
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

Or

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

For the transition period from _____ to _____

Commission File Number: 001-38498

PLURALSIGHT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-3605465

(I.R.S. Employer
Identification Number)

**182 North Union Avenue
Farmington, Utah 84025**

(Address of principle executive offices, including zip code)

(801) 784-9007

(Registrant's telephone number, including area code)

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

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

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

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

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

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

As of April 19, 2019, the registrant had 138,471,395 shares of common stock outstanding, consisting of 95,279,403 shares of Class A common stock, 29,029,681 shares of Class B common stock, and 14,162,311 shares of Class C common stock.

PLURALSIGHT, INC.
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

As used in this Quarterly Report on Form 10-Q, unless expressly indicated or the context otherwise requires, references to “Pluralsight,” “we,” “us,” “our,” “the Company,” and similar references refer to Pluralsight, Inc. and its consolidated subsidiaries, including Pluralsight Holdings, LLC, or Pluralsight Holdings.

This Quarterly Report on Form 10-Q, including the section titled “Management's Discussion and Analysis of Financial Condition and Results of Operations,” includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions, generally relate to future events or our future financial or operating performance. In some cases, you can identify these statements by forward-looking words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “design,” “intend,” “expect,” “could,” “plan,” “potential,” “predict,” “seek,” “should,” “would,” “target,” “project,” “contemplate,” or the negative version of these words and other comparable terminology that concern our expectations, strategy, plans, intentions, or projections. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our ability to attract new customers and retain and expand our relationships with existing customers;
- our ability to expand our course library and develop new platform features;
- our future financial performance, including trends in billings, revenue, costs of revenue, gross margin, operating expenses, and free cash flow;
- the demand for, and market acceptance of, our platform or for cloud-based technology learning solutions in general;
- our ability to compete successfully in competitive markets;
- our ability to respond to rapid technological changes;
- our expectations and management of future growth;
- our ability to enter new markets and manage our expansion efforts, particularly internationally;
- our ability to attract and retain key employees and qualified technical and sales personnel;
- our ability to effectively and efficiently protect our brand;
- our ability to timely scale and adapt our infrastructure;
- our ability to maintain, protect, and enhance our intellectual property and not infringe upon others' intellectual property;
- our ability to successfully identify, acquire, and integrate companies and assets;
- the amount and timing of any payments we make under the fourth amended and restated limited liability company agreement of Pluralsight Holdings, or the Fourth LLC Agreement, and our Tax Receivable Agreement, or TRA, with the members of Pluralsight Holdings;
- our use of net proceeds from our convertible note offering in March 2019; and
- our ability to satisfy our obligations under the convertible senior notes.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in the section titled “Risk Factors” in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission, or the SEC, under the Exchange Act. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the forward-looking events and circumstances discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements and you should not place undue reliance on our forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

You should read this Quarterly Report on Form 10-Q in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2018 included in our Annual Report on Form 10-K.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

PLURALSIGHT, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 736,566	\$ 194,306
Accounts receivable, net of allowances of \$2,713 and \$2,501 as of March 31, 2019 and December 31, 2018, respectively	51,865	63,436
Deferred contract acquisition costs, net	16,863	—
Prepaid expenses and other current assets	10,238	8,323
Total current assets	<u>815,532</u>	<u>266,065</u>
Restricted cash	27,849	16,765
Property and equipment, net	36,552	31,641
Content library, net	6,858	7,050
Intangible assets, net	1,582	1,759
Goodwill	123,119	123,119
Deferred contract acquisition costs, noncurrent, net	3,333	—
Other assets	1,085	1,064
Total assets	<u>\$ 1,015,910</u>	<u>\$ 447,463</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 8,605	\$ 7,160
Accrued expenses	27,644	32,047
Accrued author fees	10,737	10,002
Deferred revenue	167,956	157,695
Total current liabilities	<u>214,942</u>	<u>206,904</u>
Deferred revenue, noncurrent	12,339	14,886
Convertible senior notes, net	481,167	—
Facility financing obligations	20,070	15,777
Other liabilities	1,514	1,303
Total liabilities	<u>730,032</u>	<u>238,870</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value per share, 100,000,000 shares authorized, no shares issued and outstanding as of March 31, 2019 and December 31, 2018	—	—
Class A common stock, \$0.0001 par value per share, 1,000,000,000 shares authorized, 95,096,979 shares issued and outstanding as of March 31, 2019; 65,191,907 shares issued and outstanding as of December 31, 2018	10	7
Class B common stock, \$0.0001 par value per share, 200,000,000 shares authorized, 29,071,789 shares issued and outstanding as of March 31, 2019; 57,490,881 shares issued and outstanding as of December 31, 2018	3	6
Class C common stock, \$0.0001 par value per share, 50,000,000 shares authorized, 14,162,311 shares issued and outstanding as of March 31, 2019; 14,586,173 shares issued and outstanding as of December 31, 2018	1	1
Additional paid-in capital	560,493	452,576
Accumulated other comprehensive loss	(31)	(41)
Accumulated deficit	<u>(359,973)</u>	<u>(351,123)</u>
Total stockholders' equity attributable to Pluralsight, Inc.	<u>200,503</u>	<u>101,426</u>
Non-controlling interests	85,375	107,167
Total stockholders' equity	<u>285,878</u>	<u>208,593</u>
Total liabilities and stockholders' equity	<u>\$ 1,015,910</u>	<u>\$ 447,463</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

PLURALSIGHT, INC.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenue	\$ 69,617	\$ 49,644
Cost of revenue	16,705	14,886
Gross profit	52,912	34,758
Operating expenses:		
Sales and marketing	44,050	29,467
Technology and content	20,032	13,325
General and administrative	21,809	11,292
Total operating expenses	85,891	54,084
Loss from operations	(32,979)	(19,326)
Other (expense) income:		
Interest expense	(2,024)	(3,710)
Other income (expense), net	1,614	(13)
Loss before income taxes	(33,389)	(23,049)
Provision for income taxes	(154)	(109)
Net loss	\$ (33,543)	\$ (23,158)
Less: Net loss attributable to non-controlling interests	(14,660)	—
Net loss attributable to Pluralsight, Inc.	\$ (18,883)	\$ (23,158)
Less: Accretion of Series A redeemable convertible preferred units	—	(19,525)
Net loss attributable to common shares	\$ (18,883)	\$ (42,683)
Net loss per share, basic and diluted ⁽¹⁾	\$ (0.25)	
Weighted-average common shares used in computing basic and diluted net loss per share ⁽¹⁾	75,927	

(1) Represents net loss per share of Class A common stock and weighted-average shares of Class A common stock outstanding for the periods following the Reorganization Transactions (as defined below) and Pluralsight, Inc.'s initial public offering described in Note 1—Organization and Description of Business. See Note 14—Net Loss Per Share for additional details.

The accompanying notes are an integral part of these condensed consolidated financial statements.

PLURALSIGHT, INC.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2019	2018
Net loss	\$ (33,543)	\$ (23,158)
Other comprehensive (loss) income:		
Foreign currency translation gains, net	18	5
Comprehensive loss	\$ (33,525)	\$ (23,153)
Less: Comprehensive loss attributable to non-controlling interests	(14,652)	—
Comprehensive loss attributable to Pluralsight, Inc.	\$ (18,873)	\$ (23,153)

The accompanying notes are an integral part of these condensed consolidated financial statements.

PLURALSIGHT, INC.

Condensed Consolidated Statements of Redeemable Convertible Preferred Units, Members' Deficit, and Stockholders' Equity

(in thousands, except share/unit amounts)
(unaudited)

Three Months Ended March 31, 2019:

	Redeemable Convertible Preferred Units		Members' Capital		Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interests	Total
	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2018	—	\$ —	—	\$ —	65,191,907	\$ 7	57,490,881	\$ 6	14,586,173	\$ 1	\$ 452,576	\$ (41)	\$ (351,123)	\$ 107,167	\$ 208,593
Impact of the adoption of ASC 606	—	—	—	—	—	—	—	—	—	—	—	—	10,033	10,601	20,634
Effect of exchanges of LLC Units	—	—	—	—	28,949,710	3	(28,419,092)	(3)	(530,618)	—	49,495	—	—	(49,495)	—
Vesting of restricted stock units	—	—	—	—	787,982	—	—	—	106,756	—	—	—	—	—	—
Exercise of common stock options	—	—	—	—	167,380	—	—	—	—	—	2,621	—	—	—	2,621
Equity component of convertible senior notes, net of issuance costs	—	—	—	—	—	—	—	—	—	—	137,033	—	—	—	137,033
Purchase of capped calls related to issuance of convertible senior notes	—	—	—	—	—	—	—	—	—	—	(69,432)	—	—	—	(69,432)
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	19,954	—	—	—	19,954
Adjustments to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(31,754)	—	—	31,754	—
Foreign currency translation gains	—	—	—	—	—	—	—	—	—	—	—	10	—	8	18
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(18,883)	(14,660)	(33,543)
Balance at March 31, 2019	—	\$ —	—	\$ —	95,096,979	\$ 10	29,071,789	\$ 3	14,162,311	\$ 1	\$ 560,493	\$ (31)	\$ (359,973)	\$ 85,375	\$ 285,878

Three Months Ended March 31, 2018:

	Redeemable Convertible Preferred Units		Members' Capital		Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interests	Total
	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2017	48,447,880	\$ 405,766	48,407,645	\$ —	—	\$ —	—	\$ —	—	\$ —	\$ —	25	\$ (445,102)	\$ —	\$ (445,077)
Issuance of warrants to purchase shares of Class A common stock	—	—	—	984	—	—	—	—	—	—	—	—	—	—	984
Equity-based compensation	—	—	—	3,373	—	—	—	—	—	—	—	—	—	—	3,373
Accretion of Series A redeemable convertible preferred units	—	19,525	—	(4,357)	—	—	—	—	—	—	—	—	(15,168)	—	(19,525)
Foreign currency translation gains	—	—	—	—	—	—	—	—	—	—	—	5	—	—	5

Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(23,158)	—	(23,158)
Balance at March 31, 2018	<u>48,447,880</u>	<u>\$425,291</u>	<u>48,407,645</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 30</u>	<u>\$ (483,428)</u>	<u>\$ —</u>	<u>\$ (483,398)</u>								

The accompanying notes are an integral part of these condensed consolidated financial statements.

PLURALSIGHT, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2019	2018
Operating activities		
Net loss	\$ (33,543)	\$ (23,158)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	2,056	2,191
Amortization of acquired intangible assets	702	3,333
Amortization of course creation costs	579	447
Equity-based compensation	19,606	3,373
Amortization of deferred contract acquisition costs	5,867	—
Amortization of debt discount and issuance costs	1,545	876
Provision for doubtful accounts	27	222
Deferred tax benefit	(27)	—
Other	25	—
Changes in assets and liabilities:		
Accounts receivable	11,392	6,802
Deferred contract acquisition costs	(5,851)	—
Prepaid expenses and other assets	(1,917)	(1,966)
Accounts payable	1,035	2,063
Accrued expenses and other liabilities	(4,979)	(10,203)
Accrued author fees	735	(179)
Deferred revenue	8,288	5,775
Net cash provided by (used in) operating activities	<u>5,540</u>	<u>(10,424)</u>
Investing activities		
Purchases of property and equipment	(2,133)	(1,868)
Purchases of content library	(937)	(769)
Net cash used in investing activities	<u>(3,070)</u>	<u>(2,637)</u>
Financing activities		
Proceeds from issuance of convertible senior notes, net of discount and issuance costs	617,663	—
Purchase of capped calls related to issuance of convertible senior notes	(69,432)	—
Proceeds from issuance of common stock from employee equity plans	2,621	—
Borrowings of long-term debt	—	20,000
Payments of costs related to initial public offering	—	(1,899)
Payments of debt issuance costs	—	(450)
Other	(4)	(4)
Net cash provided by financing activities	<u>550,848</u>	<u>17,647</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>26</u>	<u>9</u>
Net increase in cash, cash equivalents, and restricted cash	553,344	4,595
Cash, cash equivalents, and restricted cash, beginning of period	211,071	28,477
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 764,415</u>	<u>\$ 33,072</u>
Supplemental cash flow disclosure:		
Cash paid for interest	\$ —	\$ 2,472
Cash paid for income taxes, net	\$ 116	\$ 84
Supplemental disclosure of non-cash investing and financing activities:		
Property acquired under build-to-suit agreements	\$ 4,297	\$ —
Debt and equity issuance costs, accrued but not yet paid	\$ 1,008	\$ 1,506
Unpaid capital expenditures	\$ 870	\$ 433
Equity-based compensation capitalized as internal-use software	\$ 348	\$ —
Redeemable convertible preferred unit accretion	\$ —	\$ 19,525
Issuance of warrants to purchase shares of Class A common stock	\$ —	\$ 984
Reconciliation of cash, cash equivalents and restricted cash as shown in the statement of cash flows:		

Cash and cash equivalents	\$	736,566	\$	32,359
Restricted cash		<u>27,849</u>		<u>713</u>
Total cash, cash equivalents, and restricted cash	\$	<u>764,415</u>	\$	<u>33,072</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

PLURALSIGHT, INC.

Notes to Condensed Consolidated Financial Statements

(unaudited)

Note 1. Organization and Description of Business

Pluralsight, Inc. was incorporated as a Delaware corporation on December 4, 2017 as a holding company for the purpose of facilitating an initial public offering (“IPO”) and other related transactions in order to carry on the business of Pluralsight Holdings, LLC (“Pluralsight Holdings”) and its subsidiaries (together with Pluralsight, Inc., the “Company” or “Pluralsight”). Pluralsight Holdings is a limited liability company (“LLC”) and was organized on August 29, 2014 in the state of Delaware and is the parent company of Pluralsight, LLC, and its directly and indirectly wholly-owned subsidiaries. Pluralsight, LLC was organized on June 17, 2004 in the state of Nevada. Pluralsight operates a cloud-based technology learning platform that provides a broad range of tools for businesses and individuals, including skill assessments, a curated library of courses, learning paths, and business analytics. As the sole managing member of Pluralsight Holdings, Pluralsight, Inc. operates and controls all of the business operations and affairs of Pluralsight.

Initial Public Offering

In May 2018, Pluralsight, Inc. completed an IPO, in which it sold 23,805,000 shares of Class A common stock at a public offering price of \$15.00 per share for net proceeds of \$332.1 million, after deducting underwriters' discounts and commissions, which Pluralsight, Inc. used to purchase newly issued common limited liability company units (“LLC Units”) from Pluralsight Holdings. In connection with the IPO, the Company reclassified \$7.4 million of offering costs into stockholders' equity as a reduction of the net proceeds received from the IPO.

Reorganization Transactions

In connection with the IPO, the Company completed the following transactions (“Reorganization Transactions”):

- The limited liability company agreement of Pluralsight Holdings (“LLC Agreement”) was amended and restated to, among other things: (i) appoint Pluralsight, Inc. as its sole managing member and (ii) effectuate the conversion of all outstanding redeemable convertible preferred limited liability company units, incentive units, and Class B incentive units of Pluralsight Holdings into a single class of common units. See Note 10—Stockholders' Equity for additional details.
- Certain members of Pluralsight Holdings that were corporations merged with and into Pluralsight, Inc. and certain members of Pluralsight Holdings contributed certain of their LLC Units to Pluralsight, Inc., in each case in exchange for shares of Class A common stock.
- The certificate of incorporation of Pluralsight, Inc. was amended and restated to authorize three classes of common stock, Class A common stock, Class B common stock, Class C common stock, and one class of preferred stock. Class B and Class C common stock were issued on a one-for-one basis to the members of Pluralsight Holdings who retained LLC Units (“Continuing Members”). Class B and Class C common stock have voting rights but no economic rights. See Note 10—Stockholders' Equity for additional details.

As the sole managing member of Pluralsight Holdings, Pluralsight, Inc. has the sole voting interest in Pluralsight Holdings and controls all of the business operations, affairs, and management of Pluralsight Holdings. Accordingly, Pluralsight, Inc. consolidates the financial results of Pluralsight Holdings and reports the non-controlling interests of the Continuing Members' LLC Units on its consolidated financial statements. As of March 31, 2019, Pluralsight, Inc. owned 70.1% of Pluralsight Holdings and the Continuing Members owned the remaining 29.9% of Pluralsight Holdings.

As the Reorganization Transactions are considered transactions between entities under common control, the financial statements for periods prior to the IPO and Reorganization Transactions have been adjusted to combine the previously separate entities for presentation purposes. Prior to the Reorganization Transactions, Pluralsight, Inc. had no operations.

Secondary Offering

In March 2019, the Company completed a secondary offering, in which certain stockholders sold 15,592,234 shares of Class A common stock at a public offering price of \$29.25 per share. Pluralsight did not receive any proceeds from the sale of shares by selling stockholders. A total of \$0.9 million in costs were incurred by Pluralsight in connection with this offering.

Note 2. Summary of Significant Accounting Policies and Recent Accounting Pronouncements

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and the applicable regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in annual

financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2018 included in Pluralsight, Inc.'s Annual Report on Form 10-K, as filed with the SEC on February 21, 2019 ("Annual Report").

These unaudited condensed consolidated financial statements include the accounts of Pluralsight, Inc. and its directly and indirectly wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

As discussed in Note 1—Organization and Description of Business, Pluralsight, Inc. consolidates the financial results of Pluralsight Holdings as a Variable Interest Entity ("VIE"). The Company periodically evaluates entities for consolidation either through ownership of a majority voting interest, or through means other than a voting interest, in accordance with the VIE accounting model. A VIE is an entity in which the equity investors as a group, if any, lack the power through voting or similar rights to direct the activities of such entity that most significantly impact such entity's economic performance or the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support.

Interim Unaudited Condensed Consolidated Financial Statements

The accompanying interim condensed consolidated balance sheet as of March 31, 2019, and the interim condensed consolidated statements of operations, comprehensive loss, redeemable convertible preferred units, members' deficit, and stockholders' equity, and cash flows for the three months ended March 31, 2019 and 2018 are unaudited. The condensed consolidated balance sheet as of December 31, 2018 was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The interim unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company's financial position, its operations and cash flows for the periods presented. The historical results are not necessarily indicative of future results, and the results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results to be expected for the full year or any other period.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. On an ongoing basis, the Company evaluates its estimates, including those related to the determination of the fair value of equity awards, fair value of the liability and equity components of the convertible senior notes, the valuation of build-to-suit leases, useful lives of property and equipment, content library and intangible assets, the period of benefit for deferred contract acquisition costs, provisions for doubtful accounts receivable and deferred revenue, impairment of long-lived and intangible assets, including goodwill, and certain accrued expenses, including author fees. These estimates and assumptions are based on the Company's historical results and management's future expectations. Actual results could differ from those estimates.

Significant Accounting Policies

The Company's significant accounting policies are discussed in "Note 1—Description of Business and Summary of Significant Accounting Policies" in the Annual Report. There have been no significant changes to these policies that have had a material impact on the Company's unaudited condensed consolidated financial statements and related notes during the three months ended March 31, 2019, except as noted below.

Revenue Recognition (ASC 606)

The Company derives substantially all of its revenue from subscription services (which include support services) from providing customers access to its platform.

The Company implemented the provisions of Accounting Standards Update ("ASU") 2014-09 (referred to collectively as "ASC 606") effective January 1, 2019 using the modified retrospective transition method as discussed below under the section "Recent Accounting Pronouncements".

Following the adoption of ASC 606, the Company recognizes revenue when control of these services is transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the services. Sales and other taxes collected from customers to be remitted to government authorities are excluded from revenue. The Company accounts for revenue contracts with customers by applying the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in a contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

The Company's subscription arrangements do not provide customers with the right to take possession of the software supporting the platform and, as a result, are accounted for as service arrangements. Access to the Company's platform represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. Accordingly, the fixed consideration related to subscription revenue is generally recognized on a straight-line basis over the contract term, beginning on the date that the service is made available to the customer. The Company's subscription contracts typically vary from one month to three years. The Company's arrangements are generally noncancellable and nonrefundable.

A small portion of the Company's revenue is derived from providing professional services, which generally consist of content creation or other consulting services. These services are distinct from subscription revenue services. Revenue from professional services is generally recognized upon completion, because the customer consumes the intended benefit and assumes control upon final completion of the service.

Some contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately, if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines standalone selling prices considering market conditions and based on overall pricing objectives such as observable standalone selling prices, and other factors, including the value of contracts, types of services sold, customer demographics, and the number and types of users within such contracts.

Deferred Revenue

The Company records contract liabilities to deferred revenue when cash payments are received or billings are due in advance of revenue recognition from subscription services described above, including amounts billed to customers in accordance with the terms of the underlying contracts where the service period has not yet commenced but will commence in the near future. Deferred revenue is recognized as revenue as the revenue recognition criteria are met. Amounts anticipated to be recognized within one year of the balance sheet date are recorded as deferred revenue, current; the remaining portion is recorded as non-current deferred revenue.

Accounts Receivable

Accounts receivable represent amounts owed to the Company for subscriptions to the Company's platform. Accounts receivable balances are recorded at the invoiced amount and are non-interest-bearing. The Company records a contract asset when revenue is recognized in advance of invoicing. Contract assets that represent a right to consideration that is unconditional are presented within accounts receivable on the condensed consolidated balance sheets.

The Company maintains an allowance for doubtful accounts to reserve for potential uncollectible receivables, by assessing the collectability of the accounts by taking into consideration the aging of trade receivables, historical experience, and management judgment. The Company writes off trade receivables against the allowance when management determines a balance is uncollectible and no longer intends to actively pursue collection of the receivable.

Deferred Contract Acquisition Costs

The Company capitalizes sales commissions, and associated fringe costs, such as payroll taxes, paid to direct sales personnel and other incremental costs of obtaining contracts with customers, provided the Company expects to recover those costs. These costs are recorded as deferred contract acquisition costs on the condensed consolidated balance sheets. The Company determines whether costs should be deferred based on its sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

Sales commissions for renewal of a subscription contract are not considered commensurate with the commissions paid for the acquisition of the initial subscription contract given the substantive difference in commission rates between new and renewal contracts. Commissions paid upon the initial acquisition of a contract are amortized over an estimated period of benefit of four years while commissions paid related to renewal contracts are amortized over an estimated period of benefit of 18 months. Amortization is recognized on a straight-line basis commensurate with the pattern of revenue recognition.

The period of benefit for commissions paid for the acquisition of initial subscription contracts is determined by taking into consideration the initial estimated customer life and the technological life of the Company's platform and related significant features. The Company determines the period of benefit for renewal subscription contracts by considering the average contractual term for renewal contracts. Amortization of deferred contract acquisition costs is included within sales and marketing expense in the condensed consolidated statements of operations.

The Company periodically reviews these deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred contract acquisition costs. There were no material impairment losses recorded during the periods presented.

Advertising Costs

Advertising costs are expensed as incurred. The Company recorded advertising costs of \$3.6 million and \$2.7 million for the three months ended March 31, 2019 and 2018, respectively.

Recent Accounting Pronouncements

Under the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), the Company meets the definition of an emerging growth company. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the Company is no longer an emerging growth company or until the Company affirmatively and irrevocably opts out of the extended transition period. As a result, the Company's financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and *Other Assets and Deferred Costs—Contracts with Customers (Subtopic 340-40)*, which supersedes nearly all existing revenue recognition guidance. The core principle behind ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering those goods and services. To achieve this core principle, the guidance provides a model, which involves a five-step process that includes identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction prices to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies the performance obligations. The standard also provides guidance on the recognition of costs related to obtaining customer contracts.

The Company adopted the standard as of January 1, 2019 using the modified retrospective adoption method applied to those contracts that were not completed as of that date. Upon adoption, the Company recognized the cumulative effect of adopting the standard as an adjustment to the opening balance of stockholders' equity. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The Company updated its accounting policies, processes, internal controls and information systems to conform to the new revenue standard's reporting and disclosure requirements.

Prior to adoption, the Company limited revenue recognition for delivered elements to the amount that is not contingent on the delivery of future services. The adoption of ASC 606 resulted in an acceleration in timing of the Company's revenue for certain sales contracts due to the removal of this limitation. In addition, as a result of the new standard, the Company capitalizes sales commissions and other incremental costs of obtaining contracts with customers. Such costs are amortized over the expected period of benefit, which for initial contracts is an estimated period of four years, while renewal contracts are amortized over an estimated period of benefit of 18 months.

The following table summarizes the adjustments made to the Company's condensed consolidated balance sheet as of January 1, 2019 as a result of applying the modified retrospective method to adopt ASC 606 (in thousands):

	As Reported	Adjustments		As Adjusted
	December 31, 2018	Revenue Recognition	Incremental Costs of Obtaining a Contract	January 1, 2019
Accounts receivable, net	\$ 63,436	\$ 33	\$ —	\$ 63,469
Deferred contract acquisition costs, net	—	—	16,461	16,461
Deferred contract acquisition costs, noncurrent, net	—	—	3,751	3,751
Deferred revenue	157,695	(389)	—	157,306
Deferred revenue, noncurrent	14,886	—	—	14,886
Accumulated deficit	(351,123)	205	9,828	(341,090)
Non-controlling interests	107,167	217	10,384	117,768

The decrease of deferred revenue and increase to deferred contract acquisition costs as of January 1, 2019 resulted in additional deferred tax liabilities that reduced the Company's net deferred tax asset position. The net deferred tax assets in the jurisdictions impacted by the adoption of ASC 606 were fully reserved and, accordingly, this impact was offset by a corresponding reduction to the valuation allowance with no resulting net impact to net assets or accumulated deficit.

In addition, the adoption of ASC 606 resulted in changes to the Company's accounting estimates and policies for revenue recognition, deferred contract acquisition costs, deferred revenue, and accounts receivable. See the section titled "Significant Accounting Policies" for a discussion of the Company's updated policies.

Refer to Note 3—Revenue for the ongoing impacts of adopting ASC 606 on the condensed consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the accounting for implementation costs incurred in a hosting arrangement that is a service contract with the accounting for implementation costs incurred to develop or obtain internal-use software under ASC 350-40, in order to determine which costs to capitalize and recognize as an asset. The new guidance is effective for public business entities for annual periods beginning after December 15, 2019, including interim periods within those periods. For all other entities, the ASU is effective for annual periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted for all entities. The Company is currently in the process of evaluating the impact of this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU amends guidance on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities to require that credit losses on available-for-sale debt securities be presented as an allowance rather than as a write-down. The measurement of credit losses for newly recognized financial assets and subsequent changes in the allowance for credit losses are recorded in the statements of operations. For public business entities that meet the definition of an SEC filer, it is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. For public business entities, the ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. For all other entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Company anticipates adopting the standard during the fiscal year ended December 31, 2020, unless it loses its status as an emerging growth company prior to the year of adoption. The Company is currently evaluating the potential changes to its future financial reporting and disclosures from this ASU. As part of its preliminary assessment, the Company expects to record right-of-use assets and lease liabilities for its operating leases as a result of adopting this standard. While the Company continues to assess all potential impacts under the new standard, including the areas described above, the Company does not know or cannot reasonably estimate quantitative information related to the impact of the adoption of the new standard on its consolidated financial statements at this time.

Note 3. Revenue

Effect of Adopting ASC 606

The adoption of ASC 606 resulted in changes to the Company's condensed consolidated balance sheet as of March 31, 2019 and its statement of operations for the three months ended March 31, 2019 due to the timing of revenue recognition and the capitalization of incremental costs of obtaining contracts. In addition, there were offsetting shifts in the statement of cash flows through net loss and various changes in operating assets and liabilities, which resulted in no impact on the total cash provided by operating activities. Refer to Note 2—Summary of Significant Accounting Policies and Recent Accounting Pronouncements for a description of the primary impacts resulting from the adoption of ASC 606.

The following tables present the amount by which each condensed consolidated financial statement line item is affected as of and for the three months ended March 31, 2019 by ASC 606 (in thousands, except per share data):

Condensed Consolidated Balance Sheet:

	March 31, 2019		
	As Reported	Balance without Adoption of ASC 606	Effect of Adoption Increase/(Decrease)
Accounts receivable, net	\$ 51,865	\$ 51,855	\$ 10
Deferred contract acquisition costs, net	16,863	—	16,863
Deferred contract acquisition costs, noncurrent, net	3,333	—	3,333
Deferred revenue	167,956	168,649	(693)
Deferred revenue, noncurrent	12,339	12,339	—
Accumulated deficit	(359,973)	(380,872)	20,899

Condensed Consolidated Statement of Operations:

	Three Month Ended March 31, 2019		
	As Reported	Balance without Adoption of ASC 606	Effect of Adoption Increase/(Decrease)
Revenue	\$ 69,617	\$ 69,336	\$ 281
Operating expenses:			
Sales and marketing	44,050	44,034	16
Loss from operations	(32,979)	(33,244)	265
Net loss	(33,543)	(33,808)	265
Less: Net loss attributable to non-controlling interests	(14,660)	(14,776)	116
Net loss attributable to Pluralsight, Inc.	(18,883)	(19,032)	149
Net loss per share, basic and diluted	\$ (0.25)	\$ (0.25)	\$ —
Weighted-average common shares used in computing basic and diluted net loss per share	75,927	75,927	—

Condensed Consolidated Statement of Cash Flows:

	Three Months Ended March 31, 2019		
	As Reported	Balance without Adoption of ASC 606	Effect of Adoption Increase/(Decrease)
Net loss	\$ (33,543)	\$ (33,808)	\$ 265
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization of deferred contract acquisition costs	5,867	—	5,867
Changes in assets and liabilities:			
Accounts receivable	11,392	11,369	23
Deferred contract acquisition costs	(5,851)	—	(5,851)
Deferred revenue	8,288	8,592	(304)
Cash provided by operating activities	5,540	5,540	—

Disaggregation of Revenue

Subscription revenue accounted for approximately 99% of the Company's revenue for the three months ended March 31, 2019.

Revenue by geographic region, based on the physical location of the customer, was as follows (dollars in thousands):

	Three Months Ended March 31,			
	2019		2018	
	Amount	%	Amount	%
United States	\$ 43,581	63%	\$ 31,578	64%
Europe, Middle East and Africa ⁽¹⁾	18,986	27%	13,525	27%
Other foreign locations	7,050	10%	4,541	9%
Total revenue	<u>\$ 69,617</u>	<u>100%</u>	<u>\$ 49,644</u>	<u>100%</u>

(1) Revenue from the United Kingdom represented 11% of revenue for the three months ended March 31, 2019 and 2018. No other foreign country accounted for 10% or more of revenue during the three months ended March 31, 2019 and 2018.

Revenue by type of customer, was as follows (dollars in thousands):

	Three Months Ended March 31,	
	2019	2018
	Amount	Amount
Business customers	\$ 58,567	\$ 38,878
Individual customers	11,050	10,766
Total revenue	<u>\$ 69,617</u>	<u>\$ 49,644</u>

Contract Balances

For the three months ended March 31, 2019, the Company recognized revenue of \$58.6 million that was included in the corresponding deferred revenue balance at the beginning of the period. Contract assets, which are presented within accounts receivable were less than \$0.1 million as of March 31, 2019.

Remaining Performance Obligations

As of March 31, 2019, the aggregate amount of the transaction price allocated to remaining performance obligations was \$241.9 million. The Company expects to recognize 75% of the transaction price over the next 12 months.

Costs to Obtain and Fulfill a Contract

The following table summarizes the activity of the deferred contract acquisition costs:

Balance as of January 1, 2019	\$ 20,212
Capitalization of contract acquisition costs	5,851
Amortization of deferred contract acquisition costs	(5,867)
Balance as of March 31, 2019	<u>\$ 20,196</u>

Note 4. Fair Value Measurements

The Company measures and records certain financial assets at fair value on a recurring basis. Fair value is based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial instruments that are measured at fair value on a recurring basis consist of money market funds. The following three levels of inputs are used to measure the fair value of financial instruments:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The fair value of the Company's financial instruments were as follows (in thousands):

	As of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds	\$ 726,399	\$ —	\$ —	\$ 726,399

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money market funds	\$ 185,405	\$ —	\$ —	\$ 185,405

Convertible Senior Notes

As of March 31, 2019, the estimated fair value of the convertible senior notes was \$676.7 million. The Company estimates the fair value based on quoted market prices in an inactive market on the last trading day of the reporting period (Level 2). These convertible senior notes are recorded at face value less unamortized debt discount and transaction costs on the Company's condensed consolidated balance sheet. Refer to Note 8—Convertible Senior Notes and Other Long-Term Debt for further information.

Fair Value of Other Financial Instruments

The carrying amounts of the Company's accounts receivable, accounts payable, accrued expenses, and other liabilities approximate their fair values due to the short maturities of these assets and liabilities.

Note 5. Balance Sheet Components

Prepaid Expenses and Other Current Assets

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

	March 31, 2019	December 31, 2018
Prepaid expenses	\$ 9,921	\$ 7,931
Other current assets	317	392
Prepaid expenses and other current assets	<u>\$ 10,238</u>	<u>\$ 8,323</u>

Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Accrued compensation	\$ 14,959	\$ 22,285
Accrued income and other taxes payable	5,487	5,408
Accrued other current liabilities	7,198	4,354
Accrued expenses	<u>\$ 27,644</u>	<u>\$ 32,047</u>

Note 6. Property and Equipment

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Computer equipment	\$ 9,720	\$ 9,369
Software	2,031	2,031
Capitalized internal-use software costs	16,043	13,880
Furniture and fixtures	5,574	5,478
Buildings	11,251	11,251
Leasehold improvements	1,490	1,490
Construction in progress	1,731	1,671
Build-to-suit lease asset under construction	12,578	8,281
Total property and equipment	<u>60,418</u>	<u>53,451</u>
Less: Accumulated depreciation	(23,866)	(21,810)
Property and equipment, net	<u>\$ 36,552</u>	<u>\$ 31,641</u>

Depreciation expense totaled \$2.1 million and \$2.2 million for the three months ended March 31, 2019 and 2018, respectively.

Note 7. Intangible Assets

Intangible assets, net are summarized as follows (in thousands):

	<u>As of March 31, 2019</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Content library:			
Acquired content library	\$ 32,835	\$ 32,754	\$ 81
Course creation costs	14,303	7,526	6,777
Total	<u>\$ 47,138</u>	<u>\$ 40,280</u>	<u>\$ 6,858</u>
Intangible assets:			
Technology	\$ 4,500	\$ 2,963	\$ 1,537
Trademarks	162	162	—
Noncompetition agreements	390	390	—
Customer relationships	2,750	2,750	—
Database	40	40	—
Domain names	45	—	45
Total	<u>\$ 7,887</u>	<u>\$ 6,305</u>	<u>\$ 1,582</u>

	As of December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Content library:			
Acquired content library	\$ 32,835	\$ 32,229	\$ 606
Course creation costs	13,552	7,108	6,444
Total	<u>\$ 46,387</u>	<u>\$ 39,337</u>	<u>\$ 7,050</u>
Intangible assets:			
Technology	\$ 4,500	\$ 2,786	\$ 1,714
Trademarks	162	162	—
Noncompetition agreements	390	390	—
Customer relationships	2,750	2,750	—
Database	40	40	—
Domain names	45	—	45
Total	<u>\$ 7,887</u>	<u>\$ 6,128</u>	<u>\$ 1,759</u>

Intangible assets are amortized using the straight-line method over the estimated useful lives. Amortization expense of acquired intangible assets was \$0.7 million and \$3.3 million for the three months ended March 31, 2019 and 2018, respectively. Amortization expense of course creation costs was \$0.6 million and \$0.4 million for the three months ended March 31, 2019 and 2018, respectively.

Note 8. Convertible Senior Notes and Other Long-Term Debt

Convertible Senior Notes

In March 2019, Pluralsight, Inc. issued \$633.5 million aggregate principal amount of 0.375% convertible senior notes due in 2024 (the "Notes"), which includes the initial purchasers' exercise in full of their option to purchase an additional \$83.5 million principal amount of the Notes, in a private placement to qualified institutional buyers exempt from registration under the Securities Act. The net proceeds from the issuance of the Notes were \$616.7 million after deducting the initial purchasers' discounts and estimated issuance costs.

The Notes are governed by an indenture (the "Indenture") between the Company, as the issuer, and U.S. Bank National Association, as trustee. The Notes are Pluralsight, Inc.'s senior unsecured obligations and rank senior in right of payment to any of its indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of the Company's unsecured indebtedness then existing and future liabilities that are not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of its subsidiaries. The Indenture does not contain any financial covenants or restrictions on the payments of dividends, the incurrence of indebtedness, or the issuance or repurchase of securities by the Company or any of its subsidiaries. The Notes mature on March 1, 2024 unless earlier repurchased or converted. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2019.

The Notes have an initial conversion rate of 25.8023 shares of the Company's Class A common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$38.76 per share of its Class A common stock and is subject to adjustment if certain events occur. Following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its Notes in connection with such corporate event. Additionally, upon the occurrence of a corporate event that constitutes a "fundamental change" per the Indenture, holders of the Notes may require the Company to repurchase for cash all or a portion of their Notes at a purchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest.

Holders of the Notes may convert all or any portion of their Notes at any time prior to the close of business on December 1, 2023, in integral multiples of \$1,000 principal amount, only under the following circumstances:

- During any calendar quarter commencing after the calendar quarter ending on June 30, 2019 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

- During the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price as defined in the Indenture per \$1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; or
- Upon the occurrence of specified corporate events described in the Indenture.

On or after December 1, 2023, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at the conversion rate at any time irrespective of the foregoing conditions. Upon conversion, holders will receive cash, shares of the Company's Class A common stock or a combination of cash and shares of Class A common stock, at the Company's election.

During the three months ended March 31, 2019, the conditions allowing holders of the Notes to convert were not met. The Notes are therefore not convertible during the three months ended March 31, 2019 and are classified as long-term debt.

The Company accounts for the Notes as separate liability and equity components. The Company determined the carrying amount of the liability component as the present value of its cash flows using a discount rate of approximately 5.5% based on comparable debt transactions for similar companies. The estimated interest rate was applied to the Notes, which resulted in a fair value of the liability component of \$492.7 million upon issuance, calculated as the present value of future contractual payments based on the \$633.5 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the Notes using the effective interest method. The \$140.8 million difference between the gross proceeds received from issuance of the Notes of \$633.5 million and the estimated fair value of the liability component represents the equity component, or the conversion option, of the Notes and was recorded in additional paid-in capital. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

The Company allocates issuance costs related to the issuance of the Notes to the liability and equity components using the same proportions as the initial carrying value of the Notes. Issuance costs attributable to the liability component were \$13.1 million and are being amortized to interest expense using the effective interest method over the term of the Notes. Issuance costs attributable to the equity components were \$3.7 million and are netted with the equity component of the Notes in stockholders' equity on the condensed consolidated balance sheets.

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

	March 31, 2019
Principal	\$ 633,500
Less: Unamortized debt discount	(139,362)
Less: Unamortized issuance costs	(12,971)
Net carrying amount	<u>\$ 481,167</u>

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

	March 31, 2019
Proceeds allocated to the conversion option (debt discount)	\$ 140,776
Less: Issuance costs	(3,743)
Net carrying amount	<u>\$ 137,033</u>

The interest expense recognized related to the Notes was as follows (in thousands):

	Three Months Ended March 31, 2019
Contractual interest expense	\$ 132
Amortization of debt issuance costs and discount	1,545
Total	<u>\$ 1,677</u>

Capped Calls

In connection with the offering of the Notes, the Company entered into privately-negotiated capped call transactions ("Capped Calls") with certain counterparties. The Capped Calls each have an initial strike price of approximately \$38.76 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Notes. The Capped Calls have initial cap prices of \$58.50 per share, subject to certain adjustments. The Capped Calls cover, subject to anti-dilution adjustments, 16,345,757 shares of the Company's Class A common stock. The Capped Calls are generally intended to reduce or offset the potential dilution from shares of Class A common stock issued upon any conversion of the Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. As the Capped Call transactions are considered indexed to the Company's own stock and are considered equity classified, they are recorded in stockholders' equity and are not accounted for as derivatives. The cost of \$69.4 million incurred in connection with the Capped Calls was recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

Convertible Promissory Note with Pluralsight Holdings

In connection with the issuance of the Notes, Pluralsight, Inc. entered into a convertible promissory note with Pluralsight Holdings, whereby Pluralsight, Inc. provided the net proceeds from the issuance of the Notes to Pluralsight Holdings. The terms of the convertible promissory note mirror the terms of the Notes issued by Pluralsight, Inc. The intent of the convertible promissory note is to maintain the parity of shares of Class A common stock with LLC Units as required by the LLC Agreement in order to preserve the Company's legal structure.

Note 9. Commitments and Contingencies

Letters of Credit

As of March 31, 2019 and December 31, 2018, the Company had a total of \$0.7 million in letters of credit outstanding with a financial institution. These outstanding letters of credit were issued for purposes of securing certain of the Company's obligations under facility leases. The letters of credit were collateralized by \$0.7 million of the Company's cash, which is reflected as restricted cash on the condensed consolidated balance sheets as of March 31, 2019 and December 31, 2018, respectively.

Lease Commitments

The Company is committed under certain operating leases with third parties for office space. These leases expire at various times through 2035. The Company recognizes rent expense on a straight-line basis over the lease period.

In August 2018, the Company entered into a new non-cancellable lease agreement to rent office space for the Company's future headquarters to be constructed in Draper, Utah for a period of 15 years beginning on the earlier to occur of the date that the Company opens for business in the leased premises or the commencement date of June 24, 2020 (which date may be extended by construction delays). The Company will pay basic annual rent in monthly installments beginning on the rent commencement date, which are reflected in the table of future minimum lease payments below. The annual rent amount will be determined based on the cost of construction of the premises. Based on the current estimate of the cost of construction, the basic rent amount for the first year is expected to be \$7.9 million, and the annual rent amount will increase by two percent each year following the rent commencement date. In the event the costs incurred by the landlord exceed the agreed upon cost of construction of \$90.0 million, the landlord may elect to pay such amounts and add such amounts to the cost of construction and increase the basic rent amount or require the Company to pay such amounts. The landlord has agreed to an abatement of basic rent payments at the commencement of the initial lease term of up to approximately \$3.2 million.

Based on the Company's involvement in the design and construction of the building, the Company is deemed the owner of the construction project for accounting purposes during the construction period. As a result, the Company recorded a construction in progress asset of \$12.6 million and a corresponding facility financing obligation as of March 31, 2019.

In connection with the lease agreement, the Company is required to maintain a deposit of \$16.0 million with a financial institution for the benefit of the landlord to secure the Company's obligations under the lease. The deposit is recorded within restricted cash on the condensed consolidated balance sheet. The lease agreement provides for both a partial and full release of the deposit funds to the Company, provided the Company meets certain liquidity and other financial conditions. Additionally, as of March 31, 2019, the Company has recorded a deposit into restricted cash on the condensed consolidated balance sheet of \$11.0 million for use in tenant improvements in connection with the Draper headquarters.

Future Minimum Lease Payments

At March 31, 2019, future minimum lease payments, including lease payments for the Company's facilities in Farmington, Utah, and lease payments for the Company's future headquarters in Draper, Utah were as follows (in thousands):

<u>Year Ended December 31,</u>	
2019 (remaining nine months)	4,128
2020	7,489
2021	9,881
2022	9,871
2023	9,861
Thereafter	99,324
Less: Sublease rental income	(173)
Total future minimum lease payments	<u>\$ 140,381</u>

Rent expense under operating leases was \$1.5 million and \$1.0 million for the three months ended March 31, 2019 and 2018, respectively.

Other Commitments

The Company has also entered into certain non-cancellable agreements primarily related to cloud infrastructure and software subscriptions in the ordinary course of business. There have been no material changes in the Company's commitments and contingencies, as disclosed in the Annual Report.

Legal Proceedings

The Company is involved in legal proceedings from time to time arising in the normal course of business. Management believes that the outcome of these proceedings will not have a material impact on the Company's financial position, results of operations, or liquidity.

Warranties and Indemnification

The performance of the Company's cloud-based technology learning platform is typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable. The Company's contractual arrangements generally include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such obligations and has not accrued any material liabilities related to such obligations in the accompanying consolidated condensed financial statements.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines, and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that would generally enable the Company to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

Note 10. Stockholders' Equity

Amendment and Restatement of Certificate of Incorporation

In connection with the Reorganization Transactions, the certificate of incorporation of Pluralsight, Inc. was amended and restated to, among other things, provide for the (i) authorization of 1,000,000,000 shares of Class A common stock with a par value of \$0.0001 per share; (ii) authorization of 200,000,000 shares of Class B common stock with a par value of \$0.0001 per share; (iii) authorization of 50,000,000 shares of Class C common stock with a par value of \$0.0001 per share; (iv) authorization of 100,000,000 shares of undesignated preferred stock that may be issued from time to time; and (v) establishment of a classified board of directors, divided into three classes, each of whose members will serve for staggered three-year terms.

Holders of Class A and Class B common stock are entitled to one vote per share and holders of Class C common stock are entitled to ten votes per share. Except as otherwise required by applicable law, holders of Class A common stock, Class B common stock, and Class C common stock vote together as a single class on all matters on which stockholders generally are entitled to

vote. Holders of Class B and Class C common stock are not entitled to receive dividends and will not be entitled to receive any distributions upon the liquidation, dissolution or winding up of the Company. Shares of Class B and Class C common stock may only be issued to the extent necessary to maintain the one-to-one ratio between the number of LLC Units held by the Continuing Members and the number of Class B or Class C common shares held by the Continuing Members. Shares of Class B and Class C common stock are transferable only together with an equal number of LLC Units. Subject to certain limitations and exceptions, Continuing Members may exchange or redeem LLC Units and shares of Class B or Class C common stock, as applicable, for, at the option of Pluralsight, Inc., cash or shares of Class A common stock, on a one-for-one basis.

Pluralsight, Inc. must at all times maintain a ratio of one LLC Unit for each share of Class A common stock issued, and Pluralsight Holdings must at all times maintain a one-to-one ratio between the number of shares of Class B or Class C common stock owned by the Continuing Members and the number of LLC Units owned by the Continuing Members.

Recapitalization of Pluralsight Holdings

In connection with the Reorganization Transactions and the amendment and restatement of the LLC Agreement, all membership interests in Pluralsight Holdings were converted into a single-class of common LLC Units and certain holders of LLC Units elected to exchange LLC Units for Class A common stock of Pluralsight, Inc. The following is a summary of the shares converted or exchanged in connection with the Reorganization Transactions:

- 48,407,645 common units of Pluralsight Holdings outstanding prior to the Reorganization Transactions were converted on a one-for-one basis into LLC Units.
- 48,447,880 redeemable convertible preferred units of Pluralsight Holdings outstanding prior to the Reorganization Transactions were converted on a one-for-one basis into LLC Units.
- 15,783,689 incentive units of Pluralsight Holdings outstanding prior to the Reorganization Transactions were converted into 12,667,778 LLC Units after giving effect to the threshold price and catch-up price per unit.
- 3,000,000 Class B incentive units of Pluralsight Holdings outstanding prior to the Reorganization Transactions were converted into 1,747,067 LLC Units after giving effect to the threshold price and catch-up price per unit.

In connection with the recapitalization, a total of 39,110,660 LLC Units were exchanged for shares of Class A common stock of Pluralsight, Inc. In addition, the Company issued 58,111,572 shares of Class B common stock and 14,048,138 shares of Class C common stock to the Continuing Members on a one-for-one basis to the corresponding LLC Units held by the Continuing Members.

The amended and restated LLC Agreement requires that Pluralsight Holdings at all times maintain (i) a one-to-one ratio between the number of outstanding shares of Class A common stock of Pluralsight, Inc. and the number of LLC Units and (ii) a one-to-one ratio between the number of shares of Class B or Class C common stock owned by the Continuing Members and the number of LLC Units held by the Continuing Members.

Initial Public Offering

As described in Note 1—Organization and Description of Business, in May 2018, Pluralsight, Inc. completed an IPO of 23,805,000 shares of Class A common stock at a public offering price of \$15.00 per share. Pluralsight, Inc. received proceeds of \$332.1 million, net of underwriting discounts and commissions, which Pluralsight, Inc. used to purchase newly-issued LLC Units of Pluralsight Holdings at a price per unit equal to the IPO price per share.

Exchanges of LLC Units

During the three months ended March 31, 2019, certain Continuing Members exchanged 28,949,710 LLC Units of Pluralsight Holdings along with their corresponding shares of Class B and Class C common stock for an equal number of shares of Class A common stock. Simultaneously, and in connection with these exchanges, the Company cancelled the exchanged shares of Class B and Class C common stock.

Note 11. Non-Controlling Interests

In connection with the Reorganization Transactions, Pluralsight, Inc. became the sole managing member of Pluralsight Holdings and as a result consolidates the results of operations of Pluralsight Holdings. The non-controlling interests balance represents the LLC Units held by Continuing Members, based on the portion of LLC Units owned by Continuing Members. During the three months ended March 31, 2019, the total adjustments to the non-controlling interests were \$31.8 million and were primarily related to equity-based compensation, the settlement of equity-based awards, and the issuance of the convertible promissory note with Pluralsight Holdings in connection with the convertible senior notes as discussed in Note 8—Convertible Senior Notes and Other Long-Term Debt. Income or loss is attributed to the non-controlling interests based on the weighted-average ownership percentages of LLC Units outstanding during the period, excluding LLC Units that are subject to time-based vesting requirements.

As of March 31, 2019, the non-controlling interests of Pluralsight Holdings owned 29.9% of the outstanding LLC Units, with the remaining 70.1% owned by Pluralsight, Inc. The ownership of the LLC Units is summarized as follows:

	As of March 31, 2019		As of December 31, 2018	
	Units	Ownership %	Units	Ownership %
Pluralsight, Inc.'s ownership of LLC Units	95,096,979	70.1%	65,191,907	48.6%
LLC Units owned by the Continuing Members ⁽¹⁾	40,492,749	29.9%	68,881,732	51.4%
	135,589,728	100.0%	134,073,639	100.0%

(1) Excludes 2,741,351 and 3,195,322 LLC Units still subject to time-based vesting requirements as of March 31, 2019 and December 31, 2018, respectively

Note 12. Equity-Based Compensation

Incentive Unit Plan

Certain employees and directors were granted incentive units in Pluralsight Holdings, pursuant to the Incentive Unit Plan ("2013 Plan"). In connection with the Reorganization Transactions, all outstanding incentive units were converted into LLC Units of Pluralsight Holdings and certain holders of incentive units elected to exchange LLC Units for shares of Class A common stock of Pluralsight, Inc. Shares of Class A common stock and LLC Units issued as a result of the exchange or conversion of unvested incentive units remain subject to the same time-based vesting requirements that existed prior to the Reorganization Transactions. In connection with the IPO, the 2013 Plan was terminated.

The unvested LLC Units following the conversion of unvested incentive units are summarized as follows:

	Unvested Units	Weighted-Average Grant Date Fair Value
Unvested LLC Units outstanding—December 31, 2018	3,195,322	\$ 7.63
Vested	(453,971)	6.75
Unvested LLC Units outstanding—March 31, 2019	2,741,351	\$ 7.77

As of March 31, 2019, total unrecognized equity-based compensation related to unvested LLC Units was \$19.1 million, which is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of Class A common shares and LLC Units vested during the period from the date of the Reorganization Transactions to March 31, 2019 was \$12.4 million. If a forfeiture of an unvested LLC Unit occurs, the associated shares of Class B common stock or Class C common stock, as applicable, are also forfeited.

Equity Incentive Plans

In June 2017, Pluralsight Holdings adopted the 2017 Equity Incentive Plan ("2017 Plan") and issued restricted stock units ("RSUs") to employees. In May 2018, Pluralsight, Inc. adopted the 2018 Equity Incentive Plan ("2018 Plan"). The 2018 Plan provides for the grant of nonstatutory stock options, restricted stock, RSUs, stock appreciation rights, performance units, and performance shares to employees, directors, and consultants of the Company.

In connection with the IPO and the adoption of the 2018 Plan, the 2017 Plan was terminated. With the establishment of the 2018 Plan, the Company no longer grants equity-based awards under the 2017 Plan and any shares that expire, terminate, are forfeited or repurchased by the Company, or are withheld by the Company to cover tax withholding obligations, under the 2017 Plan, will automatically be transferred to the 2018 Plan.

Stock Options

In connection with the IPO, the Company granted to employees stock options under the 2018 Plan to purchase shares of Class A common stock at an exercise price equal to the IPO price of \$15.00 per share. The stock options will vest ratably in equal six-month periods over a period of two years from the IPO date.

The following table summarizes the stock option activity for the three months ended March 31, 2019:

	Stock Options Outstanding	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Balance as of December 31, 2018	5,143,712	\$ 15.00		
Exercised	(174,753)	15.00		
Forfeited or cancelled	(39,249)	15.00		
Outstanding as of March 31, 2019	4,929,710	\$ 15.00	9.1	\$ 82.5
Vested and exercisable—March 31, 2019	1,049,810	\$ 15.00	9.1	\$ 17.6

During the three months ended March 31, 2019, the total intrinsic value of options exercised was \$2.6 million. The total unrecognized equity-based compensation related to the stock options was \$23.1 million, which is expected to be recognized over a weighted-average period of 1.1 years.

RSUs

RSUs represent the right to receive shares of Pluralsight, Inc.'s Class A common stock at a specified future date. Restricted share units of Pluralsight Holdings under the 2017 Plan are generally subject to both a service condition and a liquidity condition. RSUs under the 2018 Plan are generally subject to a service condition. The service condition is generally satisfied over four years, whereby 25% of the share units satisfy this condition on the first anniversary of the grant date and then ratably on a quarterly basis thereafter through the end of the vesting period. The liquidity condition is satisfied upon the occurrence of a qualifying event, which was satisfied upon expiration of the lock-up period following the IPO. Prior to the IPO, the Company had not recorded any equity-based compensation associated with the RSUs as the liquidity condition was not deemed probable. Following the completion of the IPO, the Company recorded a cumulative adjustment to equity-based compensation totaling \$7.8 million. The remaining unrecognized equity-based compensation related to RSUs will be recognized over the remaining requisite service period, using the straight-line attribution method.

Under the 2017 Plan, all restricted share units granted were initially restricted share units of Pluralsight Holdings. In connection with the IPO, all restricted share units were converted into RSUs of Pluralsight, Inc., except for Class B restricted share units of Pluralsight Holdings, which remain restricted share units of Pluralsight Holdings, and represent the right to receive LLC Units and corresponding shares of Class C common stock of Pluralsight, Inc. upon vesting.

The activity for RSUs for the three months ended March 31, 2019 was as follows:

	Number of RSUs or Units	Weighted-Average Grant Date Fair Value
RSUs of Pluralsight, Inc.		
Balance at December 31, 2018	4,801,536	\$ 11.11
Granted	4,102,071	31.87
Forfeited or cancelled	(237,882)	14.34
Vested	(699,865)	9.83
Balance at March 31, 2019	7,965,860	\$ 21.82
Restricted Share Units of Pluralsight Holdings:		
Balance at December 31, 2018	2,062,500	\$ 8.24
Vested	(187,500)	8.24
Balance at March 31, 2019	1,875,000	\$ 8.24

As of March 31, 2019, unrecognized compensation cost related to RSUs, including restricted share units of Pluralsight Holdings, was \$52.2 million, which is expected to be recognized over a weighted-average period of 2.7 years.

Employee Stock Purchase Plan

In May 2018, Pluralsight, Inc.'s board of directors adopted the Employee Stock Purchase Plan ("ESPP"). The ESPP generally provides for consecutive overlapping 24-month offering periods comprised of four six-month purchase periods. The offering periods start on the first trading day on or after May 31 and November 30 of each year.

The ESPP permits participants to elect to purchase shares of Class A common stock through fixed contributions from eligible compensation paid during each purchase period during an offering period, provided that this fixed contribution amount will not exceed 75.0% of the eligible compensation a participant receives during a purchase period, or \$12,500 (increased to \$25,000 for purposes of the first purchase period under the ESPP). A participant may purchase a maximum of 5,000 shares during each purchase period. Amounts deducted and accumulated by the participant will be used to purchase shares of Class A common stock at the end of each purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of Class A common stock on the first trading day of each offering period or on the purchase date, except for the first offering period, during which the purchase price of the shares will be 85% of the lower of (i) the IPO price or (ii) the fair market value of common stock on the purchase date. If the fair market value of the common stock on any purchase date within an offering period is lower than the stock price as of the beginning of the offering period, the offering period will immediately reset after the purchase of shares on such purchase date and participants will automatically be re-enrolled in a new offering period. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of common stock. Participation ends automatically upon termination of employment.

ESPP employee payroll contributions accrued at March 31, 2019 and December 31, 2018, totaled \$5.6 million and \$1.5 million, and are included within accrued expenses in the condensed consolidated balance sheets. Employee payroll contributions ultimately used to purchase shares under the ESPP will be reclassified to stockholders' equity at the end of the purchase period. As of March 31, 2019, total unrecognized equity-based compensation for purchase rights committed under the ESPP was \$10.9 million, which is expected to be recognized over a weighted-average period of 1.2 years.

Equity-Based Compensation

Equity-based compensation was classified as follows in the accompanying condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2019	2018
Cost of revenue	\$ 79	\$ —
Sales and marketing	6,195	539
Technology and content	3,498	381
General and administrative	9,834	2,453
Total equity-based compensation	\$ 19,606	\$ 3,373

Equity-based compensation capitalized as internal-use software was \$0.3 million for the three months ended March 31, 2019.

Note 13. Income Taxes

As a result of the Reorganization Transactions, Pluralsight, Inc. became the sole managing member of Pluralsight Holdings, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, Pluralsight Holdings is not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by Pluralsight Holdings is passed through to and included in the taxable income or loss of its members, including Pluralsight, Inc. following the Reorganization Transactions, on a pro rata basis. Pluralsight, Inc. is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income of Pluralsight Holdings following the Reorganization Transactions. The Company is also subject to taxes in foreign jurisdictions.

The tax provision for interim periods is determined using an estimate of the Company's annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company updates its estimate of its annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in such period. The quarterly tax provision, and estimate of the Company's annual effective tax rate, are subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, changes in how the Company conducts business, and tax law developments.

For the three months ended March 31, 2019 and 2018 the Company's estimated effective tax rate was (0.8)% and (0.5)%, respectively. The variations between the Company's estimated effective tax rate and the U.S. statutory rate are primarily due to

the portion of the Company's earnings (or loss) attributable to non-controlling interests following the Reorganization Transactions and the full domestic valuation allowance.

The Company is subject to income tax in the U.S. as well as other tax jurisdictions in which the Company operates. The provision for income taxes consists primarily of income taxes and withholding taxes in foreign jurisdictions in which the Company conducts business. The Company's U.S. operations have resulted in losses, and as such, the Company maintains a full valuation allowance against its U.S. deferred tax assets. While the Company believes its current valuation allowance is appropriate, the Company assesses the need for an adjustment to the valuation allowance on a quarterly basis. The assessment is based on estimates of future sources of taxable income for the jurisdictions in which the Company operates and the periods over which deferred tax assets will be realizable. In the event the Company determines that it will be able to realize all or part of its net deferred tax assets in the future, all or part of the valuation allowance will be released in the period in which the Company makes such determination. The release of all or part of the valuation allowance against deferred tax assets may cause greater volatility in the effective tax rate in the periods in which it is released.

Tax Receivable Agreement

On the date of the IPO, the Company entered into a Tax Receivable Agreement ("TRA") with Continuing Members that provides for a payment to the Continuing Members of 85% of the amount of tax benefits, if any, that Pluralsight, Inc. realizes, or is deemed to realize as a result of redemptions or exchanges of LLC Units.

During the three months ended March 31, 2019, Continuing Members exchanged 28,949,710 LLC Units for shares of Class A common stock. The Company has concluded that, based on applicable accounting standards, it is more-likely-than-not that its deferred tax assets subject to the TRA will not be realized; therefore, the Company has not recorded a TRA liability related to the tax savings it may realize from the utilization of deferred tax assets arising from the exchanges that have occurred through March 31, 2019. The total unrecorded TRA liability as of March 31, 2019 is approximately \$226.5 million.

Note 14. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share for the periods following the Reorganization Transactions (in thousands, except per share amounts):

	Three Months Ended March 31, 2019
Numerator:	
Net loss	\$ (33,543)
Less: Net loss attributable to non-controlling interests	(14,660)
Net loss attributable to Pluralsight, Inc.	<u>\$ (18,883)</u>
Denominator:	
Weighted-average common shares outstanding, basic and diluted	75,927
Net loss per share:	
Net loss per share, basic and diluted	<u>\$ (0.25)</u>

During the three months ended March 31, 2019, the Company incurred net losses and, therefore, the effect of the Company's potentially dilutive securities were not included in the calculation of diluted loss per share as the effect would be anti-dilutive.

The following table contains share/unit totals with a potentially dilutive impact (in thousands):

	As of March 31, 2019
LLC Units held by Continuing Members	43,234
Stock options	4,930
RSUs of Pluralsight, Inc.	7,966
Restricted Share Units of Pluralsight Holdings	1,875
Purchase rights committed under the ESPP	1,949
Total	<u>59,954</u>

The Notes will not have an impact on the Company's diluted earnings per share until the average market share price of Class A common stock exceeds the conversion price of \$58.50 per share, as the Company intends and has the ability to settle the principal

amount of the Notes in cash upon conversion. The Company is required under the treasury stock method to compute the potentially dilutive shares of common stock related to the Notes for periods it reports net income. However, upon conversion, until the average market price of the Company's common stock exceeds the cap price of \$58.50 per share, exercise of the Capped Calls will mitigate dilution from the Notes from the conversion price up to the cap price. Capped Calls are excluded from the calculation of diluted earnings per share, as they would be antidilutive under the treasury stock method.

Note 15. Related Party Transactions

The Company utilizes an aircraft owned by the Company's Chief Executive Officer on an as-needed basis. The Company has agreed to reimburse the Chief Executive Officer for use of the private aircraft for business purposes at an hourly rate per flight hour. The reimbursement rate was approved by the Company's Board of Directors based upon a review of comparable chartered aircraft rates. The Company accrued approximately \$0.1 million during the three months ended March 31, 2019 included within accrued expenses on the condensed consolidated balance sheets. A total of \$0.5 million has been paid under the arrangement during the three months ended March 31, 2019.

Tax Receivable Agreement

On the date of the IPO, the Company entered into a TRA with Continuing Members that provides for a payment to the Continuing Members of 85% of the amount of tax benefits, if any, that Pluralsight, Inc. realizes, or is deemed to realize as a result of redemptions or exchanges of LLC Units. As discussed in Note 13—Income Taxes, no amounts were paid or payable to Continuing Members under the TRA as it is more-likely-than-not that the Company's tax benefits obtained from exchanges subject to the TRA will not be realized.

Note 16. Subsequent Events

On April 30, 2019, the Company entered into a definitive merger agreement to acquire GitPrime, Inc. ("GitPrime"), a leading developer productivity platform, in exchange for cash consideration that is expected to be approximately \$170.0 million, subject to customary working capital adjustments. The acquisition is expected to close during the three months ended June 30, 2019. Upon completion of the acquisition, the Company will record the fair value of assets and liabilities acquired from GitPrime, and will record goodwill for any excess consideration transferred. The Company cannot reasonably estimate all of the effects of the acquisition on its consolidated financial statements at this time.

In April 2019, the Company invested a total of \$450.0 million of its cash and cash equivalents in various money market funds, commercial paper, certificates of deposit, U.S. treasury and agency bonds, and corporate bonds. The Company expects to record these investments at fair value with unrealized gains and losses reflected in other comprehensive income (loss) on the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Management's Discussion and Analysis of Financial Condition and Results of Operations and financial statements included in our Annual Report. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" in our Annual Report.

Overview

We are a leading provider of technology skill development solutions for businesses and individuals. We enable businesses to innovate in an era of rapid technological change and digital transformation by equipping their employees with the latest technology skills. We provide businesses with visibility into the technical strengths of their workforce, allowing them to better align resources, provide targeted skill development in line with company goals, and advance the skills of individuals and teams.

We started operations in 2004 and focused initially on in-person instructor-led training. Anticipating the increasing demand for online solutions, we began offering online courses in 2008 and shifted entirely to an online delivery model in 2011. Since 2011, we have extended our offering to include new content areas and additional features that have enabled us to expand our addressable market, attract new users, and deepen our foothold within businesses. We have expanded our platform both organically through internal initiatives and through acquisitions, which have all been focused on adding capabilities to our offerings. All of our features and content areas are fully integrated into our platform, allowing a seamless and unified experience for our customers.

Our additions and improvements to our product offering have allowed us to accelerate our revenue growth and enabled us to strengthen our relationships with our business customers. We derive substantially all of our revenue from the sale of subscriptions to our platform. We sell subscriptions to our platform primarily to business customers through our direct sales team, as well as through our website. We also sell subscriptions to our platform to individual customers directly through our website. In addition, small teams often represent the "top of the funnel" for larger deployments, bringing our technology into their workplaces and proliferating usage of our platform within their companies.

We are focused on attracting businesses, particularly large enterprises, to our platform and expanding their use of our platform over time. We believe that there exists a significant opportunity to drive sales to large enterprises, including expanding relationships with existing customers and attracting new customers. Our ability to attract large enterprises to our platform and to expand their use of our platform will be important for the success of our business and our results of operations.

In May 2018, Pluralsight, Inc. completed an initial public offering, or IPO, in which it issued and sold 23,805,000 shares of Class A common stock. The price per share to the public was \$15.00. We received net proceeds of \$332.1 million, after deducting underwriting discounts and commissions.

In March 2019, we offered and issued \$633.5 million aggregate principal amount of 0.375% convertible senior notes due in 2024, or the Notes, in a private placement to qualified institutional buyers exempt from registration under the Securities Act of 1933, as amended. We received net proceeds from the issuance of the Notes of \$616.7 million after deducting the initial purchasers' discounts and estimated issuance costs. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2019. To mitigate potential dilution resulting from the issuance of the Notes, we entered into privately-negotiated capped call transactions, or Capped Calls, at the cost of \$69.4 million.

In March 2019, we completed a secondary offering, in which certain stockholders sold 15,592,234 shares of Class A common stock at a public offering price of \$29.25 per share. We did not receive any proceeds from the sale of shares by selling stockholders.

On April 30, 2019, we entered into a definitive merger agreement to acquire a leading provider of developer productivity software, GitPrime, Inc., or GitPrime, for cash consideration that is expected to total \$170.0 million, subject to customary working capital adjustments. The acquisition is expected to close during the second quarter of 2019. We believe the acquisition will enhance our platform to measure developer productivity, which will enable technology leaders to identify talent and areas of improvement within their teams, in order to enhance skills and drive productivity.

Key Business Metrics

We monitor billings and certain related key business metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions.

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands)	
Billings	\$ 77,928	\$ 55,419
<i>Billings from business customers</i>	\$ 67,156	\$ 45,252
<i>% of billings from business customers</i>	86%	82%

Billings

We use billings to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers and our ability to sell subscriptions to our platform to both new and existing customers. Billings represent our total revenue plus the change in deferred revenue in the period, as presented in our condensed consolidated statements of cash flows, less the change in contract assets and unbilled accounts receivable in the period. Billings in any particular period represent amounts invoiced to our customers and reflect subscription renewals and upsells to existing customers plus sales to new customers. Our pricing and subscription periods vary for business customers and individual customers. Subscription periods for our business customers generally range from one to three years, with a majority being one year. We typically invoice our business customers in advance in annual installments. Subscription periods for our individual customers range from one month to one year and we typically invoice them in advance in monthly or annual installments.

We use billings from business customers and our percentage of billings from business customers to measure and monitor our ability to sell subscriptions to our platform to business customers. We believe that billings from business customers will be a significant source of future revenue growth and a key factor affecting our long-term performance. We expect our billings from business customers to continue to increase as a percentage of billings over the long term.

As our billings continue to grow in absolute terms, we expect our billings growth rate to decline over the long term as we achieve scale in our business. As we recognize revenue from subscription fees ratably over the term of the contract, due to the difference in timing of billings received and when we recognize revenue, changes to our billings and billings growth rates are not immediately reflected in our revenue and revenue growth rates.

Components of Results of Operations

Revenue

We derive substantially all of our revenue from the sale of subscriptions to our platform. A small portion of our revenue is derived from providing professional services, which generally consist of content creation or other consulting services. Amounts that have been invoiced are initially recorded as deferred revenue and are recognized ratably as revenue over the subscription period. Subscription terms generally range from one year to three years for business customers and one month to one year for individual customers, and begin on the date access to our platform is made available to the customer. Most of our subscriptions to business customers are billed in annual installments even if customers are contractually committed to multi-year agreements.

Cost of Revenue, Gross Profit and Gross Margin

Cost of revenue includes certain direct costs associated with delivering our platform and includes costs for author fees, amortization of our content library, hosting and delivery fees, merchant processing fees, depreciation of capitalized software development costs for internal-use software, employee-related costs, including equity-based compensation associated with our customer support organization, and third-party transcription costs.

Gross profit, or revenue less cost of revenue, and gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by various factors, including the mix of subscriptions we sell, the cost of author fees, the costs associated with third-party hosting services, and the extent to which we expand our customer support and professional services organizations. We expect our gross margin to increase over the long term primarily due to a decrease in author fees as a percentage of revenue, although our gross margin may fluctuate from period to period depending on the interplay of the factors described above.

Operating Expenses

Our operating expenses are classified as sales and marketing, technology and content, and general and administrative. For each of these categories, the largest component is employee-related costs, which include salaries and bonuses, equity-based compensation, and employee benefit costs. We allocate shared overhead costs such as information technology infrastructure and facility-related costs based on headcount in that category.

Sales and Marketing

Sales and marketing expenses consist primarily of employee compensation costs of our sales and marketing employees, including salaries, benefits, bonuses, commissions, equity-based compensation, and allocated overhead costs. Other sales and

marketing costs include user events, search engine and email marketing, content syndication, lead generation, and online banner and video advertising. We expect that our sales and marketing expenses will increase in absolute dollars for the foreseeable future and, in the near term, may increase as a percentage of our revenue as we hire additional sales and marketing personnel, increase our marketing activities, and grow our domestic and international operations. Additionally, our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period depending on the timing of expenditures. However, we expect sales and marketing expenses to decrease as a percentage of revenue over the long term.

Technology and Content

Technology costs consist principally of research and development activities including personnel costs, consulting services, other costs associated with platform development efforts, and allocated overhead costs. Content costs consist principally of personnel costs and other activities associated with content development, course production, curriculum direction, and allocated overhead costs. Technology and content costs are expensed as incurred, except for certain costs relating to the development of internal-use software, including software used to upgrade and enhance our platform and applications supporting our business, which are capitalized and amortized over the estimated useful lives of one to three years. We expect that our technology and content expenses will increase in absolute dollars for the foreseeable future and, in the near term, may increase as a percentage of our revenue as we continue to increase the functionality of and enhance our platform and develop new content and features. Additionally, our technology and content expense may fluctuate as a percentage of our revenue from period to period depending on the timing of expenditures. However, we expect technology and content expenses to decrease as a percentage of revenue over the long term.

General and Administrative

General and administrative expenses consist of personnel costs and related expenses for executive, finance, legal, people operations, and administrative personnel, including salaries, benefits, bonuses, and equity-based compensation; professional fees for external legal, accounting, recruiting, and other consulting services; and allocated overhead costs. We are incurring additional general and administrative expenses as a result of operating as a public company and our UP-C structure, including additional expenses related to compliance with the rules and regulations of the SEC, additional insurance expenses, investor relations activities, and professional services. In addition, we expect to increase the size of our general and administrative function to support our increased compliance requirements and the growth of our business. As a result, we expect that our general and administrative expenses will increase in absolute dollars for the foreseeable future and, in the near term, may increase as a percentage of our revenue. Additionally, our general and administrative expenses may fluctuate as a percentage of our revenue from period to period depending on the timing of expenditures. However, we expect general and administrative expenses to decrease as a percentage of revenue over the long term.

Other (Expense) Income

Other (expense) income consists primarily of interest expense on the Notes and other long-term debt, gains or losses on foreign currency transactions, and interest income earned on our cash and cash equivalents.

Results of Operations

The following tables set forth selected unaudited condensed consolidated statements of operations data and such data as a percentage of revenue for each of the periods indicated:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Revenue	\$ 69,617	\$ 49,644
Cost of revenue ⁽¹⁾⁽²⁾	16,705	14,886
Gross profit	52,912	34,758
Operating expenses ⁽¹⁾⁽²⁾ :		
Sales and marketing	44,050	29,467
Technology and content	20,032	13,325
General and administrative	21,809	11,292
Total operating expenses	85,891	54,084
Loss from operations	(32,979)	(19,326)
Other (expense) income:		
Interest expense	(2,024)	(3,710)
Other income (expense), net	1,614	(13)
Loss before income taxes	(33,389)	(23,049)
Provision for income taxes	(154)	(109)
Net loss	\$ (33,543)	\$ (23,158)

(1) Includes equity-based compensation as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Cost of revenue	\$ 79	\$ —
Sales and marketing	6,195	539
Technology and content	3,498	381
General and administrative	9,834	2,453
Total equity-based compensation	<u>\$ 19,606</u>	<u>\$ 3,373</u>

(2) Includes amortization of acquired intangible assets as follows:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Cost of revenue	\$ 525	\$ 2,962
Sales and marketing	—	195
Technology and content	177	176
Total amortization of acquired intangible assets	<u>\$ 702</u>	<u>\$ 3,333</u>

	Three Months Ended March 31,	
	2019	2018
Revenue	100 %	100 %
Cost of revenue	24	30
Gross profit	<u>76</u>	<u>70</u>
Operating expenses:		
Sales and marketing	63	59
Technology and content	29	27
General and administrative	31	23
Total operating expenses	<u>123</u>	<u>109</u>
Loss from operations	<u>(47)</u>	<u>(39)</u>
Other (expense) income:		
Interest expense	(3)	(7)
Other income (expense), net	2	—
Loss before income taxes	<u>(48)</u>	<u>(46)</u>
Provision for income taxes	—	—
Net loss	<u>(48)%</u>	<u>(46)%</u>

Comparison of the Three Months Ended March 31, 2019 and 2018

Revenue

	Three Months Ended March 31,		Change	
	2019	2018	Amount	%
	(dollars in thousands)			
Revenue	\$ 69,617	\$ 49,644	\$ 19,973	40%

Revenue was \$69.6 million for the three months ended March 31, 2019, compared to \$49.6 million for the three months ended March 31, 2018, an increase of \$20.0 million, or 40%. The increase in revenue was primarily due to a \$19.7 million, or 51%, increase in revenue from business customers, driven by an increase of 2,383 business customers from 14,830 business customers as of March 31, 2018 to 17,213 business customers as of March 31, 2019, as well as increased sales to our existing business customers. In addition, there was an increase of \$0.3 million in revenue from individual customers.

Cost of Revenue and Gross Profit

	Three Months Ended March 31,		Change	
	2019	2018	Amount	%
(dollars in thousands)				
Cost of revenue	\$ 16,705	\$ 14,886	\$ 1,819	12%
Gross profit	52,912	34,758	18,154	52%

Cost of revenue was \$16.7 million for the three months ended March 31, 2019, compared to \$14.9 million for the three months ended March 31, 2018, an increase of \$1.8 million, or 12%. The increase in cost of revenue was primarily due to an increase of \$3.0 million in author fees and an increase of \$0.4 million in depreciation of capitalized software development costs. These increases were partially offset by a decrease of \$2.3 million in amortization of acquired intangible assets and course creation costs.

Gross profit was \$52.9 million for the three months ended March 31, 2019, compared to \$34.8 million for the three months ended March 31, 2018, an increase of \$18.2 million, or 52%. The increase in gross profit was the result of the increase in our revenue during the three months ended March 31, 2019. Gross margin increased from 70% for the three months ended March 31, 2018 to 76% for the three months ended March 31, 2019 due to a decrease in amortization of acquired intangible assets and a decrease in author fees as a percentage of revenue.

Operating Expenses

	Three Months Ended March 31,		Change	
	2019	2018	Amount	%
(dollars in thousands)				
Sales and marketing	\$ 44,050	\$ 29,467	\$ 14,583	49%
Technology and content	20,032	13,325	6,707	50%
General and administrative	21,809	11,292	10,517	93%
Total operating expenses	\$ 85,891	\$ 54,084	\$ 31,807	59%

Sales and Marketing

Sales and marketing expenses were \$44.1 million for the three months ended March 31, 2019, compared to \$29.5 million for the three months ended March 31, 2018, an increase of \$14.6 million, or 49%. The increase was primarily due to an increase of \$14.1 million in employee compensation costs, including \$5.7 million in equity-based compensation, as we added headcount to support our growth. In addition, there was an increase of \$2.0 million related to allocated overhead costs primarily driven by our headcount growth, and an increase of \$0.4 million due to additional travel expenses related to additional headcount. These increases were partially offset by a decrease of \$1.5 million in marketing expenses as a result of optimizing our digital marketing expenditures to more efficient channels.

Technology and Content

Technology and content expenses were \$20.0 million for three months ended March 31, 2019, compared to \$13.3 million for the three months ended March 31, 2018, an increase of \$6.7 million, or 50%. The increase was primarily due to an increase of \$7.1 million in employee compensation costs, including \$3.1 million in equity-based compensation, as we added headcount to support our growth. These increases were partially offset by a \$0.6 million increase in capitalized software development costs.

General and Administrative

General and administrative expenses were \$21.8 million for the three months ended March 31, 2019, compared to \$11.3 million for the three months ended March 31, 2018, an increase of \$10.5 million, or 93%. The increase was primarily due to an increase of \$8.3 million in employee compensation costs, including \$7.4 million in equity-based compensation. In addition, there was an increase of \$1.2 million related to allocated overhead costs primarily driven by our headcount growth, and an increase of \$0.9 million related to costs associated with a secondary offering.

Other (Expense) Income

	Three Months Ended March 31,		Change	
	2019	2018	Amount	%
	(dollars in thousands)			
Interest expense	\$ (2,024)	\$ (3,710)	\$ 1,686	(45)%
Other income (expense), net	1,614	(13)	1,627	NM

Interest expense decreased primarily as a result of our repayment of long-term debt in May 2018. This decrease was partially offset by the increase in interest expense and amortization of debt discount and issuance costs related to the Notes issued in March 2019.

Other income (expense), net increased primarily as a result of the additional interest income earned from our increased cash and cash equivalents as a result of net proceeds from our IPO and the issuance of the Notes.

Non-GAAP Financial Measures

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands)	
Non-GAAP gross profit	\$ 53,519	\$ 37,720
<i>Non-GAAP gross margin</i>	77%	76%
Non-GAAP operating loss	\$ (10,309)	\$ (12,620)
Free cash flow	\$ 2,470	\$ (13,061)

Non-GAAP Gross Profit and Non-GAAP Gross Margin

Non-GAAP gross profit is a non-GAAP financial measure that we define as gross profit plus equity-based compensation, amortization of acquired intangible assets, and employer payroll taxes on employee stock transactions. We define non-GAAP gross margin as our non-GAAP gross profit divided by our revenue. We believe non-GAAP gross profit and non-GAAP gross margin are useful to investors as these metrics generally eliminate the effects of certain items that may vary from company to company for reasons unrelated to overall profitability or operating performance.

See the section below titled “—Reconciliation of Non-GAAP Financial Measures” for information regarding the limitations of using our non-GAAP gross profit and non-GAAP gross margin as financial measures and for a reconciliation of our non-GAAP gross profit to gross profit, the most directly comparable financial measure calculated in accordance with GAAP.

Non-GAAP Operating Loss

Non-GAAP operating loss is a non-GAAP financial measure that we define as loss from operations plus equity-based compensation, amortization of acquired intangible assets, employer payroll taxes on employee stock transactions, and secondary offering costs. We believe non-GAAP operating loss provides investors with useful information on period-to-period performance as evaluated by management and comparison with our past financial performance. We believe non-GAAP operating loss is useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary from company to company for reasons unrelated to overall operating performance.

See the section below titled “—Reconciliation of Non-GAAP Financial Measures” for information regarding the limitations of using our non-GAAP operating loss as a financial measure and for a reconciliation of our non-GAAP operating loss to loss from operations, the most directly comparable financial measure calculated in accordance with GAAP.

Free Cash Flow

We define free cash flow as net cash used in operating activities less purchases of property and equipment and purchases of our content library and other intangible assets. We consider free cash flow to be an important measure because it measures the amount of cash we spend or generate and reflects changes in our working capital.

See the section below titled “—Reconciliation of Non-GAAP Financial Measures” for information regarding the limitations of using free cash flow as a financial measure and for a reconciliation of free cash flow to net cash used in operations, the most directly comparable financial measure calculated in accordance with GAAP.

Reconciliation of Non-GAAP Financial Measures

We use non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, and free cash flow in conjunction with traditional GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance. Our definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, and free cash flow should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with GAAP.

We compensate for these limitations by providing a reconciliation of non-GAAP gross profit, non-GAAP operating loss, and free cash flow to the related GAAP financial measures, gross profit, loss from operations, and net cash used in operating activities, respectively. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating loss, and free cash flow in conjunction with their respective related GAAP financial measures.

The following table provides a reconciliation of gross profit to non-GAAP gross profit:

	Three Months Ended March 31,	
	2019	2018
	(dollars in thousands)	
Gross profit	\$ 52,912	\$ 34,758
Equity-based compensation	79	—
Amortization of acquired intangible assets	525	2,962
Employer payroll taxes on employee stock transactions	3	—
Non-GAAP gross profit	<u>\$ 53,519</u>	<u>\$ 37,720</u>
Gross margin	76%	70%
Non-GAAP gross margin	77%	76%

The following table provides a reconciliation of loss from operations to non-GAAP operating loss:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Loss from operations	\$ (32,979)	\$ (19,326)
Equity-based compensation	19,606	3,373
Amortization of acquired intangible assets	702	3,333
Employer payroll taxes on employee stock transactions	1,444	—
Secondary offering costs	918	—
Non-GAAP operating loss	<u>\$ (10,309)</u>	<u>\$ (12,620)</u>

The following table provides a reconciliation of net cash provided by (used in) operating activities to free cash flow:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Net cash provided by (used in) operating activities	\$ 5,540	\$ (10,424)
Less: Purchases of property and equipment	(2,133)	(1,868)
Less: Purchases of content library	(937)	(769)
Free cash flow	<u>\$ 2,470</u>	<u>\$ (13,061)</u>

Liquidity and Capital Resources

As of March 31, 2019, our principal sources of liquidity were cash, cash equivalents, and restricted cash totaling \$764.4 million, which were held for working capital purposes. Our cash equivalents are comprised primarily of money market funds. Since our inception, we have financed our operations primarily through sales of equity securities, long-term debt facilities, and

our net cash provided by operating activities. In May 2018, Pluralsight, Inc. completed an IPO, in which it issued and sold 23,805,000 shares of Class A common stock at a price of \$15.00 per share. We received net proceeds of \$332.1 million, after underwriting discounts and commissions. We used the proceeds from our IPO to repay our outstanding long-term debt of \$137.7 million. In March 2019, we received net proceeds of \$616.7 million from the issuance of the Notes after deducting the initial purchasers' discounts and estimated issuance costs. We used \$69.4 million of the proceeds to purchase the Capped Calls to reduce or offset potential dilution from the conversion of the Notes. We expect to use the remainder of the proceeds for general corporate purposes including investments in short-term marketable securities as well as the acquisition of, or investment in, complementary products technologies, solutions, or businesses, including the acquisition of GitPrime. We expect to complete the acquisition of GitPrime during the second quarter of 2019 and we expect the total purchase consideration to be approximately \$170.0 million, subject to customary working capital adjustments.

We believe our existing cash, cash equivalents, and restricted cash, as well as our projected cash flows from operations, will be sufficient to meet our projected operating requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our pace of growth, subscription renewal activity, the timing and extent of spend to support the expansion of sales and marketing activities, technology and content efforts, the continuing market acceptance of our platform, and future acquisitions. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be adversely affected.

In connection with the IPO and our UP-C structure, we entered into the TRA with members of Pluralsight Holdings who did not exchange their LLC Units of Pluralsight Holdings in the Reorganization Transactions, or the TRA Members. As a result of the TRA, we will be obligated to pass along certain tax benefits and cash flows by making future payments to the TRA Members. Although the actual timing and amount of any payments we make to the TRA Members under the TRA will vary, such payments may be significant. Any payments we make to TRA Members under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us and, to the extent that we are unable to make payments under the TRA for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by us.

The following table shows cash flows for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Net cash provided by (used in) operating activities	\$ 5,540	\$ (10,424)
Net cash used in investing activities	(3,070)	(2,637)
Net cash provided by financing activities	550,848	17,647
Effect of exchange rate change on cash, cash equivalents, and restricted cash	26	9
Net increase in cash, cash equivalents, and restricted cash	<u>\$ 553,344</u>	<u>\$ 4,595</u>

Operating Activities

Cash provided by operating activities for the three months ended March 31, 2019 of \$5.5 million was primarily due to a net loss of \$33.5 million, offset by equity-based compensation of \$19.6 million, a favorable change in operating assets and liabilities of \$8.7 million, amortization of deferred contract acquisition costs of \$5.9 million, depreciation of property and equipment of \$2.1 million, amortization of debt discount and debt issuance costs of \$1.5 million, amortization of acquired intangible assets of \$0.7 million, and amortization of course creation costs of \$0.6 million. The net change in operating assets and liabilities was primarily due to a decrease in accounts receivable of \$11.4 million, an increase in the deferred revenue balance of \$8.3 million, an increase in accounts payable of \$1.0 million, and an increase in accrued author fees of \$0.7 million, partially offset by an increase in deferred contract acquisition costs of \$5.9 million, a decrease in accrued expenses of \$5.0 million, and an increase in prepaid expenses and other assets of \$1.9 million.

Cash used in operating activities for the three months ended March 31, 2018 of \$10.4 million was primarily due to a net loss of \$23.2 million, partially offset by equity-based compensation of \$3.4 million, amortization of acquired intangible assets of \$3.3 million, a favorable change in operating assets and liabilities of \$2.3 million, depreciation of property and equipment of \$2.2 million, and amortization of course creation costs of \$0.4 million. The net change in operating assets and liabilities was primarily due to a decrease in accounts receivable of \$6.8 million and a favorable change in the deferred revenue balance of \$5.8 million, partially offset by a decrease in accrued expenses of \$10.2 million.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2019 of \$3.1 million related to purchases of property and equipment of \$2.1 million and purchases of our content library of \$0.9 million.

Cash used in investing activities for the three months ended March 31, 2018 of \$2.6 million was primarily related to purchases of property and equipment of \$1.9 million and purchases of content library and intangible assets of \$0.8 million.

Financing Activities

Cash provided by financing activities for the three months ended March 31, 2019 of \$550.8 million was due to net proceeds from the issuance of the Notes of \$617.7 million and proceeds from the issuance of common stock from employee equity plans of \$2.6 million, partially offset by the purchase of the Capped Calls of \$69.4 million.

Cash provided by financing activities for the three months ended March 31, 2018 of \$17.6 million was due to borrowings of long-term debt of \$20.0 million, partially offset by payments of deferred offering costs of \$1.9 million, and payments of debt issuance costs of \$0.5 million.

Commitments and Contractual Obligations

In March 2019, we offered and issued \$633.5 million aggregate principal amount of 0.375% Notes due in 2024 in a private placement to qualified institutional buyers exempt from registration under the Securities Act of 1933, as amended. We received net proceeds from the issuance of the Notes of \$616.7 million after deducting the initial purchasers' discounts and estimated issuance costs. Interest is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2019. To mitigate potential dilution resulting from the issuance of the Notes, we entered into the Capped Calls at the cost of \$69.4 million.

On April 30, 2019, we entered into a definitive merger agreement to acquire GitPrime in exchange for cash consideration that is expected to be approximately \$170.0 million, subject to customary working capital adjustments. The acquisition is expected to close during the second quarter of 2019.

Outside of the Notes, the merger agreement with GitPrime, and routine transactions made in the ordinary course of business, there have been no material changes to the contractual obligations as disclosed in our Annual Report on Form 10-K. Refer to "Note 8—Convertible Senior Notes and Other Long-Term Debt" and "Note 9—Commitments and Contingencies" of our unaudited condensed consolidating financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding our commitments and contractual obligations.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us 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, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Critical accounting policies and estimates are those that we consider critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

The Company's significant accounting policies are discussed in "Note 2—Summary of Significant Accounting Policies and Recent Accounting Pronouncements" in our Annual Report on Form 10-K. There have been no significant changes to these policies for the three months ended March 31, 2019, except as noted in "Note 2—Summary of Significant Accounting Policies" of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

JOBS Act Accounting Election

We meet the definition of an emerging growth company under the Jumpstart Our Business Startups Act of 2012, which permits us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements applicable to public companies.

Recent Accounting Pronouncements

See "Note 2—Summary of Significant Accounting Policies" of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have operations in the United States and internationally, and we are exposed to market risk in the ordinary course of business. Our market risk is primarily a result of fluctuations in foreign currency exchange rates and variable interest rates.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the British Pound Sterling, Euro, Swedish Krona, Australian Dollar, Singapore Dollar, Canadian Dollar, and Indian Rupee. Due to the relative size of our international operations to date, our foreign currency exposure has been fairly limited and thus we have not instituted a hedging program. We expect our international operations to continue to grow in the near term and we are continually monitoring our foreign currency exposure to determine when we should begin a hedging program. Today, our international contracts are mostly denominated in U.S. dollars, while our international operating expenses are often denominated in local currencies. In the future, we plan to begin denominating certain of our international contracts in local currencies, and over time, an increasing portion of our international contracts may be denominated in local currencies. Additionally, as we expand our international operations a larger portion of our operating expenses will be denominated in local currencies. Therefore, fluctuations in the value of the U.S. dollar and foreign currencies may affect our results of operations when translated into U.S. dollars. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical condensed consolidated financial statements for any of the periods presented.

Interest Rate Sensitivity

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate sensitivities. As of March 31, 2019, we had cash, cash equivalents, and restricted cash of \$764.4 million, which consisted primarily of bank deposits and money market funds. Such interest-earning instruments carry a degree of interest rate risk; however, historical fluctuations of interest income have not been significant.

In March 2019, we offered and issued \$633.5 million aggregate principal amount of Notes. The Notes have a fixed annual interest rate of 0.375%, and, therefore, we do not have economic interest rate exposure on the Notes. However, the values of the Notes are exposed to interest rate risk. Generally, the fair value of our fixed interest rate Notes will increase as interest rates fall and decrease as interest rates rise. We carry the Notes as face value less unamortized discount on our balance, and we present the fair value for required disclosure purposes only.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, subject to legal proceedings and claims arising from the normal course of business activities, and an unfavorable resolution of any of these matters could materially affect our future business, results of operations, financial condition, and cash flows.

Future litigation may be necessary, among other things, to defend ourselves or our users by determining the scope, enforceability, and validity of third-party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

For a discussion of potential risks and uncertainties, see the information in the section titled "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on February 21, 2019. The following risk factors, related to the issuance of our Notes in March 2019, supplement and should be read in conjunction with those addressed in our Annual Report on Form 10-K.

Servicing our future debt may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our indebtedness.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

We may still incur substantially more debt or take other actions which would intensify the risks discussed above.

We and our subsidiaries may incur substantial additional debt in the future, some of which may be secured debt. We will not be restricted under the terms of the indenture governing the Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt, repurchasing our stock, pledging our assets, making investments, paying dividends, guaranteeing debt, or taking a number of other actions that are not limited by the terms of the indenture governing the Notes that could have the effect of diminishing our ability to make payments on the Notes when due.

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

Holders of the Notes will have the right to require us to repurchase their Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, upon conversion of the Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. Moreover, we will be required to repay the Notes in cash at their maturity unless earlier converted, redeemed or repurchased. Our ability to meet our obligations to holders of the Notes will depend on the earnings and cash flows of Pluralsight Holdings. However, if Pluralsight Holdings does not provide cash to us to meet our obligations under the Notes, we may not have enough available cash on hand or be able to obtain financing at the time we are required to make payments with respect to notes at maturity, upon surrender for repurchase or upon conversion. In addition, our ability to repurchase the Notes or to pay cash upon conversions of the Notes or at maturity may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Notes at a time when the repurchase is required by the indenture governing the Notes or to pay any cash payable on future conversions of the Notes or at maturity as required by such indenture would constitute a default under such indenture. A default under the indenture or upon a fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

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

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Conversion of the Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our Class A common stock.

The conversion of some or all of the Notes may dilute the ownership interests of our stockholders. Upon conversion of the Notes, we have the option to pay or deliver, as the case may be, cash, shares of our Class A common stock, or a combination of cash and shares of our Class A common stock. If we elect to settle our conversion obligation in shares of our Class A common stock or a combination of cash and shares of our Class A common stock, any sales in the public market of our Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our Class A common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our Class A common stock could depress the price of our Class A common stock.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

Under FASB Accounting Standards Codification 470-20, *Debt with Conversion and Other Options*, or ASC 470-20, an entity must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the value of the conversion option of the Notes, representing the equity component, to be recorded as additional paid-in capital within stockholders' equity in our condensed consolidated balance sheet and as a discount to the Notes, which reduces their initial carrying value. The carrying value of the Notes, net of the discount recorded, will be accreted up to the principal amount of the Notes from the issuance date until maturity, which will result in non-cash charges to interest expense in our condensed consolidated statement of operations. Accordingly, we will report lower net income or higher net loss in our financial results because ASC 470-20 requires interest to include both the current period's accretion of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our Class A common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount, and the effect of the conversion on diluted earnings per share is not antidilutive. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of Class A common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share could be adversely affected.

Certain provisions in the indenture governing the Notes may delay or prevent an otherwise beneficial takeover attempt of us.

Certain provisions in the indenture governing the Notes may make it more difficult or expensive for a third party to acquire us. For example, the indenture governing the Notes will require us to repurchase the Notes for cash upon the occurrence of a fundamental change (as defined in the indenture governing the notes) of us and, in certain circumstances, to increase the conversion rate for a holder that converts its Notes in connection with a make-whole fundamental change. A takeover of us may trigger the requirement that we repurchase the Notes and/or increase the conversion rate, which could make it more costly for a potential acquirer to engage in such takeover. Such additional costs may have the effect of delaying or preventing a takeover of us that would otherwise be beneficial to investors.

The capped call transactions may affect the value of the Notes and our Class A common stock.

In connection with the capped call transactions, the counterparties, or their respective affiliates, may purchase shares of our Class A common stock, and/or enter into or modify various derivative transactions with respect to our Class A common stock or

other securities of ours in secondary market transactions prior to the maturity of the Notes. This activity could cause or prevent an increase or a decrease in the market price of our Class A common stock or the Notes.

We are subject to counterparty risk with respect to the capped call transactions.

The counterparties to the capped call transactions are financial institutions, and we will be subject to the risk that one or more of the counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions. Our exposure to the credit risk of the counterparties will not be secured by any collateral. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a counterparty to one or more capped call transaction becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our Class A common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by a counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of the counterparties.

We have broad discretion to use the net proceeds from the Notes, which we may not use effectively.

In connection with the Notes, we entered into capped call transactions with certain financial institutions and we used a portion of the net proceeds to pay the cost of the capped call transactions. We provided the remainder of the net proceeds from the Notes to Pluralsight Holdings to be used for working capital and other general corporate purposes, as well as the acquisition of, or investment in, complementary products, technologies, solutions, or businesses. The net proceeds from that offering may be invested with a view towards long-term benefits for our stockholders and this may not increase our results of operations or market value. The failure by our management to apply those funds effectively may adversely affect our operations or business prospects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds from Convertible Senior Notes

In March 2019, we completed our private placement of \$633.5 million aggregate principal of Notes, including the exercise in full by the initial purchasers of the Notes of their option to purchase up to an additional \$83.5 million principal amount of Notes. The Notes are our senior unsecured obligations. The Notes were issued pursuant to an Indenture, dated March 11, 2019, between us and U.S. Bank National Association as trustee.

We received net proceeds of \$616.7 million, after deducting the initial purchasers' discounts and commissions and the estimated offering expenses payable by us. We used approximately \$69.4 million of the net proceeds to pay the cost of the capped call transactions related thereto. We intend to use the remainder of the net proceeds for working capital and other general corporate purposes. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses that complement our business, including the acquisition of GitPrime. We expect to pay total cash consideration of approximately \$170.0 million for the acquisition of GitPrime, which is expected to close during the second quarter of 2019.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date with SEC	
3.1	Certificate of Correction of Amended and Restated Certificate of Incorporation of Pluralsight, Inc.	S-1	333-230057	3.3	3/4/2019	
4.1	Indenture, dated March 11, 2019, between Pluralsight, Inc. and U.S. Bank National Association	8-K	001-38498	4.1	3/11/2019	
4.2	Form of 0.375% Convertible Senior Note due 2024 (included in Exhibit 4.1)	8-K	001-38498	4.1	3/11/2019	
10.1	Purchase Agreement, dated March 6, 2019, by and among Pluralsight, Inc., Pluralsight Holdings, LLC and Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC as representatives of the several parties named in Schedule I thereto	8-K	001-38498	10.1	3/7/2019	
10.2	Form of Capped Call Confirmation					X
10.3	Agreement and Plan of Merger, dated April 30, 2019 by and among Pluralsight, Inc., Sundance Merger Sub, Inc., Gitprime, Inc. and Fortis Advisors LLC as Securityholder Representative	8-K	001-38498	2.1	5/1/2019	
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certifications of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certifications of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

*The certifications attached as Exhibit 32.1 and 32.2 accompanying this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Pluralsight, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PLURALSIGHT, INC.

May 1, 2019

By: /s/ Aaron Skonnard
Aaron Skonnard
Chief Executive Officer

PLURALSIGHT, INC.

May 1, 2019

By: /s/ James Budge
James Budge
Chief Financial Officer

[Dealer's name and address]

To: Pluralsight, Inc.
182 North Union Avenue
Farmington, Utah 84025

From: [Dealer's name]

Re: [Base][Additional] Capped Call Transaction

Ref. No: [] If applicable.

Date: [], 2019

Dear Ladies and Gentlemen:

The purpose of this communication (this "**Confirmation**") is to set forth the terms and conditions of the above-referenced transaction entered into on the Trade Date specified below (the "**Transaction**") between [] ("**Dealer**") and Pluralsight, Inc. a Delaware corporation ("**Counterparty**"). This communication constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

1. This Confirmation is subject to, and incorporates, the definitions and provisions of the 2006 ISDA Definitions (the "**2006 Definitions**") and the definitions and provisions of the 2002 ISDA Equity Derivatives Definitions (the "**Equity Definitions**"), and together with the 2006 Definitions, the "**Definitions**"), in each case as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"). In the event of any inconsistency between the 2006 Definitions and the Equity Definitions, the Equity Definitions will govern and in the event of any inconsistency between terms defined in the Equity Definitions and this Confirmation, this Confirmation shall govern. Certain defined terms used herein have the meanings assigned to them in the Indenture [to be] dated as of March [], 2019 between Counterparty and U.S. Bank National Association as trustee (the "**Indenture**") relating to the USD[] principal amount of []% Convertible Senior Notes due 2024 (the "**Base Convertible Securities**") together with any []% Convertible Senior Notes due 2024 [that may be] Include for confirmation relating to the base convert offering. issued pursuant to the Initial Purchasers' option under the Purchase Agreement (as defined below) (the "**Optional Convertible Securities**" and, together with the Base Convertible Securities, the "**Convertible Securities**"). In the event of any inconsistency between the terms defined in the Indenture and this Confirmation, this Confirmation shall govern. [For the avoidance of doubt, references herein to sections of the Indenture are based on the draft of the Indenture most recently reviewed by the parties at the time of execution of this Confirmation. If any relevant sections of the Indenture are changed, added or renumbered following execution of this Confirmation but prior to the execution of the Indenture, the parties will amend this Confirmation in good faith to preserve the economic intent of the parties based on the draft of the Indenture so reviewed.] Include for confirmation relating to the base convert offering and confirmation relating to the greenshoe convert offering, if executed before the initial closing. The parties further acknowledge that references to the Indenture herein are references to the Indenture as in effect on the date of its execution and if the Indenture is, or the Convertible Securities are, amended, supplemented or modified following their execution, any such amendment, supplement or modification (other than any amendment or supplement (1) pursuant to Section 10.01(k) of the Indenture that, as reasonably determined by the Calculation Agent, conforms the Indenture to the description of the Convertible Securities in the Offering Memorandum dated March [], 2019 relating to the Convertible Securities, and (2) a Merger Supplemental Indenture (as defined below)) will be disregarded for purposes of this Confirmation (other than as provided in Section 8(a) below) unless the parties agree otherwise in writing.

This Confirmation evidences a complete and binding agreement between Dealer and Counterparty as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall be subject to an agreement (the "**Agreement**") in the form of the 2002 ISDA Master Agreement as if Dealer and Counterparty had executed an agreement in such form on the Trade Date (but without any Schedule except for (i) the election of the laws of the State of New York as the governing law (without reference to choice of law doctrine) and the election of USD as the Termination Currency, [(ii) the election of an executed guarantee of [] ("**Guarantor**") dated as of the Trade Date in substantially the form attached hereto as Schedule 1 as a Credit Support Document,] (iii) the election of Guarantor as Credit Support Provider in relation to Dealer and (iv)] Guarantee to be provided if Dealer ordinarily provides a guarantee, typically from Parent, for similar capped call transactions. [and (ii)] the election that the "Cross Default" provisions of Section 5(a)(vi) of the Agreement shall apply to Dealer, (a) [with a Threshold Amount" of 3% of the shareholders' equity of [Dealer]/[Dealer Parent] ("**Dealer Parent**")]

Include as applicable on the Trade Date, (b) "Specified Indebtedness" having the meaning set forth in Section 14 of the Agreement, except that it shall not include any obligation in respect of deposits received in the ordinary course of Dealer's banking business, (c) the phrase "or becoming capable at such time of being declared," shall be deleted from clause (1) of such Section 5(a)(vi) of the Agreement, and (d) the following sentence shall be added to the end of Section 5(a)(vi) of the Agreement: "Notwithstanding the foregoing, a default under subsection (2) hereof shall not constitute an Event of Default if (i) the default was caused solely by error or omission of an administrative or operational nature; (ii) funds were available to enable the relevant party to make payment when due; and (iii) the payment is made within two Local Business Days of such party's receipt of written notice of its failure to pay.").

All provisions contained in, or incorporated by reference to, the Agreement will govern this Confirmation except as expressly modified herein. In the event of any inconsistency between this Confirmation and either the Definitions or the Agreement, this Confirmation shall govern.

The Transaction hereunder shall be the sole Transaction under the Agreement. If there exists any ISDA Master Agreement between Dealer and Counterparty or any confirmation or other agreement between Dealer and Counterparty pursuant to which an ISDA Master Agreement is deemed to exist between Dealer and Counterparty, then notwithstanding anything to the contrary in such ISDA Master Agreement, such confirmation or agreement or any other agreement to which Dealer and Counterparty are parties, the Transaction shall not be considered a Transaction under, or otherwise governed by, such existing or deemed ISDA Master Agreement.

2. The Transaction constitutes a Share Option Transaction for purposes of the Equity Definitions. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Trade Date:	[_____], 2019
Effective Date:	The closing date of [the initial issuance of] Include for confirmation relating to the base convert offering. the Convertible Securities [issued pursuant to the Initial Purchasers' option under the Purchase Agreement (as defined below) exercised on the date hereof] Include for confirmation relating to the greenshoe convert offering, if any..
Option Style:	"Modified American", as described under "Procedures for Exercise" below.
Option Type:	Call
Seller:	Dealer
Buyer:	Counterparty
Shares:	Class A Common Stock of Counterparty, par value USD\$0.0001 (Ticker Symbol: "PS").
Number of Options:	[The number of Base Convertible Securities in denominations of USD1,000 principal amount issued by Counterparty on the closing date for the initial issuance of the Convertible Securities.] Include for the base capped call.[The number of Optional Convertible Securities in denominations of USD1,000 principal amount purchased by the Initial Purchasers (as defined in the Purchase Agreement), at their option pursuant to Section 2 of the Purchase Agreement (as defined below).] Include for the additional capped call. For the avoidance of doubt, the Number of Options shall be reduced by each exercise of Options hereunder. In no event shall the Number of Options be less than zero. For the base capped call, the total should be equal to the number of Convertible Securities in principal amount of \$1,000 initially issued on the closing date for the Convertible Securities (excluding any Convertible Securities sold pursuant to the option). For the additional capped call, the total should be equal to the number of additional Convertible Securities in principal amount of \$1,000 purchased by the Initial Purchasers (as defined in the Purchase Agreement) at their option pursuant to Section 2 of the Purchase Agreement.
Applicable Percentage:	[_]%
Option Entitlement:	A number equal to the product of the Applicable Percentage and [_____] To be the initial Conversion Rate..
Number of Shares:	As of any date, the product of (i) the Number of Options, and (ii) the Option Entitlement.

Conversion Rate: As of any date, the "Conversion Rate" (as defined in the Indenture) as of such date.

Strike Price: \$[] To be the initial Conversion Price.

Cap Price: \$[].

Premium: USD [] Dealer and Counterparty hereby agree that notwithstanding anything to the contrary herein or in the Agreement, following the payment of the Premium, in the event that (a) an Early Termination Date (whether as a result of an Event of Default or a Termination Event) (other than an Event of Default arising under Section 5(a)(ii) or 5(a)(iv) of the Agreement that is within the Counterparty's control) occurs or is designated with respect to any Transaction and, as a result, Counterparty owes to Dealer the amount calculated under Section 6(d) and Section 6(e) or otherwise under the Agreement (calculated as if the Transactions terminated on such Early Termination Date were the sole Transactions under the Agreement) or (b) Counterparty owes to Dealer, pursuant to Sections 12.2, 12.3, 12.6, 12.7, 12.8 or 12.9 of the Equity Definitions or otherwise under the Equity Definitions, an amount calculated under Section 12.8 of the Equity Definitions, such amount shall be deemed to be zero.

Premium Payment Date: The Effective Date

Exchange: The NASDAQ Global Select Market

Related Exchange: All Exchanges; provided that Section 1.26 of the Equity Definitions shall be amended to add the words "United States" before the word "exchange" in the tenth line of such Section.

Procedures for Exercise:

Exercise Dates: Each Conversion Date

Conversion Date: [Each "Conversion Date", as defined in the Indenture, occurring during the period from and excluding the Trade Date to and including the Expiration Date, for Convertible Securities, each in denominations of USD1,000 principal amount, that are submitted for conversion on such Conversion Date in accordance with the terms of the Indenture, excluding Convertible Securities (i) that are Excluded Convertible Securities for which the provisions of Section 8(b) of this Confirmation shall apply or (ii)(A) with respect to which Counterparty has made an "Exchange Election" pursuant to Section 14.12 of the Indenture and (B) that have been accepted by the designated financial institution pursuant to Section 14.12 of the Indenture (such Convertible Securities, other than those excluded as set forth above, the "**Relevant Convertible Securities**" for such Conversion Date).] Include for base capped call confirmation only.

[Each "Conversion Date", as defined in the Indenture, occurring during the period from and excluding the Trade Date to and including the Expiration Date, for Convertible Securities, each in denominations of USD1,000 principal amount, that are submitted for conversion on such Conversion Date in accordance with the terms of the Indenture (excluding Convertible Securities (i) that are Excluded Convertible Securities for which the provisions of Section 8(b) of this Confirmation shall apply or (ii)(A) with respect to which Counterparty has made an "Exchange Election" pursuant to Section 14.12 of the Indenture and (B) that have been accepted by the designated financial institution pursuant to Section 14.12 of the Indenture) but are not "Relevant Convertible Securities" under, and as defined in, the confirmation between the parties hereto regarding the Base Convertible Capped Call Transaction dated [], 2019 (Transaction Ref. No. []) (the "**Base Convertible Capped Call Transaction Confirmation**") (such Convertible Securities, the "**Relevant Convertible Securities**" for such Conversion Date). For the purposes of determining whether any Convertible Securities will be Relevant Convertible Securities hereunder or under the Base Convertible Capped Call Transaction Confirmation, Convertible Securities that are converted pursuant to the Indenture shall be allocated first to the Base Convertible Capped Call Transaction Confirmation until all Options thereunder are exercised or terminated.] Include for additional capped call confirmation only.

Required Exercise on Conversion Dates: On each Conversion Date, a number of Options equal to the number of Relevant Convertible Securities for such Conversion Date in denominations of USD1,000 principal amount shall be automatically exercised.

Excluded Convertible Securities: [Convertible Securities surrendered for conversion (in accordance with the terms of the Indenture) on any date prior to the Free Convertibility Date.] Include for base capped call confirmation only. [Convertible Securities surrendered for conversion on any date prior to the Free Convertibility Date that are not “Excluded Convertible Securities” under, and as defined in, the Base Convertible Capped Call Transaction Confirmation. For purposes of determining whether any Convertible Securities will be Excluded Convertible Securities hereunder or under the Base Convertible Capped Call Transaction Confirmation, Convertible Securities that are converted prior to such date shall be allocated first to the Base Convertible Capped Call Transaction Confirmation until all Options thereunder are exercised or terminated.] Include for additional capped call confirmation only.

Free Convertibility Date: December 1, 2023

Expiration Date: The second “Scheduled Trading Day” immediately preceding the “Maturity Date” (each as defined in the Indenture).

Automatic Exercise: As provided above under “Required Exercise on Conversion Dates”.

Exercise Notice Deadline: The second Exchange Business Day immediately preceding the “Maturity Date” (as defined in the Indenture).

Notice of Exercise: Notwithstanding anything to the contrary in the Equity Definitions, Dealer shall have no obligation to make any payment or delivery in respect of any exercise of Options hereunder unless Counterparty notifies Dealer in writing prior to 4:00 PM, New York City time, on the Exercise Notice Deadline in respect of the aggregate number of Options being exercised hereunder[; *provided* that any “Notice of Exercise” delivered to Dealer pursuant to the Base Convertible Capped Call Transaction Confirmation shall deemed to be a Notice of Exercise pursuant to this Confirmation and the terms of such Notice of Exercise shall apply, *mutatis mutandis*, to this Confirmation] Include for additional capped call confirmation only..Counterparty acknowledges its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act (as defined below) and the rules and regulations thereunder, in respect of any election of a settlement method with respect to the Convertible Securities. For the avoidance of doubt, if Counterparty fails to give such notice when due in respect of any exercise of Options hereunder, Dealer’s obligation to make any payment or delivery in respect of such exercise shall be permanently extinguished, and late notice shall not cure such failure; *provided* that notwithstanding the foregoing, such notice (and the related exercise of Options) in connection with any conversion of Relevant Convertible Securities during the period starting on and including the Free Convertibility Date and ending on and including the second “Scheduled Trading Day” immediately preceding the “Maturity Date” (each as defined in the Indenture) (the “**Final Conversion Period**”) shall be effective if given after the Exercise Notice Deadline, but prior to 4:00 PM New York City time, on the fifth Exchange Business Day following the Exercise Notice Deadline, in which event the Calculation Agent shall have the right to adjust in a commercially reasonable manner the Delivery Obligation as appropriate to reflect the additional commercially reasonable costs (including, but not limited to, hedging mismatches and market losses) and expenses reasonably incurred by Dealer in connection with its hedging activities (including the unwinding of any hedge position) as a result of Dealer not having received such notice on or prior to the Exercise Notice Deadline.

Notice of Convertible Security Settlement Method:

Counterparty shall notify Dealer in writing before 4:00 P.M. (New York City time) on the Free Convertibility Date (the "**Final Settlement Method Election Date**") of the irrevocable election by the Counterparty, in accordance with Section 14.02(a)(iii) of the Indenture, of the settlement method and, if applicable, the "Specified Dollar Amount" (as defined in the Indenture) applicable to Relevant Convertible Securities with a Conversion Date occurring on or after the Final Settlement Method Election Date. If Counterparty fails timely to provide such notice, Counterparty shall be deemed to have notified Dealer of combination settlement with a "Specified Dollar Amount" (as defined in the Indenture) of USD1,000 for all conversions occurring on or after the Final Settlement Method Election Date. Counterparty agrees that, to the extent it provides such a notice, it shall settle any Relevant Convertible Securities with a Conversion Date on or after the Final Settlement Method Election Date in the same manner as provided in the Notice of Convertible Security Settlement Method it provides hereunder.

Dealer's Telephone Number and Telex and/or Facsimile Number and Contact Details for purpose of Giving Notice:

To be provided by Dealer.

Settlement Terms:

Settlement Date:

In respect of an Exercise Date occurring on a Conversion Date on or after the Free Convertibility Date, the settlement date for the cash and/or Shares (if any) to be delivered in respect of the Relevant Convertible Securities converted on such Conversion Date pursuant to Section 14.01(a)(ii) of the Indenture; *provided* that the Settlement Date will not be prior to the Exchange Business Day immediately following the date Counterparty provides the Notice of Delivery Obligation prior to 4:00 PM, New York City time.

Delivery Obligation:

In lieu of the obligations set forth in Sections 8.1 and 9.1 of the Equity Definitions, and subject to "Notice of Exercise" above, in respect of an Exercise Date occurring on a Conversion Date on or after the Free Convertibility Date, Dealer will deliver to Counterparty, on the related Settlement Date, a number of Shares and/or amount of cash in USD for the Relevant Convertible Securities equal to (a) the Applicable Percentage *multiplied by* (b) the aggregate number of Shares, if any, that Counterparty would be obligated to deliver to the holder(s) of the Relevant Convertible Securities converted on such Conversion Date pursuant to Section 14.02(a)(iv) of the Indenture and/or the aggregate amount of cash, if any, in excess of USD1,000 per Convertible Security (in denominations of USD1,000) that Counterparty would be obligated to deliver to holder(s) pursuant to Section 14.02(a)(iv) of the Indenture (except that such aggregate number of Shares shall be determined without taking into consideration any rounding pursuant to Section 14.02(j) of the Indenture and shall be rounded down to the nearest whole number) and cash in lieu of fractional Shares, if any, resulting from such rounding, if Counterparty had elected to satisfy its conversion obligation in respect of such Relevant Convertible Securities by the Convertible Security Settlement Method in the manner specified below, as determined by the Calculation Agent in a commercially reasonable fashion by reference to such Sections of the Indenture (this clause (b), the "**Convertible Obligation**"); *provided* that (i) if the Convertible Obligation exceeds the Capped Convertible Obligation, then the Delivery Obligation shall be the Applicable Percentage *multiplied by* the Capped Convertible Obligation; (ii) if, in respect of any Exercise Date, (x)(I) the number of Shares included in the Delivery Obligation multiplied by the Share Obligation Value Price plus (II) the amount of cash included in the Delivery Obligation, would otherwise exceed (y) the product of the Applicable Percentage and the relevant Net Convertible Share Obligation Value, such number of Shares and such amount of cash shall be proportionately reduced to the extent necessary to eliminate such excess; (iii) the Convertible Obligation (and, for the avoidance of doubt, the Capped Convertible Obligation) shall be determined (A) excluding any Shares and/or cash that Counterparty is obligated to deliver to holder(s) of the Relevant Convertible Securities as a result of any "make-whole fundamental change" adjustments to the Conversion Rate pursuant to Section 14.03 or 14.04(h) of the Indenture and (B) without regard to the election, if any, by Counterparty to adjust the Conversion Rate (and, for the avoidance of doubt, the Delivery Obligation shall not include any interest payment on the Relevant Convertible Securities that the Counterparty is (or would have been) obligated to deliver to holder(s) of the Relevant Convertible Securities for such Conversion Date); and (iv) if such exercise relates to the conversion of Relevant Convertible Securities in connection with which holders thereof are entitled to receive additional Shares and/or cash pursuant to the "make-whole fundamental change" adjustment to the Conversion Rate set forth in Section 14.03 of the Indenture, then, notwithstanding the foregoing clause (iii), the Convertible Obligation shall include such additional Shares and/or cash (as determined by the Calculation Agent by reference to such Section of the Indenture), except that the Delivery Obligation shall be capped so that the value of the Delivery Obligation per Option (with the value of any Shares included in the Delivery Obligation determined by the Calculation Agent using the VWAP Price on the date the consideration is deliverable to the "Holder" of such Relevant Convertible Security pursuant to the Indenture) does not exceed the amount as determined by the Calculation Agent that would be payable by Dealer pursuant to Section 6 of the Agreement if such Conversion Date were an Early Termination Date resulting from an Additional Termination Event with respect to which the Transaction (except that, for purposes of determining such amount (x) the Number of Options shall be deemed to be equal to the number of Options exercised on such Exercise Date and (y) such amount payable will be determined as if Section 14.03 of the Indenture were deleted) was the sole Affected Transaction and Counterparty was the sole Affected Party (determined without regard to Section 8(c) of this Confirmation), it being understood that the cap described in this clause (iv) is in addition to, and cumulative with, clauses (i), (ii) and (iii) of this proviso. Notwithstanding the foregoing, and in addition to the caps described in clauses (i), (ii), (iii) and (iv) of the proviso above, in all events the Delivery Obligation shall be capped so that the value of the Delivery Obligation does not exceed the value of the Convertible Obligation *multiplied by* the Applicable Percentage (with the Convertible Obligation determined based on the actual settlement method elected by Counterparty with respect to such Relevant Convertible Securities instead of the Convertible Security Settlement Method and with the value of any Shares included in either the Delivery Obligation or such Convertible Obligation determined by the Calculation Agent using the Share Obligation Value Price on the date the consideration is deliverable to the "Holder" of such Relevant Convertible Security pursuant to the Indenture).

Capped Convertible Obligation:	In respect of an Exercise Date occurring on a Conversion Date, the Convertible Obligation that would apply if the “Daily VWAP” for each “Trading Day” in the “Observation Period” (each as defined in the Indenture) or, if applicable, the assumed “Observation Period” specified in clause (ii) of “Convertible Security Settlement Method” below, were the lesser of (x) the Cap Price and (y) the actual “Daily VWAP” for such “Trading Day” (each as defined in the Indenture).
Net Convertible Share Obligation Value:	With respect to Relevant Convertible Securities as to a Conversion Date, (i) the Total Convertible Share Obligation Value of such Relevant Convertible Securities for such Conversion Date <i>minus</i> (ii) the aggregate principal amount of such Relevant Convertible Securities for such Conversion Date.
Total Convertible Share Obligation Value:	With respect to Relevant Convertible Securities with respect to a Conversion Date, (i) (A) the number of Shares equal to the aggregate number of Shares that Counterparty is obligated to deliver to the holder(s) of Relevant Convertible Securities for such Conversion Date pursuant to the Indenture multiplied by (B) the Share Obligation Value Price plus (ii) an amount of cash equal to the aggregate amount of cash that Counterparty is obligated to deliver to the holder(s) of Relevant Convertible Securities for such Conversion Date pursuant to the Indenture (including, for the avoidance of doubt, any cash payable by Counterparty in lieu of fractional Shares); provided that the Total Convertible Share Obligation Value shall be determined excluding any Shares and/or cash that Counterparty is obligated to deliver to holder(s) of the Relevant Convertible Securities as a direct or indirect result of any adjustments to the Conversion Rate pursuant to an adjustment pursuant to Section 14.04(h) of the Indenture.
Share Obligation Value Price:	The opening price as displayed under the heading “Op” on Bloomberg page “PS.N <Equity>” (or its equivalent successor if such page is not available) on the applicable Settlement Date or other date of delivery.
Convertible Security Settlement Method:	For any Relevant Convertible Securities, if Counterparty has notified Dealer in the related Notice of Exercise (or in the Notice of Convertible Security Settlement Method, as the case may be) that it has elected to satisfy its conversion obligation in respect of such Relevant Convertible Securities in cash or in a combination of cash and Shares in accordance with Section 14.02(a)(iii) of the Indenture (a “ Cash Election ”) with a “Specified Dollar Amount” (as defined in the Indenture) of at least USD1,000, the Convertible Security Settlement Method shall be the settlement method actually so specified in such notice as being elected by Counterparty in respect of such Relevant Convertible Securities; provided that, if no such notice is sent with respect to such settlement method, the Convertible Security Settlement Method shall assume Counterparty made a Cash Election with respect to such Relevant Convertible Securities with a “Specified Dollar Amount” (as defined in the Indenture) of USD1,000 per Relevant Convertible Security.
Notice of Delivery Obligation:	No later than the Exchange Business Day immediately following the last day of the relevant “Observation Period,” as defined in the Indenture, Counterparty shall give Dealer notice of the aggregate number of Shares and/or cash comprising the Convertible Obligations for all Relevant Convertible Securities (it being understood, for the avoidance of doubt, that the requirement of Counterparty to deliver such notice shall not limit Counterparty’s obligations with respect to Notice of Exercise or Notice of Convertible Security Settlement Method or Dealer’s obligations with respect to Delivery Obligation, each as set forth above, in any way).
Other Applicable Provisions:	To the extent Dealer is obligated to deliver Shares hereunder, the provisions of Sections 9.1(c), 9.8, 9.9, 9.11 and 9.12 (except that the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by excluding any representations therein relating to restrictions, obligations, limitations or requirements under applicable securities laws arising as a result of the fact that Counterparty is the Issuer of the Shares) of the Equity Definitions will be applicable as if “Physical Settlement” applied to the Transaction.

Restricted Certificated Shares:

Notwithstanding anything to the contrary in the Equity Definitions, Dealer may, in whole or in part, deliver Shares required to be delivered to Counterparty hereunder in certificated form in lieu of delivery through the Clearance System. With respect to such certificated Shares, the Representation and Agreement contained in Section 9.11 of the Equity Definitions shall be modified by deleting the remainder of the provision after the word “encumbrance” in the fourth line thereof.

Adjustments:

Method of Adjustment:

Calculation Agent Adjustment. Notwithstanding Section 11.2 of the Equity Definitions, upon the occurrence of any event or condition set forth in Sections 14.04(a), (b), (c), (d) or (e) or Section 14.05 of the Indenture that the Calculation Agent determines would result in an adjustment under the Indenture by reference to such Sections thereof (any such event or condition, an “**Adjustment Event**”), the Calculation Agent shall make a corresponding adjustment to any one or more of the Strike Price, Number of Options, Option Entitlement and any other terms relevant to the exercise, settlement or payment of the Transaction, subject to “Discretionary Adjustments” below. Immediately upon the occurrence of any Adjustment Event, Counterparty shall notify the Calculation Agent of such Adjustment Event; and once the adjustments to be made to the terms of the Indenture and the Convertible Securities in respect of such Adjustment Event have been determined, Counterparty shall immediately notify the Calculation Agent in writing of the results and details of such adjustments.

In addition, Dealer may make a corresponding adjustment to the terms relevant to the exercise, settlement or payments of the Transaction (but without duplication of any adjustment pursuant to the foregoing paragraph) upon the occurrence of any event or condition that Dealer determines would result in an adjustment under Section 14.05 of the Indenture in respect of the Convertible Security Settlement Method.

For the avoidance of doubt, Dealer shall not have any payment or delivery obligation hereunder in respect of, and no adjustment shall be made to the terms of the Transaction on account of, (x) any distribution of cash, property or securities by Counterparty to the holders of Convertible Securities (upon conversion or otherwise) or (y) any other transaction in which holders of Convertible Securities are entitled to participate, in each case, in lieu of an adjustment under the Indenture in respect of an Adjustment Event (including, without limitation, under the fourth sentence of Section 14.04(c) of the Indenture or the fourth sentence of Section 14.04(d) of the Indenture).

Discretionary Adjustments:

Notwithstanding anything to the contrary herein or in the Equity Definitions, if the Calculation Agent in good faith disagrees with any adjustment under the Indenture that involves an exercise of discretion by Counterparty or its board of directors (including, without limitation, pursuant to Section 14.05 of the Indenture or pursuant to Section 14.07 of the Indenture or any supplemental indenture entered into thereunder (a “**Merger Supplemental Indenture**”) or in connection with any proportional adjustment or the determination of the fair value of any securities, property, rights or other assets), then the Calculation Agent will determine the adjustment to be made to any one or more of the Strike Price, Number of Options, and any other variable relevant to the exercise, settlement or payment of or under the Transaction in a commercially reasonable manner.

Extraordinary Events:

Merger Events:

Notwithstanding Section 12.1(b) of the Equity Definitions, except for purposes of “Announcement Event” and “Adjustments to Cap Price” below, a “Merger Event” means the occurrence of any event or condition set forth in Section 14.07 of the Indenture.

Tender Offer: Section 12.1(d) of the Equity Definitions is hereby amended by replacing the phrase “greater than 10% and less than 100% of the outstanding voting shares of the Issuer” in the third and fourth line thereof with “(a) greater than 15% and less than 100% of the outstanding Shares of the Issuer in the event that such offer, solicitation, proposal or other event is being made by any entity or person other than the Issuer or any subsidiary thereof or (b) greater than 20% and less than 100% of the outstanding Shares of the Issuer in the event that such offer, solicitation, proposal or other event is being made by the Issuer or any subsidiary thereof”.

Consequences of Merger Events and Tender Offer: Notwithstanding Sections 12.2 and 12.3 of the Equity Definitions, upon the occurrence of a Merger Event that the Calculation Agent determines by reference to Section 14.07 of the Indenture would result in an adjustment under the Indenture, the Calculation Agent shall make a corresponding adjustment to the terms relevant to the exercise, settlement or payment of the Transaction, subject to “Discretionary Adjustments” above; *provided* that such adjustment shall be made without regard to any “make-whole fundamental change” adjustment to the Conversion Rate pursuant to Section 14.03 or 14.04(h) of the Indenture and the election, if any, by Counterparty to adjust the Conversion Rate; and *provided further* that if, with respect to a Merger Event, (A) the consideration for the Shares includes (or, at the option of a holder of Shares, may include) shares of an entity or person that is not a corporation organized under the laws of the United States, any State thereof or the District of Columbia, or (B) the Counterparty to the Transaction following such Merger Event will not be a corporation or will not be the Issuer following such Merger Event, in either case, Dealer may elect in its sole discretion that Cancellation and Payment (Calculation Agent Determination) shall apply.

Consequences of Announcement Events: Modified Calculation Agent Adjustment as set forth in Section 12.3(d) of the Equity Definitions; *provided* that, in respect of an Announcement Event, (x) references to “Tender Offer” shall be replaced by references to “Announcement Event” and references to “Tender Offer Date” shall be replaced by references to “date of such Announcement Event”, (y) the phrase “exercise, settlement, payment or any other terms of the Transaction (including, without limitation, the spread)” shall be replaced with the phrase “Cap Price (*provided* that in no event shall the Cap Price be less than the Strike Price)” and the words “whether within a commercially reasonable period of time prior to or after the Announcement Event (as determined by the Calculation Agent)” shall be inserted prior to the word “which” in the seventh line, and (z) for the avoidance of doubt, the Calculation Agent shall, in good faith and a commercially reasonable manner, determine whether the relevant Announcement Event has had a material economic effect on the Transaction and, if so, shall adjust the Cap Price accordingly to take into account such economic effect on one or more occasions on or after the date of the Announcement Event up to, and including, the Expiration Date, any Early Termination Date and/or any other date of cancellation, it being understood that any adjustment in respect of an Announcement Event shall take into account any earlier adjustment relating to the same Announcement Event and shall not be duplicative with any other adjustment or cancellation valuation made pursuant to this Confirmation, the Equity Definitions or the Agreement; *provided* that in no event shall the Cap Price be adjusted to be less than the Strike Price. An Announcement Event shall be an “Extraordinary Event” for purposes of the Equity Definitions, to which Article 12 of the Equity Definitions is applicable; *provided further* that upon the Calculation Agent making an adjustment, determined in a commercially reasonable manner, to the Cap Price upon any Announcement Event, then the Calculation Agent shall make an adjustment to the Cap Price upon any announcement regarding the same event that gave rise to the original Announcement Event, including without limitation, regarding the abandonment of any such event, to the extent necessary to reflect the economic effect of such subsequent announcement on the Transaction (*provided* that in no event shall the Cap Price be less than the Strike Price).

Announcement Event:	(i) The public announcement (whether by Counterparty or a Valid Third Party Entity) of any Merger Event or Tender Offer, or the announcement by Counterparty of any intention to enter into a Merger Event or Tender Offer, (ii) the public announcement by Counterparty of an intention by Counterparty to solicit or enter into, or to explore strategic alternatives or other similar undertaking that may include, a Merger Event or Tender Offer, (iii) there occurs a public announcement (whether by Counterparty or a Valid Third Party Entity) of any potential acquisition by Counterparty and/or its subsidiaries where the consideration exceeds 33% of the market capitalization of the Counterparty as of the date of such announcement, or (iv) any subsequent public announcement (whether by Counterparty or a Valid Third Party Entity) of a change to a transaction or intention that is the subject of an announcement of the type described in clause (i), (ii) or (iii) of this sentence (including, without limitation, a new announcement relating to such a transaction or intention or the announcement of a withdrawal from, or the abandonment or discontinuation of, such a transaction or intention); provided that, for the avoidance of doubt, the occurrence of an Announcement Event with respect to any transaction or intention shall not preclude the occurrence of a later Announcement Event with respect to such transaction or intention.
Valid Third Party Entity	In respect of any transaction, any third party whose announcement is reasonably determined by the Calculation Agent to have had a material economic effect on the Shares and/or options on the Shares.
Notice of Merger Consideration and Consequences:	Upon the occurrence of a Merger Event that causes the Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), Counterparty shall reasonably promptly (but in any event prior to the relevant merger date) notify the Calculation Agent of (i) the type and amount of consideration that a holder of Shares would have been entitled to in the case of reclassifications, consolidations, mergers, sales or transfers of assets or other transactions that cause Shares to be converted into the right to receive more than a single type of consideration and (ii) the weighted average of the types and amounts of consideration to be received by the holders of Shares that affirmatively make such an election.
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination); <i>provided</i> that in addition to the provisions of Section 12.6(a)(iii) of the Equity Definitions, it will also constitute a Delisting if the Shares are not immediately re-listed, re-traded or re-quoted on any of the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or their respective successors); if the Shares are immediately re-listed, re-traded or re-quoted on any such exchange or quotation system, such exchange or quotation system shall thereafter be deemed to be the Exchange.
Additional Disruption Events:	
(a) Change in Law:	Applicable; <i>provided</i> that Section 12.9(a)(ii) of the Equity Definitions is hereby amended by (i) replacing the phrase “the interpretation” in the third line thereof with the phrase “, or public announcement of, the formal or informal interpretation”, (ii) by adding the phrase “and/or Hedge Position” after the word “Shares” in clause (X) thereof and (iii) by immediately following the word “Transaction” in clause (X) thereof, adding the phrase “in the manner contemplated by the Hedging Party on the Trade Date”.
(b) Failure to Deliver:	Applicable
(c) Insolvency Filing:	Applicable
(d) Hedging Disruption:	Applicable
(e) Increased Cost of Hedging:	Not Applicable
Hedging Party:	Dealer

Determining Party: For all applicable Extraordinary Events, Dealer; all calculations and determinations made by the Determining Party shall be made in good faith and in a commercially reasonable manner; *provided* that, upon receipt of written request from Counterparty, the Determining Party shall promptly provide Counterparty with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal or external sources used in making such calculation, adjustment or determination, as the case may be, but without disclosing Determining Party's proprietary models or other information that may be proprietary or subject to contractual, legal or regulatory obligations to not disclose such information), and shall use commercially reasonable efforts to provide such written explanation within five (5) Exchange Business Days from the receipt of such request.

Non-Reliance: Applicable
Agreements and Acknowledgments Regarding Hedging Activities: Applicable

Hedging Adjustment: For the avoidance of doubt, whenever the Dealer, Determining Party or Calculation Agent is permitted to make an adjustment pursuant to the terms of this Confirmation or the Equity Definitions to take into account the effect of an event, the Calculation Agent or Determining Party or Dealer, as the case may be, shall make such adjustment by reference to the effect of such event on Dealer assuming that Dealer maintains a commercially reasonable hedge position.

Additional Acknowledgments: Applicable

3. Calculation Agent: Dealer; *provided* that following the occurrence of an Event of Default of the type described in Section 5(a)(vii) of the Agreement with respect to which Dealer is the sole Defaulting Party, if the Calculation Agent fails to timely make any calculation, adjustment or determination required to be made by the Calculation Agent hereunder or to perform any obligation of the Calculation Agent hereunder and such failure continues for five (5) Exchange Business Days following notice to the Calculation Agent by Counterparty of such failure, Counterparty shall have the right to designate a nationally recognized third-party dealer in over-the-counter corporate equity derivatives to act, during the period commencing on the date such Event of Default occurred and ending on the Early Termination Date with respect to such Event of Default, as the Calculation Agent.

All calculations and determinations made by the Calculation Agent shall be made in good faith and in a commercially reasonable manner; *provided* that, upon receipt of written request from Counterparty, the Calculation Agent shall promptly provide Counterparty with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal or external sources used in making such calculation, adjustment or determination, as the case may be, but without disclosing Dealer's proprietary models or other information that may be proprietary or subject to contractual, legal or regulatory obligations to not disclose such information), and shall use commercially reasonable efforts to provide such written explanation within five (5) Exchange Business Days from the receipt of such request.

4. Account Details:

Dealer Payment Instructions:

[Bank: _____]
ABA#: _____
Acct No.: _____
Beneficiary: _____
Ref: _____]

Counterparty Payment Instructions: To be provided.

5. Offices:

The Office of Dealer for the Transaction is:

[_____]

The Office of Counterparty for the Transaction is: [Inapplicable, Company is not a Multibranch Party.]

6. Notices: For purposes of this Confirmation:

(a) Address for notices or communications to Counterparty:

Pluralsight, Inc.
182 North Union Avenue
Farmington, Utah 84025
Attn: []

(b) Address for notices or communications to Dealer:

[]

7. Representations, Warranties and Agreements:

(a) In addition to the representations and warranties in the Agreement and those contained elsewhere herein, Counterparty represents and warrants to and for the benefit of, and agrees with, Dealer as follows:

(i) On the Trade Date (A) none of Counterparty and its officers and directors is aware of any material non-public information regarding Counterparty or the Shares, and (B) all reports and other documents filed by Counterparty with the Securities and Exchange Commission pursuant to the Exchange Act when considered as a whole (with the more recent such reports and documents deemed to amend inconsistent statements contained in any earlier such reports and documents), do not contain any untrue statement of a material fact or any omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances in which they were made, not misleading .

(ii) On the Trade Date, Counterparty is not engaged in any "distribution," as such term is defined in Regulation M under the Exchange Act ("**Regulation M**"), other than (1) a distribution meeting the requirements of the exceptions set forth in Rules 101(b)(10) and 102(b)(7) of Regulation M and (2) the distribution of Shares being made concurrently with the distribution of the Convertible Notes. During (x) the "Observation Period" and any deemed "Observation Period" as set forth herein applicable to the Relevant Convertible Securities and (y) in the event an Early Termination Date is designated due to an Additional Termination Event as a result of an Excluded Conversion Event, a period starting on or about such Early Termination Date as reasonably determined by Dealer and notified to Counterparty (an "**Early Termination Period**"), the Shares or securities that are convertible into, or exchangeable or exercisable for, Shares will not be subject to a "restricted period," as such term is defined in Regulation M.

(iii) On the Trade Date and on each day during the "Observation Period" applicable to the Relevant Convertible Securities and any Early Termination Period, neither Counterparty nor any "affiliate" or "affiliated purchaser" (each as defined in Rule 10b-18 under the Exchange Act ("**Rule 10b-18**")) shall directly or indirectly (including, without limitation, by means of any cash-settled or other derivative instrument) purchase, offer to purchase, place any bid or limit order that would effect a purchase of, or commence any tender offer relating to, any Shares (or an equivalent interest, including a unit of beneficial interest in a trust or limited partnership or a depository share) or any security convertible into or exchangeable or exercisable for Shares, except through Dealer.

(iv) Without limiting the generality of Section 13.1 of the Equity Definitions, Counterparty acknowledges that neither Dealer nor any of its affiliates is making any representations or warranties or taking any position or expressing any view with respect to the treatment of the Transaction under any accounting standards including ASC Topic 260, *Earnings Per Share*, ASC Topic 815, *Derivatives and Hedging*, or ASC Topic 480, *Distinguishing Liabilities from Equity* and ASC 815-40, *Derivatives and Hedging - Contracts in Entity's Own Equity* (or any successor issue statements).

(v) Without limiting the generality of Section 3(a)(iii) of the Agreement, the Transaction will not violate Rule 13e-1 or Rule 13e-4 under the Exchange Act.

(vi) Prior to the Trade Date, Counterparty shall deliver to Dealer a resolution of Counterparty's board of directors authorizing the Transaction.

(vii) Counterparty is not entering into this Confirmation to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to manipulate the price of the Shares (or any security convertible into or exchangeable for Shares) or otherwise in violation of the Exchange Act.

(viii) Counterparty is not, and after giving effect to the transactions contemplated hereby will not be, required to register as, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(ix) On each of the Trade Date and the Premium Payment Date, Counterparty is not "insolvent" (as such term is defined under Section 101(32) of the U.S. Bankruptcy Code (Title 11 of the United States Code) (the "**Bankruptcy Code**")) and Counterparty would be able to purchase the Number of Shares in compliance with the laws of the jurisdiction of Counterparty's incorporation.

(x) To Counterparty's knowledge, no U.S. state or local law, rule, regulation or regulatory order applicable to the Shares would give rise to any reporting, consent, registration or other requirement (including without limitation a requirement to obtain prior approval from any person or entity) as a result of Dealer or its affiliates owning or holding (however defined) Shares; *provided* that no such representation shall be made by Counterparty with respect to any rules and regulations applicable to Dealer (including FINRA) arising from Dealer's status as a regulated entity under applicable law.

(xi) The representations and warranties of Counterparty set forth in Section 3 of the Agreement and Section 1 of the Purchase Agreement dated as of [____], 2019, between the Counterparty and Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC as representatives of the Initial Purchasers party thereto (the "**Purchase Agreement**") are true and correct and are hereby deemed to be repeated to Dealer as if set forth herein.

(xii) Counterparty (A) is capable of evaluating investment risks independently, both in general and with regard to all transactions and investment strategies involving a security or securities; (B) will exercise independent judgment in evaluating the recommendations of any broker-dealer or its associated persons, unless it has otherwise notified the broker-dealer in writing, (C) has total assets of at least \$50 million.

(b) Each of Dealer and Counterparty agrees and represents that it is an "eligible contract participant" as defined in Section 1a(18) of the U.S. Commodity Exchange Act, as amended, and is entering into the Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise) and not for the benefit of any third party.

(c) Each of Dealer and Counterparty acknowledges that the offer and sale of the Transaction to it is intended to be exempt from registration under the Securities Act, by virtue of Section 4(a)(2) thereof. Accordingly, Counterparty represents and warrants to Dealer that (i) it has the financial ability to bear the economic risk of its investment in the Transaction and is able to bear a total loss of its investment and its investments in and liabilities in respect of the Transaction, which it understands are not readily marketable, are not disproportionate to its net worth, and it is able to bear any loss in connection with the Transaction, including the loss of its entire investment in the Transaction, (ii) it is an "accredited investor" as that term is defined in Regulation D as promulgated under the Securities Act, (iii) it is entering into the Transaction for its own account and without a view to the distribution or resale thereof, (iv) the assignment, transfer or other disposition of the Transaction has not been and will not be registered under the Securities Act and is restricted under this Confirmation, the Securities Act and state securities laws, and (v) its financial condition is such that it has no need for liquidity with respect to its investment in the Transaction and no need to dispose of any portion thereof to satisfy any existing or contemplated undertaking or indebtedness and is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Transaction.

(d) Each of Dealer and Counterparty agrees and acknowledges that Dealer is a "financial institution," "swap participant" and "financial participant" within the meaning of Sections 101(22), 101(53C) and 101(22A) of the Bankruptcy Code. The parties hereto further agree and acknowledge (A) that this Confirmation is (i) a "securities contract," as such term is defined in Section 741(7) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "settlement payment" within the meaning of Section 546 of the Bankruptcy Code, and (ii) a "swap agreement," as such term is defined in Section 101(53B) of the Bankruptcy Code, with respect to which each payment and delivery hereunder or in connection herewith is a "termination value," "payment amount" or "other transfer obligation" within the meaning of Section 362 of the Bankruptcy Code and a "transfer" within the meaning of Section 546 of the Bankruptcy Code, and (B) that Dealer is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 362(b)(17), 362(b)(27), 362(o), 546(e), 546(g), 546(j), 548(d)(2), 555, 560 and 561 of the Bankruptcy Code.

(e) As a condition to the effectiveness of the Transaction, Counterparty shall deliver to Dealer an opinion of counsel, dated as of the Effective Date, in substantially the form attached hereto as Annex A.

(f) Counterparty understands that notwithstanding any other relationship between Counterparty and Dealer and its affiliates, in connection with the Transaction and any other over-the-counter derivative transactions between Counterparty and Dealer or its affiliates, Dealer or its affiliates is acting as principal and is not a fiduciary or advisor in respect of any such transaction, including any entry, exercise, amendment, unwind or termination thereof.

(g) Each party acknowledges and agrees to be bound by the Conduct Rules of the Financial Industry Regulatory Authority, Inc. applicable to transactions in options, and further agrees not to violate the position and exercise limits set forth therein.

(h) Counterparty represents and warrants that it has received, read and understands the OTC Options Risk Disclosure Statement and a copy of the most recent disclosure pamphlet prepared by The Options Clearing Corporation entitled "Characteristics and Risks of Standardized Options".

8. Other Provisions:

(a) *Right to Extend.* Dealer may divide any Number of Options into additional Options and designate the Expiration Date and the Number of Options for each such Conversion Date (as defined in the Indenture) if Dealer determines, in good faith and a commercially reasonable manner, that such further division is necessary or advisable to preserve Dealer's commercially reasonable hedging or hedge unwind activity hereunder in light of existing liquidity conditions or to enable Dealer to effect purchases of Shares in connection with its hedging, hedge unwind or settlement activity hereunder in a manner

that would, if Dealer were Counterparty or an affiliated purchaser of Counterparty, be compliant and consistent with applicable legal, regulatory or self-regulatory requirements, or with related policies and procedures, generally applicable to transactions of the type of the Transactions.

(b) *Additional Termination Events.* The occurrence of (i) an “Event of Default” with respect to Counterparty under the terms of the Convertible Securities as set forth in Section 6.01 of the Indenture, (ii) an Amendment Event, (iii) an Excluded Conversion Event or (iv) Repayment Event shall be an Additional Termination Event with respect to which the Transaction is the sole Affected Transaction and Counterparty is the sole Affected Party, and Dealer, in the case of clauses (i) or (ii) above, shall be the party entitled to, or, in the case of clauses (iii) or (iv), shall designate an Early Termination Date pursuant to Section 6(b) of the Agreement; *provided* that in the case of an Excluded Conversion Event the Transaction shall be subject to termination only in respect of a number of Options equal to the number of Convertible Securities that cease to be outstanding in connection with or as a result of such Excluded Conversion Event. For the avoidance of doubt, in determining the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement in connection with an Excluded Conversion Event, the Calculation Agent shall assume that (x) the relevant Excluded Convertible Securities shall not have been converted and remain outstanding, and (y) in the case of an Induced Conversion, any adjustments, agreements, additional payments, deliveries or acquisitions by or on behalf of Counterparty or any affiliate of Counterparty in connection therewith had not occurred. Notwithstanding the foregoing, the amount payable in respect of such Affected Transaction pursuant to Section 6 of the Agreement in connection with an Excluded Conversion Event shall not exceed the value of the Convertible Obligation *multiplied by* the Applicable Percentage (with the Convertible Obligation determined (a) as set forth opposite the caption “Delivery Obligation” in Section 2 above as if the converted Convertible Securities were not Excluded Convertible Securities and (b) based on the actual settlement method elected by Counterparty with respect to such Convertible Securities and with the value of any Shares included in such Convertible Obligation determined by the Calculation Agent using the Share Obligation Value Price on the date of such payment).

“**Amendment Event**” means that Counterparty amends, modifies, supplements, waives or obtains a waiver in respect of any term of the Indenture or the Convertible Securities governing the principal amount, coupon, maturity, repurchase obligation of Counterparty, any term relating to conversion of the Convertible Securities (including changes to the conversion rate, conversion rate adjustment provisions, conversion settlement dates or conversion conditions), or any term that would require consent of the holders of not less than 100% of the principal amount of the Convertible Securities to amend, in each case without the consent of Dealer.

“**Excluded Conversion Event**” means any conversion of any Excluded Convertible Securities.

“**Induced Conversion**” means a conversion of any Excluded Convertible Securities (A) in connection with (x) an adjustment to the Conversion Rate effected by Counterparty (whether pursuant to Section 14.04(h) of the Indenture or otherwise) that is not required under the terms of the Indenture or (y) an agreement by Counterparty with the holder(s) of such Convertible Securities whereby, in the case of either (x) or (y), the holder(s) of such Convertible Securities receive upon conversion or pursuant to such agreement, as the case may be, a payment of cash or delivery of Shares or any other property or item of value that was not required under the terms of the Indenture or (B) after having been acquired from a holder of Convertible Securities by or on behalf of Counterparty or any of its affiliates other than pursuant to a conversion by such Holder and thereafter converted by or on behalf of Counterparty or any affiliate of Counterparty.

“**Repayment Event**” means that (i) any Convertible Securities are repurchased (whether pursuant to Section 2.10 or 15.02 of the Indenture or for any other reason) by Counterparty or any of its Affiliates or subsidiaries, (ii) any Convertible Securities are delivered to Counterparty in exchange for delivery of any property or assets of Counterparty or any of its Affiliates or subsidiaries (howsoever described), (iii) any principal of any of the Convertible Securities is repaid prior to the final Maturity Date (as defined in the Indenture) of the Convertible Securities, or (iv) any Convertible Securities are exchanged by or for the benefit of any holders of Convertible Securities thereof for any other securities of Counterparty or any of its Affiliates (as defined in the Indenture) (or any other property, or any combination thereof) pursuant to any exchange offer or similar transaction; *provided* that, no conversion of Convertible Securities pursuant to the terms of the Indenture shall constitute a Repayment Event. Promptly following any Repayment Event (but, in any event, within five Scheduled Trading Days following settlement thereof), Counterparty shall notify Dealer of such Repayment Event and the aggregate principal amount of Convertible Securities subject to such Repayment Event (the “**Repayment Convertible Securities**”) (any such notice, a “**Repayment Notice**”); *provided* that, any “Repayment Notice” delivered to Dealer pursuant to the Base Capped Call Transaction Confirmation shall be deemed to be a Repayment Notice pursuant to this Confirmation and the terms of such Repayment Notice shall apply, *mutatis mutandis*, to this Confirmation]. The receipt by Dealer from Counterparty of any Repayment Notice shall constitute an Additional Termination Event as provided herein. Counterparty acknowledges its responsibilities under applicable securities laws, and in particular Section 9 and Section 10(b) of the Exchange Act and the rules and regulations thereunder, in respect of any action taken by Counterparty in respect of a Repayment Event, including, without limitation, the delivery of a Repayment Notice. Upon receipt of any such Repayment Notice, Dealer shall designate an

Exchange Business Day following receipt of such Repayment Notice (which Exchange Business Day shall be on or as promptly as reasonably practicable after the related settlement date for the relevant Repayment Event) as an Early Termination Date with respect to a portion (the “**Repayment Terminated Portion**”) of the Transaction consisting of a number of Options (the “**Repayment Options**”) equal to the lesser of (x) the number of Repayment Convertible Securities in denominations of USD1,000 that are subject to the relevant Repayment Event [(and for the purposes of determining whether any Convertible Securities will be Repayment Securities hereunder or under, and as defined in, the Base Capped Call Transaction Confirmation, Convertible Securities that are subject to a Repayment Event shall be allocated first to the Base Capped Call Transaction Confirmation until all Options thereunder are exercised or terminated)] and (y) the Number of Options as of the date Dealer designates such Early Termination Date, and as of such date, the Number of Options shall be reduced by the number of Repayment Options. Any payment or delivery in respect of such termination of the Repayment Terminated Portion of the Transaction shall be made pursuant to Section 6 of the Agreement and, if applicable, this Section 8(b) of the Confirmation. Counterparty shall cause any Convertible Securities subject to a Repayment Event to be promptly cancelled and acknowledges and agrees that, except to the extent provided above in this Section 8(b), all such Convertible Securities subject to a Repayment Event will be deemed for all purposes under the Transaction to be permanently extinguished and no longer outstanding. Counterparty shall be the sole Affected Party with respect to such Additional Termination Event and the Repayment Terminated Portion of the Transaction shall be the sole Affected Transaction.

(c) *Alternative Calculations and Payment on Early Termination and on Certain Extraordinary Events.* If (a) an Early Termination Date (whether as a result of an Event of Default or a Termination Event) occurs or is designated with respect to the Transaction or (b) the Transaction is cancelled or terminated upon the occurrence of an Extraordinary Event (except as a result of (i) a Nationalization, Insolvency or Merger Event in which the consideration to be paid to holders of Shares consists solely of cash, (ii) a Merger Event or Tender Offer that is within Counterparty's control, or (iii) an Event of Default in which Counterparty is the Defaulting Party or a Termination Event in which Counterparty is the Affected Party other than an Event of Default of the type described in Section 5(a)(iii), (v), (vi), (vii) or (viii) of the Agreement or a Termination Event of the type described in Section 5(b) of the Agreement, in each case that resulted from an event or events outside Counterparty's control), and if Dealer would owe any amount to Counterparty pursuant to Section 6(d)(ii) and 6(e) of the Agreement or any Cancellation Amount pursuant to Article 12 of the Equity Definitions (any such amount, a “**Payment Obligation**”), then Dealer shall satisfy the Payment Obligation by the Share Termination Alternative (as defined below) unless (a) Counterparty gives irrevocable telephonic notice to Dealer, confirmed in writing within one Scheduled Trading Day, no later than 12:00 p.m. (New York City time) on the Merger Date, Tender Offer Date, Announcement Date (in the case of a Nationalization, Insolvency or Delisting), Early Termination Date or date of cancellation, as applicable, of its election that the Share Termination Alternative shall not apply, (b) as of the date of such election, Counterparty represents that is not in possession of any material non-public information regarding Counterparty or the Shares, and that such election is being made in good faith and not as part of a plan or scheme to evade compliance with the federal securities laws, and (c) Dealer agrees, in its sole discretion, to such election, in which case the provisions of Section 12.7 or Section 12.9 of the Equity Definitions, or the provisions of Section 6(d)(ii) and 6(e) of the Agreement, as the case may be, shall apply.

Share Termination Alternative:	If applicable, Dealer shall deliver to Counterparty the Share Termination Delivery Property on, or within a commercially reasonable period of time after, the date when the relevant Payment Obligation would otherwise be due pursuant to Section 12.7 or 12.9 of the Equity Definitions or Section 6(d)(ii) and 6(e) of the Agreement, as applicable, in satisfaction of such Payment Obligation in the manner reasonably requested by Counterparty free of payment.
Share Termination Delivery Property:	A number of Share Termination Delivery Units, as calculated by the Calculation Agent, equal to the Payment Obligation divided by the Share Termination Unit Price. The Calculation Agent shall adjust the Share Termination Delivery Property by replacing any fractional portion of a security therein with an amount of cash equal to the value of such fractional security based on the values used to calculate the Share Termination Unit Price.
Share Termination Unit Price:	The value of property contained in one Share Termination Delivery Unit, as determined by the Calculation Agent in its discretion by commercially reasonable means and notified by the Calculation Agent to Dealer at the time of notification of the Payment Obligation. For the avoidance of doubt, the parties agree that in determining the Share Termination Delivery Unit Price the Calculation Agent may consider a variety of factors, including the market price of the Share Termination Delivery Units and/or the purchase price paid in connection with the commercially reasonable purchase of Share Termination Delivery Property.
Share Termination Delivery Unit:	One Share or, if the Shares have changed into cash or any other property or the right to receive cash or any other property as the result of a Nationalization, Insolvency or Merger Event (any such cash or other property, the "Exchange Property"), a unit consisting of the type and amount of such Exchange Property received by a holder of one Share (without consideration of any requirement to pay cash or other consideration in lieu of fractional amounts of any securities) in such Nationalization, Insolvency or Merger Event, as determined by the Calculation Agent.
Failure to Deliver:	Applicable
Other Applicable Provisions:	If Share Termination Alternative is applicable, the provisions of Sections 9.8, 9.9 and 9.11 (as modified above) of the Equity Definitions and the provisions set forth opposite the caption "Representation and Agreement" in Section 2 will be applicable, except that all references in such provisions to "Physically-settled" shall be read as references to "Share Termination Settled" and all references to "Shares" shall be read as references to "Share Termination Delivery Units". "Share Termination Settled" in relation to the Transaction means that the Share Termination Alternative is applicable to the Transaction.

(d) *Disposition of Hedge Shares.* Counterparty hereby agrees that if, in the good faith reasonable judgment of Dealer, based on the advice of legal counsel, the Shares acquired by Dealer for the purpose of hedging its obligations pursuant to the Transaction (the "**Hedge Shares**") cannot be sold in the U.S. public market by Dealer without registration under the Securities Act, Counterparty shall, at its election: (i) in order to allow Dealer to sell the Hedge Shares in a registered offering, use its commercially reasonable efforts to make available to Dealer an effective registration statement under the Securities Act to cover the resale of such Hedge Shares and (A) enter into an agreement, in form and substance reasonably satisfactory to Dealer, substantially in the form of an underwriting agreement for a registered offering for companies of a similar size in a similar industry, (B) provide accountant's "comfort" letters in customary form for registered offerings of equity securities for companies of a similar size in a similar industry, (C) provide disclosure opinions of nationally recognized outside counsel to Counterparty in customary form for registered offerings of equity securities for companies of a similar size in a similar industry, (D) provide other customary opinions, certificates and closing documents customary in form for registered offerings of equity securities for companies of a similar size in a similar industry and (E) afford Dealer a reasonable opportunity to conduct a "due diligence" investigation with respect to Counterparty customary in scope for underwritten offerings of equity securities for companies of a similar size in a similar industry; *provided, however,* that if Counterparty elects clause (i) above but Dealer, in its commercially reasonable discretion, is not satisfied with access to due diligence materials, the results of its due diligence investigation, or the procedures and documentation for the registered offering referred to above, then clause (ii) or clause (iii) of this Section 8(d) shall apply at the election of Counterparty; (ii) in order to allow Dealer to sell the Hedge Shares in a private placement, enter into a private placement agreement substantially similar to private placement purchase agreements customary for private placements of equity securities of companies of a similar size in a similar industry, in form and substance commercially reasonably satisfactory to Dealer using best efforts to include customary representations,

covenants, blue sky and other governmental filings and/or registrations, indemnities to Dealer, due diligence rights (for Dealer or any designated buyer of the Hedge Shares from Dealer), opinions and certificates and such other documentation as is customary for private placements agreements of equity securities of companies of a similar size in a similar industry, as is reasonably acceptable to Dealer (in which case, the Calculation Agent shall make any adjustments to the terms of the Transaction that are necessary, in its good faith and commercially reasonable judgment, to compensate Dealer for any customary liquidity discount from the public market price of the Shares incurred on the sale of Hedge Shares in a private placement); or (iii) purchase the Hedge Shares from Dealer at the Relevant Price on such Exchange Business Days, and in the amounts, requested by Dealer.

(e) *Repurchase Notices.* Counterparty shall, at least one Scheduled Valid Day prior to any day on which Counterparty intends to effect any repurchase of Shares, give Dealer written notice of such repurchase (a “**Repurchase Notice**”) on such day if, following such repurchase, the Notice Percentage would reasonably be expected to be (i) greater than 8.0% and (ii) greater by 0.5% than the Notice Percentage included in the immediately preceding Repurchase Notice (or, in the case of the first such Repurchase Notice, greater than the Notice Percentage as of the date hereof). The “**Notice Percentage**” as of any day is the fraction, expressed as a percentage, the numerator of which is the Number of Shares and the denominator of which is the number of Shares outstanding on such day. In the event that Counterparty fails to provide Dealer with a Repurchase Notice on the day and in the manner specified in this Section 8(e) then Counterparty agrees to indemnify and hold harmless Dealer, its affiliates and their respective directors, officers, employees, agents and controlling persons (Dealer and each such person being an “**Indemnified Party**”) from and against any and all losses (including losses relating to the Dealer's hedging activities as a consequence of becoming, or of the risk of becoming, a Section 16 “insider”, including without limitation, any forbearance from hedging activities or cessation of hedging activities and any losses in connection therewith with respect to the Transaction), claims, damages and liabilities (or actions in respect thereof), joint or several, to which such Indemnified Party may become subject under applicable securities laws, including without limitation, Section 16 of the Exchange Act or under any U.S. state or federal law, regulation or regulatory order, in each case, relating to or arising out of such failure. If for any reason the foregoing indemnification is unavailable to any Indemnified Party or insufficient to hold harmless any Indemnified Party, then Counterparty shall contribute, to the maximum extent permitted by law, to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability. In addition, Counterparty will reimburse any Indemnified Party for all reasonable expenses (including reasonable counsel fees and expenses) as they are incurred (after notice to Counterparty) in connection with the investigation of, preparation for or defense or settlement of any pending or threatened claim or any action, suit or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto and whether or not such claim, action, suit or proceeding is initiated or brought by or on behalf of Counterparty, in each case relating out of such failure. This indemnity shall survive the completion of the Transaction contemplated by this Confirmation and any assignment and delegation of the Transaction made pursuant to this Confirmation or the Agreement shall inure to the benefit of any permitted assignee of Dealer. Counterparty will not be liable under this indemnity provision to the extent any loss, claim, damage, liability or expense is found in a final judgment by a court to have resulted from Dealer's gross negligence or willful misconduct.

(f) *Transfer and Assignment.*

(i) Either party may transfer or assign any of its rights or obligations under the Transaction with the prior written consent of the non-transferring party, such consent not to be unreasonably withheld or delayed; *provided* that Dealer may transfer or assign without any consent of Counterparty its rights and obligations hereunder, in whole or in part, to (A) any affiliate of Dealer whose obligations would be guaranteed by Dealer [or Dealer Parent] If applicable, or (B) any person (including any affiliate of Dealer whose obligations are not guaranteed in the manner described in clause (A)) or any person whose obligations would be guaranteed by a person (a “**Designated Transferee**”), in either case under this clause (B), with a rating for its long-term, unsecured and unsubordinated indebtedness at least equivalent to Dealer's (or its guarantor's), *provided however* that, in the case of this clause (B), in no event shall the credit rating of the Designated Transferee or of its guarantor (whichever is higher) be lower than A3 from Moody's Investor Service, Inc. or its successor or A- from Standard and Poor's Rating Group, Inc. or its successor; *provided further* that (i) Dealer will notify Counterparty in writing prior to any proposed transfer or assignment to a Designated Transferee, (ii) either (x) the transferee in any such transfer is a “dealer in securities” within the meaning of Section 475(c)(1) of the Code or (y) such transfer does not result in a deemed exchange by Counterparty within the meaning of Section 1001 of the Code, (iii) as a result of any such transfer or assignment, Counterparty will not be required to pay the transferee or assignee of such rights or obligations on any payment date an amount under Section 2(d)(i)(4) of the Agreement greater than the amount, if any, that Counterparty would have been required to pay Dealer in the absence of such transfer or assignment and (iv) the transferee or assignee shall provide Counterparty with a complete and accurate U.S. Internal Revenue Service Form W-9 or W-8 (as applicable) prior to becoming a party to the Transaction. If at any time at which (1) the Equity Percentage exceeds 8.0% or (2) Dealer, Dealer Group (as defined below) or any person whose ownership position would be aggregated with that of Dealer or Dealer Group (Dealer, Dealer Group or any such person, a “**Dealer Person**”) under the Business Combinations Statute or other federal, state or local law, rule, regulation or regulatory order or organizational documents or contracts of Counterparty applicable to ownership of Shares (“**Applicable Restrictions**”), owns, beneficially owns, constructively owns, controls, holds the power to vote or otherwise meets a relevant definition of ownership

in excess of a number of Shares equal to (x) the number of Shares that would give rise to reporting, registration, filing or notification obligations or other requirements (including obtaining prior approval by a state or federal regulator) of a Dealer Person under Applicable Restrictions and with respect to which such requirements have not been met or the relevant approval has not been received *minus* (y) 1% of the number of Shares outstanding on the date of determination (either such condition described in clause (1) or (2), an “**Excess Ownership Position**”), Dealer, in its reasonable discretion, is unable to effect a transfer or assignment to a third party in accordance with the requirements set forth above after its commercially reasonable efforts on pricing and terms and within a time period reasonably acceptable to Dealer such that an Excess Ownership Position no longer exists, Dealer may designate any Scheduled Valid Day as an Early Termination Date with respect to a portion (the “**Terminated Portion**”) of the Transaction, such that an Excess Ownership Position no longer exists following such partial termination. In the event that Dealer so designates an Early Termination Date with respect to a portion of the Transaction, a payment or delivery shall be made pursuant to Section 6 of the Agreement and Section 8(c) of this Confirmation as if (i) an Early Termination Date had been designated in respect of a Transaction having terms identical to the Terminated Portion of the Transaction, (ii) Counterparty were the sole Affected Party with respect to such partial termination, (iii) such portion of the Transaction were the only Terminated Transaction and (iv) Dealer were the party entitled to designate an Early Termination Date pursuant to Section 6(b) of the Agreement and to determine the amount payable pursuant to Section 6(e) of the Agreement. The “**Equity Percentage**” as of any day is the fraction, expressed as a percentage, (A) the numerator of which is the number of Shares that Dealer and any of its affiliates subject to aggregation with Dealer for purposes of the “beneficial ownership” test under Section 13 of the Exchange Act and all persons who may form a “group” (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) with Dealer (collectively, “**Dealer Group**”) “beneficially own” (within the meaning of Section 13 of the Exchange Act) without duplication on such day and (B) the denominator of which is the number of Shares outstanding on such day.

(ii) In the case of a transfer or assignment by Counterparty of its rights and obligations hereunder and under the Agreement, in whole or in part (any such Options so transferred or assigned, the “**Transfer Options**”), to any party, withholding of such consent by Dealer shall not be considered unreasonable if such transfer or assignment does not meet the reasonable conditions that Dealer may impose including, but not limited, to the following conditions:

- (A) With respect to any Transfer Options, Counterparty shall not be released from its notice and indemnification obligations pursuant to Section 8(e) or any obligations under Section 2 (regarding Extraordinary Events) or 8(d) of this Confirmation;
- (B) Any Transfer Options shall only be transferred or assigned to a third party that is a U.S. person (as defined in the Internal Revenue Code of 1986, as amended);
- (C) Such transfer or assignment shall be effected on terms, including any reasonable undertakings by such third party (including, but not limited to, undertakings with respect to compliance with applicable securities laws in a manner that, in the reasonable judgment of Dealer, will not expose Dealer to material risks under applicable securities laws) and execution of any documentation and delivery of customary legal opinions with respect to securities laws and other matters by such third party and Counterparty as are reasonably requested and reasonably satisfactory to Dealer;
- (D) Dealer will not, as a result of such transfer and assignment, be required to pay the transferee on any payment date an amount under Section 2(d)(i)(4) of the Agreement greater than an amount that Dealer would have been required to pay to Counterparty in the absence of such transfer and assignment;
- (E) An Event of Default, Potential Event of Default or Termination Event will not occur as a result of such transfer and assignment;
- (F) Without limiting the generality of clause (B), Counterparty shall have caused the transferee to make such Payee Tax Representations and to provide such tax documentation as may be reasonably requested by Dealer to permit Dealer to determine that results described in clauses (D) and (E) will not occur upon or after such transfer and assignment; and
- (G) Counterparty shall be responsible for all reasonable costs and expenses, including reasonable counsel fees, incurred by Dealer in connection with such transfer or assignment.

(iii) Notwithstanding any other provision in this Confirmation to the contrary requiring or allowing Dealer to purchase, sell, receive or deliver any Shares or other securities, or make or receive any payment in cash, to or from Counterparty, Dealer may designate any of its affiliates to purchase, sell, receive or deliver such Shares or other securities, or to make or receive such payment in cash, and otherwise to perform Dealer’s obligations in respect of the Transaction and any such designee may assume such obligations. Dealer shall be discharged of its obligations to Counterparty solely to the extent of any such performance.

(g) *Staggered Settlement.* If Dealer determines reasonably and in good faith that the number of Shares required to be delivered to Counterparty hereunder on any Settlement Date would have resulted in the Equity Percentage on such date to exceed an Excess Ownership Position, then Dealer may, by notice to Counterparty prior to such Settlement Date (a “**Nominal**”

Settlement Date”), elect to deliver any Shares due to be delivered on one or more dates (each, a “**Staggered Settlement Date**”) or at two or more times on the Nominal Settlement Date as follows:

(i) in such notice, Dealer will specify to Counterparty the related Staggered Settlement Dates (each of which will be on or prior to the 20th Exchange Business Day after such Nominal Settlement Date) or delivery times and how it will allocate the Shares it is required to deliver under “Delivery Obligation” (above) among the Staggered Settlement Dates or delivery times; and

(ii) the aggregate number of Shares that Dealer will deliver to Counterparty hereunder on all such Staggered Settlement Dates and delivery times will equal the number of Shares that Dealer would otherwise be required to deliver on such Nominal Settlement Date.

(h) *Disclosure*. Effective from the date of commencement of discussions concerning the Transaction, Counterparty and each of its employees, representatives, or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Counterparty relating to such tax treatment and tax structure.

(i) *No Netting and Set-off*. The provisions of Section 2(c) of the Agreement shall not apply to the Transaction. Each party waives any and all rights it may have to set-off delivery or payment obligations it owes to the other party under the Transaction against any delivery or payment obligations owed to it by the other party, whether arising under the Agreement, under any other agreement between parties hereto, by operation of law or otherwise.

(j) *Equity Rights*. Dealer acknowledges and agrees that this Confirmation is not intended to convey to it rights with respect to the Transaction that are senior to the claims of common stockholders in the event of Counterparty's bankruptcy. For the avoidance of doubt, the parties agree that the preceding sentence shall not apply at any time other than during Counterparty's bankruptcy to any claim arising as a result of a breach by Counterparty of any of its obligations under this Confirmation or the Agreement. For the avoidance of doubt, the parties acknowledge that the obligations of Counterparty under this Confirmation are not secured by any collateral that would otherwise secure the obligations of Counterparty herein under or pursuant to any other agreement.

(k) *Early Unwind*. In the event the sale by Counterparty of the [Base Convertible Securities] Include for base capped call confirmation only. [Optional Convertible Securities] Include for additional capped call confirmation only. is not consummated with the Initial Purchasers pursuant to the Purchase Agreement for any reason by the close of business in New York on [Date] (or such later date as agreed upon by the parties) ([Date] or such later date being the “**Early Unwind Date**”), the Transaction shall automatically terminate (the “**Early Unwind**”), on the Early Unwind Date and (i) the Transaction and all of the respective rights and obligations of Dealer and Counterparty thereunder shall be cancelled and terminated and (ii) each party shall be released and discharged by the other party from, and agrees not to make any claim against the other party with respect to, any obligations or liabilities of either party arising out of and to be performed in connection with the Transaction either prior to or after the Early Unwind Date. Dealer and Counterparty represent and acknowledge to the other that upon an Early Unwind, all obligations with respect to the Transaction shall be deemed fully and finally discharged.

(l) *Illegality*. The parties agree that, for the avoidance of doubt, for purposes of Section 5(b)(i) of the Agreement, “any applicable law” shall include the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any rules and regulations promulgated thereunder and any similar law or regulation, without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, and the consequences specified in the Agreement, including without limitation, the consequences specified in Section 6 of the Agreement, shall apply to any Illegality arising from any such act, rule or regulation.

(m) *Amendments to Equity Definitions and the Agreement*. Subject to the terms set forth above under Method of Adjustment, and solely with respect to the Cap Price, the following amendments shall be made to the Equity Definitions:

(i) solely for purposes of applying the Equity Definitions and for purposes of this Confirmation, any reference in the Equity Definitions to a Strike Price shall be deemed to be a reference to either of the Strike Price or the Cap Price, or both, as appropriate;

(ii) for the purpose of any adjustment under Section 11.2(c) of the Equity Definitions, the first sentence of Section 11.2(c) of the Equity Definitions, prior to clause (A) thereof, is hereby amended to read as follows: (c) If “Calculation Agent Adjustment” is specified as the Method of Adjustment in the related Confirmation of a Share Option Transaction, then following the announcement or occurrence of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has, in the commercially reasonable judgment of the Calculation Agent, a material economic effect on the theoretical value of the relevant Shares or options on the Shares (*provided* that such event is not based on (x) an observable market, other than the market for Counterparty's own stock or (y) an observable index, other than an index calculated measured solely by reference to Counterparty's own operations) and, if so, will (i) make appropriate adjustment(s), if any, determined in a commercially reasonable manner, to any one or more of: and, the portion of such sentence immediately preceding clause (ii) thereof is hereby amended by deleting the words “diluting or concentrative” and the words “(*provided* that

no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)” and replacing such latter phrase with the words “(provided that, solely in the case of Sections 11.2(e)(i), (ii)(A), (iv) and (v), no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares but, for the avoidance of doubt, solely in the case of Sections 11.2(e)(ii)(B) through (D), (iii) (vi) and (vii) adjustments may be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Shares)”;

(iii) Section 11.2(a) of the Equity Definitions is hereby amended by (1) deleting the words “in the determination of the Calculation Agent, a diluting or concentrative effect” and replacing these words with “in the commercially reasonable judgment of the Calculation Agent, a material economic effect”; and (2) adding at the end thereof “; provided that such event is not based on (i) an observable market, other than the market for Counterparty’s own stock or (ii) an observable index, other than an index calculated measured solely by reference to Counterparty’s own operations”;

(iv) Section 11.2(e)(vii) of the Equity Definitions is hereby amended and restated as follows: “any other corporate event involving the Counterparty that in the commercially reasonable judgment of the Calculation Agent has a material economic effect on the theoretical value of the Shares or options of the Shares; provided that such corporate event involving the Counterparty is not based on (a) an observable market, other than the market for Counterparty’s own stock or (b) an observable index, other than an index calculated measured solely by reference to Counterparty’s own operations.”; and

(v) Section 12.7(b) of the Equity Definitions is hereby amended by deleting the words “(and in any event within five Exchange Business Days) by the parties after” appearing after the words “agreed promptly” and replacing with the words “by the parties on or prior to”.

(n) *Delivery or Receipt of Cash.* For the avoidance of doubt, other than payment of the Premium by Counterparty, nothing in this Confirmation shall be interpreted as requiring Counterparty to cash settle the Transaction, except in circumstances where cash settlement is within Counterparty’s control (including, without limitation, where Counterparty elects to deliver or receive cash) or in those circumstances in which holders of Shares would also receive cash.

(o) *Waiver of Jury Trial.* **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE AGREEMENT, THIS CONFIRMATION OR ANY TRANSACTIONS CONTEMPLATED HEREBY.**

(p) *Governing Law.* **THE AGREEMENT, THIS CONFIRMATION AND ALL MATTERS ARISING IN CONNECTION WITH THE AGREEMENT AND THIS CONFIRMATION SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO ITS CHOICE OF LAW DOCTRINE, OTHER THAN TITLE 14 OF THE NEW YORK GENERAL OBLIGATIONS LAW). THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE FEDERAL AND STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN, IN THE CITY OF NEW YORK IN ANY SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THE AGREEMENT, THIS CONFIRMATION OR ANY TRANSACTIONS CONTEMPLATED HEREBY.**

(q) *Amendment.* This Confirmation and the Agreement may not be modified, amended or supplemented, except in a written instrument signed by Counterparty and Dealer.

(r) *Counterparts.* This Confirmation may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(s) *Tax Matters.*

(i) *Payee Representations:*

For the purpose of Section 3(f) of the Agreement, Counterparty makes the following representation to Dealer:

Counterparty is a corporation and a U.S. person (as that term is defined in Section 7701(a)(30) of the Code and used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations) for U.S. federal income tax purposes.

For the purpose of Section 3(f) of the Agreement, Dealer makes the following representations to Counterparty:

[Dealer is a U.S. person (as that term is used in Section 1.1441-4(a)(3)(ii) of the United States Treasury Regulations) for U.S. federal income tax purposes.]

(ii) *Tax Documentation.* For the purpose of Sections 4(a)(i) and (ii) of the Agreement, Counterparty agrees to deliver to Dealer one duly executed and completed United States Internal Revenue Service Form W-9 (or successor

thereto) and Dealer agrees to deliver to Counterparty, as applicable, a U.S. Internal Revenue Service Form W-8 or Form W-9 (or successor thereto). Such forms or documents shall be delivered (i) on or before the date of execution of this Confirmation, (ii) upon Counterparty or Dealer, as applicable, learning that any such tax form previously provided by it has become obsolete or incorrect and (iii) upon reasonable request of the other party.

(iii) *Withholding Tax imposed on payments to non-US counterparties under the United States Foreign Account Tax Compliance Act.* “Indemnifiable Tax”, as defined in Section 14 of the Agreement, shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a “**FATCA Withholding Tax**”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement.

(iv) *HIRE Act.* “Indemnifiable Tax”, as defined in Section 14 of the Agreement, shall not include any tax imposed on payments treated as dividends from sources within the United States under Section 871(m) of the Code or any regulations issued thereunder. For the avoidance of doubt, any such tax imposed under Section 871(m) of the Code is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of the Agreement.

(t) *U.S. QFC Stay Rules.* The parties agree that (i) to the extent that prior to the date hereof both parties have adhered to the 2018 ISDA U.S. Resolution Stay Protocol (the “**Protocol**”), the terms of the Protocol are incorporated into and form a part of this Agreement, and for such purposes this Agreement shall be deemed a Protocol Covered Agreement and each party shall be deemed to have the same status as Regulated Entity and/or Adhering Party as applicable to it under the Protocol; (ii) to the extent that prior to the date hereof the parties have executed a separate agreement the effect of which is to amend the qualified financial contracts between them to conform with the requirements of the QFC Stay Rules (the “**Bilateral Agreement**”), the terms of the Bilateral Agreement are incorporated into and form a part of this Agreement and each party shall be deemed to have the status of “Covered Entity” or “Counterparty Entity” (or other similar term) as applicable to it under the Bilateral Agreement; or (iii) if clause (i) and clause (ii) do not apply, the terms of Section 1 and Section 2 and the related defined terms (together, the “**Bilateral Terms**”) of the form of bilateral template entitled “Full-Length Omnibus (for use between U.S. G-SIBs and Corporate Groups)” published by ISDA on November 2, 2018 (currently available on the 2018 ISDA U.S. Resolution Stay Protocol page at www.isda.org and, a copy of which is available upon request), the effect of which is to amend the qualified financial contracts between the parties thereto to conform with the requirements of the QFC Stay Rules, are hereby incorporated into and form a part of this Agreement, and for such purposes this Agreement shall be deemed a “Covered Agreement,” Dealer shall be deemed a “Covered Entity” and Dealer shall be deemed a “Counterparty Entity.” In the event that, after the date of this Agreement, both parties hereto become adhering parties to the Protocol, the terms of the Protocol will replace the terms of this Section 8(u) of the Confirmation. In the event of any inconsistencies between this Agreement and the terms of the Protocol, the Bilateral Agreement or the Bilateral Terms (each, the “**QFC Stay Terms**”), as applicable, the QFC Stay Terms will govern. Terms used in this paragraph without definition shall have the meanings assigned to them under the QFC Stay Rules. For purposes of this paragraph, references to “this Agreement” include any related credit enhancements entered into between the parties or provided by one to the other. In addition, the parties agree that the terms of this paragraph shall be incorporated into any related covered affiliate credit enhancements, with all references to Dealer Parent replaced by references to the covered affiliate support provider.

“**QFC Stay Rules**” means the regulations codified at 12 C.F.R. 252.2, 252.81-8, 12 C.F.R. 382.1-7 and 12 C.F.R. 47.1-8, which, subject to limited exceptions, require an express recognition of the stay-and-transfer powers of the FDIC under the Federal Deposit Insurance Act and the Orderly Liquidation Authority under Title II of the Dodd Frank Wall Street Reform and Consumer Protection Act and the override of default rights related directly or indirectly to the entry of an affiliate into certain insolvency proceedings and any restrictions on the transfer of any covered affiliate credit enhancements.

(u) [Reserved]. Insert Dealer specific provisions, if any.

Please confirm that the foregoing correctly sets forth the terms of our agreement by sending to us a letter or telex substantially similar to this facsimile, which letter or telex sets forth the material terms of the Transaction to which this Confirmation relates and indicates your agreement to those terms.

Yours faithfully,

[DEALER]

By:

Name:

Title:

Agreed and Accepted By:

PLURALSIGHT, INC.

By

Name:

Title:

[Form of Guarantee]

Annex A

Form of Opinion

1. The Counterparty has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware.
2. The Confirmation has been duly authorized, executed and delivered by the Counterparty.
3. The execution and delivery by the Counterparty of the Confirmation, and the undertaking by the Counterparty of its obligations under the Confirmation and the consummation of the transactions therein contemplated do not violate, will not result in any violation by the Counterparty of its Certificate of Incorporation or its Bylaws.
4. The execution and delivery by the Counterparty of the Confirmation, and the undertaking by the Counterparty of its obligations under the Confirmation and the consummation of the transactions therein contemplated, will not constitute a violation of, or a default under, any material agreement of the Counterparty.

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Skonnard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pluralsight, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

/s/ Aaron Skonnard

Aaron Skonnard
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Budge, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pluralsight, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

/s/ James Budge

James Budge

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Skonnard, Chief Executive Officer of Pluralsight, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

/s/ Aaron Skonnard

Aaron Skonnard

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, James Budge, Chief Financial Officer of Pluralsight, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 1, 2019

/s/ James Budge

James Budge

Chief Financial Officer

(Principal Financial and Accounting Officer)