEMENT

Unless otherwise defined herein, the terms defined in the Qualys, Inc. 2012 Equity Incentive Plan (the "Plan") will have the same defined meanings in this Stock Option Agreement, including the Notice of Stock Option Grant (the "Notice of Grant"), the Terms and Conditions of Stock Option Grant, attached hereto as Exhibit A, and the Appendix, attached hereto as Exhibit B (all together, the "Agreement").

NOTICE OF STOCK OPTION GRANT

Participant: ______________________________

Address: ______________________________

____

Participant has been granted an Option to purchase Common Stock of Qualys, Inc. (the "Company"), subject to the terms and conditions of the Plan and this Agreement, as follows:

Grant Number	______________________________
Date of Grant	______________________________
Vesting Commencement Date	______________________________
Number of Shares Granted	______________________________
Exercise Price per Share	$ ______________________________
Total Exercise Price	$ ______________________________
Type of Option	____Incentive Stock Option
	[X] Nonstatutory Stock Option
Term/Expiration Date	______________________________

Vesting Schedule:

Subject to accelerated vesting as set forth below or in the Plan, this Option will be exercisable, in whole or in part, in accordance with the following schedule:

[Twenty-five percent (25%) of the Shares subject to the Option shall vest on the one (1) year anniversary of the Vesting Commencement Date, and one forty-eighth ($1/48^{th}$) of the Shares subject

to the Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date (and if there is no corresponding day, on the last day of the month), subject to Participant continuing to be a Service Provider through each such date.]

Termination Period:

This Option will 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 will 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 may be subject to earlier termination as provided in Section 13(c) of the Plan.

By Participant's signature and the signature of the Company's representative below, Participant and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Agreement, all of which are made a part of this document. 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 Plan and Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT	QUALYS, INC.
Signature	By
Print Name	Title

Address:

EXHIBIT A

TERMS AND CONDITIONS OF STOCK OPTION GRANT

1. Grant of Option. The Company hereby grants to the Participant named in the Notice of Grant (the "Participant") an option (the "Option") to purchase the number of Shares, as set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the "Exercise Price"), subject to all of the terms and conditions in this Agreement and 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 the terms and conditions of this Agreement, the terms and conditions of the Plan will prevail.

(a) For U.S. taxpayers, the Option will be designated as either an Incentive Stock Option ("ISO") or a Nonstatutory Stock Option ("NSO"). If designated in the Notice of Grant as an ISO, this Option is intended to qualify as an ISO under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the $100,000 rule of Code Section 422(d) it will be treated as an NSO. Further, if for any reason this Option (or portion thereof) will 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 will 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.

(b) For non-U.S. taxpayers, the Option will be designated as an NSO.

2. Vesting Schedule. Except as provided in Section 3, the Option awarded by this Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

3. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.

4. Exercise of Option.

(a) Right to Exercise. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice, in the form attached as Exhibit C (the "Exercise Notice") or in a manner and pursuant to such procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the

provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares together and of any Tax-Related Items (as defined in Section 6(a)). This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price.

5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of 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) if Participant is a U.S. employee, surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.

6. Tax Obligations.

(a) Withholding of Taxes. Notwithstanding any contrary provision of this Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items") which the Company determines must be withheld with respect to such Shares. If Participant is a non-U.S. employee, payment of Tax-Related Items may not be effectuated by surrender of other Shares with a Fair Market Value equal to the amount of any Tax-Related Items. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax-Related Items by reducing the number of Shares otherwise deliverable to Participant. If Participant fails to make satisfactory arrangements for the payment of any required Tax-Related Items hereunder at the time of the Option exercise, Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such amounts are not delivered at the time of exercise. Further, if Participant is subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges and agrees that the Company and/or Participant's employer (the "Employer"), or former employer, as applicable, may be required to withhold or account for tax in more than one jurisdiction.

(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 will 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." 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 charges 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 will be solely responsible for Participant's costs related to such a determination.

7. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

8. 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 WILL 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.

9. Nature of Grant. In accepting the Option, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) 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;

(c) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(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 for purposes of 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 with certainty;

(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 engagement as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (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 engagement agreement, if any), and unless otherwise expressly provided in this Agreement 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 Participant's engagement 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 terms of Participant's engagement agreement, if any; the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of his or her Option grant (including whether Participant may still be considered to be providing services while on a leave of absence);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(l) the following provisions apply only if Participant is providing services outside the United States:

(i) the Option and the Shares subject to the Option are not part of normal or expected compensation or salary for any purpose;

(ii) Participant acknowledges and agrees that none of the Company, the Employer, or any Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise; and

(iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the termination of Participant's engagement 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 engagement 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, any Parent, any Subsidiary or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company, any Subsidiary and the Employer 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 shall 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.

10. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11.* 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 Agreement and any other Option grant materials by and among, as applicable, the Employer, the Company and any Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that the Company and the Employer 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 of stock or directorships held in the Company, details of all Options or any other entitlement to stock 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 will be transferred to a stock plan service provider as may be selected by the Company in the future, which is 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 recipient's country (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 his or her local human resources representative. Participant authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing Participant's 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 that 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 in writing his or her local human resources representative. 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 engagement as a Service Provider and career with the Employer 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 his or her local human resources representative.

12. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at Qualys, Inc., 1600 Bridge Parkway, Redwood Shores, CA 94065, or at such other address as the Company may hereafter designate in writing.

13. 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.

14. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

15. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the purchase by, or issuance of Shares to, Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange. Assuming such compliance, for income tax purposes the Exercised Shares will be considered transferred to Participant on the date the Option is exercised with respect to such Exercised Shares.

16. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

17. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

18. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Options awarded under the Plan or future options that may be awarded under the Plan by electronic means or request Participant’s consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

20. Language. If Participant has received this Agreement, or any other document related to the Option and/or 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.

21. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

22. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

23. Governing Law and Venue. This Agreement will be governed by the laws of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Option or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of San Mateo County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Option is made and/or to be performed.

24. Appendix. Notwithstanding any provisions in this Agreement, the Option grant shall be subject to any special terms and conditions set forth in any appendix to this Agreement for Participant's country (the "Appendix"). Moreover, if Participant relocates to one of the countries included in the Appendix, 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 Appendix constitutes part of this Agreement.

25. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with the Option.

26. Waiver. Participant acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

EXHIBIT B

APPENDIX TO STOCK OPTION AGREEMENT

Terms and Conditions

This Appendix to Stock Option Agreement (the “Appendix”) includes additional terms and conditions that govern the Option granted to Participant under the Plan if Participant resides in one of the countries listed below at the time of grant. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Appendix may also include information regarding exchange controls and certain other issues of which Participant should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, and other laws in effect in the respective countries as of August 2012. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information in this Appendix as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time Participant exercises the Option or sells 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 a particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant’s country may apply to Participant’s situation.

Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working, transfers employment after the Option is granted, or is considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to Participant, and the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply.

BRAZIL

Terms and Conditions

Compliance with Law. By accepting this Option, Participant agrees to comply with applicable Brazilian laws and to report and pay any and all applicable Tax-Related Items associated with the exercise of the Option, the receipt of any dividends, and the sale of Shares acquired under the Plan.

Notifications

Exchange Control Information. If Participant is resident or domiciled in Brazil, Participant will be

required to submit annually a declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US$100,000. Assets and rights that must be reported include Shares.

CANADA

Terms and Conditions

Method of Payment. Due to regulatory considerations in Canada, Participant is prohibited from surrendering Shares that Participant already owns or attesting to the ownership of Shares to pay the Exercise Price or any Tax-Related Items in connection with the Option.

Termination of Continuous Service. The following provision supplements Section 9(j) of the Agreement and the Termination Period set forth in the Notice of Grant:

Participant’s active engagement as a Service Provider shall be considered terminated for vesting and other purposes as of the earlier of (a) the date that Participant receives notice of termination of Participant’s engagement as a Service Provider from the Company or the Employer; or (b) the date that Participant is no longer actively providing services to the Company or the Employer, regardless of any notice period or period of pay in lieu of such notice required under applicable employment law; the Administrator shall have the exclusive discretion to determine when Participant’s active provision of services is terminated for purposes of the Option (including whether Participant may still be considered actively employed while on a leave of absence).

The following provisions apply if Participant is a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de la convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Data Privacy. Participant hereby authorizes the Company and the Company’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 Subsidiary and the Plan administrators to disclose and discuss the Plan with their advisors and to record all relevant information and keep such information in Participant’s employee file.

CZECH REPUBLIC

Notifications

Exchange Control Information. The Czech National Bank may require Participant to fulfill certain notification duties in relation to the acquisition of Shares and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult with his or her personal legal advisor prior to the exercise of the Option and the sale of Shares acquired at exercise to ensure compliance with current regulations. It is Participant's responsibility to comply with any applicable Czech exchange control laws.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. Participant is solely responsible for obtaining the appropriate form from a German federal bank and complying with applicable reporting requirements.

HONG KONG

Terms and Conditions

Restriction on Sale of Shares. Should any portion of the Option vest within six months of the Date of Grant, Participant agrees that Participant will not dispose of the Shares acquired at exercise prior to the six-month anniversary of the Date of Grant.

Notifications

Securities Law Notice. *WARNING: The Options offered and any Shares acquired under the Plan do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company and any Subsidiary. The Plan, the Agreement, including this Appendix, and any other incidental communication materials distributed in connection with the Plan (i) have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, (ii) have not been reviewed by any regulatory authority in Hong Kong, and (iii) are intended only for the personal use of Employees of the Company and any Subsidiary and may not be distributed to any other person. If Participant has any questions about the contents of any materials distributed in connection with participation in the Plan, Participant is advised to obtain independent professional advice.*

INDIA

Notifications

Exchange Control Notification. If Participant remits funds outside of India to exercise the Option, it is Participant's responsibility to comply with any applicable exchange control regulations in India. In particular, Participant will be responsible for determining whether approval from the Reserve Bank of India is required prior to exercise or whether Participant has exhausted his or her investment limit for the relevant fiscal year. Participant further acknowledges that the purchase of Shares under the Agreement may be subject to, inter alia, the Foreign Exchange Management Act, 1999 and the rules and regulations thereunder. Further, Participant must repatriate the proceeds from the sale of Shares acquired upon exercise of the Option to India within 90 days after receipt. Participant must retain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is Participant's responsibility to comply with these requirements.

JAPAN

Notifications

Exchange Control Information. If Participant pays more than ¥30,000,000 for the purchase of Shares in any one transaction, Participant must file an ex post facto Payment Report with the Ministry of Finance (through the Bank of Japan or the bank carrying out the transaction). The precise reporting requirements vary depending on whether the relevant payment is made through a bank in Japan. If Participant intends to acquire Shares with a value in excess of ¥100,000,000 in a single transaction, Participant must also file an ex post facto Report Concerning Acquisition of Shares with the Ministry of Finance through the Bank of Japan within 20 days of acquiring the Shares. The forms to make these reports may be acquired at the Bank of Japan.

LITHUANIA

There are no country-specific provisions.

LUXEMBOURG

There are no country-specific provisions.

MEXICO

Terms and Conditions

No Entitlement or Claims for Compensation/Policy Statement. In accepting the Option, Participant expressly recognizes that the Company, with offices at 1600 Bridge Parkway, Redwood Shores, CA 94065, U.S.A., is solely responsible for the administration of the Plan and that

participation in the Plan and acquisition of Shares does not constitute an employment relationship between Participant and the Company since Participant is participating in the Plan on a wholly commercial basis and Participant's sole employer is Qualys Mexico ("Qualys-Mexico"), not the Company in the United States. Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that Participant may derive from participation in the Plan do not establish any rights between Participant and the Employer, Qualys-Mexico, and do not form part of the employment conditions and/or benefits provided by Qualys-Mexico and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understand that participation in the Plan is as a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue participation at any time without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Participant therefore grants a full and broad release to the Company and any Subsidiary, its shareholders, officers, agents or legal representatives with respect to any claim that may arise.

Aceptando este Opción de Compra de Acciones, el participante reconoce que la Compañía y sus oficinas registradas en 1600 Bridge Parkway Redwood Shores, CA 94065, U.S.A., es el único responsable de la administración del Plan y que la participación del participante en el mismo y la adquisicion de Acciones no constituye de ninguna manera una relación laboral entre el participante y la Compañía, toda vez que la participación del participante en el Plan deriva únicamente de una relación comercial con la Compañía, reconociendo expresamente que el único empleador del participante lo es Qualys Mexico ("Qualys-Mexico"), no es la Compañía en los Estados Unidos. Derivado de lo anterior, el participante expresamente reconoce que el Plan y los beneficios que pudieran derivar del mismo no establecen ningún derecho entre el participante y su empleador, Qualys-México, y no forman parte de las condiciones laborales y/o prestaciones otorgadas por Qualys-México, y expresamente el participante reconoce que cualquier modificación el Plan o la terminación del mismo de manera alguna podrá ser interpretada como una modificación de los condiciones de trabajo del participante.

Asimismo, el participante entiende que su participación en el Plan es resultado de la decisión unilateral y discrecional de la Compañía, por lo tanto, la Compañía. Se reserva el derecho absoluto para modificar y/o terminar la participación del participante en cualquier momento, sin ninguna responsabilidad para el participante.

Finalmente, el partícipant en este acto manifiesta que no se reserva ninguna acción o derecho para interponer una demanda o reclamación en contra de la Compañía por cualquier compensación o daño o perjuicio en relación con cualquier disposición del Plan o los beneficios derivados del Plan y, en consecuencia, otorga un amplio y total finiquito a la Compañía, sus Afiliadas, sucursales, oficinas de representación, accionistas, directores, funcionarios, agentes y representantes con respecto a cualquier demanda o reclamación que pudiera surgir.

NETHERLANDS

Notifications

Insider Trading Information. Participant should be aware of Dutch insider trading rules that may impact the sale of Shares acquired under the Plan. In particular, Participant may be prohibited from effecting certain transactions if he or she has insider information regarding the Company.

By accepting the grant of the Option and participating in the Plan, Participant acknowledges having read and understood this Insider Trading Information and further acknowledges that it is Participant's responsibility to comply with the following Dutch insider trading rules.

Under Article 5:56 of the Dutch Financial Supervision Act, anyone who has "insider information" related to an issuing company is prohibited from effectuating a transaction in securities in or from the Netherlands. "Inside information" is defined as knowledge of details concerning the issuing company to which the securities relate that is not public and which, if published, would reasonably be expected to affect the stock price, regardless of the development of the price. The insider could be any Participant in the Netherlands who has inside information as described herein.

Given the broad scope of the definition of inside information, certain Participants working in the Netherlands (including a Participant in the Plan) may have inside information and, thus, would be prohibited from effectuating a transaction in securities in the Netherlands at a time when in possession of such inside information. If Participant is uncertain whether the insider trading rules apply to Participant, he or she should consult with a legal advisor.

SINGAPORE

Notifications

Securities Law Information. The grant of the Option under the Plan is being made pursuant to the "Qualifying Person" exemption" under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"). The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant should note that the Option is subject to section 257 of the SFA and that Participant will not be able to make (i) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the Option in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification Obligation. If Participant is a director, associate director or shadow director of a Subsidiary in Singapore, he or she subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean corporation in writing when Participant receives an interest (*e.g*., an Option, Shares) in the Company or any related companies. In addition, Participant must notify the Singapore employer when Participant sells Shares or shares of any related company (including when Participant sell Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in the Company or any related company. In addition, a notification must be

made of Participant’s interests in the Company or any related company within two business days of becoming a director.

Insider Trading Information. Participant should be aware of the Singapore insider trading rules, which may impact the acquisition or disposal of Shares or Options under the Plan. Under the Singapore insider trading rules, a Participant is prohibited from selling Shares when he or she is in possession of information which is not generally available and which a Participant knows or should knows will have a material effect on the price of Shares once such information is generally available.

UNITED ARAB EMIRATES

Notifications

Securities Law Information. The Plan, the Agreement, including this Appendix, and any other incidental communication materials are intended for distribution only to Participants for the purpose of an employee incentive scheme. Participant should conduct his or her own due diligence on the Option offered pursuant to the Agreement. If Participant does not understand the contents of the Plan and/or the Agreement, Participant should consult an authorized financial adviser. The Emirates Securities and Commodities Authority and the Dubai Financial Services Authority have no responsibility for reviewing or verifying any documents in connection with the Plan. Further, the Ministry of the Economy and the Dubai Department of Economic Development have not approved the Plan or the Agreement nor taken steps to verify the information set out therein, and have no responsibility for such documents.

UNITED KINGDOM

Terms and Conditions

Joint Election for Transfer of Liability for Employer National Insurance Contributions. As a condition of participation in the Plan and the exercise of the Option, Participant agrees to accept any liability for secondary Class 1 National Insurance contributions that may be payable by the Company, the Employer or any Subsidiary in connection with the Option and any event giving rise to Tax-Related Items (the “Employer NICs”). Without prejudice to the foregoing, Participant agrees to execute a joint election with the Company, the form of such joint election (the “Joint Election”) having been approved formally by Her Majesty’s Revenue and Customs (“HMRC”), and any other required consent or election prior to exercise of the Option. Participant further agrees to execute such other joint elections as may be required between Participant and any successor to the Company, the Employer or any Subsidiary. Participant further agrees that the Company, the Employer or any Subsidiary may collect the Employer NICs from Participant by any of the means set forth in Section 6(a) of the Agreement.

If Participant does not enter into a Joint Election prior to the exercise of the Option, he or she will not be entitled to exercise the Option unless and until he or she enters into a Joint Election, and no Shares will be issued to Participant under the Plan, without any liability to the Company, the Employer or any Subsidiary.

Withholding of Taxes. This provision supplements Section 6(a) of the Agreement:

If payment or withholding of the income tax due is not made within 90 days of the event giving rise to the liability or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), the amount of any uncollected tax will constitute a loan owed by Participant to the Employer, effective on the Due Date. Participant agrees that the loan will bear interest at the then-current HMRC Official Rate, it will be immediately due and repayable, and the Company or the Employer may recover it at any time thereafter by any of the means referred to in Section 6(a) of the Agreement. Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), Participant will not be eligible for such a loan to cover the tax liability. In the event that Participant is a director or executive officer and the income tax due is not collected from or paid by Participant by the Due Date, the amount of any uncollected income tax will constitute a benefit to Participant on which additional income tax and national insurance contributions will be payable. Participant will be responsible for reporting and paying any income tax and national insurance contributions due on this additional benefit directly to HMRC under the self-assessment regime.

EXHIBIT C

QUALYS, INC.

2012 EQUITY INCENTIVE PLAN

EXERCISE NOTICE

Qualys, Inc.
1600 Bridge Parkway
Redwood Shores, CA 94065

Attention: Stock Administration

1. Exercise of Option. Effective as of today, , , the undersigned ("Purchaser") hereby elects to purchase shares (the "Shares") of the Common Stock of Qualys, Inc. (the "Company") under and pursuant to the 2012 Equity Incentive Plan (the "Plan") and the Stock Option Agreement, dated and including the Notice of Grant, the Terms and Conditions of Stock Option Grant and the Appendix (all together, the "Agreement"). The purchase price for the Shares will be $, as required by the Agreement.

2. Delivery of Payment. Purchaser herewith delivers to the Company the full purchase price of the Shares and any Tax-Related Items (as defined in Section 6(a) of the Agreement) to be paid in connection with the exercise of the Option.

3. Representations of Purchaser. Purchaser acknowledges that Purchaser has received, read and understood the Plan and the Agreement and agrees to abide by and be bound by their terms and conditions.

4. Rights as Stockholder. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the Shares, no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to the Option, notwithstanding the exercise of the Option. The Shares so acquired will be issued to Purchaser as soon as practicable after exercise of the Option. No adjustment will 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. Tax Consultation. Purchaser understands that Purchaser may suffer adverse tax consequences as a result of Purchaser's purchase or disposition of the Shares. Purchaser represents that Purchaser has consulted with any tax consultants Purchaser deems advisable in connection with the purchase or disposition of the Shares and that Purchaser is not relying on the Company for any tax advice.

6. Entire Agreement; Governing Law. 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 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.

Submitted by:	Accepted by:
PURCHASER	QUALYS, INC.
______________________	______________________
Signature	By
______________________	______________________
Print Name	Its
Address:	
______________________	
______________________	
	______________________
	Date Received

February 7, 2006

Donald McCauley
[Address]

Dear Don:

On behalf of Qualys, Inc., I am pleased to offer you the position of Chief Financial Officer reporting to Philippe Courtot, Chairman and CEO. Your location of work will be Redwood City, CA. The details of your offer are outlined below.

Salary: $250,000* (***Annual Salary***) less payroll deductions and all required withholding.

* *To be paid semi*-monthly

Should you be terminated without cause, you will be entitled to severance equal to 6 months of base salary at your final rate of pay and 6 months COBRA coverage, provided you sign Qualys General Release of Claims.

Bonus: You will be eligible to participate in a bonus program earning up to 20% of your annual salary, depending on company performance.

Benefits: You will be eligible for the following standard Company benefits as of the first of the month following date of hire Medical and Dental Insurance, 401k plan, Flexible Spending, 4 weeks Vacation, Sick Leave, Company Assigned Holidays and other benefits described in the Summary Plan Descriptions, available for your review QUALYS may modify compensation and benefits from time to time as it deems necessary

Stocks: We will recommend to the Board of Directors that you be granted a stock option to purchase a number of shares equal to 1.125% of the fully diluted shares of Common Stock under Qualys' 2000 Equity Incentive Plan. Your options will be subject to adjustment to reflect stock splits and reverse stock splits and will be subject to a four-year vesting schedule, with vesting to commence as of your start date as an employee under this agreement. Under the vesting schedule, your shares under your initial option would vest at the rate of 2.0833% for each full month of continuous employment completed for the duration of 4 years. However, if Qualys sells all or substantially all of its assets or its stock, 100% of the then unvested stock options shall be vested. Also, if your employment is terminated without cause, 50% of the then unvested stock options shall be vested.

Qualys, Inc.
1600 Bridge Parkway, Redwood Shores, CA 94065
T 650 801 6100 F 650 801 6101 www.qualys.com

As a QUALYS employee, you will be expected to abide by Company rules and regulations, and sign and comply with the attached Proprietary Information and Inventions Agreement, which prohibit unauthorized use or disclosure of QUALYS' proprietary information.

Your employment relationship with QUALYS is at-will. You may terminate your employment with QUALYS at any time and for any reason whatsoever simply by notifying QUALYS. Likewise, QUALYS may terminate your employment at any time and for any reason whatsoever with or without cause or advance notice. This at-will employment relationship cannot be changed except in a writing signed by a Company officer.

This letter, together with your Employee Proprietary Information and Inventions Agreement and the option agreement between you and Qualys (relating to your option grant described above), forms the complete and exclusive statement of your employment agreement with QUALYS. The employment terms in this letter supersede any other agreements or promises made to you by anyone, whether oral or written. It is also contingent upon providing evidence of your legal right to work in the United States as required by the Immigration and Naturalization Service

We look forward to your acceptance of employment with QUALYS under the terms described above. To accept this offer, please sign and date this letter. Please return the original offer letter along with the Employee Proprietary Information and Inventions Agreement in the enclosed envelope and keep a copy of the offer letter for your records. This offer will expire on February 10th, 2006

Don, we are excited about you joining our team. If you have any questions, please feel free to call me at (650)801-6151.

Sincerely,

/s/ Rima Touma-Bruno
Rima Touma-Bruno
Director, Human Resources

Offer Accepted By:	**Date Accepted:**	**Start Date:**
/s/ Donald McCauley	2/7/2006	2/28/2006
Donald McCauley		February 28, 2006

QUALYS, INC.

AMENDMENT TO OFFER LETTER

This amendment (the “Amendment”) is made by and between Donald McCauley (“Executive”) and Qualys, Inc., a Delaware corporation (the “Company” and together with the Executive hereinafter collectively referred to as the “Parties”) on September __, 2012.

WHEREAS, the Parties previously entered into an offer letter agreement dated February 7, 2006 (the “Agreement”);

WHEREAS, the Parties intend and expect that severance payments under the Agreement are exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and the final regulations and guidance thereunder (“Section 409A”) under the separation pay plan exception set forth in Treasury Regulation Section 1.409A-1(b)(9)(iii) and/or the short-term deferral rule set forth in Treasury Regulation Section 1.409A-1(b)(4), as applicable; and

WHEREAS, in an abundance of caution, the Parties intend to clarify certain payment terms with respect to the timing of the release of claims so that, to the extent the severance payments become subject to Section 409A, the severance payments and benefits under the Agreement will comply with the requirements of Section 409A.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, Executive and the Company agree that the Agreement is hereby amended as follows:

1. Severance. The second paragraph of the section of the Agreement under the heading of “***Salary:***” is hereby amended and replaced as follows:

“Should you be terminated without cause, you will be entitled to a lump-sum cash severance payment equal to 6 months of base salary at your final rate of pay and you will also be entitled to 6 months of Company-paid COBRA coverage (if you timely elect COBRA coverage), in each case, provided that you sign the Qualys General Release of Claims (the “Release”) and that the Release becomes effective and irrevocable no later than sixty (60) days following your separation date (such deadline, the “Release Deadline”). If the Release does not become effective and irrevocable by the Release Deadline, you will forfeit any rights to severance or benefits under this letter. In no event will severance payments or benefits be paid or provided until the Release becomes effective and irrevocable.

Any severance payments or benefits that are Deferred Payments (as defined below) under this letter and, to the extent necessary to avoid imposition of additional tax or income recognition prior to actual payment under Section 409A of the Internal Revenue Code of 1986, as amended and the final regulations and official guidance thereunder (“Section 409A”), any other severance payments or benefits under this letter, will be paid on, or, in the case of installments, will not commence until, the sixtieth (60th) day following your separation from service, or, if later, such time as required by the section of this letter with the heading “Section 409A.” Any installment payments that would have been made to you during the sixty (60) day period immediately following your separation from service but for the preceding sentence will be paid to you on the sixtieth (60th) day following your separation from service and the remaining payments shall be made as provided in this letter.”

2. Section 409A. A new section is hereby added to the Agreement under the heading of Section 409A to read in its entirety as follows:

“Section 409A: Any severance payments or benefits payable pursuant to this letter and any other severance payments or separation benefits, that in each case, when considered together are considered deferred compensation (together, the “Deferred Payments”) under Section 409A, will not become payable unless you incur a “separation from service” within the meaning of Section 409A. Similarly, no severance payments or benefits pursuant to this letter or other severance payments or benefits, in each case, that would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until you incur a “separation from service” within the meaning of Section 409A.

To the extent it is necessary to avoid subjecting you to an additional tax under Section 409A, payment of all or a portion of Deferred Payments will be delayed until the date that is six (6) months and one (1) day following your separation from service; provided, however, that in the event of your death following your separation from service but before the six (6) month anniversary of your separation from service, then any payments delayed in accordance with this sentence will be payable in a lump sum as soon as administratively practicable after the date of your death, and any other payments or benefits due will be payable in accordance with the payment schedule applicable to them.

Each payment and benefit payment under this letter is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). The Company intends that all severance payments and benefits made under this letter are exempt from, or comply with, the requirements of Section 409A so that none of the payments or benefits will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms will be interpreted to so be exempt or comply. You and the Company agree to work together in good faith to consider amendments to this letter and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to you under Section 409A. In no event will the Company reimburse you for any taxes that may be imposed on you as a result of Section 409A.”

3. Full Force and Effect. To the extent not expressly amended hereby, the Agreement shall remain in full force and effect.

4. Entire Agreement. This Amendment and the Agreement constitute the full and entire understanding and agreement between the Parties with regard to the subjects hereof and thereof. This Amendment may be amended at any time only by mutual written agreement of the Parties.

5. Counterparts. This Amendment may be executed in counterparts, all of which together shall constitute one instrument, and each of which may be executed by less than all of the parties to this Amendment.

6. Governing Law. This Amendment will be governed by the laws of the State of California (with the exception of its conflict of laws provisions).

IN WITNESS WHEREOF, each of the Parties has executed this Amendment, in the case of the Company by its duly authorized officer, as of the date set forth above.

QUALYS, INC.

Dated: September 10, 2012

By /s/ Rima Touma-Bruno

Rima Touma-Bruno
Director, Human Resources

EXECUTIVE

Dated: September 10, 2012

/s/ Donald McCauley

Donald McCauley

Company Name: Qualys Inc
MSA: MSA1081873

SAVVIS MASTER SERVICES AGREEMENT

THIS MASTER SERVICES AGREEMENT ("MSA") is by and between Savvis Communications Corporation and its affiliates ("Savvis") and Qualys Inc ("Customer") and is entered into as of this 22nd day of June, 2010 ("Effective Date"). This MSA shall supersede and replace the SAVVIS Comm., Corp. (f.k.a .Digital Island, Inc.) and Qualys, Inc., effective March 24, 2000 (the "Original Agreement").

1. Services. Savvis will provide the Services in accordance with the Agreement. The "Agreement" means this MSA plus all applicable Service Schedules, Savvis Service Guides attached hereto as Exhibit A, Service Orders signed by both parties, service level agreements ("SLAs") and any other documents that are expressly incorporated herein (collectively "Service Attachments"). Savvis may reject any Service Order and will not be bound by such Service Order until accepted by Savvis. Customer issued purchase orders will not modify the terms of the Agreement. Any requests for ancillary services not described in the applicable Service Attachments may be provided on an individual case basis as agreed to in writing by the parties.

2. Term. The term of the Agreement will commence on the Effective Date and continue until the expiration of the last Service term, unless earlier terminated in accordance with the Agreement ("Term").

3. Payment

3.1. When Due/BCD. All undisputed payments are due in full within 30 days after the date of the invoice ("Due Date"). In addition to the Service charges, Customer shall also pay all applicable Taxes and any third party charges pre-approved in writing by Customer (e.g., installation, local access, utilities). Any amount not received by the Due Date will be past due and subject to interest at the lesser of 1/2% per month or the highest rate permitted by applicable law and attorneys' fees and costs incurred by Savvis in collecting such amounts. Billing for each Service shall commence on the "Billing Commencement Date", as defined in the applicable Service Schedule. Except as otherwise set forth in the applicable Service Order, (a) monthly recurring charges ("MRCs") will be billed monthly in advance, (b) varying or usage-based charges will be billed monthly in arrears and (c) installation or other non-recurring charges will be billed upon the Billing Commencement Date. If Savvis is unable to deliver the Services on time solely due to the delay of Customer or its End Users or agents, Savvis may commence billing as of the date the Services would have been ready for delivery but for such delay. Savvis may, upon 30 days prior notice, require a deposit if Customer has failed to pay its invoices by the Due Date 3 times in any 12 month period or if there has been a material, adverse change in its financial condition.

Savvis has the ability to increase charges: (i) as set forth in a Service Schedule; and (ii) during any automatic renewal term.

3.2. Dispute. To dispute a charge on an invoice, Customer must identify the specific charge in dispute and provide a written explanation of the basis of the dispute within 30 days post the Due Date. The parties will work in good faith to resolve the dispute with appropriate escalations to senior management as appropriate. If Savvis determines in good faith that a disputed charge is in error, Savvis shall issue a credit or reverse the amount incorrectly billed. If it is determined that a disputed charge was billed correctly, Customer's payment shall be due no later than 10 days after the determination.

4. Termination. Either party may terminate this Agreement or the affected Services (i) upon 30 days prior written notice in the event of a material, uncured breach of the Agreement (unless a different notice period expressly set forth in the Agreement applies) or in the event that a Force Majeure Event continues for at least 30 consecutive days; or (ii) in accordance with any other express term contained in the Agreement. Savvis may suspend Service or terminate the affected Service: (a) upon 15 days notice in the event or any uncured undisputed payment default; (b) upon notice in the event Customer violates Section 9. If Customer terminates an ordered Service prior to its delivery, except for cause as set forth above or pursuant to an express termination right granted under this Agreement, Customer will pay a cancellation fee equal to one month's projected MRC, plus reasonable out-of-pocket costs incurred by or imposed upon Savvis (e.g., ordered equipment, licenses, carrier termination charges). If, after the delivery of Service but prior to the conclusion of the applicable Service term, the Service or this Agreement is terminated either by Savvis for cause or by Customer for any reason other than cause, then Customer shall be liable for: (a) an early termination charge equal to 50% of the MRCs for the affected Services multiplied by the number of months remaining in the Service term; (b) Service charges accrued but unpaid as of the termination date; and (c) any third party provider charges or reasonable out-of-pocket expenses incurred by Savvis (e.g., cancellation

charges or annual software license fees). The parties agree that any cancellation fees and early termination charges set forth in the Agreement constitute liquidated damages and are not intended as a penalty. If a particular Service is terminated for which another service is dependent, all such services shall be deemed to be terminated.

5. Disclaimer of Warranties. THE FOLLOWING DISCLAIMERS SHALL NOT LIMIT CUSTOMER'S ABILITY TO SEEK ANY APPLICABLE SLA REMEDIES OR SEEK OTHER AVAILABLE REMEDIES. THE SERVICES AND ANY RELATED EQUIPMENT, SOFTWARE AND OTHER MATERIALS PROVIDED BY SAVVIS IN CONNECTION WITH THE SERVICES ARE PROVIDED WITHOUT ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF TITLE, NONINFRINGEMENT, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS OR ANY RESULTS TO BE ACHIEVED HEREFROM. SAVVIS MAKES NO WARRANTIES OR REPRESENTATIONS CONCERNING THE COMPATIBILITY OF SOFTWARE OR EQUIPMENT OR ANY RESULTS TO BE ACHIEVED THEREFROM OR THAT ANY SERVICE WILL BE FREE FROM LOSS OR LIABILITY ARISING OUT OF ANY THIRD PARTY TECHNOLOGY, HACKING OR SIMILAR ACTIVITY, OR ANY ACT OR OMISSION OF THE CUSTOMER, INCLUDING FAILURE TO ENCRYPT.

6. Limitation on Liability.

6.1. Waiver Consequential Damages. NEITHER PARTY, NOR ITS AFFILIATES, CONTRACTORS, SUPPLIERS OR AGENTS, SHALL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, RELIANCE, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, ANY LOST OR IMPUTED PROFITS OR REVENUES, LOST DATA, DAMAGES TO SOFTWARE OR FIRMWARE, OR COST OF PROCURING OR TRANSITIONING TO SUBSTITUTE SERVICES, REGARDLESS OF THE LEGAL THEORY UNDER WHICH SUCH LIABILITY IS ASSERTED, AND REGARDLESS OF WHETHER A PARTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH LIABILITY.

6.2. General LOL. THE TOTAL AGGREGATE LIABILITY OF EACH PARTY ARISING FROM OR RELATED TO THIS AGREEMENT SHALL BE LIMITED TO TWELVE (12) TIMES THE MONTHLY RECURRING CHARGE PAID OR PAYABLE IN THE MONTH IMMEDIATELY PRECEDING THE DATE IN WHICH THE CLAIM ARISES.

6.3. Subcap for Customer Data. NOTWITHSTANDING THE ABOVE, WITH REGARD TO A SAVVIS BREACH OF ITS CUSTOMER DATA OBLIGATIONS UNDER SECTION 18, THE TOTAL AGGREGATE LIABILITY OF SAWIS TO CUSTOMER SHALL BE LIMITED TO THIRTY-SIX (36) TIMES THE MONTHLY RECURRING CHARGES PAID OR PAYABLE IN THE MONTH IMMEDIATELY PRECEDING THE DATE IN WHICH THE CLAIM ARISES; PROVIDED, HOWEVER, SAVVIS SHALL HAVE NO LIABILITY TO CUSTOMER FOR A BREACH OF SAVVIS' CUSTOMER DATA OBLIGATIONS UNDER THIS AGREEMENT IF CUSTOMER HAS FAILED TO ENCRYPT THE CUSTOMER DATA THAT WAS BREACHED.

7. Indemnification. Each party agrees to defend, indemnify and hold the other harmless from third party claims, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys' fees arising from breach of an express obligation under this Agreement. This indemnity shall be subject to the limitation of liability in paragraph 6 of this Agreement except for the following: (i) breach of the AUP in Section 9; (ii) breach of confidentiality (iii) gross negligence or willful misconduct; or (iv) any claims for personal (bodily) injury or damage to real or tangible property.

8. Confidentiality. Neither party shall, without the prior written consent of the other party, use or disclose the Confidential Information of the other party during the Term of this Agreement and for 2 years following the expiration or termination hereof. Each party will take all reasonable precautions to protect the other party's Confidential Information, using at least the same standard of care as it uses to maintain the confidentiality of its own Confidential Information. Notwithstanding the foregoing, a party may disclose Confidential Information: (i) to any consultants, contractors, and counsel who have a need to know in connection with this Agreement and have executed a reasonably protective non-disclosure agreement with the disclosing party, or (ii) pursuant to legal process; provided that, the disclosing party shall, unless legally prohibited, provide the non-disclosing party with reasonable prior written notice sufficient to permit it an opportunity to contest such disclosure.

9. Use of Service. Customer will not use the Services or any Savvis infrastructure to transmit, distribute or store material: (i) that violates any law or regulation (ii) that materially interferes with or adversely affects the Services, infrastructure, or any third parties, (iii) that is tortious or violates any third party right ("AUP"). Savvis represents that its Services used in accordance with this Agreement do not infringe the intellectual property rights of any third party. Notwithstanding (i) above, Savvis acknowledges and agrees that Customer operates a network security service via a Software as a Service platform on behalf of its self and end user customers and resells that,

among other things, and conducts port scans and other potentially intrusive activities.

10. Publicity. Neither party shall use, publicize, or issue any press release which includes the name, trademarks, or other proprietary identifying symbol of the other party or its affiliates, without the prior written consent of such other party.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its principles for resolving conflicts of law. In the event of litigation, each party expressly waives its right to have its claims or defenses heard by a jury.

12. Force Majeure. Neither party will be liable for any failure or delay in its performance under the Agreement (other than a failure to comply with payment obligations) due to an event beyond a party's reasonable control ("Force Majeure Event"). If a Force Majeure Event prevents the provision of Service for a period of 30 days, either party may terminate the affected Service by providing 30 days written notice to the other party.

13. Notices. All notices required to be given hereunder shall be in writing and deemed given if sent to the addressee specified below either (a) by registered or certified U.S. mail, return receipt requested, postage prepaid, three days after such mailing; or (b) by national overnight courier service, the next business day. Customer's Service disconnect, termination or non-renewal notices must include an additional copy to Attn: Client Solutions, 2355 Dulles Corner Blvd., Ste. 300, Herndon, VA 20171. Other routine operational notices (e.g., notice reminder of non-payment) may be sent via facsimile or email and will be deemed given on the day such notice is delivered.

To Savvis:

Savvis Communications Corporation
1 Savvis Parkway
St Louis, Missouri
United States
63017
Attn: General Counsel

To Qualys Inc:

Qualys Inc
1600 Bridge Pkwy FL 2
Redwood City, California
United States
94065-6126

14. Insurance. Each party shall carry and maintain during the Term, at its own cost and expense, insurance as follows (and provide the other with proof upon request): for Customer, commercial general liability $1 million per occurrence and $2 million aggregate; and for Savvis, $10 million per occurrence and aggregate for commercial general liability and errors and omissions.

15. Maintenance. Customer acknowledges that the Services may be subject to maintenance or repair and agrees to cooperate in a timely manner and provide reasonable access and assistance as necessary to allow such maintenance or repair.

16. Waiver. Except as otherwise expressly set forth in the Agreement, neither party's failure to insist upon strict performance of any provision of the Agreement shall be construed as a waiver of any of its rights hereunder. Neither the course of conduct between parties nor trade practice shall act to modify any provision of the Agreement.

17. Data Security. Savvis shall adopt and implement a formal corporate information security policy and/or program, that includes annual employee security awareness training, and reasonable information security policies and/or procedures that are designed to protect customer data from loss, misuse and unauthorized access or disclosure and comply with any applicable law; provided, however, that notwithstanding the foregoing, Savvis shall have no responsibility whatsoever for hacking or similar malicious activity by any third party. The Savvis Information Security Policy is subject to reasonable changes by Savvis from time to time. In addition, as of the Effective Date, Savvis has completed a SAS70 Type II audit in certain data centers and will continue to conduct such audits under SAS70 Type II or a similar standard. Subject to Customer's execution of a standard Savvis SAS70 Non-Disclosure Agreement, Customer will be entitled to receive a copy of the then-available SAS70 report and make such SAS70 report available to its customers and resellers provided such customers of Customer and resellers have also executed a standard Savvis SAS70 Non-Disclosure Agreement or other documents Savvis deems appropriate in its reasonable judgment. Savvis failure to maintain a SAS70 Type II report will constitute material breach of this Agreement and Customer may terminate immediately without penalty.

18. Customer Data.

18.1. Access. Savvis shall allow access to Customer Data exclusively to those employees, representatives, agents of Savvis who have a need to see and use it pursuant to this Agreement, provided that such person is informed of the confidential nature of the Customer Data and of the obligations of Savvis in respect thereof and agrees to be bound by privacy

and security obligations that are no less stringent than those contained in this Agreement.

18.2. Use of Customer Data. Except in accordance with this Section, Savvis may use Customer Data solely to the extent necessary to carry out Savvis' express obligations under this Agreement and for no other purpose.

18.3. Procedures for Security Breaches. In the event Savvis knows or reasonably believes that there has been unauthorized access (or attempted unauthorized access) to Customer Data in the possession or control of Savvis that compromises or threatens to compromise the security, confidentiality or integrity of such Customer Data, Savvis shall use all commercially reasonable efforts to take the following actions:

(i) immediately notify Customer of such unauthorized access or attempted unauthorized access; and

(ii) identify to Customer what specific Customer Data may have been accessed; and

(iii) take reasonable steps to remedy the circumstances that permitted any such unauthorized access to occur; and

(iv) take reasonable steps to prohibit further disclosure of Customer Data; and

(v) cooperate with Customer as reasonably necessary to facilitate compliance with any applicable law regarding unauthorized access of Customer Data; and

(vi) at Savvis' sole expense, conduct an investigation (the scope of which will be reasonably determined by Savvis) specifically limited to Savvis' infrastructure and equipment; provided, however, that Savvis' obligation to investigate under this sub-section shall no longer apply if Savvis reasonably determines through such investigation that the compromising of the Customer Data did not occur due to Savvis' infrastructure, equipment or Personnel.

18.4. Specific Right to Injunctive Relief. The parties agree that any breach or threatened breach of this Section of the Agreement by Savvis may cause not only financial harm, but irreparable harm to Customer and that money damages may not provide an adequate remedy for such harm. In the event of a breach or threatened breach of this Section of the Agreement by Savvis, Customer shall, in addition to any other rights and remedies it may have, be entitled to obtain equitable relief, including an injunction, without the necessity of posting any bond or surety.

18.5. Definition of "Customer Data." For purposes of this Agreement, "Customer Data" means all data (including financial data, customer transaction detail and End User Data), records, files, input materials, reports, forms and other such items that may or may not be encrypted by Customer and may be received, stored, or transmitted by Savvis for or on behalf of Customer in connection with the Services. Customer Data is and at all times shall remain the exclusive property of Customer or its affiliates, as applicable. For avoidance of doubt, in the event that Confidential Information (as defined in this Agreement) is also Customer Data, or is otherwise received, stored or transmitted by Savvis in connection with the delivery of the Services, the terms and condition of the treatment of Customer Data in this Section shall govern and control the responsibilities of the parties.

19. Miscellaneous. All provisions in the Agreement which by their nature are intended to survive expiration or termination shall so survive. If any term of the Agreement is held unenforceable, the unenforceable term shall be construed as nearly as possible to reflect the original intent of the parties and the remaining terms shall remain in effect. The Agreement is intended solely for Savvis and Customer and does not provide any third party (including End Users) with any right or benefit. Neither party may assign this Agreement or any portion hereof without the other party's prior written consent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, either party may assign this Agreement or a portion thereof: (i) in the event of a merger in which the party is not the surviving entity; (ii) in the event of a sale of all or substantially all of its assets; or (iii) to any party that controls, is controlled by or is in common control with such party. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns. In the event of conflict among terms, the order of priority shall be as follows: the Service Schedule, then this MSA, then the SSG attached hereto as Exhibit A, and then the Service Order with the latest date. Except as otherwise set forth herein, all amendments to the Agreement shall be in writing and signed by the parties' authorized representatives. This MSA together with all applicable Service Attachments constitutes the entire agreement of the parties with respect to the Services and supersedes any other prior or contemporaneous agreement or understandings, whether oral or written, related to the subject matter hereof. All handwritten or typed modifications to the Agreement which are not mutually agreed to in writing are null and hereby rejected.

20. Definitions.

"Confidential Information" means any non-public information of the parties hereto relating to its business activities, financial affairs, technology, marketing, or sales plans that is disclosed to, and received by, the other party pursuant to the Agreement. Confidential Information includes, but is not limited to, the terms and pricing of the Agreement. Confidential Information shall not include information which: (i) is or becomes public knowledge through no breach of the Agreement by the receiving party, (ii) is received by recipient from a third party not under a duty of confidence, or (iii) is already known or is independently developed by the receiving party without use of the Confidential Information.

"End Users" means Customer's members, end-users, customers or any other third parties who utilize or access the Services or the Savvis network via the Services provided hereunder.

"End User Data" means the information and data of End Users collected or stored through their use of Company's services through Savvis' Service, equipment and/or premise.

"Savvis Service Guide" (or "SSG") means the product-specific Service guide that includes technical details and additional terms, if any, which can be found at http://www.savvis.net/legalguides, which Savvis may modify from time to time, effective upon posting on the website.

"Service" means the service provided by Savvis and/or its licensors and contractors as set forth on the Service Order.

"Service Order" means a service order request submitted on a form issued by Savvis and signed by Customer that includes the type and details of the specific Services ordered by Customer.

"Service Schedule" means those service descriptions providing the terms pursuant to which Savvis shall provide and Customer shall purchase the Services described therein.

"SLA Attachment" means the attachment that sets forth the SLA applicable to each individual Service, if any, which provides Customer's sole and exclusive remedies for any Service quality or performance deficiencies or failures of any kind (e.g., uptime, latency), but such sole and exclusive remedies shall not apply to breaches of unrelated obligations under the Agreement such as infringement, confidentiality, etc. Savvis may modify SLAs during a renewal term upon 60 days notice.

"Taxes" means any applicable foreign, federal, state, or local taxes and charges assessed or incurred in connection with the Service, including without limitation, all governmental excise, use, sales, value-added, environmental assessments or charges, and occupational taxes and other fees, or other similar surcharges and levies, but excluding any taxes based on Savvis' net income.

The parties have read and agree to the terms of this MSA and any applicable Service Attachments, all of which are made a part of the Agreement.

Savvis Communications Corporation		**Qualys Inc**	
	/s/ James Mori		/s/ Don McCauley
Name:	JAMES MORI	Name:	Don McCauley
Title:	EVP, General Manager of the Americas	Title:	CFO
Date:	7/7/10	Date:	6/22/10

Exhibits

Savvis Service Guide applicable to the Services as of the effective date of this Agreement.

A. Savvis Colocation Services Guide

B. HAN Internet

Note: Any other Savvis Services that Customer purchases in the future, the applicable SSGs, are expressly incorporated herein (collectively "Service Attachments").

Exhibit 10.15

master agreement

for the provision of telecommunications and related ancillary services

master agreement nº xxx/xxx/xxx

AGREEMENT BETWEEN:

1. INTEROUTE COMMUNICATIONS LIMITED, a company incorporated under the laws of England and Wales (with registered number 04472687) and having its principal place of business at Walbrook Building, 195 Marsh Wall, London E14 9SG, together with any Associated Company authorised to provide Products and/or Services to the Customer ("Interoute"); and
2. QUALYS, INC., a company incorporated under the laws of Delaware, USA (with Tax ID number 77-0534145) and having its registered office or principal place of business at 1600 Bridge Parkway, Redwood Shores, CA 94065 ("Customer").

IT IS AGREED THAT:

1. Interoute will provide the Customer with telecommunications or related ancillary services ("Services") as described in this agreement on the terms set out in this agreement and the following schedules ("Master Agreement").

Schedule 1	Interoute Standard Terms and Conditions
Schedule 2	Additional Terms

2. Following signature of this Master Agreement the Customer may order, and Interoute may accept orders, for additional services. The Additional Terms associated with such additional services shall automatically be deemed incorporated into this Master Agreement at Schedule 2.

3. This Master Agreement will commence on the date it is signed by both Parties and shall continue until the expiry of three (3) years, or the expiry of all Purchase Orders and Change Orders entered into under this Agreement, whichever is the later.

4. Save as agreed otherwise, in the event of conflict between the terms and provisions of any of the documents, the terms and conditions of the Purchase Order Form or associated Change Order Form (if applicable) shall prevail, followed by the applicable Additional Terms and then the Interoute Standard Terms and Conditions.

EXECUTION

Signed by a duly authorised representative of: **INTEROUTE**	Signed by a duly authorised represenative of: **CUSTOMER: QUALYS, INC.**
SIGNATURE:	/s/ Wolfgang Kandek SIGNATURE:
(Authorised signatory) PRINT NAME:	Wolfgang Kandek (Authorised signatory) PRINT NAME:
TITLE:	VP, Operations and Engineering TITLE:
DATE:	March 31, 2008 DATE:

schedule 1

interoute standard terms and conditions
version 3.0 180706

1. DEFINITIONS

“Acceptable Use Policy” means the policy which is available on the Interoute website at www.interoute.com as amended from time to time;

“Additional Terms” means the terms applicable to each Service, as contained in Schedule 2 or incorporated by reference from time to time;

“Agreement” means the Master Agreement, which includes these standard terms & conditions, Additional Terms, Purchase Orders and Change Orders;

“Associated Company” in relation to a Party means any subsidiary or holding company or any subsidiary of any such holding company. The terms “holding company” and “subsidiary” shall have the meanings given to such terms in section 736 of the Companies Act 1985 (as amended by the Companies Act 1989) or any statutory modification or re-enactment thereof;

“Change Order” means a variation to an existing Purchase Order which has been signed and accepted by Interoute and the Customer;

“Charges” means the charges, fees, costs and expenses payable under this Agreement including recurring and non-recurring charges as set out on the Purchase Order and which are subject to an annual review;

“Customer” means the person, firm, company or corporation or other entity identified in the Master Agreement;

“Customer Committed Date” means the date assigned by Interoute for the delivery of the Service. Interoute shall communicate this date to the Customer after a signed Order Form has been accepted by Interoute**;**

“EURIBOR” means in relation to any amount owing by the Customer on which interest for a given period is to accrue, the arithmetic mean (rounded upwards to four decimal places) of the rates being offered to prime banks in the European interbank market for deposits in Euro of an equivalent amount at or about 12 noon Central European Time (CET) on the date on which EURIBOR is to be determined;

“Equipment” means equipment including Licensed Software which is owned by Interoute or by suppliers of Interoute;

“HICP” means the Harmonised Index of Consumer Prices;

“Initial Term” with respect to a Purchase Order means the 12 month period from the Ready for Service Date, unless otherwise stated on the Purchase Order;

“Intellectual Property Rights” means any patent, copyright, trademark, trade name, service mark, moral right, database right, know how and any and all other intellectual property right whether registered or not or capable of registration and whether subsisting in the United Kingdom or any other part of the world together with any and all goodwill relating thereto;

“Liability” shall mean liability in or for breach of contract, misrepresentation, restitution or any other cause of action whatsoever relating to or arising under or in connection with this Agreement, including without limitation liability expressly provided for under this Agreement or arising by reason of the invalidity or unenforceability of any term of this Agreement (and for the purposes of this definition, all references to "this Agreement" shall be deemed to include any collateral contract);

“Licensed Software” means computer software in object code format made available to the Customer by Interoute for the use of any Services;

“Order Form” means Interoute’s standard order form for the provision of Services;

“Parties” means Interoute and Customer, and “Party” shall mean either Interoute or the Customer, as the context requires;

"Purchase Order" means an Order Form for specific Services which has been signed and accepted by Interoute and the Customer, or a Change Order;

"Ready for Service Date" shall be the date when the Service is handed over to the Customer for acceptance testing;

"Service Handover Document" means a document sent by Interoute indicating that the Service is ready for use and testing by the Customer;

"Services" means the telecommunications or related services identified in the Purchase Order to be provided to the Customer by Interoute under this Agreement;

"Service Levels" means the service level agreement governing the quality of the Service set out in the Additional Terms;

"Term" shall mean the Initial Term and the Renewal Term under clause 5.2 where applicable;

"Taxes" means any tax, duty or other charges of whatever nature (but excluding any tax, duty or other charged levied on income accruing to Interoute hereunder) imposed by any taxing or government authority including, without limitation VAT;

"VAT" means Value Added Tax as set out in the European Union ("EU") Sixth Directive (Directive 77/388) and any subsequent amendments and includes any local implementation of the tax within the individual EU member states or any similar form of indirect/sales tax outside the EU;

"Withholding Tax" means any amount on account of tax on sources of income which the payer is obliged to deduct from payments due to the recipient and account for to any tax authority;

"Working Day" means 9.00 am to 5.00 pm on any day from Monday to Friday (inclusive) which is not Christmas Day, Good Friday or other statutory or national holiday in the jurisdiction in which the relevant notice is to be given or where the relevant activity is to be performed.

2. ORDERING A SERVICE

2.1 To request a Service, the Customer must complete an Order Form which shall include the name of the Customer, a description of the Service, the applicable Charges and the Initial Term.

2.2 An Order Form shall become a Purchase Order binding on both Parties and subject to the terms and conditions set out in this Agreement on signature by Interoute and the Customer. However, Interoute reserves the right to reject or amend details in a Purchase Order, including but not limited to, the expected delivery date for a Service, and renegotiate the Purchase Order with Customer: if

a) the information provided by the Customer is incomplete, incorrect and/or illegible; and/or,

b) the cost of any third party services required for a Service change from those used in Interoute's calculation of the Charges in a Purchase Order; and/or,

c) a Service is supplied subject to survey and such survey reveals information that was unknown to Interoute at the time of quoting and which could affect the availability, performance, delivery timeframes and/or Charges offered.

2.3 Any terms and conditions contained in a Customer order form, purchase order (other than a Purchase Order), letter or other document generated or managed by the Customer shall be null and void with respect to the Services provided hereunder unless agreed to in writing by Interoute.

3. CREDIT APPROVAL AND DEPOSIT

3.1 Acceptance of an Order Form by Interoute shall be subject to credit approval. The Customer agrees to provide Interoute with such credit information as Interoute may reasonably request.

3.2 On the occurrence of any of the events in clause 3.3 below, Interoute may require the Customer to provide a deposit or bank guarantee equivalent to three (3) months' Charges, actual or projected or other security satisfactory to Interoute. Any deposit shall be held by Interoute as security for the payment of Charges and any other amounts due under this Agreement. On the termination of this Agreement, Interoute may apply such deposit or bank guarantee to any amounts owed by the Customer to Interoute with any remaining credit balance being refunded to the Customer. Any deposit paid by the Customer pursuant to this sub-clause will not carry any interest and will be held by Interoute in accordance with the applicable law governing such deposit.

3.3 Interoute shall limit the exercise of its rights under clauses 3.2 to cases where;

a. the Customer has insufficient credit rating, or

b. the Customer has suffered a material and negative change in its financial or trading condition during the Initial Term or Renewed Term of the Agreement (as determined by Interoute in its reasonable discretion), or

c. the Customer has failed to make payment to Interoute of any undisputed amount when due.

3.4 Interoute may, at any time, by notice in writing impose a credit limit on the Customer to an amount to be determined by Interoute. Any Services required by the Customer in excess of any such credit limit will require the Customer to deposit with Interoute an amount equal to or greater than the amount by which the Customer will exceed the credit limit.

4. CUSTOMER COMMITTED DATE AND READY FOR SERVICE DATE

4.1 Interoute shall use reasonable endeavours to ensure the Ready for Service Date occurs on or before the Customer Committed Date. On or around the Ready for Service Date, Interoute shall hand over the Service to the Customer and deliver to Customer a Service Handover Document. The Service Handover Document shall state the Ready for Service Date.

4.2 The Customer shall have five (5) Working Days from the date of delivery of the Service Handover Document to notify Interoute of any material non-compliance of the Service with the relevant Additional Terms by performance testing, and shall provide Interoute with the results evidencing such non-compliance, if any. Notwithstanding the foregoing, Interoute agrees to use its reasonable efforts to provide at least five (5) days advanced notice to Customer before delivering the Service Handover Document.

4.3 If the Customer notifies Interoute in accordance with Clause 4.2, Interoute will take such action as is reasonably necessary to provide the Service in accordance with the Additional Terms. The process in clause 4.2 shall be repeated until the performance testing has been successfully completed but shall not exceed thirty (30) days from the Customer Committed Date as set forth in Section 11.4 of the Schedule 2c and Section 5.8 of Schedule 2f.

4.4 In the event that any deviation or non-compliance with the Additional Terms is attributable to the Customer‘s system or network or otherwise due to the act or omission of Customer, Interoute shall be entitled to invoice the Customer for any costs reasonably incurred in investigating the matter.

4.5 Unless the Customer notifies Interoute of any non-compliance within the timescales set out in clause 4.2, the Customer shall be deemed to have accepted the Service as of the Ready for Service Date set out in the Service Handover Document and Interoute shall commence billing. Notwithstanding anything contained herein, the Customer's use of the Service other than for testing purposes will be deemed to constitute acceptance of that Service.

5. TERM AND TERMINATION

This Agreement begins on the date of execution hereof.

5.2 A Purchase Order shall be valid from the date when an Order Form has been accepted by Interoute. The Initial Term shall commence on the Ready for Service Date. At the expiration of the Initial Term, the Purchase Order shall automatically be renewed on the same terms for a further period of twelve (12) months (the 'Renewal Term') until terminated by either Party providing sixty (60) days notice in writing to expire at the end of the Initial Term or at the end of the next following anniversary of the date of the

Purchase Order.

5.3 Either Party may terminate this Agreement with immediate effect by written notice to the other Party on or any time after the occurrence of any of the following events:

a. The other Party ceases to trade (either in whole, or as to any part involved in the performance of this Agreement), or becomes insolvent, has a receiver, administrative receiver, administrator or manager appointed of the whole or any part of its assets or business, makes any composition or arrangement with its creditors, takes or suffers any similar action in consequence of debt, is unable to pay its debts within the meaning of the Insolvency Act 1986, or any order or resolution is made for its dissolution or liquidation (other than for the purpose of solvent amalgamation or reconstruction) under the laws applicable to that Party;

b. The other Party commits a material breach of this Agreement which is not capable of remedy and, if capable of remedy, the breach is not remedied within thirty (30) days following a written notice by the non-breaching Party to the other Party;

c. The other Party commits a breach of the Agreement which has continued for more than three (3) consecutive months or for any three (3) months in a rolling four (4) month period following receipt of written notice from the non-breaching party giving details of the breach and requiring the breach to be remedied.

5.4 Interoute may terminate all or any Purchase Order and/or this Agreement with immediate effect by written notice to the other Party with no liability or penalty where the Customer;

a. provides incorrect, false, illegible or incomplete information to Interoute;

b. is likely to defraud Interoute, interfere with Interoute’s provision of Services or create harm to the Network , Equipment or any third party's property;

c. fails to make any undisputed payment due under the Purchase Order in accordance with the terms and conditions set out in this Agreement and fails to do so within 72 hours following written notice by Interoute;

d. fails to use the Services in accordance with the Acceptable Use Policy;

e. is using or allowing (or in the reasonable opinion of Interoute is likely to be using or allowing) any of the Services to be used for fraud, misconduct or any other illegal purpose.

5.5 Interoute shall be entitled to immediately suspend this Agreement and/or Service on giving notice to the Customer in the event that it is entitled to terminate this Agreement. For the avoidance of doubt, Interoute shall not be able to suspend the Agreement and/or Service until Customer has failed to cure a material breach in accordance with Section 5.3(b) and 5.4(c). Any exercise of such right of suspension shall not prejudice Interoute’s right to subsequently terminate this agreement.

5.6 Following suspension of the provision of any Services, Interoute may claim and Customer shall pay upon demand, a reasonable charge for re-commencing the provision of the Services if applicable.

6. CONSEQUENCES OF TERMINATION

6.1 Termination or expiry of a Purchase Order and/or this Agreement for any reason is without prejudice to any rights or remedies available to, or any obligations or liabilities accrued to the Parties as at the date of termination or expiry.

6.2 On expiry or termination of the Agreement or a Purchase Order;

a. all undisputed sums due to Interoute up to the date of termination shall become immediately due and payable to Interoute provided however, in the event of termination by the Customer, the Customer shall be entitled to a pro-rate refund of any unused pre-paid fees provided hereunder;

b. the Customer must immediately return to Interoute in good condition, excluding reasonable wear and tear, all Equipment which Interoute has leased or loaned to the Customer. Interoute may charge the Customer for all costs incurred in repossessing or acquiring replacement Equipment which the Customer has failed to return to Interoute or which is returned to Interoute in a damaged or defective condition;

6.3 In the event that a Purchase Order and/or the Agreement is terminated by the Customer prior to the Ready for Service Date in breach of this Agreement or by Interoute pursuant to clause 5.4, the Customer shall reimburse Interoute for any third party cancellation/termination charges associated with the Service/s so terminated and any other cost reasonably incurred by Interoute. If the Purchase Order and/or the Agreement is terminated by the Customer after the Ready for Service Date for that Service, the Customer shall reimburse Interoute for any third party cancellation/termination charges associated with the Service/s so terminated and shall pay the equivalent of [* * *] of the recurring Charges, actual or projected, for each month remaining in the Initial Term or the Renewed Term.

6.4 The Customer agrees that the termination charges in clause 6.3 are a genuine pre-estimate of loss and are not a penalty.

6.5 The following clauses shall survive the termination or expiration of this Agreement in addition to those whose provisions by their content or nature will so survive: Equipment and Access, Liability and Indemnity, Intellectual Property Indemnity, Severability, Waiver, Notices, Confidentiality, Press Announcements, Associated Company Orders and Rights of Third Parties; and Governing Law and Jurisdiction.

7. CHARGES AND TERMS OF PAYMENT

7.1 Unless stated otherwise in the Purchase Order:

a. Interoute will invoice all recurring Charges as of the Ready for Service Date and monthly in advance thereafter.

b. The Customer shall pay the Charges in advance, within thirty (30) days of the date of the invoice.

c. Interoute will invoice installation charges and any other non-recurring initial Charges, upon acceptance by Interoute of a valid Purchase Order and Customer shall pay such Charges within thirty (30) days of the date of such invoice.

7.2 On the expiry of the Initial Term or each subsequent anniversary of the Initial Term, Interoute will review the Charges and may increase any Charge in line with the European 15 HICP (EU-15) index for the previous twelve (12) months.

7.3 All amounts in respect of Charges shall be paid in Euros or as specified on the Purchase Order and shall be paid free of currency exchange costs, bank charges, withholding or deductions. To the extent that any deduction or withholding is required by applicable law, Customer shall increase the amount of such payment to ensure that Interoute receives the amount it would have received had no deduction or withholding been required.

7.4 Interoute may levy an additional service charge on any amount invoiced and not paid at the rate of five percent (5%) per annum above the three (3) month European Interbank Offered Rate (“EURIBOR”) for Euros quoted on Telerate Page 248/249 (whether before or after judgement) from (but not including) the due date for payment of such invoice, until the date on which such invoice is paid in full. Such charge shall accrue day by day, shall be compounded and payable on demand.

7.5 In the event that Customer in good faith disputes any portion of the Charges contained in an invoice, Customer will pay the undisputed portion of the invoice on the due date in full and submit a documented claim for the disputed

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

amount. As a minimum such documented claim shall set out the amount in dispute, the reason for such dispute and provide such evidence as shall be reasonably necessary to support the dispute. The Parties shall negotiate in good faith in an attempt to resolve the dispute, provided that if the dispute cannot be resolved within thirty (30) days of the date of the invoice, either Party may institute legal proceedings. If Customer does not submit a documented claim prior to the due date for payment of the invoice, Customer waives all rights to dispute the invoice.

8. TAXES

8.1 All fees for Services and any other fees or charges under this Agreement are exclusive of Value Added Tax (VAT) or any similar indirect or sales taxes that may be applicable. If any VAT or similar sales tax is chargeable by Interoute, this will be added to the agreed price (by way of separate invoice, if those charges have already been invoiced) and shall be paid in addition by the Customer.

8.2 If Withholding Tax applies to any payments for supplies made under this Agreement, the Customer may withhold that element that is required under the applicable legislation but must pay an additional amount in accordance with clause 7.2 and must notify Interoute prior to payment that Withholding Tax is required to be paid. The Customer and Interoute undertake to co-operate, where possible, to minimise the amount of Withholding Tax due by making advance clearance applications under the relevant double taxation treaties (where applicable) to the relevant tax authority to reduce the rate of Withholding Tax or exempt entirely this amount if applicable. In any event, the Customer undertakes to account for any tax withheld to the tax authorities on a timely basis.

8.3 Neither Party shall be liable for the other party’s taxes based on income (including gains from the disposal of capital).

8.4 Any other taxes or levies arising from the use of the capacity (including local profits taxes) shall be the liability of the Customer and Interoute reserves the right to recharge these to the Customer.

8.5 Any stamp duties or registration taxes or other taxes relating to documentation of the individual transactions entered into under this contract shall be borne by the Customer.

9. SERVICE LEVELS AND SERVICE CREDITS

9.1 Interoute shall provide the Service in accordance with the Service Levels set out in the Additional Terms.

9.2 The Customer’s sole and exclusive remedy for a cause of action that results in a deviation from the Service Levels is the Service Credits or immediate termination as set out in the relevant Additional Terms. The Customer agrees that the compensation provided under the Additional Terms represents a reasonable pre-estimate of all its losses and Interoute shall have no further liability to the Customer for the failure or non-compliance with Service Levels.

9.3 In the event that a Service Credit is due to the Customer, Interoute will issue a credit note upon Customer’s request. To request a credit, Customer must deliver a written request to Interoute within twenty one (21) days of the end of the month for which a credit is requested. The Customer shall not be entitled to any Service Credits in respect of a claim unless and until Interoute has received notice of the claim in writing. Should Interoute require additional information from the Customer, the Customer shall not be able to claim any Service Credits until Interoute has received all information it reasonably requests; provided that Interoute has identified specifically what information Qualys needs to provide. Service Credits will be calculated monthly, aggregated and credited to the Customer on a quarterly basis.

10. OPERATION AND MAINTENANCE

10.1 Should any condition exist that may impair the integrity of the Interoute network, Interoute shall initiate and co-ordinate planned maintenance, which may include disconnection of all or any part of the Service. Interoute shall, to the extent reasonably practicable, give the Customer ten (10) days prior notice in writing (or such shorter period as may be necessary) of the timing and scope of such planned maintenance operation.

10.2 Interoute shall use reasonable efforts to conduct any planned maintenance of the Interoute Network during the hours of 11pm and 5am Central European Time Monday to Sunday.

11. COMPLIANCE WITH LAWS

11.1 Customer shall obtain all necessary licences, approvals, permits and consents including building permits and landlords' consent required by any applicable governmental or regulatory authority or body necessary for Customer to use the Services. Customer shall use and Interoute will provide the Services in accordance with and subject to all provisions of applicable law and any order or determination of any competent authority.

11.2 Both Parties acknowledge their respective duties under the Data Protection Act 1998 and hereby undertake to comply with their obligations and duties under the said Act and shall give all reasonable assistance to each other where appropriate or necessary to comply with any obligations arising under the said Act. The Customer acknowledges that Interoute may, in the course of performing its obligations under this Agreement, process 'personal data' as defined under the Data Protection Act 1998 and associated statutory instruments in accordance with the Interoute Privacy Policy available at http://www.interoute.com/privacy.html. In so far as such personal data is obtained from the Customer, the Customer consents and undertakes to procure that any relevant data subjects consent, to such processing by Interoute, including without limitation, to the transfer of such personal data for processing outside the European Union. The Parties shall at all times ensure that appropriate technical and organisational security measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to personal data.

11.3 Customer shall at all times use the Services in accordance with Interoute's Acceptable Use Policy.

11.4 Each Party will comply with all relevant laws in providing or using (as appropriate) the Services.

12. SOFTWARE

12.1 If and to the extent that the Customer requires the use of Licensed Software in order to use the Services, the Customer will be provided with a non-exclusive non-transferable licence for the Term to use such Licensed Software solely for its internal purposes and solely to the extent required to use the Services. To the extent such Licensed Software is sourced from a third party provider, such licence shall be subject to the terms of the applicable software licence embedded in the relevant software.

12.2 Customer will not, and shall use all its reasonable endeavours to ensure that others do not:

a. obtain or claim any ownership in any Licensed Software (or in any derivation thereto or improvement thereof);

b. copy the Licensed Software except as agreed in writing by Interoute and in accordance with the terms of the applicable software licence;

c. save as permitted by law, reverse engineer, decompile or disassemble Licensed Software;

d. sell, lease, licence or sublicence the Licensed Software;

e. create, write or develop any derivative software or any other software based on the Licensed Software;

f. take any action prohibited by the applicable software license.

13. EQUIPMENT AND ACCESS

13.1 Interoute may require to locate Equipment on the Customer's premises to enable Interoute to provide the Services. Subject to the provisions of this Agreement, Customer hereby grants to Interoute the right to locate, install and operate such Equipment at the Customer's premises and shall provide Interoute, its employees, representatives and authorised agents, as may be reasonably required, access to the Equipment via the Interoute network or otherwise, 24 hours a day, 7 days a week in accordance with the access procedures agreed between the Parties.

13.2 Customer shall furnish reasonable, appropriate environmental conditions for the Equipment (including, without limitation, protection from weather, security, availability of power, including a back-up generator, ventilation, heating, and cooling). If Customer reasonably requires to temporarily disconnect the power supply to the Equipment, except in an emergency, Customer will give Interoute at least fourteen (14) written days notice in advance of such disconnection and will use all reasonable endeavours to ensure minimum disruption. Interoute shall not be liable for disruption to Services under this clause.

13.3 The Customer undertakes (a) not to replace Equipment located on the Customer premises, (b) not to make any modification, alteration or connection to the same other than by prior agreement in writing with Interoute nor (c) make any disconnection therefrom otherwise than in accordance with the terms and conditions of this Agreement.

13.4 Ownership and title in Equipment provided by Interoute under this Agreement shall at all time remain with Interoute and the Customer shall exercise commercially reasonable efforts to prevent third parties from asserting any rights in relation to such Equipment.

13.5 On the expiry or termination of a relevant Purchase Order or this Agreement, the Customer shall allow Interoute reasonable access, without charge, to its premises to recover the Equipment.

14. NATURE OF RIGHTS

14.1 Save to the extent expressly set out in this Agreement, nothing in this Agreement shall vest in or confer on the Customer:

a. any patent or any other right or licence in the Intellectual Property arising from or relating to any apparatus, system or method used by Interoute or by the Customer in connection with the use of the Services; or

b. any ownership or property rights or liens of any nature in or over Equipment or property.

14.2 All rights granted hereby and obligations entered into under this Agreement are purely contractual. Nothing in this Agreement shall grant to the Customer any ownership, proprietary or possessory rights in any of the subject-matter of the Agreement.

15. ASSIGNMENT

15.1 Except as provided below neither Interoute nor the Customer may at any time assign, sub-contract, sub-licence or otherwise dispose of all or any of its rights or obligations under this Agreement , without the prior written consent of the other Party (not to be unreasonably withheld or delayed)

15.2 Interoute may assign any of its rights and obligations under this Agreement to any of its Associated Companies (or its or their successors, through merger or acquisition of substantially all of their or its assets), without the prior written consent of the other Party.

15.3 Customer may assign any of its rights and obligations under this Agreement to any of its Associated Companies (or its or their successors, through merger or acquisition of substantially all of their or its assets), only with the prior written consent of Interoute which will not be unreasonably withheld, delayed, or conditioned.

15.3 Interoute may sub-contract any or all of its obligations under this Agreement to a third party, provided that Interoute shall remain liable to the Customer for the performance of those obligations.

16. LIABILITY AND INDEMNITY

16.1 Except as otherwise set forth in this Agreement, including the Additional Terms, Interoute shall have no Liability (a) for any transaction, which the Customer may enter into with a third party using the Services; (b) for the contents of any communications transmitted via the Services or for any information or content on the Internet. Except as provided in this Agreement, Interoute gives no warranties, nor makes any representations or other agreements, express or implied with respect to the Services.

16.2 These terms are in lieu of all other conditions, warranties or other terms concerning the supply or purported supply of, failure to supply or delay in supplying the Services which might but for this Clause 16 have effect between Interoute and the Customer or would otherwise be implied into or incorporated into this Agreement or any collateral contract, whether by statute, common law or otherwise, all of which are hereby excluded (including, without limitation, the

implied conditions, warranties or other terms as to satisfactory quality, fitness for purpose or as to the use of reasonable skill and care).

16.3 Subject to clause 16.4, neither party shall have any Liability for (a) loss of revenue; (b) loss of actual or anticipated profits; (c) downtime costs (d) loss of contracts; (e) loss of the use of money; (f) loss of anticipated savings; (g) loss of business; (h) loss of opportunity; (i) loss of goodwill; (j) loss of reputation; (k) loss of, damage to or corruption of data; or (l) any indirect or consequential loss and such Liability is excluded whether it is foreseeable, known, foreseen or otherwise. For the avoidance of doubt, 16.3 (a) – 16.3 (l) apply whether such losses are direct, indirect, consequential or otherwise.

16.4 Nothing in this clause 16 shall exclude or limit the Liability of the Customer to:

16.4.1 Pay the undisputed charges or

16.4.2 Repair (or if repair is not practicable, replace) any tangible physical property intentionally or negligently damaged by the Customer or its employees.

16.5 Except where explicitly stated otherwise in the applicable Additional Terms, and subject to clauses 16.4, 16.6 and 16.7, the Liability of each party for any claim, loss, expense, or damage under this Agreement shall be limited to (i) [* * *] in respect of any one event or series of events and (ii) a total of [* * *] in any consecutive twelve (12) month period. The limitation of Liability under this Clause 16.5 has effect in relation both to any Liability expressly provided for under this Agreement and to any Liability arising by reason of the invalidity or unenforceability of any term of this Agreement.

16.6 Nothing in this Agreement shall exclude or limit either party's Liability;

16.6.1 For fraud, death or personal injury caused by its negligence (as defined in the Unfair Contract Terms Act 1977 s. 1);

16.6.2 In relation to the intellectual property indemnity set out in clause 18 below;

16.6.3 Any breach of the obligations implied by s.12 Sale of Goods Act 1979 or s.2 Supply of Goods and Services Act 1982: or

16.6.4 Any other Liability which cannot be excluded or limited by applicable law.

16.7 The Customer shall indemnify and hold harmless Interoute against all actions, losses, costs, damages, awards, expenses, fees (including legal fees incurred and/or awarded against Interoute) proceedings, claims or demands in any way connected with this Agreement, including claims, brought or threatened against Interoute by a third party related to content or arising out of the use by Customer of the Services, or any wilful or negligent act or omission of the Customer. The Customer shall also provide, at the Customer's sole expense, Interoute with full authority, information and assistance as is reasonably necessary for the defence, compromise or settlement of such claim.

16.8 Interoute Service Warranties:
This warranty is intended to supplement, not replace, the warranties set forth in the Agreement. For any services provided under the Agreement, Interoute represents and warrants that: (a) it has full power to enter into this Agreement and to carry out its obligations under this Agreement; (b) the Services shall be completed in a professional, workmanlike manner, with the degree of skill and care that is required by good, and sound professional procedures; and (c) the Services shall be completed in accordance with applicable specifications and as set forth in the Agreement and the Schedules attached hereto.

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

17 MISREPRESENTATION

17.1 Save as provided in Clauses 17.2 and 17.3, the Customer shall have no remedy in respect of any representation (whether written or oral) made to it upon which it relied in entering into this Agreement ("Misrepresentation") and Interoute shall have no Liability to the Customer other than pursuant to the express terms of this Agreement.

17.2 Nothing in this Agreement shall exclude or limit Interoute's Liability for any Misrepresentation made by Interoute knowing that it was untrue.

17.3 Nothing in this Agreement shall exclude the Liability of Interoute for any fundamental Misrepresentation, including any misrepresentation as to a matter fundamental to Interoute's ability to perform its obligations under this Agreement, but such Liability shall be subject to the limit set out in Clause 16.5.

17.4 This Agreement contains all the terms agreed among the Parties regarding its subject matter and supersedes any prior agreement, understanding or arrangement between the parties, whether oral or in writing. In entering into this Agreement, the Customer agrees it does not rely on, and shall have no remedy in respect of, any statement, representation, warranty or understanding (whether negligently or innocently made) of any person (whether party to this Agreement or not) other than as expressly set out in this Agreement. No representation, undertaking or promise shall be taken to have been given or be implied from anything said or written in negotiations among the Parties prior to this Agreement except as expressly stated in this Agreement.

18 INTELLECTUAL PROPERTY INDEMNITY

18.1 Each Party will defend and hold the other Party harmless against any claim, suit or proceeding brought against that Party so far as it is based on any actual or threatened infringement of any Intellectual Property Rights by it, provided that it is given prompt notice in writing of any such claim and is given full authority and such information and assistance as is reasonably necessary for the defence of such claim.

18.2 Interoute shall have no liability in respect of any alleged infringement which is based on the sale or use of any Products in combination with any other products not supplied by Interoute (unless expressly agreed by Interoute).

18.3 Interoute shall have no liability in respect of any unauthorised modifications, changes or alterations by the Customer or its agents of the Services supplied by Interoute, other than in respect of modifications, changes or alterations carried out by Interoute or otherwise authorized by Interoute, which have been carried out in a professional manner.

19 INSURANCE

19.1 Each party will maintain in effect at all times during the performance of this Agreement such insurance policies with a reputable insurance company as it is required to hold under applicable law and such other policies as a prudent business conducting similar operations in the region would Maintain. Coverage limits will be sufficient to cover the party's liabilities under this Agreement.

19.2 With specific regard to Equipment, during the continuance of this Agreement, it shall be the Customer's responsibility to insure at its own expense, and keep insured Equipment which is on Customer premises, with a reputable insurer against loss, theft, damage or destruction howsoever arising (unless such damage or destruction is caused by Interoute or its agents) at an amount not less than the full replacement value of the Equipment. Such Equipment shall at all times be at the Customer's risk.

19.3 Each Party will, at the request of the other Party, provide copies of such documentation as the requesting party reasonably requires in evidence of the other party's compliance with this Agreement.

20 FORCE MAJEURE

A Party shall not be deemed in default of any of its obligations under this Agreement (including but not limited to Customer's payment obligations) if, and to the extent that, performance of such obligation is prevented or delayed by acts of God or public enemy, civil war, insurrection or riot, fire, flood, explosion, earthquake, labour dispute causing cessation slowdown or interruption of work, national emergency, act or omission of any governing authority or agency thereof,

inability after reasonable endeavours to procure equipment, data or materials from suppliers, or any other circumstances beyond its reasonable control ("Event of Force Majeure"), provided that such Event of Force Majeure is not caused by the negligence of that Party, and that Party has notified the other in writing of the Event of Force Majeure. The Party notifying an Event of Force Majeure shall use all reasonable endeavours to avoid or minimise the effects of an Event of Force Majeure. Upon the occurrence of an Event of Force Majeure, the time for performance shall be extended for the period of delay or inability to perform due to such occurrence, but if an Event of Force Majeure continues for a continuous period of more than one month the other Party shall be entitled to terminate this Agreement.

21 SEVERABILITY

If any of the provisions of this Agreement is held by an appropriate arbitral, judicial or regulatory authority to be void, invalid or unenforceable, such provision shall, to the extent permitted by applicable law, be deemed to be deleted from this Agreement to the intent that the remaining provisions shall continue in full force and effect.

22 WAIVER

The waiver by either Party, in whole or in part, of a breach of or a default under any of the provisions of this Agreement, or the failure, in whole or in part, of the other Party, upon one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall not thereafter be construed as a waiver of any subsequent breach or default of a similar nature or as a waiver or any such provision, right of privilege hereunder.

23 NOTICES

Each notice, demand, certification or other communication given or made under this Agreement shall be in writing and shall be delivered by hand or sent by courier, electronic or facsimile transmission to the registered address of the Party or such other address as each Party may notify in writing to the other. Any such notice, demand or other communication shall be deemed to have been received, if delivered by hand, at the time of delivery or, if posted, on the expiration of three (3) Working Days after the notice has been provided to the courier company, or, if sent by electronic or facsimile transmission, on the date confirmation of successful transmission is received.

24 AMENDMENTS

This Agreement and any of its provisions may be altered or added to only by agreement in writing signed by a duly authorised person on behalf of each of the Parties.

25 CONFIDENTIALITY

25.1 Each Party shall keep confidential all information (including the terms of this Agreement) and documentation, including (without limitation) information concerning the business or trade secrets, processes, know-how or methods used by the other Party in carrying on business ("Confidential Information"), obtained from the other Party pursuant to or in connection with this Agreement. In order to protect the other Party's rights and interests hereunder, a Party may only disclose Confidential Information regarding the other Party to those of its and its Associated Companies personnel who require such Confidential Information for the purpose of this Agreement. Each Party shall take the same care to avoid disclosing Confidential Information of the other Party to any third party as the receiving Party takes with similar information of its own which it does not wish so to disclose.

25.2 Each Party agrees that it shall not use any Confidential Information regarding the other Party for any purpose other than the performance of its respective obligations or enforcing its rights under this Agreement or as otherwise permitted hereunder, nor copy or disclose any such Confidential Information to any third party without the written consent of the other Party's authorised representative. However, both Parties shall be permitted to disclose this Agreement to their or their Associated Companies professional advisers, agents or representatives (including those who are assisting it in connection with this Agreement) subject to appropriate confidentiality obligations.

25.3 The provisions of this Clause shall not apply to Confidential Information which the recipient can show to the disclosing Party's reasonable satisfaction:

a. was known to the recipient (without obligation to keep the same confidential) at the date of its disclosure;

b. is after the date of disclosure lawfully acquired by the recipient in good faith from an independent third Party who is not subject to any obligation of confidentiality in respect of such Confidential Information;

c. was in its entirety at the time of disclosure or has become public knowledge otherwise than by reason of the recipient's neglect or breach of the restrictions set out in this or any other Agreement;

d. is independently developed by or on behalf of the recipient without access to any or all of the Confidential Information;

e. is required by process of law, judicial action, recognised stock exchange, governmental department or agency or other regulatory authority to be disclosed in which event the recipient shall take all reasonable steps to consult and take into account the reasonable requirements of the other Party in relation to such disclosure; or

f. agreement in writing was given for disclosure.

26 PRESS ANNOUNCEMENTS

26.1 No press or public announcements, circulars or communications relating to this Agreement or the subject matter of it shall be made or sent by either of the Parties without the prior written approval of the other Party such approval not to be unreasonably withheld or delayed.

26.2 Notwithstanding clause 26.1, Interoute may refer to the Customer in its marketing materials, including, without limitation, on its website and in correspondence with prospective customers.

27 ASSOCIATED COMPANY ORDERS AND RIGHTS OF THIRD PARTIES

27.1 If so requested by the Customer, Interoute shall provide the Services to the Customer’s Associated Companies under this Agreement provided that the Customer shall remain fully liable for the performance of the Purchase Order and this Agreement by such Associated Company. Charges will be invoiced to the Customer unless the Customer requests Interoute to invoice the Customer’s Associated Company directly for Service provided to those Customer’s Associated Companies. Unless expressly stated otherwise in the Purchase Order, the terms of this Agreement will apply to Purchase Orders placed by Customer’s Associated Companies. Interoute may nominate any of Interoute’s Associated Companies to accept a Purchase Order or perform Interoute’s obligations hereunder.

27.2 Save as strictly required under clause 27.1 above, the Parties do not intend any term of this Agreement to be enforceable pursuant to The Contracts (Rights of Third Parties) Act 1999.

28 GOVERNING LAW AND JURISDICTION

This Agreement shall be construed in accordance with and shall be governed by the laws of England and Wales, and shall be subject to the non-exclusive jurisdiction of the English courts provided that Interoute may commence proceedings in any jurisdiction in which the Customer is incorporated, resident or domiciled.

schedule 2c

additional terms for co-location services

1. **SERVICE DESCRIPTION**

The Interoute Co-location Service will comprise of the installation and support services associated with the provision of co-location facilities at Interoute Premises.

2. **DEFINITIONS**

“Access Charges” has the meaning set out in Clause 7.1.

“**Additional Terms**” means this document forming part of the Agreement, which describes the Products and/or Services, to be provided and the relevant service levels.

“Agreed Delivery Date” means the date by which Interoute has agreed to install the Co-Location Service as set out in the relevant Purchase Order

“Cabinet” means a lockable cabinet within the Co-location area for the siting of Customer Equipment provisioned to the specification as set out in the Purchase Order.

“Charges” means the charges payable by the Customer for Co-location Services as set out in the Purchase Order and in accordance with Interoute’s Terms and Conditions.

“Customer Equipment” means communications equipment and other hardware or software ancillary thereto installed in the Premises by or on behalf of the Customer.

“Co-location Services” means either the Rack Space, Floorspace or Cabinet, as applicable, together with any ancillary services, as specified in a Purchase Order.

“Interoute Premises” means any Premises made available by Interoute to Customer pursuant to a Purchase Order.

“Lease” means any lease, licence or other documents conferring a right of occupation at any Interoute Premises.

“Trusted Agent” means an employee of the Customer and any contractor employed by the Customer who shall have been reasonably approved by Interoute.

“Other Customer” means any person who shares the use of any Interoute Premises (including Interoute) with the Customer.

“Permits” means all and statutory licences required by any authority or regulatory body permitting the Customer to provide any communications services or related services or to operate any Customer equipment.

“Premises” means the space occupied by Customer and/or Interoute where the Products or Customer Equipment is to be installed and/or the Services are to be provided.

“Rack Space” means a space within the Co-location area for the siting of Customer Equipment provisioned to the specification as set out in the Purchase Order.

“Service Affecting Fault” means any fault, repair or condition (or threat of fault, repair or condition) affecting Customer service as registered by Customer or Interoute by issue of an incident report. Faults due to Force Majeure, failure of Customer’s equipment or acts or omissions of Customer or any third party employees or agents are Non Service Affecting Faults.

“Service Commencement Date” means the date when Interoute provides the Co-location Service.

Any other capitalised terms have the meanings set out in Interoute’s Standard Terms and Conditions.

3. **CO-LOCATION SERVICES TERMS**

The following terms and conditions shall apply when Interoute provides Co-location Facilities at Interoute Premises to the Customer.

4. **CHARGES**

4.1. Subject to section 4.2 and 4.3, unless otherwise agreed between the Parties in the Purchase Order, Charges for the Co-location Service will be invoiced in accordance with the terms specified in Interoute’s Standard Terms and Conditions for the amounts detailed in the Purchase Order.

4.2. In the event that Interoute’s costs for power usage (KWh) decreases or increases with 5% or more, the fees with respect to power usage will be adjusted accordingly. This also applies to services where power usage is included, but only for the power component. Unless stated otherwise, the power component will be 50% of the rack or footprint rental price.

4.3. In the event that Interoute’s costs of providing Co-location Services are increased due to circumstances beyond the control of Interoute, Interoute shall be entitled to charge an increase for any of the Co-location Services provided under the Agreement. It is not Interoute’s intention to profit from price increases from external bodies. In case such increases occur Interoute will inform the Customer by notice, stating the reason for the price increase, the price increase amount, and the effective date of such a price increase,

5. **PROVISION OF CO-LOCATION SERVICES**

5.1. Interoute sets out to provision the Services to the specification as set out within the Purchase Order by the Agreed Delivery Date specified within the Purchase Order.

5.2. The power supply shown by an ampere rating in the purchase order will be the total power available over either a single feed or a dual feed. i.e. 8A A+B feed = 8A total power draw.

5.3 Interoute reserves the right to monitor a customer’s power draw from time to time and bill any power in excess of the power draw agreed in the Purchase Order on a penalty basis of 2 x Interoute’s power price per KWH. Further, where the Customer’s power draw exceeds that stated in the Purchase Order, and Interoute deems that the excessive power is compromising the existing power plant and air conditioning,

Interoute reserve the right to cancel the Agreement and Customer will receive a pro-rate refund of any fees paid in advance.

5.4 Subject to the provisions of this Schedule, the Purchase Order and Interoute's Standard terms and Conditions and the other terms of this Agreement, Interoute hereby grants Customer a right to use the Co-Location Services in the Interoute Premises to install, operate and maintain Customer Equipment for the Term.

5.5 Save as provided otherwise in the Purchase Order, Customer shall install and use the Customer Equipment at Customer's own risk and expense. All installations shall conform to all relevant industry standards and to any reasonable requirements stipulated by Interoute. Interoute may require Customer to provide, and shall have the right to approve in advance Customer's specifications and installation plans and may require Customer to re-install any Customer Equipment that is not installed in accordance with those specifications or plans.

5.6 Unless Interoute has given its prior written consent (not to be unreasonably withheld), Customer may only use the Co-Location Services at the Interoute Premises for the placement and maintenance of communications equipment, which shall be connected to the Interoute Network.

5.7 For sites classified by Interoute as Datacentre sites or Service Provider sites, the Customer may request as part of the Purchase Order Hands & Eyes Services. Hands & Eyes Services are provided on the Terms in Appendix B of this agreement. At Infrastructure sites, Hands & Eyes Services is not generally available. Therefore, Hands & Eyes Services may be requested in writing and Interoute will respond with a statement of their capability to provide the requested service and relevant charges.

5.8 Interoute shall implement regular surveillance assessments to maintain Geneva's ISO 27001 accreditation. Any failure of Interoute to sustain the IS) accreditation shall be notified to Customer within thirty (30) days of notification to Interoute of such failure.

5.9 Interoute shall provide Customer with notification of any physical security or service breaches to its collocation facility on detection. All operational security breaches, or service faults, shall be notified to Customer through the Interoute Service Management Process.

5.10 Interoute shall invoice the charges relating to the additional services and Customer shall pay the charges in accordance with the terms specified in Interoute's Terms and Conditions and the Purchase Order.

6. INSURANCE

6.1. Customer shall insure the Customer Equipment for as long as the Customer Equipment shall remain at the Interoute Premises and shall carry third party and public liability insurance of at least five million (5,000,000) Euros.

6.2. Customer shall be responsible for obtaining all Permits required in connection with the use of Customer Equipment.

7. ACCESS

7.1. Subject to any restrictions imposed by any Lease and the applicable Interoute Premises access procedure, Interoute shall grant the Customer's Trusted Agents access to the Interoute Premises at all reasonable times to maintain the Customer Equipment. All Customer access must be accompanied by a representative of Interoute and, for the purposes of the Geneva Facility only, Interoute will not levy a charge on the Customer for the cost of such representative as per Appendix B.

7.2. Interoute shall be entitled to refuse entry to any person who does not produce a suitable means of identification as a Trusted Agent. In any event, Interoute may refuse entry to the Interoute Premises to any person whose behaviour is reasonably considered by Interoute's representative to be likely to disrupt the operation of the Interoute Premises or endanger the Interoute Premises or the property of Other Customers.

7.3. Customer shall be responsible to Interoute for its Trusted Agents who visit the Interoute Premises, and shall ensure that such persons comply with these terms and conditions.

7.4. Interoute shall be entitled from time to time to modify the rights of access set out in these Additional Terms due to any works or for reasons of safety or for the management of the Interoute Premises, provided that any such modifications shall not materially diminish the Customer's rights to use the Co-Location Services granted by these terms and conditions to the Customer under this Agreement.

7.5. Interoute shall notify Customer of any access requirements in advance, where practicable, limiting access to authorised Interoute technical staff or agents, with all access logged through Interoute physical Geneva Security Management System. Interoute shall retain the right to access Customer collocation area to sustain service to Customer while coordinating such physical entry through Interoute Service Management Process.

7.6. Customer shall not cause, permit or do anything at the Interoute Premises which might damage any of Interoute's or its Associated Companies fixtures or fittings and shall ensure that it does not at any time electrically or physically impair, disrupt interfere with or interrupt the operation of Interoute's or any Other Customer's communications equipment and shall immediately repair any fault in Customer

Equipment which causes or may cause such interference. Notwithstanding the foregoing, where Customer fails to or delays the prevention or remedy of such interference, Interoute shall be entitled (but not obliged) to take all-reasonable measures to prevent or remedy such interference and Customer shall reimburse Interoute for any reasonable costs incurred by Interoute in doing so.

7.7. Customer shall:

- not perform or permit any act, which causes or is likely to cause any interference, nuisance, annoyance, inconvenience, loss or damage to any Other Customer.
- not display any signs or notices at the Interoute Premises other than such signs or notices as may be required under any statute or regulations; and
- remove all waste and rubbish generated by Customer or its officers, employees, servants or agents (including any Trusted Agent) and keep the Interoute Premises neat and tidy at all times.

8. RELOCATION

Interoute shall have the right from time to time on not less than one (1) month's prior written notice to require the Customer Equipment to be moved and to be installed in another suitable space at the Interoute Premises or with the agreement of the Customer at another suitable premises in the same city. Interoute shall use its reasonable endeavours to ensure that such relocation shall cause as little disruption and/or interference to the Customer as is reasonably practicable. Relocation costs will be paid by Interoute, If new location does not satisfy Customer, Customer will have 15 days after receiving Interoute's written notice to cancel service and receive a pro-rate refund of any fees paid in advance.

9. THREAT TO PERSONS OR PROPERTY

Interoute shall be entitled to switch off the Customer Equipment:

- in a life or property threatening emergency;
- if required to do so by any governmental or regulatory authority; or
- where the Customer is in material breach of this Agreement,

provided that in each case where reasonably practicable to do so, Interoute shall take reasonable measures to contact and inform the Customer in advance.

10. MAINTENANCE

Where Interoute plans to perform essential works at the Interoute Premises, Interoute may require Customer to switch off the Customer Equipment at the time required and keep the Customer Equipment (as the case may be) switched off until notified by Interoute. Except in the case of an emergency or a Service Affecting Fault, Interoute will endeavour to perform such works during the hours of 23.00 Saturday and 06:00 Sunday Greenwich Mean Time and will endeavour to give Customer at least ten (10) days prior notice of such switch off. Should such planned maintenance occur on more than two (2) occasions per quarter, additional maintenance periods shall be included within outage calculations.

11. TERMINATION

11.1. Interoute shall have the right to terminate Customer's use of all or any part of the Interoute Premises if:

- Interoute's right to use the facility at the Interoute Premises is terminated or expires for any reason;
- Customer materially breaches Interoute's Terms & Conditions or the terms of any relevant Purchase Order;
- Customer makes material alterations to the Co-Location Services allocated to it at the Interoute Premises without the prior written consent of Interoute;
- Customer allows personnel or contractors to enter the Interoute Premises without the prior written consent of Interoute; or
- Customer materially breaches any posted or otherwise communicated rules relating to use of, or access to, the Interoute Premises.

11.2. The right to use the Interoute Premises granted by this Agreement is a licence to occupy. Within thirty (30) days of the termination of the Agreement, Customer shall remove at its own risk and cost all Customer Equipment from the Interoute Premises. Customer shall leave the Co-Location Services in good repair and in a clean and tidy condition, and shall make good any damage resulting from the removal of the Customer's Equipment from and/or the Customer's use of the Interoute Premises (fair wear and tear excepted).

11.3. If Customer fails to comply with its obligations under Clause 11.2, Interoute may, without prejudice to any other remedies it may have under the Agreement or at law or equity, at the sole risk of the Customer, remove the Customer Equipment from the Co-Location Services, deliver the same to Customer at the address given in the Purchase Order and restore the Co-Location Services, to the same condition in which it existed at the Service Commencement Date, fair wear and tear excepted, and Customer shall indemnify Interoute against all reasonable costs incurred in doing so.

11.4. Interoute's failure to remedy a material non-conformity with thirty (30) days of the Customer Committed Date shall entitle Customer to a refund of all fees paid for the Service, and Customer shall be released from paying any additional fees for the Services, should Customer exercise its right to terminate the Order.

11.5. Customer may terminate all or any Purchase Order with immediate effect by written notice to Interoute, with no liability or penalty if Interoute fails the service power availability targets provided herein for three (3) consecutive months.

12. LIABILITY AND INDEMNITY

NOTWITHSTANDING CLAUSE 10.2 OF INTEROUTE'S TERMS AND CONDITIONS, THE LIABILITY OF EACH PARTY FOR ANY CLAIM, LOSS, EXPENSE, OR DAMAGE IN RELATION THE PROVISION OR USE OF THE SERVICE DESCRIBED IN THESE ADDITIONAL TERMS, SHALL BE LIMITED TO (i) TWO MILLION EUROS (€2,000,000.00) IN RESPECT OF ANY ONE EVENT OR SERIES OF EVENTS AND (ii) A TOTAL OF FIVE MILLION EUROS (€5,000,000.00) IN ANY CONSECUTIVE 12 MONTH PERIOD. NOTHING IN THESE ADDITIONAL TERMS SHALL EXCLUDE OR LIMIT EITHER PARTY'S LIABILITY FOR FRAUD OR FOR DEATH OR PERSONAL INJURY CAUSED BY ITS NEGLIGENCE OR IN RELATION TO THE INTELLECTUAL PROPERTY INDEMNITY SET OUT IN CLAUSE 11 OF INTEROUTE'S TERMS AND CONDITIONS.

13. NO LEASE

13.1. The right to use the Interoute Premises granted by this Agreement is an occupational licence and no relationship of landlord and tenant shall arise between the Parties.

13.2. The Parties agree that the ownership of the Interoute Premises shall remain with Interoute or the suppliers of Interoute and that nothing in this Agreement in any manner confers, or is intended to confer, such ownership on Customer.

14. **INSPECTION**

Interoute reserves the right to make periodic inspections of any part of the Interoute Premises including the Co-Location Services, or anything located within or physically attached to the Interoute Premises. Interoute shall give the Customer advance notice of such inspections including the name of the person inspecting, the specific date and time of the inspection, except in those instances where Interoute reasonably determines that safety considerations require the need for such an inspection without the delay of providing notice. The making of periodic inspections or the failure to do so shall not operate to impose upon Interoute any liability of any kind whatsoever nor relieve the Customer of any responsibility, obligation, or liability allocated to it in this Agreement.

APPENDIX A: Co-Location Service Level Agreement

1. **SERVICE CREDITS**

Subject to the remaining provisions of this Clause, Interoute will provide the Customer with Service Credits for the failure to meet the following targets:

- Service Installation
- Power Availability

1.1 **Service Installation**

- Interoute will provide an Agreed Delivery Date (ADD) for the installation of Co-Location Services.
- Interoute will provision the Co-location Services to the specification as set out within the Purchase Order within the Agreed Delivery Date.
- If Interoute fails to meet the Agreed Delivery Date the Customer will be entitled to a Service Credit in accordance with this Clause.
- Service Credits will be calculated as follows:

Number of full Working Days beyond ADD	Service Credits as % of Installation Charge
0 to 5 days	[* * *]
6 to 10 days	[* * *]
11 to 20 days	[* * *]
21-30 days	[* * *]
31 days or more	[* * *]

- Installation Charges are invoiced on receipt of order. Any Service Credits due to failure to meet Agreed Delivery Date will normally be credited to the Customer's next invoice.
- If only part of an order is delayed, valid credits will be payable only in respect of individual Co-Location Services that are not delivered by the Agreed Delivery Date.

1.2 **Power Availability**

- Co-Location Services are deemed "Available" from the Agreed Delivery Date, from which time power will be provisioned and maintained in accordance with the specification set out in the Purchase Order.
- The following equation will be used to calculate Power Availability. References to minutes are to the number of minutes in the applicable Monthly Review Period:

$$\frac{\text{(Total minutes – Total minutes Unavailable (rounded to nearest minute)}}{\text{Total minutes}} \times 100$$

- For Availability Calculations, Power Availability is monitored at the output of the DC Rectifier and AC UPS Systems. For the avoidance of doubt this shall be calculated on power availability from the Customer Co-Location Service.
- Where Power Availability falls below the requirement by site type during any Monthly Review Period, the Customer will be entitled to a rebate on the applicable monthly rental as follows:

Site	Power Availability	Rebate of MRC for missing target
DataCentre	[* * *]	[* * *]
Service Provider	[* * *]	[* * *]
Infrastructure	[* * *]	[* * *]

1.3 **Calculation of Service Credits**

- Service Credits will be calculated monthly, aggregated and credited to the Customer on a quarterly basis.
  - If a Co-Location Service is cancelled during a Monthly Review Period, no Service Credit will be payable in respect of that Service for that Monthly Review Period.
  - Where a Monthly Review Period incorporates part of a month, any Service Credit will apply to a pro-rated Monthly Charge.

1.4 **Exclusion to Payment of Service Credits**

Service Credits will not be payable by Interoute to the Customer in relation to the Agreed Delivery Date or the Power Availability for faults or disruptions to the Service caused by any of the following:

- The fault or negligence of the Customer, its employees, agents or contractors;
- Credits are only applicable where the power installation includes both A + B Feeds AND both Feeds are lost to the Customer Equipment.
- The Customer failing to comply with Interoute's Terms and Conditions;

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

- A fault in, or any other problem associated with, equipment connected on the Customer's side of the Interoute Service Demarcation Point;
- Any event described in Clause 12 of Interoute's Terms and Conditions (Force Majeure);
- A failure by the Customer to give Interoute access to any equipment after being requested to do so by Interoute; or
- Any Planned Outage described in Clause 9 of Interoute's Terms and Conditions (Maintenance).

1.5 **General Limitations to the Payment of Service Credits**

- Credits are only available for payment on Service Affecting Faults, which cause a total loss of Service of the Customer Equipment.
- Aggregated Service Credits payable to the Customer shall not exceed [* * *] of the contracted Monthly Charges incurred by the Customer for the Service.
- Service Credits will only be applicable to the value of the Rack Spaces or Cabinets affected by the event.
- The Customer shall not be able to claim for more than one failure to meet a target arising from the same occurrence.
- In no event shall total liability for Service Credits exceed [* * *] of the total amount of charges payable under the relevant Purchase Order in any 12-month period.
- The Customer shall not be entitled to claim above and beyond the total aggregate Service Credits that are set out in this SLA.
- The Customer must claim any Service Credit due to a failure to meet the "Service Levels", in writing, within twenty one (21) business days of the date at which the Customer could reasonably be expected to become aware of such failure. The Customer shall not be entitled to any Service Credits in respect of a claim unless and until Interoute has received notice of the claim in writing. Should Interoute require additional information from the Customer, the Customer shall not be able to claim any Service Credits until Interoute has received all information it reasonably requests.

2. FAULT REPORTING AND MANAGEMENT

2.1. Faults

Any suspected faults should be reported to the Interoute Customer Service Centre using the procedures detailed in the Customer Handover Book to be provided at Service hand-over. When reporting a fault, the Customer should identify the affected Co-location Service and provide details of the fault.

2.2. Target Time to Repair (TTR)

Interoute will endeavour to rectify any Service Affecting Fault within the following timescales:

- [* * *] hours TTR on Service Affecting Faults within Co-location Facilities for manned Sites.
- [* * *] hours TTR on Service Affecting Faults within all other Co-location Facilities for un-manned Sites.

2.3. Fault Duration

All faults recorded by Interoute's network integrated fault management system will be reconciled against the corresponding fault ticket raised by the Customer Service Centre. The exact fault duration will be calculated as the elapsed time between the Fault Ticket being raised by the Customer Service Centre and the time when service is restored.

3. LIABILITY

The provision of Service Credits shall be the sole and exclusive remedy for the failure to meet targets for the Co-location Service. Interoute shall have no additional liability to the Customer.

Appendix B: Hands & Eyes Services

1. The following are recognised by Interoute as Hands & Eyes Services:

- Soft Reboot / power cycle of Customer equipment
- Toggle, cycle a switch or push a button on Customer Equipment
- Verify, add, remove a demarcation label
- Ensure cables are secured
- Relay status of Customer Equipment LEDs under direction of the customer.
- Provide a serial number on Customer Equipment
- Provide a visual verification to assist during customers troubleshooting.
- Provide escort services to and From the cage/cabinet.
- Take receipt of customer equipment.

2. Hands & Eyes Services are performed on all reasonable endeavours basis, without Interoute either implicitly or explicitly undertaking to achieve or warranting any result of any Hands & Eyes Services performed.

3. Interoute has no obligation to provide the Customer with or make available any tools or spare parts. The provision of spare parts for Customer Equipment is solely the responsibility of the Customer. It is

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

also the responsibility of the Customer to ensure that Interoute has access to the necessary spare parts to perform the requested Hands & Eyes Services. Failure in doing so relives Interoute from its own obligation.

4. The Hands and Eyes Service is provided by Interoute under the direction of Customer and as such performance of the service will not make Interoute liable for the proper functioning or performance of the Customer Equipment nor will it relieve Customer for any liability which may arise as a result of any defect in or failure of the Customer Equipment. The operational reliability of the equipment is the sole responsibility of Customer. Therefore Customer shall indemnify Interoute for any and all liabilities, damage costs, charges and expenses incurred by Interoute resulting from, arising out of or in connection with any damages to third parties or properties of third parties through a defect of customer’s equipment.

5. For the avoidance of doubt Interoute shall not, by the mere fact that it has assisted in the implementation and/or installation and/or remedial maintenance of Customer Equipment be responsible or liable for the results of such implementation, Installation or remedial maintenance, unless the damage can be exclusively attributed to Interoute´s poor performance of the Hands & Eyes Service.

6. The Customer shall provide a statement of works via e-mail to the Interoute NOC describing and outlining the Hands & Eyes work requested.

7. Hands & Eyes services rented on a monthly basis, are not cumulated and rolled over into consecutive month.

8. Local Business Hours are defined as 9am to 5pm local to the Facility at which Hands & Eyes services are requested.

9. Where the Customer has 9 to 5 coverage and requests Hands & Eyes Services after 4pm which require more than a hour time, Interoute reserves the right to postpone the delivery of those Hands & Eyes services until the next working day.

10. Where Interoute deems that the Customer is using Hands & Eyes services excessively, Interoute has at it’s sole discretion the right to charge fees additional to any existing recurring fee or to decline the request for excessive Hands & Eyes services. For the purpose of clarification excessive use will be deemed as greater than 4hours of Hands & Eyes Service per Rackspace, Sub Rackspace or Cabinet per month.

schedule 2f

additional terms for internet services

1. SERVICE DESCRIPTION

Interoute Internet Services comprises of the provision and supply of connectivity to the Internet via the Interoute IP Network.

2. DEFINITIONS

"ADSL" refers to Asymmetric Digital Subscriber Line as defined in the ITU-T G series specifications for DMT-based line coding.

"Agreed Delivery Date" means the date by which Interoute has agreed to install the Internet Access Service.

"Annual Review Period" means twelve (12) months after the Ready For Service Date and every anniversary thereafter.

"Billing Model" means the specified customer billing mechanism that is mutually agreed with Interoute for Customer-generated traffic exchanged with the Interoute IP Network via the Customer Port. Supported billing mechanisms are committed Traffic rate, Committed Data Rate plus bursting allowance and traffic exchange rate calculated via the 95th percentile method.

"Burst" means **t**he ability of a Customer to increase the rate of transmission of Traffic above the Committed Data Rate. Burst capacity can not exceed the physical port size set out in the Purchase Order. Charges for Burst traffic are not included in the recurring Monthly Charge.

"Central Core" refers to the FOUR (4) core IP nodes situated in London, Frankfurt, Paris and Amsterdam.

"Committed Data Rate" means the constant rate specified in the Purchase Order up to which Interoute agrees to transmit the Customer's IP Traffic.

"Charges" means all the charges payable by the Customer for Internet Access Services as provided in the Purchase Order.

"Co-location" means the provision and maintenance of space within a facility provided by Interoute for the sole purpose of accommodating Customer provided and operated telecommunications equipment. Co-location Services are provided on the terms and conditions contained in Interoute Additional Terms for Co-location Services.

"Customer Port" means the provision of a physical connection into the Interoute's IP network that is dedicated solely for the use of the Customer and exchange of Customer traffic.

"Customer Premise Equipment" ("CPE") means equipment Sited on the Customer's premises that is supplied owned and maintained by Interoute and is deemed part of the Interoute IP Network.

"Customer Service Centre" means Interoute's fault management centre, which operates the Interoute Network Management System.

"DNS" (Domain Name System) means an Internet Service that translates Customer specified Domain Names to their IP addresses. Interoute allocates IP addresses to the Customer.

"Interoute Demarcation Point" means the edge of the Interoute IP Network that signifies the physical boundary between the Interoute owned and operated IP Network and the Customer owned and provided equipment, not including the provision of any Third Party Local Access connections. For sites where managed CPE is provided the physical boundary between Interoute and the Customer is the interface on the CPE. For sites where no managed CPE is provided the Interoute Demarcation Point is the Customer Port

"Internet Access Service" and "Service" means the provision and supply of connectivity to the Internet via the Interoute IP Network.

"Internet Exchange Points" and **"Public and Private Exchange Points"** and **"MAEs" and "NAPs"** means facilities that exist specifically for the exchange of Internet IP Traffic through peering arrangements with other Internet service providers. These facilities typically exist outside the direct control and ownership of Interoute.

"Interoute IP Network" means the Interoute owned Pan-European network equipment monitored and managed by the Interoute Management Systems for the purpose of transporting customer IP Traffic.

"Interoute Core IP Nodes" means a physical facility that is used to accommodate Interoute IP Network equipment and the various Interoute owned IP routing and switching equipment that comprise the Interoute IP Network.

"Installation Charge" means the Internet Service Non-Recurring charges payable by the Customer for the installation and provision of Internet Services as provided in the Purchase Order minus any non recurring Local Access Charges.

"Local Access Charges" means the Local Access non-recurring and Local Access recurring charges as provided in the Purchase Order or as charged by Interoute's Third Party Local Access provider.

"**Managed CPE Firewall**" means an optional feature of the Internet Access Services ordered on the applicable Purchase Order comprising Internet Access and a Managed Firewall Service.

"Managed Firewall Equipment" shall mean the equipment, systems, cabling and facilities provided by Interoute or Interoute's Associated Company in order to make available the Managed Firewall Service to the Customer.

"**Managed Firewall Service**" means the optional feature of the Internet Access Service for the supply and operation of Managed Firewall Equipment and Services and any corresponding Licensed Software and implementation of Customer's firewall policy within an Interoute co location facility.

"Monthly Charge" means the Internet Service monthly recurring Charges payable by the Customer plus Traffic charges (excluding the Local Access Charges) as provided in the Purchase Order.

"Monthly Review Period" means the calendar monthly periods commencing on the 1st of each month during the Term, over which Service Availability is calculated, provided that the first Monthly Review Period will commence on the Ready For Service Date.

"Network Management System" means Interoute's network integrated fault management system.

“Packet Delivery” means a sampled measure, expressed as a percentage ratio, of the number of IP packets successfully received at a designated Interoute Core IP Nodes on the Interoute IP Network.

“Qualifying Monthly Charge” means, for the purposes of the service credit calculations herein, the Monthly Charges minus any Local Access Charges and Burst Traffic Charges.

“Round Trip Packet Delay” means a sampled measure of the time taken to transmit and receive at the same Interoute Core IP Node an IP packet of a defined size “Ping Packet” between any two designated Interoute Core IP Nodes on the Interoute IP Network.

“SDSL” refers to Symmetrical Digital Subscriber Line also known as SHDSL and defined in ITU-T G.991.2

“Ready For Service Date” means the date when Interoute provides the Service ready for use at the Interoute Demarcation Point.

“Site” means the space occupied by Customer and/or Interoute for the purposes of installing any Interoute provided Customer Premise Equipment required presenting the Service to the Customer.

“Third Party Local Access”, **“Local Access” “Leased Lines”, “Private Circuits” and “Access”** means short haul physical connections (including any DSL local access connection and patching cross connects/ cabling), that are provisioned between the Customer’s premises and the nearest feasible Interoute Point of Presence and are based on either TDM, Ethernet, ADSL or SDSL technology. Third Party Local Access connections, not being under the direct control and ownership of Interoute, are not deemed part of the Interoute IP Network.

“Traffic” means all Customer generated IP packets that are transmitted and received at the Customer Port. The billable amount of traffic exchanged with the Interoute IP Network via the Customer port is calculated in accordance with the Billing Model specified in the Purchase Order.

Any other capitalised terms have the meanings set out in Interoute’s Standard Terms and Conditions.

3. INTERNET ACCESS SERVICE TERMS

The following terms and conditions shall apply when Interoute provides Internet Services from its own network to the Customer.

4. CHARGES

4.1. Charges payable by the Customer

- Charges for the Internet Services shall comprise an Installation Charge and a Monthly Charge.
- If the Customer commits to a Committed Date Rate Billing Model (as detailed on the Purchase Order) a recurring fixed Monthly Charge based on such Committed Data Rate plus Burst Charges (where applicable) billed on a per Mb (or part thereof) usage rate.
- Unless otherwise agreed between the Parties in the Purchase Order, Charges for the Internet Services and any applicable Cancellation Charges will be invoiced in accordance with the terms specified in Interoute’s Standard Terms and Conditions for the amounts detailed in the Purchase Order or Change Order.
- Any additional costs e.g. Local Access Charges will be invoiced to the Customer (as stated on the Purchase Order).

5. SERVICE CREDITS

Interoute will provide the Customer with service credits for the failure to meet the following targets:

- Service Installation
- Service Availability
- Packet Delivery

- Round Trip Packet Delay

5.1. **Service Installation**

- Where Third Party Local Access is required for particular a Site in relation to the provision of Indirect Access, Customer acknowledges and agrees that delivery of the Service to such a Site cannot be guaranteed and shall be subject to the Third Party Local Access provider being able to connect to the Site. Execution by Customer and Interoute of a Purchase Order does not constitute any guarantee that Interoute will be able to deliver the Services to all the Sites.
- Interoute will provide an Agreed Delivery Date for the installation and provision of the Service. If Interoute fails to meet the Agreed Delivery Date, the Customer will be entitled to a service credit in accordance with this Clause.
- If only part of an order is delayed, valid service credits will be payable only in respect of those Service elements that are not delivered by the Agreed Delivery Date.
- Service credits will be calculated as follows:

Number of full Working Days by which Interoute fails to meet Agreed Delivery Date for Service:	Service credits as % of Installation Charge:
1 to 5 days	[* * *]
6 to 10 days	[* * *]
11 to 20 days	[* * *]
> 21 days	[* * *]
> 30 days	[* * *]

*In addition to the credits provided herein, Customer may terminate the agreement immediately without penalty or liability if Interoute fails to meet the Agreed Delivery Date for Service is greater then 30 days.

5.2. **Service Availability on the Interoute IP Network**

- Target Service Availability is 100 %
- The Internet Access Service is defined as “Available” when IP packets (up to the Committed Data Rate where applicable) can successfully be exchanged between Interoute Core IP Nodes.
- For Customer locations where Dual Private Circuits or Resilient Dual Access is employed, the Target Site Availability is measured across both Internet Access Services and based upon at least one of the Circuits being operational, thereby making the site available.
- Percentage Service Availability is calculated Monthly using the following formula:

$$P = \frac{A}{H} X100$$

Where:

P is the percentage availability;

A is the total number of hours during that calendar month for which the Service was available;

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

H is the total number of hours in that calendar month.

- Where Service Availability falls below 100% during any Monthly Review Period, the Customer will be entitled to Service credits as follows:

Unavailability Duration	Service credits as % of Qualified Monthly Charge:
15 minutes up to 1 hour	[* * *]
Greater than 1 hour up to 2 hours	[* * *]
Greater than 2 hours up to 4 hours	[* * *]
Greater than 4 hours up to 8 hours	[* * *]
Greater than 8 hours up to 12 hours	[* * *]
Greater than 12 hours up to 17 hours	[* * *]
Greater than 17 hours	[* * *]
Greater than 24 hours	[* * *]

5.3. **Service Availability on Third Party Local Access provider's network**

- Where a local dedicated private tail circuit is used (such as TDM based lines or Ethernet) to provide access to the Customer Site(s) , target Service availability is $\geq$99.5 %.
- Where a DSL local tail is used to provide access to the Customer Site(s) , target Service availability is $\geq$98.5 %.
- Where Service Availability falls below target during any Annual Review Period, the Customer will be entitled to Service credits as follows:

Unavailability Duration	Service credits as % of Qualified Monthly Charge:
< 1 % below target	[* * *]
< 2 % below target	[* * *]
< 3 % below target	[* * *]
> 3 % below target	[* * *]

5.4. **Packet Delivery**

- Target Packet Delivery is >99.5% as calculated and averaged over all routes between Interoute Core IP Nodes during a Monthly Review Period.
- Packet delivery is measured on a per Interoute Core IP Node basis with the results reported for every five (5) minute period on the Interoute hub.
- Average Percentage Packet Delivery is calculated monthly using the following formula:

$$Tav = \frac{\sum_{I} SR_i}{\sum_{I} SS_i} X100$$

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Where:

Tav the average Percentage Packet Delivery.

R_i the total number of IP packets received by each Interoute Core IP Node from an originating Interoute Core IP Node; and

S_i the total number of IP packets sent from the originating Interoute Core IP Node to each Interoute Core IP Node.

- Where average Packet Delivery falls below 99.5% during any Monthly Review Period, the Customer will be entitled to service credits as follows:

Packet Delivery during Monthly Review Period	Service credits as % of Qualified Monthly Charge:
99.49% - 99.0%	[* * *]
98.99% - 98.0%	[* * *]
< 98.0%	[* * *]
< 95%	[* * *]
<90%	[* * *]

5.5. **Round Trip Packet Delay**

- Target average Round Trip Packet Delay as calculated and averaged over all routes during a Monthly Review Period is as follows

  Between Interoute's "Central Core" IP Nodes (London, Frankfurt, Paris & Amsterdam):

  - < 25 ms

  From the "Central Core" to the Interoute IP nodes in the rest of Europe:

  - <50 ms

  From the "Central Core" nodes to the Interoute IP nodes in USA:

  - <100 ms

  From the "Central Core" nodes to the Interoute IP nodes in the rest of the world:

  - <200 ms

- Where average Round Trip Packet Delay is exceeded during any Monthly Review Period, the Customer will be entitled to a service credit equivalent to 10% of the Qualified Monthly Charge for the relevant month under consideration.

5.6. **Calculation of Service Credits**

- Where a Monthly Review Period incorporates part of a month, any service credit will apply to a pro-rated Monthly Charge.
- Service credits will be calculated monthly, aggregated and credited to the Customer on a monthly basis.

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

- If the Service is cancelled during a Monthly Review Period, Interoute will provide Customer a pro-rata service credit for the applicable portion of that Monthly Review Period.
- The Customer must claim any service credit due to a failure to meet the service levels, in writing, within twenty one (21) business days of the date at which the Customer could reasonably be expected to become aware of such failure. The Customer shall not be entitled to any service credits in respect of a claim unless and until Interoute has received notice of the claim in writing. Should Interoute require additional information from the Customer, the Customer shall not be able to claim any service credits until Interoute has received all information it reasonably requests.

5.7. **Exclusions to Payment of Service Credits**

- Service credits will not be payable by Interoute to the Customer in relation to the Agreed Delivery Date, Service Availability, Packet Delivery and Round Trip Packet Delay for faults or disruptions to the Service caused by any of the following:
  - The fault or negligence of the Customer, its employees, agents or contractors;
  - The Customer failing to comply with Interoute’s Terms and Conditions;
  - A fault in, or any other problem associated with, equipment connected on the Customer’s side of the Interoute Demarcation Point;
  - The performance of third party networks including Third Party Local Access circuits; traffic exchange points including Internet networks, transit and peering connections provided and controlled by other companies, and Public and Private exchange points such as NAPs and MAEs
  - Any event described as an event of Force Majeure in Interoute’s Terms and Conditions;
  - Any outages or degradation to existing Service that may be the result of Customer requested Service changes or upgrades.
  - DNS issues outside the direct control of Interoute.
  - A failure by the Customer to give Interoute access to any equipment after being requested to do so by Interoute during any Planned Outage
  - Interoute does not guarantee that the Customer will be able to Burst at any given time and the all Burst Traffic is specifically excluded from the service level calculations detailed above.
  - Customer requests to terminate or suspend access to the Managed CPE Firewall Service
- Service credits are not applicable to Planned Outage events on the Interoute IP Network and/or the Customer Port. However, should such planned maintenance occur on more than two (2) occasions per quarter, additional maintenance periods shall be included within outage calculations.
- Service credits are not applicable for more than one breach of any service level targets outlined in this document arising from the same occurrence. In respect of any Monthly Review Period the total amount of any service credit payable in relation to an SLA breach shall not exceed 100% of the Qualified Monthly Charge for the affected Service.
- Installation service credits do not apply where Access circuits needed for the Service are not provided and maintained by Interoute. In cases where Access circuits need to be sourced by Interoute from a third party, the Ready For Service Date is subject to access circuit delivery lead-times specified by the third party supplier.

5.8 Termination

- Interoute's failure to remedy a material non-conformity within thirty (30) days of the Customer Committed Date shall entitle Customer to a refund of all fees paid Service, Software and Qualys shall be released from paying any additional fees for the Services and Service Software.
- Customer may terminate all or any Purchase Order and/or this Agreement with immediate effect by written notice to the other Party with no liability or penalty if Interoute fails service availability resulting in more than 90% service credits for three consecutive months. (see comments on Schedule 2c)

6. SERVICE CANCELLATION

In addition to the early cancellation provisions in Clause 6 to Schedule 1 "Interoute standard terms and conditions" of the Agreement, if all or part of the Service is cancelled or significantly modified prior to the Ready For Service Date, the Customer will be liable for a percentage of the Service Installation Charge, according to the following schedule:

Number of Working Days Before Ready For Service Date	Customer liability as % of Installation Charge
0 to 1 days	[* * *]
2 to 5 days	[* * *]
6 to 10 days	[* * *]
11 to 20 days	[* * *]
21 to 30 days	[* * *]

7. FAULT REPORTING AND MANAGEMENT

7.1. Fault Handling

- Any suspected faults should be reported to the Interoute Customer Service Centre using the procedures detailed in the Service Handover Document to be provided on the Ready For Service Date. When reporting a fault, the Customer should identify the affected Service and provide details of the fault.

7.2. Time to Repair

- Interoute aims to resolve faults causing loss of Service within four (4) hours, provided access to the affected Customer Site, if required is available. Interoute will provide the Customer with progress updates every two (2) hours, unless otherwise agreed.
- Where the fault arises from any Third Party Local Access, Interoute shall endeavour to manage the resolution of the fault by the Third Party Local Access provider as soon as reasonably practicable.

7.3. Fault Duration

- All faults recorded by the Network Management System will be reconciled against the corresponding fault ticket raised by the Customer Service Centre. The exact fault duration will be calculated as of the earlier of (i) the elapsed time between the fault being reported to the Customer Service Centre and the time when Service is restored or (ii) when Interoute first becomes aware of the fault.

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

7.4. **Customer Notification**

- Interoute's Customer Service Centre shall endeavour to inform the Customer if the Customer's Service experiences any outages. This information will be provided twenty-four (24) hours a day, seven (7) days a week. Interoute shall endeavour to notify the Customer of any Service affecting outages within two hours of Interoute's first awareness of such disruption.

7.5. **Planned Outages**

- Planned Outages may be required on the Interoute IP Network and the Customer Port, including associated hardware and/or software for scheduled network maintenance and upgrade activities. Save in the case of emergency, Interoute will effect such outages in accordance with clause 10 of Interoute's terms and conditions (Schedule 1).

8. **DOMAIN NAME AND NETWORK NUMBER**

8.1. Pursuant to the Purchase Order, IP addresses will be allocated as per the Customer's needs, in strict adherence to RIPE guidelines available at **www.ripe.net.** In addition, Interoute will register one domain name on behalf of the Customer. Additional domain name registrations will incur additional charges at Interoute's then prevailing rates.

8.2. Interoute shall apply on behalf of the Customer for one domain name only with the relevant country specific identifier for the Internet Access Service. Interoute shall cover the charges incurred from the managing organization in charge of the relevant Top Level Domain ("TLD") for the duration of the Service. If the Customer requests, Interoute shall apply on behalf of the Customer for additional domain names with the relevant TLD at an additional cost per domain name. Interoute will assist the Customer in applying for domain names in other TLDs (. com, .org etc.) where doing so does not conflict with Interoute's policies regarding Top Level Domains. All costs incurred in applying for such additional domain names shall be borne by the Customer.

8.3. Interoute will route existing IP addresses that were previously assigned to the Customer only if those addresses were assigned to the Customer directly and not through any other Internet Service Provider. Interoute shall assign new or additional IP addresses as requested by the Customer upon being provided with satisfactory documentation justifying the need for those addresses. In certain circumstances it maybe necessary for IP addresses to be approved by the relevant authority i.e. RIPE and in such cases Interoute shall not be responsible for any decision to be made by the relevant authority.

8.4. When Interoute assigns addresses to the Customer, those addresses are assigned only for the duration of the Service and become invalid at such a time as Interoute no longer provides the Service to the Customer. A temporary extension (usually thirty (30) days from the date of Service termination) may be made at Interoute's sole discretion. After termination or after such extension period (if any) those addresses may be reassigned to other customers by Interoute. If the Customer wishes to apply for addresses that will subsist beyond the duration of the Service, it must do so directly to the

relevant authority. Any decision by the relevant authority or by another Internet Service Provider relating to IP addresses is the responsibility of that party and Interoute accepts no responsibility for any such decision.

8.5. Interoute has no control over the availability of domain names and accordingly accepts no responsibility for the availability of any domain name. If any domain name is or becomes unavailable through a request from any domain name registration authority, the Customer shall take all steps to relinquish the relevant domain name or otherwise to abide by the order of such authority. Interoute shall be entitled to take all appropriate steps to achieve the same.

8.6. In respect of any actions taken by Interoute pursuant to this paragraph 8, Interoute at its discretion may levy reasonable additional charges on the Customer.

9. HISTORICAL ARCHIVE AND BACK-UP

While Interoute backs up its servers as a regular part of its internal systems administration, Interoute does not guarantee any storage or backup of Customer data.

10. RESPONSIBILITY OF CUSTOMER EQUIPMENT AND ASSOCIATED SOFTWARE

Customer provided equipment and associated software-based applications and operating systems may be accommodated within Co-location premises provided by Interoute on Interoute's Additional Terms for Co-location.

11. Managed CPE Firewall

11.1 Where Managed CPE Firewall is ordered on the Purchase Order the Customer shall, prior to the commencement of the Service, provide Interoute with a copy of its firewall policy and complete a firewall policy form supplied by Interoute from time to time. Customer undertakes to keep Interoute informed of its most current firewall policy and to promptly notify Interoute of any changes to the firewall policy. In the event that Customer requires changes to the configuration of Managed CPE Firewall (including the firewall policy) it shall notify Interoute in writing in accordance with the Change Management procedure (as notified by Interoute to Customer from time to time). Customer may request up to two (2) firewall related rule changes per calendar month free of charge. Interoute shall charge Customer for any additional changes.

11.2 The Customer acknowledges and accepts that Interoute shall not be responsible or liable for any security breach or failure resulting from the Customer's firewall policy and Interoute shall not be obliged to supply, advise or comply with the Customer's firewall policy. Customer acknowledges that it has assessed for itself the suitability of the Managed CPE Firewall Service for its requirements based on the firewall policy to which the Customer owns and maintains at all material times. Interoute does not warrant that the Managed CPE Firewall Service will meet such requirements or that the Managed CPE Firewall Service will operate in the particular circumstances in which it is used by the Customer or that any use will be uninterrupted or error free.

11.3 In the event of a material hardware failure affecting the Managed Firewall Equipment, Interoute shall endeavour to replace such equipment within two (2) working days from its receipt from the Customer, provided Customer notifies and

sends back to Interoute the original Managed Firewall Equipment within two (2) weeks from the date it was first received by Customer.

12. **INDEMNITY**

The Customer shall indemnify Interoute from and against any losses, or expenses incurred by Interoute caused by, or in any way connected with the unauthorised use of the Managed Firewall Service by the Customer or any third party.

Exhibit 10.16

MANUFACTURING SERVICES AGREEMENT

This Manufacturing Agreement (“Agreement”) is made and entered into as of March 1, 2011 (“Effective Date”), by and between Qualys, Inc. (“Customer”), having its place of business at 1600 Bridge Parkway, Redwood Shores, California 94065, and SYNNEX Corporation (“SYNNEX”), having its place of business at 44201 Nobel Drive, Fremont, California 94538.

BACKGROUND

This Agreement governs Customer’s purchase of Products from SYNNEX. The General Terms and Conditions comprising the body of this Agreement sets forth the general terms for all Product purchases. Customer may purchase Products from SYNNEX by Purchase Order, which will be issued for each particular Product, setting forth any additional or special terms and conditions applying to that particular Product, such as prices, order quantities, and lead times, and any change to the General Terms and Conditions applying to that particular Product. If desired by the parties, a Summary Description of Products and Estimated Costs is attached hereto as **Exhibit A** for discussion purposes only. Notwithstanding the attached Summary Description of Products and Estimated Costs (if applicable), a Purchase Order shall be issued for each purchase transaction(s) specifying the quantities, prices, shipment/delivery date(s), delivery location(s), and any other special terms for the particular transaction(s).

AGREEMENT DOCUMENTS

The parties agree to be bound by this Agreement, which consists of this Signature Page, the General Terms and Conditions, and the applicable Exhibits indicated below:

______ Exhibit A (Summary Description of Products and Estimated Costs)

______ Exhibit B (Purchase Order)

______ Exhibit C (Quality Program)

______ Exhibit D (Payment Assignment)

______ Exhibit E (Manufacturing Location / Contingency Plan)

The duly authorized representatives of the parties have executed and delivered this Agreement as of the Effective Date.

SYNNEX Corporation		Qualys, Inc.	
By:	/s/ Simon Y. Leung	By:	/s/ Don McCauley
Name:	Simon Y. Leung	Name:	Don McCauley
Title:	Senior Vice President General Counsel and Corporate Secretary	Title:	CFO

Confidential Treatment Requested

GENERAL TERMS AND CONDITIONS

SECTION 1 DEFINITIONS.

1.1 "Agreement" shall have the meaning set forth in the Signature Page.

1.2 "Claims" shall mean any and all claims, liabilities, damages or causes of action.

1.3 "Common Materials" shall mean those Materials that are distributed by SYNNEX and do not account for more than fifty percent (50%) of Product run rate.

1.4 "Confidential Information" shall mean the information of a party, which information is conspicuously marked with "Confidential," or "Proprietary" or other similar legend, or, if not marked as "Confidential" or "Proprietary" would otherwise be reasonably construed to be confidential or proprietary information of such party. If Confidential Information is orally disclosed it shall be identified as such at the time of disclosure and a brief written non-confidential description of the information and confirmation of the confidential nature of the information shall be sent to the recipient within thirty (30) days after the disclosure. Quantities, schedules and pricing shall be considered Confidential Information hereunder whether disclosed orally or in writing, or whether or not marked "Confidential" or "Proprietary." Confidential Information does not include information that: (1) was in the possession of, or was known by, the receiving party prior to its receipt from the disclosing party, without an obligation to maintain its confidentiality; (2) is or becomes generally known to the public without violation of this Agreement; (3) is obtained by the receiving party from a third party, without an obligation to keep such information confidential; or (4) is independently developed by the receiving party without use of Confidential Information.

1.5 "Custom Materials" shall mean those Materials specific to Customer's Products that cannot be returned to vendors or sold to third parties and are not used by SYNNEX in the ordinary course of business.

1.6 "Customer" shall have the meaning set forth in the Signature Page.

1.7 "Effective Date" shall have the meaning set forth in the Signature Page.

1.8 "Forecast" shall have the meaning set forth in **Section 3.5.**

1.9 "Intellectual Property" shall mean all worldwide rights arising under contract, status, or common law, whether or not perfected, associated with (1) patents and patent applications; (2) works of authorship, including copyrights, mask works, moral rights, and neighboring rights; (3) the protection of trade and industrial secrets and confidential information; (4) any rights analogous to those set forth herein

and any other proprietary rights relating to intangible or intellectual property now existing or later recognized in any jurisdiction; and (5) divisions, continuations, renewals, reissuances, reexaminations, applications and registrations, and extensions of the foregoing (as applicable) now existing or hereafter filed, issued, or acquired.

1.10 “Material” or “Materials” shall mean raw materials, components and other supplies necessary for the manufacture of Products pursuant to this Agreement.

1.11 “Product” shall mean the products and finished goods available for shipment that are manufactured by SYNNEX pursuant to this Agreement. If applicable, a Summary Description of Products and Estimated Costs (for discussion purposes only) is attached hereto as **Exhibit A.**

1.12 “Purchase Order” shall mean an order placed by Customer to ship Products(s) to an end-customer and as more fully set forth in **Section 3.1**. A form of Purchase Order is attached hereto as **Exhibit B.**

1.13 “Purchased Materials” shall mean those Materials that can be returned to vendors or sold to third parties and are not Common Materials or Custom Materials.

1.14 “Required Completion Date” shall mean the date by which the Product must be completed to meet the delivery requirements of the applicable Purchase Order.

1.15 “Specification” or “Specifications” shall mean the specifications for the Products, as provided by Customer and accepted in writing by SYNNEX, and as revised from time to time upon mutual written agreement of the parties.

1.16 “WIP” shall mean work-in-process or work-in-progress.

SECTION 2 AGREEMENT TO MANUFACTURE.

2.1 Scope of Work. Subject to the terms and conditions of this Agreement, SYNNEX shall, pursuant to Purchase Orders, ship Products to the location specified by Customer, and Customer shall purchase from SYNNEX such quantities of units of the Products as Customer may order from time to time, at the prices set forth on the applicable Purchase Order. SYNNEX’s obligations to manufacture, assemble and test Products pursuant to this Agreement shall not commence until SYNNEX accepts such Purchase Order. Each Product shall be manufactured, configured and tested according to Customer’s Specifications for such Product, and, as necessary, debugged pursuant to **Section 7.1** in an effort to ensure that such Product substantially conforms to the Specifications.

2.2 Consigned Materials.

(A) Upon request from SYNNEX, Customer may, at its election, consign Materials to SYNNEX. All consigned Materials shall be delivered to SYNNEX in a mutually agreed package type, and in sufficient time and in sufficient quantities to allow SYNNEX to meet scheduled delivery dates for the applicable Products. All consigned Materials shall be in good condition. Customer assumes complete liability for the quality of all consigned Materials and SYNNEX shall not be responsible for any defects therein or failures thereof. SYNNEX shall be responsible for inventory shrinkage of consigned Materials after its receipt and confirmation of such Materials and for ensuring that appropriate physical controls of such Materials are in place and properly administered.

(B) Notwithstanding any implication to the contrary in **Section 2.2(A)**, SYNNEX shall be obligated to account for all of the Materials, specifically identified and confirmed by the parties at or prior to any consignment, that are consigned to SYNNEX. Accordingly, if any such Material is damaged, lost or destroyed in the manufacturing, configuration or testing process, SYNNEX shall be responsible, at Customer's election, for replacing such Material at its own expense or paying Customer an amount for such Material to be agreed upon by Customer and SYNNEX; *provided*, *however*, SYNNEX shall have no responsibility for any such yield losses for any class of Material up to the amounts agreed upon by the parties.

2.3 Exclusivity. During the term of this Agreement, Customer shall grant SYNNEX the first right of negotiation for any proposed manufacturing programs and the first right of refusal for any definitive manufacturing programs within the scope of this Agreement.

2.4 Certifications. Prior to the initial manufacturing of any Product line, Customer shall notify SYNNEX of, and SYNNEX shall, at Customer's expense, assist Customer with all manufacturing process certifications, audits, and approvals required to allow Customer to sell such Product, which may include the following regulatory approvals: ETL, UL/cUL, TUV, NEMKO, NOM, GOST-R, CCC, KCC, ICES 22.2, CE, FCC, IRAM, BSMI, and KCC. (DN)

SECTION 3 PURCHASING AND OTHER MATTERS.

3.1 Purchase Orders. Purchase Orders shall be submitted in writing to SYNNEX by postal delivery, courier delivery, facsimile transmission, or electronic transmission. A form of Purchase Order is attached hereto as **Exhibit B**. Receipt of each Purchase Order shall be promptly confirmed in writing by SYNNEX.

If SYNNEX believes it will be unable to meet the delivery dates set forth in any Purchase Order and notifies Customer of that concern and suggested alternative delivery dates within five (5) business days of its receipt of such Purchase Order, SYNNEX and Customer shall negotiate in good faith to agree upon an acceptable alternative delivery date. SYNNEX shall, within five (5) business days of its receipt of a Purchase Order, accept or reject such Purchase Order.

3.2 Purchase Order and Forecast Releases. SYNNEX may make purchase commitments to vendors based upon the Purchase Orders or Forecasts received from Customer. Customer shall only be obligated to SYNNEX for Materials ordered by SYNNEX, as specifically provided in this Agreement, including, without limitation, Purchased Materials and Custom Materials, in quantities essential to meet a then projected delivery date for the related Product in the Purchase Order or then most recent Forecast. SYNNEX may give Customer written notice, from time to time, of the necessary advance order period for any Purchased Materials or Custom Materials that must be ordered more than ninety (90) days prior to receipt thereof by SYNNEX and any material change in such advance order period.

3.3 Rescheduling of Released Orders. Customer may reschedule delivery of units of Products up to two (2) weeks *after* the agreed delivery date by sending SYNNEX a written change order. Rescheduling of delivery of a Product beyond this two (2) week limitation may only be made with the approval of each of the parties. Customer may not reschedule delivery of units of Products *before* the agreed delivery date, except with the prior written consent of SYNNEX. Any fees for rescheduling, including resulting premium costs associated with Materials, labor or handling, must also be mutually agreed upon, in writing, by the parties.

3.4 Impact of Rescheduling. At any time after the Required Completion Date, SYNNEX may move any inventory of Products rescheduled beyond the limits specified in **Section 3.3** to an internal secured consigned inventory location and bill to Customer an additional consignment fee to be mutually agreed upon by the parties, with payment terms as provided in **Section 4.1.** SYNNEX shall give Customer prompt written notice of its consignment election.

Inventory of Products not consumed after forty-five (45) days in the consigned inventory location shall be the responsibility of Customer and, five (5) days after the end of such forty-five (45) day period, in the sole discretion of SYNNEX, such inventory of Products may be shipped from the SYNNEX location to the non-SYNNEX location designated by Customer, at the expense of Customer.

3.5 Forecasts. At the request of SYNNEX, Customer shall provide SYNNEX, by the fifth business day of each month, with a three (3) month rolling forecast (the “Forecast”) of Customer’s purchase requirements of Products for such period, indicating the number of Products to be purchased during each month of the period of the Forecast. Forecasts shall be prepared in good faith and shall represent Customer’s reasonable expectation of its purchase requirements of Products for such period. Each Forecast shall be submitted in writing to SYNNEX by postal delivery, courier delivery, facsimile transmission, or electronic transmission, and shall supersede prior Forecasts to the extent the Forecast overlaps with prior Forecasts. Forecasts shall not be legally binding on Customer, except with respect to the obligations of Customer under this Agreement to purchase Purchased Materials and Custom Materials (as specified in **Section 6.1**), WIP and finished Products. Customer acknowledges and agrees that SYNNEX may place orders for Materials as required to meet the Forecast

within Material lead time plus two (2) weeks, taking into consideration any minimum order quantities, and may manufacture Products in reliance on the quantity requirements specified for the first two (2) weeks of any Forecast.

3.6 Engineering Design Changes. If Customer should request any engineering change order for any Product, SYNNEX shall give Customer written notice, within three (3) business days of receiving written notice of such request, of the date by which, and at what cost, such engineering change order could be implemented. Customer shall be responsible for any increase in such costs (net of any savings of costs), due to an engineering change order, to which Customer agrees in writing.

3.7 Quality Program. If applicable, each of the parties shall comply with the quality program requirements described in **Exhibit C** hereto.

3.8 Cancellations. In the event that Customer wishes to cancel some quantity of units of Products ordered pursuant to a Purchase Order or Forecast, SYNNEX, upon receipt of such written notice of such cancellation, shall stop work on such units of Products to the extent specified therein. Customer's termination liability for a cancellation shall be limited to the following:

(A) Payment for all units of Products delivered to Customer, or in the process of being delivered at the time, plus finished units of Products in inventory prior to, and including, the effective date of cancellation, at then applicable unit prices for such Products;

(B) Payment for all WIP on units of Products based upon (i) percentage of completion, as reasonably determined by SYNNEX and (ii) written notice, in reasonable detail, of which is given to Customer within two (2) business days of the effective date of cancellation, multiplied by the then applicable unit price of such Products, including units of Products which were in progress prior to receipt of notice of cancellation and that could not be completed by the cancellation date (Customer has the right to require SYNNEX to complete any such units on a reasonable schedule acceptable to both parties.); and

(C) Payment for Purchased Materials and Custom Materials as specified in **Section 6.1.**

SYNNEX shall use its commercially reasonable efforts to minimize cancellation charges by returning Purchased Materials for credit (with Customer's approval), reselling Purchased Materials to third parties (with Customer's approval), canceling Purchased Materials and Custom Materials on order, applying Purchased Materials and Custom Materials to other SYNNEX projects (when possible, at the sole discretion of SYNNEX), and minimizing all WIP and finished Products in support of the final production schedule.

Upon payment of the cancellation charges for any completed Products, WIP, Purchased Materials and Customer Materials in-house or on order, such items shall become the property of Customer, F.O.B. SYNNEX (at the applicable SYNNEX facility), and, at Customer's election and expense, shall be delivered to a location identified to SYNNEX by Customer or, at Customer's direction, disposed of by SYNNEX.

3.9 New Products. Quotations by SYNNEX for new Products shall be jointly developed by the parties. Each such quotation requested by Customer shall be provided to Customer on an expeditious basis.

3.10 Meetings.

(A) The parties shall hold meetings, from time to time as requested by either party, but no less than semi-annually, (in person at Customer's facility or by telephone conference call) for the purpose of discussing Customer's existing and contemplated Purchase Orders, Forecasts and other order requirements. The parties, as business requirements dictate, may mutually agree upon the use of blanket Purchase Orders for specific Materials, subject to the terms of this Agreement.

(B) From time to time as requested by either party, but no less than semi-annually, the parties shall jointly review overall cost and volume performance of SYNNEX and Customer, respectively, and other performance parameters to be mutually agreed upon by the parties. The pricing model shall be jointly reviewed by the parties at an agreed upon frequency and may be modified with the mutual agreement of the parties.

SECTION 4 PAYMENT AND SHIPPING TERMS.

4.1 Invoices and Payment.

(A) SYNNEX shall invoice Customer upon shipment of finished Product. Payment for such Product is due [* * *] from date of invoice and may be made by check or wire transfer. Should Customer fail to make payment within [* * *] days after date of invoice, SYNNEX may, at its option, if it gives Customer written notice, in reasonable detail, of such failure and Customer does not cure such failure within [* * *] days of its receipt of such notice, (i) cease shipments to Customer and/or (ii) make some or all future shipments C.O.D. Daily interest at the rate of [* * *] per month shall accrue and be charged, until paid, on all payments not received by SYNNEX within such [* * *] period.

(B) Subject to the approval of SYNNEX, Customer may assign all of Customer's rights to be paid amounts due, or to become due, under separate agreements with Customer's customers in connection with the Products to satisfy

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

Customer's obligations for payment hereunder. A form of payment assignment is attached hereto as **Exhibit D.**

(C) Any party disputing a shipment or payment shall promptly describe such dispute in writing, in reasonable detail, and provide such description to the other party.

(D) Products that have been in inventory in excess of forty-five (45) days after the Required Completion Date shall be paid for as provided in this Agreement. SYNNEX shall provide Customer with a written listing, in reasonable detail, of all such Products, including its applicable purchase price. Customer shall pay SYNNEX for such Products within ten (10) days of its receipt of the listing for such Products.

(E) SYNNEX reserves the right to alter or change any and all credit terms upon thirty (30) business days prior written notice to Customer.

4.2 Packaging and Shipping. SYNNEX shall package each unit of Product to Customer's Specifications, or, if not specified by Customer, to good commercial standards. All shipments made by SYNNEX to Customer or a designee of Customer shall be F.O.B. SYNNEX shipping point. Title and risk of loss or damage to a Product shall pass from SYNNEX to Customer upon delivery of such Product to the F.O.B. shipping point. Shipments to Customer or its designee shall be made in accordance with Customer's specific routing instructions, including method of carrier to be used.

SECTION 5 WARRANTY.

5.1 Warranty. SYNNEX warrants to Customer that each of the Products manufactured, configured or tested by SYNNEX shall have been manufactured, configured and tested in conformance with the Specifications therefor and be free from material defects in workmanship under normal use and service for a period of ninety (90) days after shipment by SYNNEX . SYNNEX shall be responsible for procurement of Materials, incoming inspection, and safe handling of the Materials while in-house at SYNNEX, Customer shall be responsible for the selection of all Materials, as well as ensuring the quality of the vendors and the compatibility of the Materials.

Customer is also responsible for designing a Product which does not unduly stress the Materials being used. SYNNEX's sole obligation under this warranty is limited to replacing, repairing, or issuing credit for any Products that do not substantially conform to such Specifications or are materially defective in workmanship. SYNNEX shall repair or replace any such Product, and deliver the repaired or replacement unit to Customer, within forty-five (45) days of SYNNEX's receipt of such Product. No units of Products for which action may be required under this warranty shall be returned to SYNNEX's manufacturing facility, F.O.B. Customer, without an accompanying

SYNNEX supplied RMA Number, which SYNNEX shall grant on request upon Customer showing a reasonable basis for such return.

In the event a returned unit of a Product is found not to substantially conform to such Specifications or to be defective in workmanship, SYNNEX shall be responsible for the cost of shipping such unit of Product to SYNNEX and back to Customer or its customer. If a returned unit of Product is not so found, Customer shall be responsible for such costs of shipping. Customer shall reasonably cooperate with SYNNEX in its efforts to determine whether a material defect in a unit of Product exists and to repair any materially defective unit of Product.

SYNNEX shall assign to Customer any warranties for Materials it purchases under this Agreement and cooperate reasonably with Customer in its efforts to exercise its rights under such warranties.

THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE AND NON-INFRINGEMENT AND FOR ALL OTHER OBLIGATIONS OR LIABILITIES ON SYNNEX’S PART.

SYNNEX NEITHER ASSUMES, NOR AUTHORIZES ANY OTHER PERSON TO ASSUME FOR SYNNEX, ANY OTHER LIABILITY IN CONNECTION WITH THE SALE OF PRODUCTS TO CUSTOMER OR ITS CUSTOMERS. THIS WARRANTY SHALL NOT APPLY TO ANY UNITS OF PRODUCTS WHICH SHALL HAVE BEEN REPAIRED OR ALTERED OTHER THAN BY SYNNEX OR WHICH SHALL HAVE BEEN SUBJECT TO MISUSE, NEGLIGENCE, OR ACCIDENT. SYNNEX SHALL NOT BE LIABLE FOR PERSONAL INJURY RESULTING DIRECTLY OR INDIRECTLY FROM THE DESIGN, MATERIAL, OPERATION OR INSTALLATION OF ANY UNITS OF PRODUCTS, OTHER THAN FOR PERSONAL INJURY RESULTING SOLELY FROM WORKMANSHIP.

EXCEPT FOR LIABILITY ARISING FROM BREACHES OF CONFIDENTIALITY OBLIGATIONS, NEITHER PARTY IS LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGE OF ANY KIND WHATSOEVER IT MAY CAUSE, EVEN IF IT IS MADE AWARE OF THE POSSIBLE OCCURRENCE OF ANY SUCH DAMAGE.

SECTION 6 RESPONSIBILITY FOR ADDITIONAL COSTS AND EXCESS INVENTORY.

6.1 Excess Inventory. In the event that SYNNEX purchases or orders Materials in order to meet Customer’s requirements as set forth in any Purchase Order or Forecast, Customer shall be required to purchase the unused portion of such Materials from SYNNEX upon demand if Customer fails to purchase units of Products in accordance with such Purchase Order or Forecast. SYNNEX shall provide to Customer

from time to time as requested by Customer, but no more than monthly, an inventory report of Materials. Customer may audit such inventory report. Customer shall pay for such Materials in the amounts and at the times contemplated as follows:

(A) Common Materials. Customer shall have no payment obligation or other liability for Common Materials.

(B) Purchased Materials. Customer shall pay SYNNEX the price differential, if any, of the original purchase price less the return or resale price of Purchased Materials in the event of return or resale at a loss. SYNNEX shall pay Customer the price differential, if any, of the original purchase price less the return or resale price of Purchased Materials in the event of return or resale at a gain. Customer shall also pay SYNNEX for any restocking charges, "bill-backs," cancellation charges or related return or cancellation fees charged by vendors for accepting return of Purchased Materials. In the event Purchased Materials are not returned to the vendors or resold to third parties within thirty (30) days of SYNNEX's demand for payment therefor, such Purchased Materials shall be deemed to be Custom Materials.

(C) Custom Materials. Customer shall pay SYNNEX for its cost of the inventory of Custom Materials within five business (5) days of (i) SYNNEX's demand for payment therefor or (ii) the deemed conversion of Purchased Materials to Custom Materials as a result of the expiration of the thirty (30) day period specified in **Section 6.1(B)**. Custom Materials shall be the responsibility of Customer and shall be shipped from the SYNNEX location to the non-SYNNEX location designated by Customer, at the expense of Customer.

6.2 Cost Adjustments. Product pricing shall remain firm for units of Products on Purchase Order received by SYNNEX, except as follows:

(A) In the event there is an increase in the cost of a Material, or the labor content (as normally defined in the manufacturing industry), of a Product (which has not been ordered as of such increase) which affects the purchase price of such Product, SYNNEX may document such increase in costs and provide such information to Customer in writing in reasonable detail, within five (5) business days of SYNNEX becoming aware of such increase. Both parties may mutually pursue alternative pricing in order to retain the original cost. If such an alternative cannot be attained within a reasonable period of time, the purchase prices for units of the affected Product shall be adjusted to reflect the actual amount of such increase.

As appropriate in the circumstances, as determined by Customer in its sole discretion, Customer shall commit such engineering resources as may be necessary to qualify an alternative source Material if its preliminary review of the engineering specifications for such alternative source Material shows that it provides enhanced management of supply or cost improvements or adequately addresses any end-of-life issues for a then utilized Material.

(B) Customer shall also be responsible for costs and expenses of SYNNEX specified below not included in the purchase price for a Product, and shall pay for such costs and expenses within thirty (30) days of receiving an invoice therefor:

(i) Overtime charges and other actual out-of-pocket expenses approved by Customer and incurred as a result of material delays in the normal production or material interruption in the work flow process where such delays or interruptions are caused by: (a) Customer changes in Specifications or Product test which impact a build in progress; or (b) Customer's failure to provide sufficient quantities or a reasonable quality level of consigned Materials where necessary to sustain the required production schedule.

(ii) Any Material that is rendered obsolete as a result of a Customer engineering, field, manufacturing, design, test, or other change. Such obsolete Material shall be invoiced to Customer. Each such obsolete Material shall be packaged and delivered to Customer by SYNNEX, F.O.B. SYNNEX shipping point, within thirty (30) days of the change effective date and invoiced as of the shipment date thereafter.

(iii) Out-of-pocket expenses incurred due to extraordinary packaging requirements imposed by Customer.

(iv) Any rescheduling fees referenced in **Section 3.3.**

(v) A carrying cost fee of [* * *] per day for the inventory of Materials and Products not consumed or delivered to Customer or Customer's designee after the applicable delivery date.

SECTION 7 FUNCTIONAL TEST.

7.1 Functional Test Equipment. Customer shall provide to SYNNEX, for its use and at Customer's expense, appropriate functional test equipment, as may be mutually agreed upon by Customer and SYNNEX from time to time, reasonably necessary to allow SYNNEX to meet all Product and production commitments of SYNNEX under this Agreement. Customer shall also provide, at its expense, the technical support and maintenance to ensure all such functional test equipment is kept in proper working order. SYNNEX shall ensure that adequate physical asset controls for such equipment are continually maintained and the equipment is used for the purposes contemplated by this Agreement. If SYNNEX is negligent in the use or care of any of such equipment, or breaches any of its obligations with respect to such equipment, it shall be responsible for the cost of repair or replacement of such equipment.

SECTION 8 LICENSE GRANT; OWNERSHIP RIGHTS.

8.1 Nonexclusive License. For the term of this Agreement, Customer grants SYNNEX a non-exclusive, nontransferable, royalty free license, without right to

[***] Information has been omitted and filed separately with the Securities and Exchange Commission. Confidential Treatment has been requested with respect to the omitted portions.

sublicense, to use Customer's Intellectual Property (1) that is necessary for the manufacturing, assembling and testing of Products for Customer pursuant to this Agreement and (2) for the sole purpose of manufacturing, assembling and testing Products for Customer pursuant to this Agreement. SYNNEX acknowledges and agrees that Customer's Intellectual Property contains certain proprietary and confidential information. SYNNEX agrees to protect such information, and disclosures related thereto, pursuant to **Section 12**, below.

8.2 Intellectual Property Rights. Each party shall retain sole ownership of, and all rights to, any Intellectual Property of any kind previously owned by that party or created solely by that party. The parties shall jointly own any Intellectual Property rights where both parties made substantial contributions to the creation thereof; *provided, however*, Customer shall be the sole owner of all right, title and interest in and to any Intellectual Property rights related to Products and any improvements, modifications or derivative works of any Products other than Intellectual Property rights to manufacturing processes and other SYNNEX processes. Such Intellectual Property rights to manufacturing processes and other SYNNEX processes shall belong solely to SYNNEX.

SECTION 9 TERM AND TERMINATION.

9.1 Term and Termination. The initial term of this Agreement shall commence on the Effective Date and extend for one (1) year thereafter, with automatic one year renewals unless terminated according to one or more of the following provisions:

(A) At any time upon the mutual written agreement of both parties;

(B) By either party with or without cause upon ninety (90) days prior written notice of termination to the other party;

(C) By either party, following a material breach of this Agreement by the other party and the breaching party's failure to cure such breach within thirty (30) days of it receiving written notice of such breach; and

(D) By either party upon the other party seeking an order for relief under the bankruptcy laws of the United States or similar laws of any other jurisdiction, a composition with or assignment for the benefit of creditors, or dissolution or liquidation.

9.2 Effect of Termination. Upon termination by either party pursuant to **Section 9.1**, Customer shall be liable for any cancellation according to **Section 3.8**.

9.3 Return of Equipment and Confidential Information. Upon termination of this Agreement by either party, each party shall take the following actions

as soon as commercially practicable upon being requested in writing to do so by the requesting party: (i) return all equipment, including but not limited to, any functional test equipment referenced in **Section 7.1** and; (ii) return all originals and copies Confidential Information. Notwithstanding the foregoing, each party may retain an archival copy of the Confidential Information as required by record retention policies or law.

9.4 Survival. The provisions of **Sections 3.8, 4** through **6, 8.2,** and **9** through **13** shall survive any termination or expiration of this Agreement and enforcement thereof pursuant to this **Section 9.4** shall not be subject to any condition precedent.

SECTION 10 INDEMNIFICATION.

10.1 Product Indemnification. Customer agrees that it shall indemnify SYNNEX against any and all third-party Claims hereafter brought or asserted by any person or entity arising out of the design, installation or use of any units of Product(s) manufactured by SYNNEX under this Agreement, except to the extent such Claim results from such units of Product(s) not substantially conforming to their Specifications or being materially defective in workmanship. Such indemnification obligation shall be conditioned upon SYNNEX promptly notifying Customer of any such Claim. Such indemnification shall include reasonable attorneys' fees and other costs incurred by SYNNEX in the defense of any Claim. Such indemnification is conditioned upon Customer having sole and exclusive control over the defense of any such Claim. Customer shall not enter into any settlement that affects SYNNEX's rights or interests without SYNNEX's prior written approval. Customer shall have no authority to settle any Claim on behalf of SYNNEX.

10.2 Patents, Copyright Trade Secret and Other Proprietary Rights. Customer agrees to defend at its expense any third-party suit brought against SYNNEX based upon a claim that finished Product(s) manufactured by SYNNEX pursuant to the terms and conditions of this Agreement infringes a patent, copyright, trade secret or other proprietary right, foreign or domestic, and to pay the amount of any settlement, or the costs and damages finally awarded with respect to such Claim, provided that SYNNEX promptly notifies Customer of and provides Customer with reasonable assistance in the defense of any such Claim. Customer shall not enter into any settlement that affects SYNNEX's rights or interests without SYNNEX's prior written approval.

10.3 Intertek. Reference is made to that certain Manufacturer's Certification Agreement by and between Intertek Testing Services NA, Inc. and SYNNEX Corporation, dated June 16, 2010 (the "Intertek Agreement.") Customer agrees that it shall indemnify SYNNEX against any and all Claims and liabilities incurred by SYNNEX arising out of the Intertek Agreement including but not limited to Claims or obligation arising out of Sections 2.2 and 4.1 of the Intertek Agreement. Such indemnification obligation shall be conditioned upon SYNNEX promptly notifying Customer of any such Claim. Such indemnification shall include reasonable attorneys" fees and other costs incurred by SYNNEX in the defense of any Claim. Such

indemnification is conditioned upon Customer having sole and exclusive control over the defense of any such Claim. Customer shall not enter into any settlement that affects SYNNEX's rights or interests without SYNNEX's prior written approval. Customer shall have no authority to settle any Claim on behalf of SYNNEX.

10.4 Employee and Contractor Indemnification. Each of the parties agrees that it shall indemnify the other party against any and all Claims hereafter brought or asserted by any person against the other party (1) relating to any alleged or actual action or omission to act by the indemnifying party arising from, or in connection with, such person's status as an employee or independent contractor of the indemnifying person or the termination of such status, (2) relating to any physical or other bodily injury arising from, or in connection with, any alleged or actual act or omission to act of the indemnifying party or any of its employees or independent contractors, or (3) relating to any workers' compensation claim made by an employee or independent contractor of the indemnifying party resulting from any injury sustained by such person while employed or retained by the indemnifying party.

SECTION 11 STAFFING.

11.1 Staffing. Each of the parties agrees not to solicit, hire or engage any employees of the other party that are directly involved in the activities of the other party in connection with this Agreement during the period such employees are employed by the other party and for a period of one hundred and eighty (180) days after the date of such employee's termination of employment from the other party. Each party acknowledges that any material violation of the rights and obligations provided in this **Section 11.1** may result in immediate and irreparable injury to the other party, and hereby agrees that the aggrieved party shall be entitled to immediate temporary, preliminary, and permanent injunctive relief against any such continued violations upon adequate proof, as required by applicable law. Notwithstanding **Section 13.6,** each party hereby submits itself to the personal jurisdiction of the courts of competent subject matter jurisdiction for purposes of entry of such injunctive relief.

SECTION 12 CONFIDENTIALITY.

12.1 Confidentiality Obligations. The receiving party shall protect the confidentiality and secrecy of the disclosing party's Confidential Information and shall prevent any improper disclosure or use thereof by its employees, agents, contractors or consultants, in the same manner and with the same degree of care (but in no event less than a reasonable degree of care) as it uses in protecting its own information of a confidential nature for a period of three (3) years from the date of such disclosure. Each party must inform its employees having access to the other's Confidential Information of restrictions required to comply with this **Section 12.1.** Each party agrees to provide notice to the other immediately after learning of or having reason to suspect a breach of any of the restrictions of this **Section 12.1**. Notwithstanding the foregoing, each party may disclose the other party's Confidential Information if and to the extent that such disclosure is required by applicable law, provided that the receiving party uses reasonable

efforts to limit the disclosure and provides the disclosing party a reasonable opportunity to review the disclosure before it is made and to interpose its own objection to the disclosure.

Each party retains for itself all proprietary rights it possesses in and to all of its own Confidential Information. Accordingly, Confidential Information which the disclosing party may furnish to the receiving party shall be in the receiving party's possession pursuant only to a restrictive, nontransferable, nonexclusive license under which the receiving party may use such Confidential Information under the terms of this Agreement, solely for the purposes of satisfying its obligations hereunder. Each party understands that the party receiving Confidential Information may now or in the future be developing proprietary information internally, or receiving proprietary information from third parties in confidence that may be similar to disclosed Confidential Information. Nothing in this Agreement shall be construed as a representation or inference that the receiving party will not develop products, for itself or others, that compete with the products, processes, systems or methods contemplated by disclosed Confidential Information.

Each party acknowledges that any material violation of the rights and obligations provided in this **Section 12.1** may result in immediate and irreparable injury to the other party, and hereby agrees that the aggrieved party shall be entitled to immediate temporary, preliminary, and, permanent injunctive relief against any such continued violations upon adequate proof, as required by applicable law. Notwithstanding **Section 13.6**, each party hereby submits itself to the personal jurisdiction of the courts of competent subject matter jurisdiction for purposes of entry of such injunctive relief.

SECTION 13 MISCELLANEOUS.

13.1 Entire Agreement and Modification. This Agreement shall constitute the entire agreement between the parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings between the parties relating to such transactions. The Exhibits attached hereto are considered to be a part of this Agreement; *provided, however*, in the event of conflict between the documents comprising this Agreement, the order of precedence shall be (1) the Purchase Order, (2) the then most recent Forecast, (3) these General Terms and Conditions, and (4) the remaining Exhibits. No modification of this Agreement shall be binding, unless in writing and signed by an authorized representative of each party.

13.2 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Neither party hereto shall in any way sell, transfer, assign, or otherwise dispose of any of the rights, privileges, duties and obligations granted or imposed upon it under this Agreement; *provided, however*, SYNNEX shall have the right to assign its rights, duties and responsibilities under this Agreement to an affiliate of SYNNEX; *provided further, however*, SYNNEX shall remain obligated under this Agreement and Customer shall

have the right to approve any change of the manufacturing facility for any Product. An affiliate of SYNNEX means any corporation, partnership or other business entity which controls, is controlled by, or is under common control with SYNNEX.

13.3 Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, except in those instances where removal or elimination of such invalid, illegal, or unenforceable provision or provisions would result in a failure of consideration under this Agreement, such invalidity, illegality or unenforceability shall be severed and shall not affect any other provision hereof. Furthermore, the severed provision shall be replaced by a provision which comes closest to such severed provision, or part thereof, in language and intent, without being invalid, illegal or unenforceable.

13.4 Force Majeure. Neither party shall be liable to the other for any delay in performance or failure to perform, in whole or in part, due to labor dispute, strike, war or act of war (whether an actual declaration is made or not), insurrection, riot, civil commotion, act of public enemy, accident, fire, flood, earthquake, or other act of God, act of any governmental authority, judicial action, computer virus or worm, or similar causes beyond the reasonable control of such party. If any event of force majeure occurs, the party affected by such event shall promptly notify the other party of such event and take all reasonable actions to avoid the effect of such event. Regardless of the excuse of Force Majeure, if such party is not able to perform within forty-five (45) days after such event, the other party may terminate the affected purchase order(s).

13.5 Independent Contractor. SYNNEX and Customer are and shall be independent contractors to one another, and nothing herein shall be deemed to cause this Agreement to create an agency, partnership, or joint venture between the parties.

13.6 Disputes. Both parties agree to negotiate in good faith the settlement of any disputes that may arise under this Agreement. If necessary, such disputes shall be escalated to appropriate senior management of each party. In the event that such good faith settlements fail, excluding any and all disputes and controversies arising out of or in connection with **Sections 11.1** or **12.1,** any and all other disputes and controversies of every kind and nature between the parties arising out of or in connection with the existence, construction, validity, interpretation, or meaning, performance, non-performance, enforcement, operation, breach, continuance, or termination of this Agreement shall be submitted to binding arbitration, pursuant to the Rules of the American Arbitration Association, before a single arbitrator in Alameda County, California. In the event the parties cannot agree on the arbitrator, then an administrator of the American Arbitration Association shall select an appropriate arbitrator from among arbitrators of the American Arbitration Association with experience in manufacturing disputes for technology products. In the event of any litigation arising out of this Agreement or its enforcement by either party, the prevailing party shall be entitled to recover as part of any judgement, reasonable attorneys’ fees and court costs.

13.7 Jurisprudence. This Agreement shall be governed by and construed in accordance with the laws of California and the United Nations Convention on Contracts for the International Sale of Goods shall not apply.

13.8 Notice. All written notices required by this Agreement must be delivered in person or by means evidenced by a delivery receipt and will be effective upon receipt.

13.9 Exhibits. Each Exhibit attached hereto is incorporated herein by this reference. The parties may amend any Exhibit from time to time by entering into a separate written agreement, referencing such Exhibit and specifying the amendment thereto, signed by an authorized employee of each of the parties.

* * * * * * *

Confidential Treatment Requested

EXHIBIT A

SUMMARY DESCRIPTION OF PRODUCTS AND ESTIMATED COSTS

Confidential Treatment Requested

EXHIBIT B

PURCHASE ORDER

Each Purchase Order shall contain the following information:

1. Quantity and type of units of Product to be shipped.
2. Product unit price.
3. Product unit revision level.
4. Delivery schedule, by date, Product unit and quantity.
5. Packaging process and method.
6. Destination, carrier and other specific instructions.

EXHIBIT C

[Reserved]

EXHIBIT D

[Reserved]

EXHIBIT E

Manufacturing Location.

Synnex Corporation
Building 5
44051 Nobel Drive
Fremont, CA 94538

All Products that SYNNEX delivers to Customer will be manufactured at that specified location. SYNNEX will provide Customer with ninety (90) days advance written notice (except in Force Majeure situations or as otherwise agreed in writing by Customer and SYNNEX of any proposed change of manufacturing location).

Contingency Plan.

In the event of a natural disaster SYNNEX's system will reroute orders to the nearest available warehouse. Our phone systems will transfer calls to the nearest sales office (3 CA locations, SC, NJ, NY, OR & TX). Manufacturing projects would be transferred between Fremont, CA, Olive Branch, MS.
SYNNEX anticipates the transfer to take roughly 2 weeks, depending on material transfer and IT requirements

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated June 8, 2012, except for Note 2, as to which the date is August 10, 2012, and the last paragraph of Note 1, as to which the date is September 10, 2012, with respect to the consolidated financial statements of Qualys, Inc. contained in the Registration Statement and Prospectus. We consent to the use of the aforementioned report in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption "Experts."

/s/ GRANT THORNTON LLP

San Francisco, California
September 11, 2012

Exhibit 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated November 2, 2010, with respect to the financial statements of Nemean Networks, LLC as of August 31, 2010 and for the eight month period ended August 31, 2010 and for the period from May 18, 2007 (date of inception) through August 31, 2010 contained in the Registration Statement and Prospectus of Qualys, Inc. We consent to the use of the aforementioned report in the Registration Statement and Prospectus of Qualys, Inc., and to the use of our name as it appears under the caption "Experts."

/s/ GRANT THORNTON LLP

Appleton, WI
September 11, 2012

WSGR Wilson Sonsini Goodrich & Rosati
PROFESSIONAL CORPORATION

650 Page Mill Road
Palo Alto, CA 94304-1050
PHONE 650.493.9300
FAX 650.493.6811
www.wsgr.com

September 11, 2012

Via EDGAR and Overnight Delivery

Securities and Exchange Commission
Division of Corporation Finance
100 F Street, N.E.
Washington, D.C. 20549-3720

Attention: Barbara C. Jacobs
Jan Woo
Joyce Sweeney
Patrick Gilmore

Re: Qualys, Inc.
Amendment No. 1 to the Registration Statement on Form S-1
Filed July 17, 2012
File No. 333-182027

Ladies and Gentlemen:

On behalf of Qualys, Inc. (the "**Company**"), we submit this letter in response to certain comments from the staff (the "**Staff**") of the Securities and Exchange Commission (the "**Commission**") received by letter dated July 27, 2012, relating to Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-182027) filed with the Commission on July 17, 2012 (the "**Registration Statement**"). We are concurrently filing via EDGAR this letter and Amendment No. 4 to the Registration Statement ("**Amendment No. 4**"). For the convenience of the Staff, we are providing marked copies of Amendment No. 3 and this letter to Jan Woo, Joyce Sweeney and Patrick Gilmore.

In this letter, we have recited the comments from the Staff in italicized, bold type and have followed each comment with the Company's response. Except as otherwise specifically indicated, page references herein correspond to the page of Amendment No. 4.

Risk Factors

Delays or interruptions in the manufacturing and delivery of our physical scanner appliances… page 25

1. We note that your response to prior comment 12 addresses why the company is not substantially dependent upon the agreement with the single manufacturer of your physical scanner appliances, but it is not clear why you believe that this agreement is not material and should not be discussed in the prospectus. Given your disclosure on page 25 that delays or interruptions in the manufacturing and delivery of your physical scanner appliances may harm your business, it appears that your agreement with the sole manufacturer of these scanners may be material and you should include a description of the material terms of the agreement in the prospectus, such as duration, termination provision, rights and obligations of the parties.

The Company has now had the chance to provide reasonable prior notice to its sole manufacturer regarding the requested disclosure. Therefore, in response to the Staff's comment, the Company has revised its disclosure on page 93 of Amendment No. 4 to include a description of the material terms of the manufacturing agreement. Additionally, the Company has filed this agreement as an exhibit to Amendment No. 4.

Exhibits

2. We note your response to prior comment 34 regarding your agreements with the two third-party data centers but continue to believe that you may be substantially dependent upon these agreements. In particular, we note your disclosure on pages 17 and 18 that you currently host all of your solutions from these two third-party data centers, you cannot rapidly move customers from one data center to another, your existing data center facilities providers have no obligation to renew their agreements with you on commercially reasonable terms or at all, any disruptions or interruptions with your solutions could harm your reputation and business, reduce your revenues, subject you to liability, or cause customers to terminate their subscriptions and harm your renewal rates. Please provide a material description of the agreements in the prospectus and file the agreements as exhibits to the registration statement pursuant to Item 601(b)(10)(ii)(B) of Regulation S-K.

The Company has now had the chance to provide reasonable prior notice to its data center providers regarding the requested disclosure and the public filing of the agreements. Therefore, in response to the Staff's comment, the Company has revised its disclosure on page 93 of Amendment No. 4 to include a description of the material terms of the data center agreements. Additionally, the Company has filed these agreements as exhibits to Amendment No. 4.

* * * * *

Please direct your questions or comments regarding the Company's responses or Amendment No. 4 to me or Jeffrey D. Saper at (650) 493-9300. Thank you for your assistance.

Sincerely,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

By : /s/ Rezwan D. Pavri
Rezwan Pavri

Enclosures

cc (w/encl.): Philippe F. Courtot
Donald C. McCauley
Bruce K. Posey
Qualys, Inc.

Jeffrey D. Saper
Wilson Sonsini Goodrich & Rosati, P.C.

Timothy J. Moore
John T. McKenna
Cooley LLP

Timothy P. Zingraf
Grant Thornton LLP