

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 May 1, 2020

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: 001-37748

Secureworks®

SecureWorks Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

One Concourse Parkway NE

Suite 500

Atlanta, Georgia

(Address of principal executive offices)

27-0463349

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

30328

(Zip Code)

(Registrant's telephone number, including area code): (404) 327-6339

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.01 per share	SCWX	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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 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 checked="" type="checkbox"/>
Non-accelerated filer	<input 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 June 3, 2020, there were 82,139,999 shares of the registrant's common stock outstanding, consisting of 12,139,999 outstanding shares of Class A common stock and 70,000,000 outstanding shares of Class B common stock.

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Except where the content otherwise requires or where otherwise indicated, all references in this report to "Secureworks," "we," "us," "our" and "our Company" to refer to SecureWorks Corp. and our subsidiaries on a consolidated basis.

**Part I. Financial Information**

**Item 1. Financial Statements**

**SECUREWORKS CORP.**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)**  
**(in thousands, except for per share data)**

	<u>May 1, 2020</u>	<u>January 31, 2020</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 155,990	\$ 181,838
Accounts receivable, net of allowances of \$5,247 and \$5,120, respectively	116,791	111,798
Inventories, net	812	746
Other current assets	27,404	27,449
Total current assets	<u>300,997</u>	<u>321,831</u>
Property and equipment, net	24,541	27,606
Operating lease right-of-use assets, net	22,207	23,463
Goodwill	416,487	416,487
Intangible assets, net	173,069	180,052
Other non-current assets	76,628	78,592
Total assets	<u>\$ 1,013,929</u>	<u>\$ 1,048,031</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 26,629	\$ 18,690
Accrued and other current liabilities	64,321	98,855
Short-term deferred revenue	175,671	175,847
Total current liabilities	<u>266,621</u>	<u>293,392</u>
Long-term deferred revenue	14,260	12,690
Operating lease liabilities, non-current	23,246	24,669
Other non-current liabilities	50,284	50,400
Total liabilities	<u>354,411</u>	<u>381,151</u>
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock - \$0.01 par value: 200,000 shares authorized; 0 shares issued	—	—
Common stock - Class A of \$0.01 par value: 2,500,000 shares authorized; 12,120 and 11,206 issued and outstanding, respectively.	121	112
Common stock - Class B of \$0.01 par value: 500,000 shares authorized; 70,000 shares issued and outstanding	700	700
Additional paid in capital	898,370	896,983
Accumulated deficit	(215,465)	(207,929)
Accumulated other comprehensive (loss) income	(4,312)	(3,090)
Treasury stock, at cost - 1,257 shares	(19,896)	(19,896)
Total stockholders' equity	<u>659,518</u>	<u>666,880</u>
Total liabilities and stockholders' equity	<u>\$ 1,013,929</u>	<u>\$ 1,048,031</u>

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

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**  
(in thousands, except per share data)

	<b>Three Months Ended</b>	
	<b>May 1, 2020</b>	<b>May 3, 2019</b>
Net revenue	\$ 141,181	\$ 132,842
Cost of revenue	62,909	62,841
Gross margin	78,272	70,001
Research and development	24,073	22,642
Sales and marketing	37,452	38,193
General and administrative	27,516	23,638
Total operating expenses	89,041	84,473
Operating loss	(10,769)	(14,472)
Interest and other, net	993	268
Loss before income taxes	(9,776)	(14,204)
Income tax benefit	(2,240)	(5,934)
Net loss	\$ (7,536)	\$ (8,270)
Loss per common share (basic and diluted)	\$ (0.09)	\$ (0.10)
Weighted-average common shares outstanding (basic and diluted)	80,938	80,467

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

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>May 1, 2020</b>	<b>May 3, 2019</b>
Net loss	\$ (7,536)	\$ (8,270)
Foreign currency translation adjustments, net of tax	(1,222)	(233)
Comprehensive loss	<u>\$ (8,758)</u>	<u>\$ (8,503)</u>

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

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(in thousands)

	<b>Three Months Ended</b>	
	<b>May 1, 2020</b>	<b>May 3, 2019</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,536)	\$ (8,270)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>		
Depreciation and amortization	10,486	10,365
Stock-based compensation expense	5,887	4,916
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	(856)	70
Income tax benefit	(2,240)	(5,934)
Provision for doubtful accounts	909	779
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(5,987)	5,221
Net transactions with parent	2,494	5,850
Inventories	(66)	(164)
Other assets	5,267	2,747
Accounts payable	8,495	8,965
Deferred revenue	1,291	3,264
Accrued and other liabilities	(38,481)	(30,834)
<b>Net cash used by operating activities</b>	<b>(20,337)</b>	<b>(3,025)</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(1,020)	(7,016)
<b>Net cash used in investing activities</b>	<b>(1,020)</b>	<b>(7,016)</b>
<b>Cash flows from financing activities:</b>		
Taxes paid on vested restricted shares	(4,491)	(7,465)
Purchases of stock for treasury	—	(910)
<b>Net cash used in financing activities</b>	<b>(4,491)</b>	<b>(8,375)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(25,848)</b>	<b>(18,416)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>181,838</b>	<b>129,592</b>
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 155,990</b>	<b>\$ 111,176</b>

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

**SECUREWORKS CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)**  
(in thousands, except per share data)

Three Months Ended May 1, 2020

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, January 31, 2020	11,206	\$ 112	70,000	\$ 700	\$ 896,983	\$ (207,929)	\$ (3,090)	\$ (19,896)	\$ 666,880
Net loss	—	—	—	—	—	(7,536)	—	—	(7,536)
Other comprehensive loss	—	—	—	—	—	—	(1,222)	—	(1,222)
Vesting of restricted stock units	842	8	—	—	(8)	—	—	—	—
Grant of restricted stock awards	455	5	—	—	(5)	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(383)	(4)	—	—	(4,487)	—	—	—	(4,491)
Stock-based compensation	—	—	—	—	5,887	—	—	—	5,887
Shares repurchased	—	—	—	—	—	—	—	—	—
Balances, May 1, 2020	12,120	\$ 121	70,000	\$ 700	\$ 898,370	\$ (215,465)	\$ (4,312)	\$ (19,896)	\$ 659,518

Three Months Ended May 3, 2019

	Common Stock - Class A		Common Stock - Class B		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Outstanding Shares	Amount					
Balances, February 1, 2019	11,016	\$ 110	70,000	\$ 700	\$ 884,567	\$ (176,263)	\$ (2,884)	\$ (13,523)	\$ 692,707
Net loss	—	—	—	—	—	(8,270)	—	—	(8,270)
Other comprehensive loss	—	—	—	—	—	—	(233)	—	(233)
Vesting of restricted stock units	817	8	—	—	(8)	—	—	—	—
Grant of restricted stock awards	122	2	—	—	(2)	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(396)	(4)	—	—	(7,461)	—	—	—	(7,465)
Stock-based compensation	—	—	—	—	4,916	—	—	—	4,916
Shares repurchased	(38)	—	—	—	—	—	—	(910)	(910)
Balances, May 3, 2019	11,521	\$ 116	70,000	\$ 700	\$ 882,012	\$ (184,533)	\$ (3,117)	\$ (14,433)	\$ 680,745

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

**NOTE 1 — DESCRIPTION OF THE BUSINESS AND BASIS OF PRESENTATION**

***Description of the Business***

SecureWorks Corp. (individually and collectively with its consolidated subsidiaries, "Secureworks" or the "Company") is a leading global provider of technology-driven information security solutions singularly focused on protecting the Company's customers from cyber attacks.

On April 27, 2016, the Company completed its initial public offering ("IPO"). Upon the closing of the IPO, Dell Technologies Inc. ("Dell Technologies"), owned, indirectly through Dell Inc. ("Dell") and Dell's subsidiaries, no shares of the Company's outstanding Class A common stock and all outstanding shares of the Company's outstanding Class B common stock, which as of May 1, 2020 represented approximately 85.2% of the Company's total outstanding shares of common stock and approximately 98.3% of the combined voting power of both classes of the Company's outstanding common stock.

The Company has one primary business activity, which is to provide customers with information security solutions. The Company's chief operating decision maker, who is the Chief Executive Officer, makes operating decisions, assesses performance, and allocates resources on a consolidated basis. There are no segment managers who are held accountable for operations and operating results below the consolidated unit level. Accordingly, Secureworks operates its business as a single reportable segment.

***Basis of Presentation and Consolidation***

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make assumptions and estimations that affect the amounts reported in the Company's financial statements and notes. The inputs into certain of the Company's assumptions and estimations considered the economic implications of the coronavirus disease 2019 ("COVID-19") pandemic on the Company's critical and significant accounting estimates. The condensed consolidated financial statements include assets, liabilities, revenue and expenses of all majority-owned subsidiaries.

For the periods presented, Dell has provided various corporate services to the Company in the ordinary course of business, including finance, tax, human resources, legal, insurance, IT, procurement and facilities-related services. The cost of these services is charged in accordance with a shared services agreement that went into effect on August 1, 2015. For more information regarding the charges for these services and related party transactions, see "Note 11—Related Party Transactions."

During the periods presented in the financial statements, Secureworks did not file separate federal tax returns, as the Company is generally included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits for loss approach. Under the benefits for loss approach, net operating losses or other tax attributes are characterized as realized or as realizable by Secureworks when those attributes are utilized or expected to be utilized by other members of the Dell consolidated group. See "Note 10—Income and Other Taxes" for more information.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the requirements of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and disclosures required by GAAP for complete financial statement presentation. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments consisting of normal recurring accruals and disclosures considered necessary for a fair statement have been included. All intercompany accounts and transactions have been eliminated in consolidation. The accompanying condensed consolidated financial statements and related financial information should be read in conjunction with the audited financial statements and the related notes thereto for the year ended January 31, 2020 included in Part II, Item 8 of the Company's Annual Report on Form 10-K filed with the SEC on March 27, 2020 (the "Annual Report").

***Fiscal Year***

The Company's fiscal year is the 52- or 53-week period ending on the Friday closest to January 31. The Company refers to the fiscal year ending January 29, 2021 and the fiscal year ended January 31, 2020 as fiscal 2021 and fiscal 2020, respectively. Both fiscal 2021 and fiscal 2020 have 52 weeks, and each quarter has 13 weeks.



**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are revised as additional information becomes available. In the Condensed Consolidated Statements of Operations, estimates are used when accounting for revenue arrangements, determining the cost of revenue, allocating cost and estimating the impact of contingencies. In the Condensed Consolidated Statements of Financial Position, estimates are used in determining the valuation and recoverability of assets, such as accounts receivables, inventories, fixed assets, goodwill and other identifiable intangible assets, and estimates are used in determining the reported amounts of liabilities, such as taxes payable and the impact of contingencies, all of which also impact the Condensed Consolidated Statements of Operations. Actual results could differ from these estimates due to risks and uncertainties, including uncertainty in the current economic environment due to the COVID-19 pandemic. The Company considered the potential impact of the COVID-19 pandemic on its estimates and assumptions and determined there was not a material impact to the Company's condensed consolidated financial statements as of and for the three months ended May 1, 2020. As the COVID-19 pandemic continues to develop, many of the Company's estimates could require increased judgment and be subject to a higher degree of variability and volatility. As events continue to evolve, the Company's estimates may change materially in future periods.

**Recently Adopted Accounting Pronouncements**

*Intangibles - Goodwill and Other - Internal-Use Software*—The Company adopted Accounting Standard Update ("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," effective February 1, 2020. ASU 2018-15 aligns the requirements for capitalizing implementation costs in such cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of the standard had no material impact on the condensed consolidated financial statements.

*Intangibles - Goodwill and Other*—The Company adopted ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," effective February 1, 2020. ASU 2017-04 eliminates Step 2 of the goodwill impairment test, which required the Company to determine the implied fair value of goodwill by allocating the reporting unit's fair value to each of its assets and liabilities as if the reporting unit was acquired in a business acquisition. The updated guidance requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of the reporting unit to its carrying value, and recognizing a non-cash impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, with the loss not exceeding the total amount of goodwill allocated to that reporting unit. The adoption of the standard had no impact on the condensed consolidated financial statements.

*Financial Instruments - Credit Losses*—The Company adopted ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," effective February 1, 2020. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The adoption of the standard had no material impact on the condensed consolidated financial statements.

Under the new standard, the Company assesses its allowance for credit losses on trade receivables by taking into consideration forecasts of future economic conditions, information about past events, such as its historical trend of write-offs, and customer-specific circumstances, such as bankruptcies and disputes. The allowance for credit losses on trade receivables is recorded in operating expenses in the Company's condensed consolidated statement of operations.

**Summary of Significant Accounting Policies**

There have been no significant changes to the Company's significant accounting policies as of and for the three months ended May 1, 2020, as compared to the significant accounting policies described in the Annual Report.

**Recently Issued Accounting Pronouncements**

*Income Taxes*. In December 2019, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." ASU No. 2019-12 simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocation of consolidated income taxes to separate financial statements of entities not subject to income tax. ASU No. 2019-12 is effective

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

for fiscal years beginning after December 15, 2020, with early adoption permitted. Upon adoption, the Company must apply certain aspects of this standard retrospectively for all periods presented while other aspects are applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.

**NOTE 2 — LOSS PER SHARE**

Loss per share is calculated by dividing net loss for the periods presented by the respective weighted-average number of common shares outstanding, and excludes any share-based awards that may be anti-dilutive. Diluted net loss per common share is computed by giving effect to all potentially dilutive common shares, including common stock issuable upon the exercise of stock options and unvested restricted common stock and restricted stock units. The Company applies the two-class method to calculate earnings per share. Because the Class A common stock and the Class B common stock share the same rights in dividends and earnings, earnings per share (basic and diluted) are the same for both classes. Since losses were incurred in all periods presented, all potential common shares were determined to be anti-dilutive.

The following table sets forth the computation of loss per common share (in thousands, except per share amounts):

	<b>Three Months Ended</b>	
	<b>May 1, 2020</b>	<b>May 3, 2019</b>
Numerator:		
Net loss	\$ (7,536)	\$ (8,270)
Denominator:		
Weighted-average number of shares outstanding:		
Basic and Diluted	80,938	80,467
Loss per common share:		
Basic and Diluted	\$ (0.09)	\$ (0.10)
Weighted-average anti-dilutive stock options, non-vested restricted stock and restricted stock units	5,294	5,456

**NOTE 3 — CONTRACT BALANCES AND CONTRACT COSTS**

Promises to provide services related to the Company's subscription-based solutions are accounted for as a single performance obligation over an average period of two years. Performance obligations related to the Company's security and risk consulting professional service contracts are separate obligations associated with each service. Although the Company has many multi-year customer relationships for its various professional service solutions, each arrangement is typically structured as a separate performance obligation over the contract period and recognized over a duration of less than one year.

The following table presents revenue by service type (in thousands):

	<b>Three Months Ended</b>	
	<b>May 1, 2020</b>	<b>May 3, 2019</b>
Managed Security Solutions revenue	\$ 106,357	\$ 99,098
Security and Risk Consulting revenue	34,824	33,744
Total revenue	\$ 141,181	\$ 132,842

The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. Rather, it represents the aggregate amount of billing in advance of service delivery. The Company invoices its customers based on a variety of billing schedules. During the three months ended May 1, 2020, on average, 58% of the Company's recurring revenue was billed in advance and approximately 42% was billed on either a monthly or a quarterly basis. In addition, many of the Company's professional services engagements are billed in advance of service commencement. The

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration and invoice timing.

Changes to the Company's deferred revenue during the three months ended May 1, 2020 and May 3, 2019 are as follows (in thousands):

	As of January 31, 2020	Upfront payments received and billings during the three months ended May 1, 2020	Revenue recognized during the three months ended May 1, 2020	As of May 1, 2020
Deferred revenue	\$ 188,537	\$ 95,768	\$ (94,375)	\$ 189,930

	As of February 1, 2019	Upfront payments received and billings during the three months ended May 3, 2019	Revenue recognized during the three months ended May 3, 2019	As of May 3, 2019
Deferred revenue	\$ 173,929	\$ 87,863	\$ (84,498)	\$ 177,294

**Remaining Performance Obligation**

The remaining performance obligation represents the transaction price allocated to contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancellable contracts that will be invoiced and recognized as revenue in future periods. The remaining performance obligation consists of two elements: (i) the value of remaining services to be provided through the contract term for customers whose services have been activated ("active"); and (ii) the value of services contracted with customers that have not yet been installed ("backlog"). Backlog is not recorded in revenue, deferred revenue or elsewhere in the consolidated financial statements until the Company establishes a contractual right to invoice, at which point it is recorded as revenue or deferred revenue, as appropriate. The Company applies the practical expedient in ASC paragraph 606-10-50-14(a) and does not disclose information about remaining performance obligations that are part of a contract that has an original expected duration of one year or less.

The Company expects that the amount of backlog relative to the total value of its contracts will change from year to year due to several factors, including the amount invoiced at the beginning of the contract term, the timing and duration of the Company's customer agreements, varying invoicing cycles of agreements and changes in customer financial circumstances. Accordingly, fluctuations in backlog are not always a reliable indicator of future revenue.

As of May 1, 2020, the Company expects to recognize remaining performance obligations as follows (in thousands):

	Total	Expected to be recognized in the next 12 months	Expected to be recognized in 12-24 months	Expected to be recognized in 24-36 months	Expected to be recognized thereafter
Performance obligation - active	\$ 267,464	\$ 154,540	\$ 80,848	\$ 24,140	\$ 7,936
Performance obligation - backlog	27,258	9,846	9,499	6,835	1,079
Total	\$ 294,722	\$ 164,386	\$ 90,347	\$ 30,975	\$ 9,014

**Deferred Commissions and Fulfillment Costs**

The Company capitalizes a significant portion of its commission expense and related fringe benefits earned by its sales personnel. Additionally, the Company capitalizes certain costs to install and activate hardware and software used in its managed security solutions, primarily related to a portion of the compensation for the personnel who perform the installation activities. These deferred costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Changes in the balance of total deferred commission and total deferred fulfillment costs during the three months ended May 1, 2020 and May 3, 2019 are as follows (in thousands):

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	As of January 31, 2020	Amount capitalized	Amount recognized	As of May 1, 2020
Deferred commissions	\$ 62,785	\$ 1,436	\$ (5,489)	\$ 58,732
Deferred fulfillment costs	11,366	1,460	(1,395)	11,431

	As of February 1, 2019	Amount capitalized	Amount recognized	As of May 3, 2019
Deferred commissions	\$ 62,895	\$ 3,884	\$ (3,914)	\$ 62,865
Deferred fulfillment costs	10,973	1,570	(1,362)	11,181

As referenced in the Annual Report, deferred commissions are recognized on a straight-line basis over the life of the customer relationship, which historically had been estimated to be seven years. During the third quarter of fiscal 2020, the Company determined a change in the estimated life of the customer relationship to be six years. The net impact of this change was an increase in operating loss for the three months ended May 1, 2020 of \$1.1 million on a pre-tax basis, or \$0.01 on a per share basis. The Company did not record any impairment losses on the deferred commissions or deferred fulfillment costs during the three months ended May 1, 2020 or May 3, 2019.

**NOTE 4 — GOODWILL AND INTANGIBLE ASSETS**

Goodwill relates to the acquisition of Dell by Dell Technologies and represents the excess of the purchase price attributable to Secureworks over the fair value of the assets acquired and liabilities assumed. There were no additions, adjustments or impairments to goodwill during the periods presented. Accordingly, goodwill totaled \$416.5 million as of May 1, 2020 and January 31, 2020.

Goodwill and indefinite-lived intangible assets are tested for impairment on an annual basis during the third fiscal quarter of each fiscal year, or earlier if an indicator of impairment occurs. The Company completed the most recent annual impairment test in the third quarter of fiscal 2020 by performing a qualitative assessment of goodwill at the reporting unit level, as well as the Company's indefinite-lived intangible asset. In performing this qualitative assessment, the Company evaluated events and circumstances since the date of the last quantitative impairment test, including the results of that test, macroeconomic conditions, industry and market conditions, key financial metrics and the overall financial performance of the Company. After assessing the totality of the events and circumstances, the Company determined that it was not more likely than not that the fair value of the Secureworks reporting unit was less than its carrying amount and, therefore, that the first step of the quantitative goodwill impairment test was unnecessary. Additionally, based on the qualitative assessment performed in the third quarter of fiscal 2020, the Company determined that it was not more likely than not that the fair value of the other indefinite-lived intangible asset was less than its carrying amount and, therefore, that the first step of the quantitative goodwill impairment test was unnecessary. Further, no triggering events have subsequently transpired that would indicate a potential impairment subsequent to the test date through May 1, 2020.

*Intangible Assets*

The Company's intangible assets as of May 1, 2020 and January 31, 2020 were as follows:

	May 1, 2020			January 31, 2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Customer relationships	\$ 189,518	\$ (94,770)	\$ 94,748	\$ 189,518	\$ (91,246)	\$ 98,272
Technology	137,371	(89,168)	48,203	137,371	(85,709)	51,662
Finite-lived intangible assets	326,889	(183,938)	142,951	326,889	(176,955)	149,934
Trade name	30,118	—	30,118	30,118	—	30,118
Total intangible assets	\$ 357,007	\$ (183,938)	\$ 173,069	\$ 357,007	\$ (176,955)	\$ 180,052

Amortization expense related to finite-lived intangible assets was approximately \$7.0 million and \$6.9 million for each of the three months ended May 1, 2020 and May 3, 2019, respectively. Amortization expense is included within cost of revenue and

general and administrative expense in the Condensed Consolidated Statements of Operations. There were no impairment charges related to intangible assets during the three months ended May 1, 2020 or May 3, 2019.

**NOTE 5 — DEBT****Revolving Credit Facility**

On November 2, 2015, SecureWorks, Inc., a wholly-owned subsidiary of SecureWorks Corp., entered into a revolving credit agreement with a wholly-owned subsidiary of Dell Inc. under which the Company obtained a \$30 million senior unsecured revolving credit facility. This facility was initially available for a one-year term beginning on April 21, 2016 and was subsequently extended on the same terms for additional one-year terms. During the three months ended May 1, 2020, the facility was amended and restated to extend the maturity date from March 26, 2020 to March 26, 2021 and to decrease the annual rate at which interest accrues to the applicable London Interbank Offered Rate plus 1.30%. All other terms remained substantially the same.

Under the facility, up to \$30 million principal amount of borrowings may be outstanding at any time. Amounts under the facility may be borrowed, repaid, and reborrowed from time to time during the term of the facility. The proceeds from loans made under the facility may be used for general corporate purposes. The credit agreement contains customary representations, warranties, covenants and events of default. The unused portion of the facility is subject to a commitment fee of 0.35%, which is due upon expiration of the facility. There was no outstanding balance under the credit facility as of May 1, 2020 or January 31, 2020.

The maximum amount of borrowings may be increased by up to an additional \$30 million by mutual agreement of the lender and borrower. The borrower will be required to repay, in full, all of the loans outstanding, including all accrued interest, and the facility will terminate upon a change of control of SecureWorks Corp. or following a transaction in which SecureWorks, Inc. ceases to be a direct or indirect wholly-owned subsidiary of SecureWorks Corp. The facility is not guaranteed by SecureWorks Corp. or its subsidiaries.

**NOTE 6 — COMMITMENTS AND CONTINGENCIES**

*Legal Contingencies*—From time to time, the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews the status of such matters at least quarterly and adjusts its liabilities as necessary to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. Whether the outcome of any claim, suit, assessment, investigation or legal proceeding, individually or collectively, could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows will depend on a number of factors, including the nature, timing and amount of any associated expenses, amounts paid in settlement, damages or other remedies or consequences. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in accrued liabilities would be recorded in the period in which such a determination is made. As of May 1, 2020, the Company does not believe that there were any such matters that, individually or in the aggregate, would have a material adverse effect on its business, financial condition, results of operations or cash flows.

*Customer-based Taxation Contingencies*—Various government entities ("taxing authorities") require the Company to bill its customers for the taxes they owe based on the services they purchase from the Company. The application of the rules of each taxing authority concerning which services are subject to each tax and how those services should be taxed involves the application of judgment. Taxing authorities periodically perform audits to verify compliance and include all periods that remain open under applicable statutes, which generally range from three to four years. These audits could result in significant assessments of past taxes, fines and interest if the Company were found to be non-compliant. During the course of an audit, a taxing authority may question the Company's application of its rules in a manner that, if the Company were not successful in substantiating its position, could result in a significant financial impact to the Company. In the course of preparing its financial statements and disclosures, the Company considers whether information exists that would warrant disclosure or an accrual with respect to such a contingency.

*Indemnifications*—In the ordinary course of business, the Company enters into contractual arrangements under which it agrees to indemnify its customers from certain losses incurred by the customer as to third-party claims relating to the services performed on behalf of the Company or for certain losses incurred by the customer as to third-party claims arising from certain events as defined within the particular contract. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments related to these indemnifications have been immaterial.

*Concentrations*—The Company sells solutions to customers of all sizes primarily through its direct sales organization, supplemented by sales through channel partners. During the three months ended May 1, 2020 and May 3, 2019, the Company had no customer that represented 10% or more of its net revenue.

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 7 — LEASES**

The Company recorded operating lease cost for facilities of approximately \$1.5 million and \$1.4 million for the three months ended May 1, 2020 and May 3, 2019, respectively. Operating lease cost include expenses in connection with variable lease costs of \$0.2 million and \$0.3 million for the three months ended May 1, 2020 and May 3, 2019, respectively, which primarily consisted of utilities and common area charges.

For the three months ended May 1, 2020 and May 3, 2019, the Company recorded operating lease cost for equipment leases of approximately \$0.7 million and \$0.3 million, respectively. For the three months ended May 1, 2020 and May 3, 2019, equipment lease cost included \$0.6 and \$0.4 million, respectively, for short-term leases. Lease expense for equipment was included in cost of revenues.

Cash paid for amounts included in the measurement of operating lease liabilities was \$0.9 million and \$1.3 million during the three months ended May 1, 2020 and May 3, 2019, respectively.

Weighted-average information associated with the measurement of the Company's remaining operating lease obligations is as follows:

	<b>May 1, 2020</b>
Weighted-average remaining lease term	5.6 years
Weighted-average discount rate	5.34%

The following table summarizes the maturity of the Company's operating lease liabilities as of May 1, 2020 (in thousands):

	<b>Fiscal Years Ending</b>	<b>May 1, 2020</b>
2021	\$	4,119
2022		6,474
2023		5,764
2024		5,325
2025		4,556
Thereafter		7,650
<b>Total operating lease payments</b>	<b>\$</b>	<b>33,888</b>
Less imputed interest		(4,983)
<b>Total operating lease liabilities</b>	<b>\$</b>	<b>28,905</b>

The Company's leases have remaining lease terms of 1 month to 7 years, inclusive of renewal or termination options that the Company is reasonably certain to exercise.

**NOTE 8 — STOCKHOLDERS' EQUITY**

On September 26, 2018, the Company's board of directors authorized a stock repurchase program, under which the Company was authorized to repurchase up to \$15 million of the Company's Class A common stock through September 30, 2019. On March 26, 2019, the board of directors expanded the repurchase program to authorize the repurchase up to an additional \$15 million of the Company's Class A common stock through May 1, 2020, on which date the program terminated. Repurchases under the program could be made from time to time through open market purchases, in privately negotiated transactions, or in other types of transactions. The timing and amount of any repurchases under the program were determined by management based upon market conditions and other factors. During the three months ended May 1, 2020, no shares of Class A common stock were repurchased.

**NOTE 9 — STOCK-BASED COMPENSATION AND OTHER LONG-TERM PERFORMANCE INCENTIVES**

The SecureWorks Corp. 2016 Long-Term Incentive Plan (the "2016 Plan") was adopted effective April 18, 2016. The 2016 Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, unrestricted stock, dividend equivalent rights, other equity-based awards, and cash bonus awards. Awards may be granted under the 2016 Plan to individuals who are employees, officers, or non-employee directors of the Company or any of its affiliates, consultants and advisors who perform services for the Company or any of its affiliates, and any other individual whose

SECUREWORKS CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

participation in the 2016 Plan is determined to be in the best interests of the Company by the compensation committee of the board of directors.

Under the 2016 Plan, during the three months ended May 1, 2020 and May 3, 2019, the Company granted 2,428,357 and 1,158,276 restricted stock units, respectively, and 454,546 and 175,000 restricted stock awards, respectively. The annual restricted stock unit and restricted stock awards granted during both such periods vest over a three-year period. Approximately 17% and 50% of such awards granted during the three months ended May 1, 2020 and May 3, 2019, respectively, are subject to performance conditions. Approximately one-half of the performance awards granted during the three months ended May 1, 2020 have been valued and are considered outstanding for accounting purposes.

The Company grants long-term cash awards to certain employees under the 2016 Plan. The employees who receive these cash awards do not receive equity awards as part of the long-term incentive program. The majority of the cash awards issued prior to fiscal 2021 are subject to various performance conditions and vest in equal annual installments over a three-year period. The cash awards issued during the three months ended May 1, 2020 are not subject to any performance conditions and vest in equal installments over a three-year period. The Company granted cash awards of \$8.1 million and \$6.9 million during the three months ended May 1, 2020 and May 3, 2019, respectively. The Company recognized \$1.6 million and \$1.8 million of related compensation expense for the three months ended May 1, 2020 and May 3, 2019, respectively.

**NOTE 10 — INCOME AND OTHER TAXES**

The Company's effective income tax rate for the three months ended May 1, 2020 and May 3, 2019 was as follows (in thousands, except percentages):

	Three Months Ended	
	May 1, 2020	May 3, 2019
Loss before income taxes	\$ (9,776)	\$ (14,204)
Income tax benefit	\$ (2,240)	\$ (5,934)
Effective tax rate	22.9%	41.8%

During the periods presented in the accompanying condensed consolidated financial statements, the Company did not file separate federal tax returns as the Company generally was included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits-for-loss approach. Under the benefits-for-loss approach, net operating losses or other tax attributes are characterized as realized by the Company when those attributes are utilized by other members of the Dell consolidated group.

The Company's effective tax benefit rate was 22.9% for the three months ended May 1, 2020 and 41.8% for the three months ended May 3, 2019. The change in the Company's effective income tax rate between the periods was primarily attributable to the impact of certain discrete adjustments related to stock-based compensation expense for the three months ended May 1, 2020 and May 3, 2019 of approximately \$0.3 million and \$2.2 million, respectively. The change related specifically to the impact of the vesting of certain equity awards for which the fair value on the vesting date was lower than the fair value for the three months ended May 1, 2020 and higher than the fair value for the three months ended May 3, 2019 on the date the equity awards were originally granted. The change in fair value, which is measured by the price of the Class A common stock as reported on the Nasdaq Global Select Market, resulted in a lower actual tax deduction for the three months ended May 1, 2020 and a higher actual tax deduction for the three months ended May 3, 2019 than the amounts deducted for financial reporting purposes.

As of May 1, 2020 and January 31, 2020, the Company had \$4.6 million and \$4.6 million, respectively, of deferred tax assets related to net operating loss carryforwards for state tax returns that are not included with those of other Dell entities. These net operating loss carryforwards began expiring in the fiscal year ended February 1, 2019. Due to the uncertainty surrounding the realization of these net operating loss carryforwards, the Company has provided valuation allowances for the full amount as of May 1, 2020 and January 31, 2020. Because the Company is included in the tax filings of other Dell entities, management has determined that it will be able to realize the remainder of its deferred tax assets. If the Company's tax provision had been prepared using the separate return method, the unaudited pro forma pre-tax loss, tax benefit and net loss for the three months ended May 1, 2020 would have been \$9.8 million, \$1.4 million and \$8.4 million, respectively, as a result of the recognition of a valuation allowance that would have been recorded on a significant amount of deferred tax assets as well as certain attributes from the Tax Cuts and Jobs Act of 2017 that would be lost if not utilized by the Dell consolidated group.



Net deferred tax balances are included in other non-current assets and other non-current liabilities in the Condensed Consolidated Statements of Financial Position.

As of May 1, 2020 and January 31, 2020, the Company had \$11.0 million and \$10.0 million, respectively, of a net operating loss tax receivable from Dell. The Company had \$6.7 million and \$6.6 million of unrecognized tax benefits as of May 1, 2020 and January 31, 2020, respectively.

#### NOTE 11 — RELATED PARTY TRANSACTIONS

##### Allocated Expenses

For the periods presented, Dell has provided various corporate services to Secureworks in the ordinary course of business. The costs of services provided to Secureworks by Dell are governed by a shared services agreement between Secureworks and Dell Inc. The total amounts of the charges under the shared services agreement with Dell were \$1.0 million and \$1.6 million for the three months ended May 1, 2020 and May 3, 2019, respectively. Management believes that the basis on which the expenses have been allocated is a reasonable reflection of the utilization of services provided to or the benefit received by the Company during the periods presented.

##### Related Party Arrangements

For the periods presented, related party transactions and activities involving Dell Inc. and its wholly-owned subsidiaries were not always consummated on terms equivalent to those that would prevail in an arm's-length transaction where conditions of competitive, free-market dealing may exist.

The Company purchases computer equipment for internal use from Dell that is capitalized within property and equipment in the Condensed Consolidated Statements of Financial Position. These purchases were made at pricing that is intended to approximate arm's-length pricing. Purchases of computer equipment from Dell and EMC Corporation, a wholly-owned subsidiary of Dell ("EMC"), totaled \$0.3 million and \$1.4 million for the three months ended May 1, 2020 and May 3, 2019, respectively.

EMC, a company that provides enterprise software and storage, maintains a majority ownership interest in a subsidiary, VMware, Inc. ("VMware"), that provides cloud and virtualization software and services. The Company's purchases of annual maintenance services, software licenses and hardware systems for internal use from Dell, EMC and VMware totaled \$0.4 million and \$0.8 million for the three months ended May 1, 2020 and May 3, 2019, respectively. In October 2019, VMware acquired Carbon Black Inc., a security business with which the Company had an existing commercial relationship. For the three months ended May 1, 2020, purchases by the Company of solutions from Carbon Black totaled \$1.6 million.

The Company recognized revenue related to solutions provided to other subsidiaries of Dell, consisting of RSA Security LLC, Pivotal Software, Inc. and Boomi, Inc. The Company recognized no revenue for the three months ended May 1, 2020 and \$26 thousand for the three months ended May 3, 2019. Purchases by the Company from these subsidiaries totaled \$60 thousand and \$56 thousand for the three months ended May 1, 2020 and May 3, 2019, respectively.

The Company also recognized revenue related to solutions provided to significant beneficial owners of Secureworks, which include Michael S. Dell, Chairman and Chief Executive Officer of Dell Technologies and Dell Inc. and Silver Lake Partners III, L.P. The revenues recognized by the Company from solutions provided to Mr. Dell, MSD Capital, L.P. (a firm founded for the purposes of managing investments of Mr. Dell and his family), DFI Resources LLC, an entity affiliated with Mr. Dell, and the Michael and Susan Dell Foundation, as well as Silver Lake Partners III, L.P., totaled \$0.1 million for the three months ended May 1, 2020 and May 3, 2019, respectively.

The Company provides solutions to certain customers whose contractual relationship has historically been with Dell rather than Secureworks, although the Company has the primary responsibility to provide the services. Effective August 1, 2015, in connection with the IPO, many of such customer contracts were transferred from Dell to the Company, forming a direct contractual relationship between the Company and the end customer. For customers whose contracts have not yet been transferred and for contracts subsequently originated through Dell under a reseller agreement, the Company recognized revenues of approximately \$14.6 million and \$14.8 million for the three months ended May 1, 2020 and May 3, 2019, respectively. In addition, as of May 1, 2020, the Company had approximately \$1.7 million of contingent obligations to Dell related to outstanding performance bonds for certain customer contracts, which Dell issued on behalf of the Company.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As the Company's customer and on behalf of certain of its own customers, Dell also purchases solutions from the Company at pricing that is intended to approximate arm's-length pricing. Such revenues totaled approximately \$6.0 million and \$3.3 million for the three months ended May 1, 2020 and May 3, 2019, respectively.

The Company settles in cash its related party balances with Dell on a quarterly basis. As a result of the foregoing related party arrangements, the Company has recorded the following related party balances in the Condensed Consolidated Statements of Financial Position as of May 1, 2020 and January 31, 2020 (in thousands).

	<u>May 1, 2020</u>	<u>January 31, 2020</u>
Net intercompany payable (included in "Accrued and other current liabilities")	\$ 5,763	\$ 3,209
Accounts receivable from customers under reseller agreements with Dell (included in "Accounts receivable, net")	\$ 11,396	\$ 13,674
Net operating loss tax sharing receivable under agreement with Dell (included in "Other current assets" and "Other non-current assets" at May 1, 2020 and in "Other current assets" at January 31, 2020)	\$ 11,021	\$ 10,040

**NOTE 12 — FAIR VALUE MEASUREMENTS**

The Company measures fair value within the guidance of the three-level valuation hierarchy. This hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The categorization of a measurement within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Other observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Significant unobservable inputs

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The assets and liabilities of the Company that are measured at fair value on a recurring basis using the respective input levels as of May 1, 2020 and January 31, 2020 were as follows (in thousands):

	<u>May 1, 2020</u>	<u>January 31, 2020</u>
	<u>Level 1</u>	<u>Level 1</u>
Cash equivalents - Money Market Funds	\$ 75,810	\$ 100,476

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

The carrying amounts of the Company's accounts receivable, accounts payable and accrued expenses approximate their respective fair value due to their short-term nature.

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

*This management's discussion and analysis is based upon the financial statements of Secureworks which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, and should be read in conjunction with our audited financial statements and related notes for the year ended January 31, 2020 included in Part II, Item 8 of our Annual Report on Form 10-K as filed with the SEC on March 27, 2020, which we refer to as the Annual Report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs, expected future responses to and effects of the COVID-19 pandemic and other characterizations of future events or circumstances. Our actual results could differ materially from those discussed or implied in our forward-looking statements. Factors that could cause or contribute to these differences include those discussed in "Risk Factors" in Part I, Item 1A of our Annual Report.*

*Our fiscal year is the 52- or 53-week period ending on the Friday closest to January 31. We refer to the fiscal year ending January 29, 2021 and the fiscal year ended January 31, 2020 as fiscal 2021 and fiscal 2020, respectively. Fiscal 2021 and fiscal 2020 each have 52 weeks, and each quarter has 13 weeks. All percentage amounts and ratios presented in this management's discussion and analysis were calculated using the underlying data in thousands. Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal periods.*

*Except where the context otherwise requires or where otherwise indicated, (1) all references to "Secureworks," "we," "us," "our" and "our Company" in this management's discussion and analysis refer to SecureWorks Corp. and our subsidiaries on a consolidated basis, (2) all references to "Dell" refer to Dell Inc. and its subsidiaries on a consolidated basis and (3) all references to "Dell Technologies" refer to Dell Technologies Inc., the ultimate parent company of Dell Inc.*

### Overview

We are a leading global provider of technology-driven information security solutions singularly focused on protecting our customers from cyber attacks. We combine deep expertise from service to thousands of customers, machine learning and automation from our proprietary technology, and actionable insights from our team of elite researchers and analysts to create a powerful network effect that provides increasingly strong protection for our customers. By aggregating and analyzing data from various sources around the world, we prevent security breaches, detect malicious activity in real time, respond rapidly and predict emerging threats.

Our vision is to be the essential cyber security company for a digitally connected world. Through our vendor-neutral approach, we create integrated and comprehensive solutions by proactively managing the collection of "point" products deployed by our customers to address specific security issues and provide supplemental solutions where gaps exist in our customers' defenses. We seek to provide the right level of security for each customer's unique situation, which evolves as the customer's organization grows and changes.

We have pioneered an integrated approach that delivers a broad portfolio of information security solutions to organizations of varying size and complexity. Our flexible and scalable solutions support the evolving needs of the largest, most sophisticated enterprises staffed with in-house security experts, as well as small and medium-sized businesses and government agencies with limited in-house capabilities and resources.

Our solutions enable organizations to:

- prevent security breaches by fortifying their cyber defenses,
- detect malicious activity,
- respond rapidly to security breaches, and
- predict emerging threats.

Our solutions leverage the proprietary technologies, processes and extensive expertise and knowledge of the tactics, techniques and procedures of the adversary that we have developed over more than 21 years. Key elements of our strategy include:

- maintain and extend our technology leadership,
- expand and diversify our customer base,
- deepen our existing customer relationships, and
- attract and retain top talent.

Our technology-driven information security solutions offer an innovative approach to prevent, detect, respond to and predict cybersecurity breaches. Through our managed security solutions, which are largely sold on a subscription basis, we provide global visibility and insight into malicious activity, enabling our customers to detect and effectively remediate threats quickly.

In fiscal 2020, we launched our first software-as-a-service application, Red Cloak Threat Detection and Response (TDR) and related Managed Detection and Response (MDR) powered by Red Cloak. This application provides customers visibility across their entire environment, applies advanced analytics developed using machine and deep learning on diverse data from a wide range of sources, and leverages workflows designed using our 21 years of security operations expertise and integrated orchestration and automation capabilities that increase the speed of response actions. Threat intelligence, which is typically deployed as part of our managed security solutions, delivers early warnings of vulnerabilities and threats along with actionable information to help prevent any adverse impact.

In addition to these solutions, we also offer a variety of services, which include security and risk consulting and incident response to accelerate adoption of our capabilities. Through security and risk consulting, we advise customers on a broad range of security and risk-related matters. Incident response minimizes the impact and duration of security breaches through proactive customer preparation, rapid containment and thorough event analysis followed by effective remediation. We have a single organization responsible for the delivery of our security solutions, which enables us to respond quickly to our customers' evolving needs and help them secure themselves against cyber attacks.

From April 2009 to May 1, 2020, the number of events processed by our technology platform increased from five billion to as many as 340 billion events per day. This significant growth has required continual investment in our business. We believe these investments are critical to our success, although they may continue to impact our near-term profitability.

The fees we charge for our solutions vary based on a number of factors, including the solutions selected, the number of customer devices covered by the selected solutions, and the level of management we provide for the solutions. In the first quarter of fiscal 2021, approximately 75% of our revenue was derived from subscription-based solutions, attributable to managed security contracts, while approximately 25% was derived from professional services engagements. As we respond to the evolving needs of our customers, the relative mix of subscription-based solutions and professional services we provide our customers may fluctuate.

### **COVID-19**

In December 2019, a novel strain of the coronavirus, COVID-19, was reported in mainland China. The World Health Organization declared the outbreak to constitute a "pandemic" on March 11, 2020. This led to a significant disruption of normal business operations globally, as businesses, including Secureworks, have implemented modifications to protect employees by restricting travel and directing employees to work-from-home, in some instances as required by federal, state and local authorities. While we instituted a global work-from-home policy beginning in March 2020, we did not incur significant disruptions in our business operations or a material impact on our results of operations, financial condition, liquidity or capital resources as of and during the three months ended May 1, 2020. Beginning in April 2020, we started to experience a limited reduction in customer demand for our solutions that we believe is attributable to COVID-19, and in future periods the pandemic might further curtail customer spending, lead to delayed or deferred purchasing decisions, and lengthen sales cycles. As of the end of the period, we also had experienced an increase in accounts receivables which we believe was attributable to slower customer payment cycles as a result of COVID-19. We expect that we may experience further delays in receiving payments due to the pandemic and reduced liquidity and capital resources may cause certain of our customers or partners to have difficulty fulfilling their payment obligations to us. These effects, individually or in the aggregate, could have a material negative impact on our future results of operations and overall financial performance.

In light of these considerations, we continue to actively monitor the impacts and potential impacts of the COVID-19 pandemic in all aspects of our business. The extent of the impact of COVID-19 on our future operational and financial performance will depend on various developments, including the duration and spread of the virus, impact on our employees, customers and vendors, impact on our customers liquidity, volume of sales, and length of our sales cycles, all of which remain uncertain and cannot be predicted, but which could have a material negative effect on our business, results of operations or financial condition. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. Due to our subscription-based business model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all.

### **Key Operating Metrics**

In recent years, we have experienced broad growth across our portfolio of technology-driven information security solutions provided to customers of all sizes. We have achieved much of this growth by providing solutions to large enterprise customers, which generate substantially more average revenue than our small and medium-sized business, or SMB, customers and by continually expanding the volume and breadth of the security solutions that we provide to all customers. Execution of this

strategy has resulted in steady growth in our average revenue per customer. This growth has required continuous investment in our business, resulting in net losses. We believe these investments are critical to our success, although they may continue to impact our profitability.

We believe the operating metrics described below provide further insight into the long-term value of our subscription agreements and our ability to maintain and grow our customer relationships. Relevant key operating metrics are presented below as of the dates indicated and for the quarterly periods then ended:

	May 1, 2020	May 3, 2019
Subscription customer base	4,000	4,100
Total customer base	5,300	4,600
Monthly recurring revenue (in millions)	\$ 36.5	\$ 36.1
Annual recurring revenue (in millions)	\$ 437.7	\$ 433.0
Average subscription revenue per customer (in thousands)	\$ 109.4	\$ 104.9
Revenue retention rate	98%	99%

*Subscription Customer Base.* We define our subscription customer base as the number of customers who subscribe to our managed security solutions as of a particular date. We believe that growing our existing customer base and our ability to grow our average subscription revenue per customer represent significant future revenue opportunities for us.

*Total Customer Base.* We define our total customer base as the number of customers that, as of a particular date, subscribe to our managed security solutions as well as customers that buy professional and other services from us, as of a particular date.

*Annual and Monthly Recurring Revenue.* We define recurring revenue as the value of our subscription contracts as of a particular date. Because we use recurring revenue as a leading indicator of future annual revenue, we include operational backlog. We define operational backlog as the recurring revenue associated with pending contracts, which are contracts that have been sold but for which the service period has not yet commenced. Our increase in recurring revenue has been driven primarily by our continuing ability to expand our offerings and sell additional solutions to existing customers, as well as by larger subscription contracts to our enterprise customers.

*Average Subscription Revenue Per Customer.* The increase in our average subscription revenue per customer is primarily related to the persistence of cyber threats and the results of our sales and marketing efforts to increase the awareness of our solutions. Additionally, our customer composition of both enterprise and SMB companies provides us with an opportunity to expand our professional services revenue. For each of the three months ended May 1, 2020 and May 3, 2019, approximately 61% of our professional services customers subscribed to our managed security solutions.

*Revenue Retention Rate.* Our revenue retention rate is an important measure of our success in retaining and growing revenue from our subscription-based customers. To calculate our revenue retention rate for any period, we compare the monthly recurring revenue excluding operational backlog of our subscription-based customer base at the beginning of the fiscal year, which we call our base recurring revenue, to the monthly recurring revenue excluding operational backlog from that same cohort of customers at the end of the period, which we call our retained recurring revenue. By dividing the retained recurring revenue by the base recurring revenue, we measure our success in retaining and growing installed revenue from the specific cohort of customers we served at the beginning of the period. Our calculation includes the positive revenue impacts of selling and installing additional solutions to this cohort of customers and the negative revenue impacts of customer or service attrition during the period. The calculation, however, does not include the positive impact on revenue from sales of solutions to any customers acquired during the period. Our revenue retention rates may decline or increase from period to period as a result of several factors, including the timing of solution installations and customer renewal rates.

## Non-GAAP Financial Measures

We use supplemental measures of our performance, which are derived from our financial information, but which are not presented in our financial statements prepared in accordance with GAAP. Non-GAAP financial measures presented in this management's discussion and analysis include non-GAAP revenue, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP earnings (loss) per share and adjusted EBITDA. We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe these non-GAAP financial measures provide useful information to help evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling more meaningful period-to-period comparisons.

There are limitations to the use of the non-GAAP financial measures presented in this management's discussion and analysis. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

The non-GAAP financial measures we present, as defined by us, exclude the items described in the reconciliation below. As the excluded items can have a material impact on earnings, our management compensates for this limitation by relying primarily on GAAP results and using non-GAAP financial measures supplementally. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for revenue, gross margin, research and development expenses, sales and marketing expenses, general and administrative expenses, operating income (loss) or net income (loss) prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

### Reconciliation of Non-GAAP Financial Measures

The table below presents a reconciliation of each non-GAAP financial measure to its most directly comparable GAAP financial measure. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

The following is a summary of the items excluded from the most comparable GAAP financial measures to calculate our non-GAAP financial measures:

- *Amortization of Intangible Assets.* Amortization of intangible assets consists of amortization of customer relationships and acquired technology. In connection with the acquisition of Dell by Dell Technologies in fiscal 2014, all of our tangible and intangible assets and liabilities were accounted for and recognized at fair value on the transaction date. Accordingly, amortization of intangible assets consists of amortization associated with intangible assets recognized in connection with this transaction.
- *Stock-based Compensation Expense.* Non-cash stock-based compensation relates to both the Dell Technologies and Secureworks equity plans. We exclude such expenses when assessing the effectiveness of our operating performance since stock-based compensation does not necessarily correlate with the underlying operating performance of the business.
- *Aggregate Adjustment for Income Taxes.* The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments mentioned above. The tax effects are determined based on the tax jurisdictions where the above items were incurred.

	<b>Three Months Ended</b>	
	<b>May 1, 2020</b>	<b>May 3, 2019</b>
	(in thousands)	
GAAP and non-GAAP revenue	\$ 141,181	\$ 132,842
GAAP gross margin	\$ 78,272	\$ 70,001
Amortization of intangibles	3,460	3,410
Stock-based compensation expense	355	260
Non-GAAP gross margin	<u>\$ 82,087</u>	<u>\$ 73,671</u>
GAAP research and development expenses	\$ 24,073	\$ 22,642
Stock-based compensation expense	(1,291)	(1,176)
Non-GAAP research and development expenses	<u>\$ 22,782</u>	<u>\$ 21,466</u>
GAAP sales and marketing expenses	\$ 37,452	\$ 38,193
Stock-based compensation expense	(741)	(781)
Non-GAAP sales and marketing expenses	<u>\$ 36,711</u>	<u>\$ 37,412</u>
GAAP general and administrative expenses	\$ 27,516	\$ 23,638
Amortization of intangibles	(3,524)	(3,524)
Stock-based compensation expense	(3,500)	(2,699)
Non-GAAP general and administrative expenses	<u>\$ 20,492</u>	<u>\$ 17,415</u>
GAAP operating loss	\$ (10,769)	\$ (14,472)
Amortization of intangibles	6,984	6,934
Stock-based compensation expense	5,887	4,916
Non-GAAP operating income (loss)	<u>\$ 2,102</u>	<u>\$ (2,622)</u>
GAAP net loss	\$ (7,536)	\$ (8,270)
Amortization of intangibles	6,984	6,934
Stock-based compensation expense	5,887	4,916
Aggregate adjustment for income taxes	(2,803)	(5,467)
Non-GAAP net income (loss)	<u>\$ 2,532</u>	<u>\$ (1,887)</u>
GAAP loss per share	\$ (0.09)	\$ (0.10)
Amortization of intangibles	0.09	0.09
Stock-based compensation expense	0.07	0.06
Aggregate adjustment for income taxes	(0.03)	(0.07)
Non-GAAP earnings (loss) per share *	<u>\$ 0.03</u>	<u>\$ (0.02)</u>
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>		
GAAP net loss	\$ (7,536)	\$ (8,270)
Interest and other, net	(993)	(268)
Income tax benefit	(2,240)	(5,934)
Depreciation and amortization	10,486	10,365
Stock-based compensation expense	5,887	4,916
Adjusted EBITDA	<u>\$ 5,604</u>	<u>\$ 809</u>

## **Our Relationship with Dell and Dell Technologies**

On April 27, 2016, we completed our IPO. Upon the closing of our IPO, Dell Technologies owned, indirectly through Dell Inc. and Dell Inc.'s subsidiaries, no shares of our outstanding Class A common stock and all shares of our outstanding Class B common stock, which as of May 1, 2020 represented approximately 85.2% of our total outstanding shares of common stock and approximately 98.3% of the combined voting power of both classes of our outstanding common stock.

As a majority-owned subsidiary of Dell, we receive from Dell various corporate services in the ordinary course of business, including finance, tax, human resources, legal, insurance, IT, procurement and facilities related services. The costs of these services have been charged in accordance with a shared services agreement that went into effect on August 1, 2015, the effective date of our carve-out from Dell. For more information regarding the allocated costs and related party transactions, see "Notes to Condensed Consolidated Financial Statements—Note 11—Related Party Transactions" in our condensed consolidated financial statements included in this report.

During the periods presented in the condensed consolidated financial statements included in this report, Secureworks did not file separate federal tax returns, as Secureworks was generally included in the tax grouping of other Dell entities within the respective entity's tax jurisdiction. The income tax benefit has been calculated using the separate return method, modified to apply the benefits for loss approach. Under the benefits for loss approach, net operating losses or other tax attributes are characterized as realized or as realizable by Secureworks when those attributes are utilized or expected to be utilized by other members of the Dell consolidated group. For more information, see "Notes to Condensed Consolidated Financial Statements —Note 10—Income and Other Taxes" in our condensed consolidated financial statements included in this report.

Additionally, we participate in various commercial arrangements with Dell under which, for example, we provide information security solutions to third-party customers with which Dell has contracted to provide our solutions, procure hardware, software and services from Dell, and sell our solutions through Dell in the United States and some international jurisdictions. In connection with our IPO, effective August 1, 2015 we entered into agreements with Dell that govern these commercial arrangements. These agreements generally were initially effective for up to one to three years and include extension and cancellation options. To the extent that we choose to or are required to transition away from the corporate services currently provided by Dell, we may incur additional non-recurring transition costs to establish our own stand-alone corporate functions. For more information regarding the allocated costs and related party transactions, see "Notes to Condensed Consolidated Financial Statements—Note 11—Related Party Transactions" in our condensed consolidated financial statements included in this report.

## **Components of Results of Operations**

### **Revenue**

We sell managed security solutions and threat intelligence solutions on a subscription basis and various professional services, including security and risk consulting and incident response solutions. Our managed security subscription contracts typically range from one to three years and, as of May 1, 2020, averaged two years in duration. The revenue and any related costs for these deliverables are recognized ratably over the contract term, beginning on the date on which service is made available to customers. Professional services customers typically purchase solutions pursuant to customized contracts that are shorter in duration. In general, these contracts have terms of less than one year. Professional services consist primarily of fixed-fee and retainer-based contracts. Revenue from these engagements is recognized under the proportional performance method of accounting. Revenue from time-and materials-based contracts is recognized as costs are incurred at amounts represented by the agreed-upon billing rates.

The fees we charge for our solutions vary based on a number of factors, including the solutions selected, the number of customer devices covered by the selected solutions, and the level of management we provide for the solutions. In the first quarter of fiscal 2021, approximately 75% of our revenue was derived from subscription-based arrangements, attributable to managed security solutions, while approximately 25% was derived from professional services engagements. As we respond to the evolving needs of our customers, the relative mix of subscription-based solutions and professional services we provide our customers may fluctuate. International revenue, which we define as revenue contracted through non-U.S. entities, represented approximately 29% of our total net revenue in the first quarter of fiscal 2021 and 25% of our total net revenue in the first quarter of fiscal 2020. Although our international customers are located primarily in the United Kingdom, Japan, and Canada, we provided managed security solutions to customers across 53 countries as of May 1, 2020.

Over all of the periods presented in this report, our pricing strategy for our various offerings was relatively consistent, and accordingly did not significantly affect our revenue growth. However, we may adjust our pricing to remain competitive and support our strategic initiatives.



### **Gross Margin**

We operate in a challenging business environment, where the complexity and number of cyber attacks are constantly increasing. Accordingly, initiatives to drive the efficiency of our Counter Threat Platform and the continued training and development of our employees are critical to our long-term success. Gross margin has been and will continue to be affected by these factors as well as others, including the mix of solutions sold, the mix between large and small customers, timing of revenue recognition and the extent to which we expand our counter threat operations centers.

Cost of revenue consists primarily of personnel expenses, including salaries, benefits and performance-based compensation for employees who maintain our Counter Threat Platform and provide solutions to our customers, as well as perform other critical functions. Also included in cost of revenue are amortization of equipment and costs associated with hardware utilized as part of providing subscription services, amortization of technology licensing fees, amortization of intangible assets, fees paid to contractors who supplement or support our solutions, maintenance fees and overhead allocations. As our business grows, the cost of revenue associated with our solutions may fluctuate.

We operate in a high-growth industry and have experienced significant revenue growth since our inception. Accordingly, we expect our gross margin to increase in absolute dollars. We continue to invest in initiatives to drive the efficiency of our business to increase gross margin as a percentage of total revenue. However, as we balance revenue growth and efficiency initiatives, gross margin as a percentage of total revenue may fluctuate from period to period.

### **Operating Costs and Expenses**

Our operating costs and expenses consist of research and development expenses, sales and marketing expenses and general and administrative expenses.

- *Research and Development, or R&D, Expenses.* Research and development expenses include compensation and related expenses for the continued development of our solutions offerings, including a portion of expenses related to our threat research team, which focuses on the identification of system vulnerabilities, data forensics and malware analysis. R&D expenses also encompass expenses related to the development of prototypes of new solutions offerings and allocated overhead. Our customer solutions have generally been developed internally. We operate in a competitive and highly technical industry. Therefore, to maintain and extend our technology leadership, we intend to continue to invest in our R&D efforts by hiring more personnel to enhance our existing security solutions and to add complementary solutions.
- *Sales and Marketing, or S&M, Expenses.* Sales and marketing expenses include salaries, sales commissions and performance-based compensation, benefits and related expenses for our S&M personnel, travel and entertainment, marketing and advertising programs (including lead generation), customer advocacy events, and other brand-building expenses, as well as allocated overhead. As we continue to grow our business, both domestically and internationally, we will invest in our sales capability, which will increase our sales and marketing expenses in absolute dollars.
- *General and Administrative, or G&A, Expenses.* General and administrative expenses include primarily the costs of human resources and recruiting, finance and accounting, legal support, information management and information security systems, facilities management, corporate development and other administrative functions, and are partially offset by allocations of information technology and facilities costs to other functions.

### **Interest and Other, Net**

Interest and other, net consists primarily of the effect of exchange rates on our foreign currency-denominated asset and liability balances and interest income earned on our cash and cash equivalents. All foreign currency transaction adjustments are recorded as foreign currency gains (losses) in the Condensed Consolidated Statements of Operations. To date, we have had minimal interest income.

### **Income Tax Benefit**

Our effective tax benefit rate was 22.9% and 41.8% for the three months ended May 1, 2020 and May 3, 2019, respectively. The change in the Company's effective income tax rate between the periods was primarily attributable to the impact of the discrete adjustments related to stock-based compensation expense.

## Results of Operations

The following tables summarize our key performance indicators for the three months ended May 1, 2020 and May 3, 2019.

	Three Months Ended				
	May 1, 2020		% Change	May 3, 2019	
	\$	% of Revenue		\$	% of Revenue
	(in thousands, except percentages)				
Net revenue	\$ 141,181	100.0 %	6.3 %	\$ 132,842	100.0 %
Cost of revenue	\$ 62,909	44.6 %	0.1 %	\$ 62,841	47.3 %
Total gross margin	\$ 78,272	55.4 %	11.8 %	\$ 70,001	52.7 %
Operating expenses	\$ 89,041	63.1 %	5.4 %	\$ 84,473	63.6 %
Operating loss	\$ (10,769)	(7.6)%	(25.6)%	\$ (14,472)	(10.9)%
Net loss	\$ (7,536)	(5.3)%	(8.9)%	\$ (8,270)	(6.2)%
<b>Other Financial Information <sup>(1)</sup></b>					
Non-GAAP net revenue	\$ 141,181	100.0 %	6.3 %	\$ 132,842	100.0 %
Non-GAAP cost of revenue	\$ 59,094	41.9 %	(0.1)%	\$ 59,171	44.5 %
Non-GAAP gross margin	\$ 82,087	58.1 %	11.4 %	\$ 73,671	55.5 %
Non-GAAP operating expenses	\$ 79,985	56.7 %	4.8 %	\$ 76,293	57.4 %
Non-GAAP operating income (loss)	\$ 2,102	1.5 %	(180.2)%	\$ (2,622)	(2.0)%
Non-GAAP net income (loss)	\$ 2,532	1.8 %	(234.2)%	\$ (1,887)	(1.4)%
Adjusted EBITDA	\$ 5,604	4.0 %	592.7 %	\$ 809	0.6 %

<sup>(1)</sup> See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for more information about these non-GAAP financial measures, including our reasons for including the measures, material limitations with respect to the usefulness of the measures, and a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure. Non-GAAP financial measures as a percentage of revenue are calculated based on non-GAAP revenue.

### Three months ended May 1, 2020 compared to the three months ended May 3, 2019

#### Revenue

Net revenue, which we refer to as revenue, increased \$8.3 million, or 6.3%, for the three months ended May 1, 2020. The revenue increase resulted primarily from revenue generated by our subscription-based solutions, which represented approximately 75% of total revenue for the three months ended May 1, 2020. Our existing customers continued to increase their contracted subscriptions for our solutions, with average revenue per customer increasing 4% year over year.

Revenue for certain services provided to or on behalf of Dell under our commercial agreements with Dell totaled approximately \$6.0 million and \$3.3 million for the three months ended May 1, 2020 and May 3, 2019, respectively. For more information regarding the commercial agreements, see "Notes to Condensed Consolidated Financial Statements—Note 11—Related Party Transactions" in our condensed consolidated financial statements included in this report.

We primarily generate revenue from sales in the United States. However, for the three months ended May 1, 2020, international revenue, which we define as revenue contracted through non-U.S. entities, increased to \$40.5 million, or 24.7%. Currently, our international customers are primarily located in the United Kingdom, Japan, and Canada. We are focused on continuing to grow our international customer base in future periods.

#### Gross Margin

Our total gross margin increased \$8.3 million, or 11.8%, for the three months ended May 1, 2020. As a percentage of revenue, our gross margin increased 270 basis points to 55.4% for the three months ended May 1, 2020. Gross margin on a GAAP basis includes amortization of intangible assets and stock-based compensation expense. On a non-GAAP basis, excluding these adjustments, gross margin increased \$8.4 million, or 11.4%, for the three months ended May 1, 2020. As a percentage of revenue, our non-GAAP gross margin increased 260 basis points to 58.1% for three months ended May 1, 2020. The increase in gross margin as a percentage of revenue on both a GAAP and non-GAAP basis during the three months ended May 1, 2020 was primarily attributable to improvement in our subscription-based solutions margins as we continue to focus on delivering comprehensive higher-value security solutions and driving scale and operational efficiencies.

## Operating Expenses

The following table presents information regarding our operating expenses during the three months ended May 1, 2020 and May 3, 2019.

	Three Months Ended				
	May 1, 2020		% Change	May 3, 2019	
	Dollars	% of Revenue		Dollars	% of Revenue
	(in thousands, except percentages)				
<i>Operating expenses:</i>					
Research and development	\$ 24,073	17.1%	6.3 %	\$ 22,642	17.0%
Sales and marketing	37,452	26.5%	(1.9)%	38,193	28.8%
General and administrative	27,516	19.5%	16.4 %	23,638	17.8%
Total operating expenses	<u>\$ 89,041</u>	63.1%	5.4 %	<u>\$ 84,473</u>	63.6%
<i>Other Financial Information</i>					
Non-GAAP research and development	\$ 22,782	16.1%	6.1 %	\$ 21,466	16.2%
Non-GAAP sales and marketing	36,711	26.0%	(1.9)%	37,412	28.2%
Non-GAAP general and administrative	20,492	14.5%	17.7 %	17,415	13.1%
Non-GAAP operating expenses <sup>(1)</sup>	<u>\$ 79,985</u>	56.7%	4.8 %	<u>\$ 76,293</u>	57.4%

<sup>(1)</sup> See "Non-GAAP Financial Measures" and "Reconciliation of Non-GAAP Financial Measures" for a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure.

**Research and Development Expenses.** R&D expenses increased \$1.4 million, or 6.3%, for the three months ended May 1, 2020. As a percentage of revenue, R&D expenses increased 10 basis points to 17.1% for the three months ended May 1, 2020. On a non-GAAP basis, R&D expenses as a percentage of revenue decreased 10 basis points to 16.1% for the three months ended May 1, 2020. The increase in R&D expenses was primarily attributable to increased compensation and benefits associated with additional development personnel, as well as other technology related costs for the continued development of our solutions, including our new security analytics platform and software applications.

**Sales and Marketing Expenses.** S&M expenses decreased \$0.7 million, or 1.9%, for the three months ended May 1, 2020. As a percentage of revenue, S&M expenses decreased 230 basis points to 26.5% for the three months ended May 1, 2020. On a non-GAAP basis, S&M expenses as a percentage of revenue decreased 220 basis points to 26.0% for the three months ended May 1, 2020. The decreases in S&M expenses were primarily attributable to lower travel-related costs associated with increased remote activities as a result of COVID-19.

**General and Administrative Expenses.** G&A expenses increased \$3.9 million, or 16.4%, for the three months ended May 1, 2020. As a percentage of revenue, G&A expenses increased 170 basis points to 19.5% for the three months ended May 1, 2020. On a non-GAAP basis, G&A expenses as a percentage of revenue increased 140 basis points to 14.5% for the three months ended May 1, 2020. The increase in G&A expenses was primarily attributable to professional services and consulting related costs.

### Operating Income (Loss)

Our operating loss was \$(10.8) million and \$(14.5) million for the three months ended May 1, 2020 and May 3, 2019, respectively. As a percentage of revenue, our operating loss was (7.6)% and (10.9)% for the three months ended May 1, 2020 and May 3, 2019, respectively. The decrease in our operating loss was primarily attributable to our increased gross margin, which was partially offset by higher operating expenses as we continue to invest in the business to drive growth. Operating loss on a GAAP basis includes amortization of intangible assets and stock-based compensation expense. On a non-GAAP basis, excluding these adjustments, our non-GAAP operating income was \$2.1 million for the three months ended May 1, 2020 compared to an operating loss of \$2.6 million for the three months and May 3, 2019.

### **Interest and Other, Net**

Our interest and other, net was \$1.0 million and \$0.3 million for the three months ended May 1, 2020 and May 3, 2019, respectively. The changes primarily reflected the effects of foreign currency transactions and related exchange rate fluctuations.

### **Income Tax Benefit**

Our income tax benefit was \$2.2 million, or 22.9%, and \$5.9 million, or 41.8%, of our pre-tax loss during the three months ended May 1, 2020 and May 3, 2019, respectively. The changes in the effective tax benefit rate were primarily attributable to the impact of certain discrete adjustments related to the vesting of stock-based compensation expense in the current periods.

### **Net Income (Loss)**

Our net loss of \$(7.5) million decreased \$0.7 million, or 8.9%, for the three months ended May 1, 2020. Net income on a non-GAAP basis was \$2.5 million compared to a non-GAAP net loss of \$(1.9) million the three months ended May 3, 2019. The changes on both a GAAP and non-GAAP basis were attributable to our improved operating results offset in part by the lower income tax benefit recognized in the current period.

## **Liquidity and Capital Commitments**

### **Overview**

We believe that our cash and cash equivalents together with our accounts receivable will provide us with sufficient liquidity to fund our business and meet our obligations for at least 12 months. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the effects of COVID-19 and other risks and uncertainties described under "Risk Factors" in Part I, Item 1A of our Annual Report. Our future capital requirements will depend on many factors, including our rate of revenue growth, the rate of expansion of our workforce, the timing and extent of our expansion into new markets, the timing of introductions of new functionality and enhancements to our solutions, the expansion of sales and marketing activities, potential acquisitions of complementary businesses and technologies, continuing market acceptance of our solutions, general economic and market conditions, as well as macroeconomic events such as COVID-19. We may need to raise additional capital or incur indebtedness to continue to fund our operations in the future or to fund our needs for less predictable strategic initiatives, such as acquisitions. In addition to our \$30 million revolving credit facility from Dell, described below, sources of financing may include arrangements with unaffiliated third parties, depending on the availability of capital, the cost of funds and lender collateral requirements.

### **Selected Measures of Liquidity and Capital Resources**

As of May 1, 2020, our principal sources of liquidity consisted of cash and cash equivalents and accounts receivable.

Selected measures of our liquidity and capital resources are as follows:

	<b>May 1, 2020</b>	<b>January 31, 2020</b>
	(in thousands)	
Cash and cash equivalents	\$ 155,990	\$ 181,838
Accounts receivable, net	\$ 116,791	\$ 111,798

We invoice our customers based on a variety of billing schedules. During the three months ended May 1, 2020, on average, approximately 58% of our recurring revenue was billed in advance and approximately 42% was billed on either a monthly or a quarterly basis. Invoiced accounts receivable are generally collected over a period of 30 to 120 days. The increase in accounts receivable as of May 1, 2020 was as a result of increased days sales outstanding, which we believe was attributable to slower customer payment cycles as a result of COVID-19. We regularly monitor our accounts receivable for collectability, particularly in markets where economic conditions remain uncertain, and continue to take actions to reduce our exposure to credit losses. As of May 1, 2020 and January 31, 2020, the allowance for doubtful accounts was \$5.2 million and \$5.1 million, respectively. Based upon our assessment, we believe we are adequately reserved for credit risk.

### Revolving Credit Facility

SecureWorks, Inc., our wholly-owned subsidiary, is party to a revolving credit agreement with a wholly-owned subsidiary of Dell Inc. under which we have obtained a \$30 million senior unsecured revolving credit facility. Under the facility, up to \$30 million principal amount of borrowings may be outstanding at any time. The maximum amount of borrowings may be increased by up to an additional \$30 million by mutual agreement of the lender and borrower. The proceeds from loans made under the facility may be used for general corporate purposes. The facility is not guaranteed by us or our subsidiaries. There was no outstanding balance under the facility as of May 1, 2020 or January 31, 2020. Effective March 26, 2020, the facility was amended and restated to extend the maturity date to March 26, 2021 and to modify the annual rate at which interest accrues to the applicable London Interbank Offered Rate plus 1.30%.

Amounts under the facility may be borrowed, repaid and reborrowed from time to time during the term of the facility. The borrower will be required to repay in full all of the loans outstanding, including all accrued interest, and the facility will terminate upon a change of control of us or following a transaction in which SecureWorks, Inc. ceases to be a direct or indirect wholly-owned subsidiary of our Company. The credit agreement contains customary representations, warranties, covenants and events of default. The unused portion of the facility is subject to a commitment fee of 0.35%, which is due upon expiration of the facility.

### Cash Flows

The following table presents information concerning our cash flows for the three months ended May 1, 2020 and May 3, 2019.

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in thousands)	
<i>Net change in cash from:</i>		
Operating activities	\$ (20,337)	\$ (3,025)
Investing activities	(1,020)	(7,016)
Financing activities	(4,491)	(8,375)
Change in cash and cash equivalents	<u>\$ (25,848)</u>	<u>\$ (18,416)</u>

**Operating Activities** — Cash used by operating activities totaled \$20.3 million and \$3.0 million for the three months ended May 1, 2020 and May 3, 2019, respectively. The increased use of our operating cash was primarily driven by the increase in our net accounts receivable balance due to a decrease in collection rates as a result of COVID-19, along with the payment of annual bonuses. Both items were partially offset by our net transactions with Dell. We expect that our future transactions with Dell will be a source of cash over time as we anticipate that our charges to Dell will continue to exceed Dell's charges to us, although the timing of charges and settlements may vary from period to period.

**Investing Activities** — Cash used in investing activities totaled \$1.0 million and \$7.0 million for the three months ended May 1, 2020 and May 3, 2019, respectively. For the periods presented, investing activities consisted primarily of capital expenditures for property and equipment to support our data center and facility infrastructure as well as certain capitalized cost related to the development of our new security software application.

**Financing Activities** — Cash flows used in financing activities totaled \$4.5 million and \$8.4 million for the three months ended May 1, 2020 and May 3, 2019, respectively. The use of cash flows for the three months ended May 1, 2020 reflected employee tax withholding payments of \$4.5 million on restricted stock awards paid by us. The use of cash flows for the three months ended May 3, 2019 reflected employee tax withholding payments of \$7.5 million on restricted stock awards paid by us and our repurchase of \$0.9 million of our Class A common stock pursuant to our stock repurchase program, which terminated on May 1, 2020.

### Off-Balance Sheet Arrangements

As of May 1, 2020, we were not subject to any obligations pursuant to any off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

### **Critical Accounting Policies**

The unaudited condensed consolidated financial statements included elsewhere in this report have been prepared in accordance with GAAP for interim financial information and the requirements of the SEC. Accordingly, they do not include all of the information and disclosures required by GAAP for a complete financial statement presentation. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments consisting of normal recurring accruals and disclosures considered necessary for a fair interim presentation have been included. All inter-company accounts and transactions have been eliminated in consolidation.

As described in "Notes to Condensed Consolidated Financial Statements—Note 1—Description of the Business and Basis of Presentation," we have adopted the new accounting guidance set forth in ASC 350 and ASC 326. Management assessed the critical accounting policies as disclosed in our Annual Report and determined that there were no changes to our critical accounting policies or our estimates associated with those policies during the three months ended May 1, 2020.

### **Recently Issued Accounting Pronouncements**

See "Notes to Condensed Consolidated Financial Statements—Note 1—Description of the Business and Basis of Presentation" in our condensed consolidated financial statements included in this report for a description of recently issued accounting pronouncements and our expectation of their impact, if any, on our financial statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

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

As our international operations grow, we may begin to use foreign exchange forward contracts to partially mitigate the impact of fluctuations in net monetary assets denominated in foreign currencies.

### **Item 4. Controls and Procedures**

#### ***Limitations on Effectiveness of Disclosure Controls and Procedures***

In designing and evaluating our disclosure controls and procedures, as defined below under SEC rules, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their cost.

#### ***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange of 1934, or Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of May 1, 2020. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of May 1, 2020.

#### ***Changes in Internal Control over Financial Reporting***

Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures which (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

There were no changes in our internal control over financial reporting that occurred during the quarter ended May 1, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1A. Risk Factors

We have discussed risks affecting us under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 filed with the SEC on March 27, 2020. The risks described in our Annual Report are not the only risks facing us. There are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that may also materially adversely affect our business, financial condition or operating results.

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

On September 27, 2018, the Company announced a stock repurchase program, under which we were authorized to repurchase up to \$15 million of our Class A common stock through September 30, 2019. On March 26, 2019, our board of directors expanded the repurchase program to authorize the repurchase of up to an additional \$15 million of the Class A common stock through May 1, 2020. The following table presents information with respect to our purchases of Class A common stock during the three months ended May 1, 2020.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Programs
February 1, 2020 through February 28, 2020				
Share repurchase program	—	\$ —	—	\$ 10,090,036
Employee transactions <sup>(1)</sup>	—	—	—	—
February 29, 2020 through March 27, 2020				
Share repurchase program	—	—	—	\$ 10,090,036
Employee transactions <sup>(1)</sup>	49,762	13.32	—	—
March 28, 2020 through May 1, 2020				
Share repurchase program	—	—	—	\$ —
Employee transactions <sup>(1)</sup>	55,399	11.13	—	—
<b>Total</b>	<b>105,161</b>	<b>\$ 12.24</b>	<b>—</b>	<b>\$ —</b>

(1) Represents shares delivered to the Company to satisfy tax withholding obligations in connection with the vesting of employee restricted stock awards.

## Item 6. Exhibits

Secureworks hereby files or furnishes the following exhibits:

<u>Exhibit No.</u>	<u>Description</u>
10.1	<a href="#">Third Amended and Restated Revolving Credit Agreement, dated as of March 26, 2020, between SecureWorks, Inc. and Dell USA L.P. Filed herewith</a>
10.2*	<a href="#">Form of Restricted Stock Unit Agreement for Executives under SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
10.3*	<a href="#">Form of Restricted Stock Agreement for Executives under SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
10.4*	<a href="#">Form of Performance Stock Unit Agreement for Executives under the SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
10.5*	<a href="#">Form of Performance-Based Restricted Stock Agreement for Executives under the SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.</a>
10.6*	<a href="#">SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees. Filed herewith.</a>
31.1	<a href="#">Certification of Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</a>
31.2	<a href="#">Certification of Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</a>
32.1	<a href="#">Certifications of Chief Executive Officer and Chief Financial Officer of the Company pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Furnished herewith.</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document, which is contained in Exhibit 101).

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\* Management contract or compensation plan or arrangement in which directors or executive officers participate.



**SIGNATURE**

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.

SecureWorks Corp.

By: \_\_\_\_\_  
/s/ Paul M. Parrish  
Paul M. Parrish  
Chief Financial Officer  
(Duly Authorized Officer)

Date: June 4, 2020

### THIRD AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This THIRD AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this “Agreement”), dated as of March 26, 2020 and effective as of the Effective Date, is made by and between SecureWorks, Inc., a Georgia corporation, as borrower (the “Borrower”), and Dell USA L.P., a Texas limited partnership, as lender (the “Lender”).

#### RECITALS

WHEREAS, the Borrower and the Lender are parties to the Second Amended and Restated Revolving Credit Agreement dated as of March 26, 2019 (the “Existing Agreement”);

WHEREAS, the Borrower and the Lender each desire to amend and restate the Existing Agreement in its entirety; and

WHEREAS, the Borrower has requested that the Lender make loans to the Borrower and the Lender is prepared to make such loans on a revolving basis and subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and subject to the conditions set forth herein, the parties hereto agree to amend and restate the Existing Agreement as follows:

#### SECTION 1. DEFINITIONS.

1.1. Certain Defined Terms. As used herein, the following terms have the following respective meanings:

“Affiliate” means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person; and for purposes of this definition, the term “control” (including the terms “controlling,” “controlled by” and “under common control with”) of a Person means the possession, direct or indirect, of 50% or more of the total voting power of the Voting Stock of such Person or the power to direct or cause the direction of the management and policies of such Person, whether through the possession of such voting power, by contract or otherwise.

“Applicable Margin” means a margin of 1.3% above the LIBOR applicable to each Loan.

“Asset Disposition” means any sale, lease, license, assignment, sale leaseback, transfer or other disposition by the Borrower or any of its Subsidiaries of any of their respective assets, other than (a) sales of inventory for at least fair value in the ordinary course of business, and (b) sales of obsolete or worn out property if promptly replaced with other similar property of at least equal usefulness.

“Assignment and Assumption” means an assignment and assumption entered into between the Lender and an assignee in a form approved by the Lender.

“Availability Period” means the period from the Effective Date to, but excluding, the Commitment Termination Date.

“Available Commitment” means, at any time, the Commitment then in effect less the aggregate principal amount of all Loans outstanding under the Agreement at such time.

“Beneficial Owner” has the meaning set forth in Rule 13d-3 under the Exchange Act.

“Borrower” has the meaning set forth in the introduction hereto.

“Borrowing” means a borrowing by the Borrower of a Loan.

“Borrowing Date” means the date of a Borrowing.

“Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are not authorized or required to close in New York, New York.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty; (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority; or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

“Change of Control” means the occurrence of any of the following:

(a) The Borrower ceases for any reason to be a direct or indirect wholly-owned Subsidiary of the Company;

(b) A transaction or a series of related transactions pursuant to which any Person or Group (other than a Dell Entity or Group of Dell Entities) becomes the Beneficial Owner of more than fifty percent (50%) of the total voting power of the Voting Stock of the Company, on a Fully Diluted Basis;

(c) Individuals who, as of the Effective Date, constitute the Board of Directors of the Company (the “Incumbent Board”) (together with any new directors whose election by such Incumbent Board or whose nomination by such Incumbent Board for election by the stockholders of the Company was approved by a vote of at least a majority of the members of such Incumbent Board then in office who either were members of such Incumbent Board or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors of the Company then in office;

(d) The Company consolidates with, or merges with or into, any Person, or any Person consolidates with, or merges with or into, the Company (regardless of whether the Company is the surviving Person), other than any such transaction in which one or more Dell Entities continues to be the Beneficial Owner of more than 50% of the total voting power of the Voting Stock of the Company, on a Fully Diluted Basis; or

(e) The consummation of any direct or indirect sale, lease, transfer, conveyance, or other disposition (other than by way of reorganization, merger, or consolidation), in one transaction or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person or Group (other than one or more Dell Entities).

“Commitment” means the obligation of the Lender to make, on and subject to the terms and conditions hereof, Loans to the Borrower pursuant to Section 2.1 in an aggregate principal amount at any one time outstanding up to but not exceeding \$30 million, as such amount may be increased or

reduced pursuant to Section 2.3 or reduced pursuant to assignments effected in accordance with Section 10.5.

“Commitment Termination Date” means the one-year anniversary of the Effective Date.

“Company” means SecureWorks Corp., a Delaware corporation, and any successor thereto.

“Default” means an Event of Default specified in Section 9 or an event that with the giving of notice or lapse of time or both would become an Event of Default.

“Dell Entity” means Dell Technologies Inc. or any direct or indirect Subsidiary thereof.

“Dollars” and “\$” mean lawful money for the time being of the United States of America.

“Effective Date” means the date on which all of the conditions precedent set forth in Section 6 have been fulfilled.

“Event of Default” has the meaning set forth in Section 9.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, as the same shall be in effect from time to time.

“Excluded Taxes” means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower under this Agreement, Taxes imposed on or measured by its overall net income, overall gross income or overall gross receipts (however denominated), and franchise taxes imposed on it (in lieu of net income taxes) or capital taxes, by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized, in which it is resident for tax purposes or in which its principal office is located.

“Fully Diluted Basis” means, as of any date of determination, the sum of (a) the number of shares of Voting Stock outstanding as of such date of determination plus (b) the number of shares of Voting Stock issuable upon the exercise, conversion, or exchange of all then-outstanding warrants, options, convertible capital stock or indebtedness, exchangeable capital stock or indebtedness, or other rights exercisable for or convertible or exchangeable into, directly or indirectly, shares of Voting Stock (excluding, for the avoidance of doubt, securities issuable in connection with the conversion or exchange of outstanding shares of Voting Stock), whether at the time of issue or upon the passage of time or upon the occurrence of some future event, and whether or not in-the-money as of such date of determination.

“GAAP” means accounting principles generally accepted in the United States of America in effect from time to time.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Group” has the meaning set forth in Sections 13(d) and 14(d)(2) of the Exchange Act.

“Indebtedness” means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business not overdue for more than 60 days), (d) all obligations of such Person to reimburse any Person with respect to amounts paid under a letter of credit or similar instrument, (e) all Indebtedness of other Persons secured by

a Lien on any property of such Person, whether or not such Indebtedness is assumed by such Person, and (f) all Indebtedness of other Persons guaranteed by such Person.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitee” has the meaning set forth in Section 10.3(b).

“Interest Period” means, with respect to each Borrowing and the Loan constituting the same, each fiscal quarterly period of the Borrower occurring during the Availability Period.

“Lender” has the meaning set forth in the introduction hereto.

“LIBOR” means the 3 Month LIBOR for Dollars published by Reuters (or such other published source as the Lender may select in its sole discretion) on the first day of each Interest Period.

“Lien” means any mortgage, lien, pledge, charge, encumbrance or other security interest or any preferential arrangement that has the practical effect of creating a security interest.

“Loan” has the meaning set forth in Section 2.1.

“Material Adverse Effect” means a material adverse change in or effect on (a) the business, condition (financial or otherwise), operations, performance, property or prospects of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform its obligations under this Agreement, (c) the legality, validity, binding effect or enforceability of any provision of this Agreement or (d) the rights and remedies of the Lender under any provision of this Agreement.

“Material Indebtedness” means, at any time, as to any Person, Indebtedness of such Person the outstanding principal amount of which, individually or in the aggregate, is equal to or greater than \$5,000,000.

“Net Proceeds” means, with respect to any Asset Disposition, (a) the proceeds received in respect of such Asset Disposition in cash, instruments, securities or other property, including any cash, instruments, securities or other property received in respect of any non-cash proceeds, including any cash received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment or earn-out, but only as and when received, minus (b) the sum of (i) all fees and out-of-pocket expenses actually paid by the Borrower or the relevant Subsidiary, as applicable, in connection with such Asset Disposition, (ii) any funded escrow established pursuant to the documents evidencing any Asset Disposition to secure any indemnification obligations or adjustments to the purchase price associated with such Asset Disposition, provided that the amount of any subsequent reduction of such escrow (other than in connection with a payment in respect of any such liability) shall be deemed to be Net Proceeds occurring on the date of such reduction solely to the extent that the Borrower or any of its Subsidiaries receives cash in an amount equal to the amount of such reduction, (iii) the amount of all payments that are permitted hereunder and are actually made by the Borrower or the relevant Subsidiary, as applicable, as a result of such event to repay Indebtedness (other than the Loans) directly secured by such asset, (iv) the pro rata portion of net cash proceeds thereof (calculated without regard to this clause (b)(iv)) attributable to minority interests or other shareholdings (other than that of the Lender) and not lawfully available for distribution to or for the account of the Borrower or any of its Subsidiaries as a result thereof, (v) the amount of any liabilities directly associated with such asset and retained by the Borrower or the relevant Subsidiary, as applicable, and (vi) the amount of all Taxes actually paid (or reasonably estimated to be payable, including any withholding Taxes estimated to be payable in connection with the repatriation of such Net Proceeds) with respect to such Asset Disposition.

“Notice of Borrowing” has the meaning set forth in Section 2.2.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under this Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

“Permitted Indebtedness” means (a) Indebtedness owing to the Lender, (b) Indebtedness in respect of workers’ compensation claims, property casualty or liability insurance, and self-insurance obligations, in each case in the ordinary course of business, (c) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, and (d) Indebtedness in connection with performance bonds, bid bonds, appeal bonds, bankers acceptances, insurance obligations, workers’ compensation claims, health or other types of social security benefits, surety bonds, completion guarantees or other similar bonds and obligations, including self-bonding arrangements, issued by the Borrower or a Subsidiary thereof in the ordinary course of business or pursuant to self-insurance obligations and in each case not in connection with the borrowing of money or the obtaining of advances.

“Permitted Liens” means (a) non-commercial Liens arising solely by operation of applicable law, (b) Liens in favor of the Lender, (c) Liens for Taxes, assessments or other governmental charges not delinquent or being contested in good faith, (d) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance, (e) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business, (f) mechanics’, workers’, materialmen’s, carrier’s, repairmen’s or other like Liens arising in the ordinary course of business with respect to obligations which are not yet due and payable or which are being contested in good faith, and (g) licenses or sublicenses of patents, trademarks and other intellectual property rights granted by the Borrower or any of its Subsidiaries in the ordinary course of business and not interfering in any respect with the ordinary course of business of the Borrower of such Subsidiary.

“Person” means any natural person, corporation, company, voluntary association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and such Person’s and such Person’s Affiliates’ respective managers, administrators, trustees, partners, members, directors, officers, employees, agents and advisors.

“Subsidiary” of any Person means any corporation, partnership, limited liability company or other entity more than 50% of the voting power represented by the Voting Stock of which is owned or controlled, directly or indirectly, by such Person and/or by any Subsidiary of such Person.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to Tax or penalties applicable thereto.

“Voting Stock” means, with respect to any Person, any class or classes of capital stock or partnership or limited liability company units or other ownership interests pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect directors, managers or trustees of such Person (irrespective of whether or not, at the time, stock of any other class or classes has, or might have, voting power by reason of the happening of any contingency).

1.2. GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time.

1.3. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections or Exhibits shall be construed to refer to Sections of or Exhibits to this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, supplemented or otherwise modified from time to time, (f) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (g) the word “from” when used in connection with a period of time means “from and including” and the word “until” means “to but not including” and (h) references to days, months, quarters and years refer to calendar days, months, quarters and years, respectively.

## SECTION 2. THE COMMITMENT.

2.1. Loans. The Lender agrees, on and after the Effective Date, and subject to the terms and conditions of this Agreement, to make loans to the Borrower (each, a “Loan”) from time to time on any Business Day during the Availability Period in Dollars in an aggregate principal amount at any one time outstanding up to but not exceeding the Commitment. Within such limit and subject to the other terms and conditions of this Agreement, the Borrower may borrow under this Section 2.1, prepay under Section 3.3, and reborrow under this Section 2.1. The Borrower agrees that the Lender’s books and records shall be *prima facie* evidence of the date, amount and due date of each Loan and of all interest accrued thereon.

2.2. Borrowing. The Borrower shall give the Lender notice of each Borrowing in substantially the form of Exhibit A hereto (each, a “Notice of Borrowing”). Each Notice of Borrowing shall be signed by the chief financial officer of the Borrower and will include the information and the certifications set forth in Exhibit A. Each Borrowing shall be in the amount of \$500,000 or an integral multiple of \$100,000 in excess thereof. Each Notice of Borrowing shall be effective only if received by the Lender not later than 11:00 a.m. Eastern time on the date which is five (5) Business Days prior to the relevant Borrowing Date. Each Notice of Borrowing shall specify the amount to be borrowed and the relevant Borrowing Date. Not later than 11:00 a.m. Eastern time on each Borrowing Date, subject to the terms and conditions of this Agreement, the Lender shall make available to the Borrower the amount of the Loan to be made on such Borrowing Date in such manner as may be agreed by the Lender and the Borrower.

### 2.3. Changes of Commitment.

(a) The Borrower shall have the right to request a one-time increase to the amount of the Commitment of up to \$30 million (such that, following such \$30 million increase, the aggregate principal amount at any one time outstanding under this Agreement may equal but shall not exceed \$60 million); provided that the Lender shall have the right either to approve or to deny such request in whole or in part in its sole discretion. In connection with such a request, the Borrower shall deliver to the Lender

a notice of the request not later than 11:00 a.m. Eastern time on the date ten (10) Business Days prior to the date upon which the requested increase shall become effective. Such notice shall specify the amount of the increase in the Commitment requested by the Borrower and the requested effective date of such increase. No later than five (5) Business Days following receipt of such a notice pursuant to this Section 2.3(a), the Lender shall notify the Borrower as to whether the requested increase to the amount of the Commitment has been approved or denied in whole or in part; provided that any failure by the Lender to deliver such notice shall be deemed to be a denial of the requested increase.

(b) The Commitment shall be automatically reduced to zero on the earlier of (i) 5:00 p.m. Eastern time on the last day of the Availability Period and (ii) the date on which a Change of Control of the Borrower shall occur.

(c) The Borrower shall have the right to terminate or reduce the unused amount of the Commitment at any time or from time to time upon not less than three (3) Business Days' prior notice to the Lender; provided that the Borrower may not reduce the Commitment to an amount less than the aggregate principal amount of all Loans then outstanding under the Agreement. The Commitment once terminated or reduced pursuant to this Section 2.3 may not be reinstated. Following such a termination or reduction in the unused amount of the Commitment, any Loans made by the Lender shall remain outstanding, and shall become due in accordance with the terms of this Agreement.

2.4. Fees. The Borrower agrees to pay to the Lender a commitment fee, which shall accrue at a rate of 0.35% on the average daily amount of the Available Commitment during the period from and including the Effective Date to but excluding the Commitment Termination Date. Accrued commitment fees shall be payable on the Commitment Termination Date and shall be calculated on the basis of a 360-day year for the actual number of days elapsed.

2.5. Use of Proceeds. The Borrower shall use the proceeds of the Loans for working capital, acquisitions of companies, business and assets, and other general corporate purposes; provided that the proceeds of the Loans shall not be used to repay other Indebtedness incurred by the Borrower. The Lender shall not have any responsibility as to the use of any of such proceeds.

### SECTION 3. PAYMENTS OF PRINCIPAL AND INTEREST.

3.1. Repayment. The Borrower agrees to repay to the Lender the full principal amount of each Loan outstanding, together with accrued interest thereon, on the Commitment Termination Date.

#### 3.2. Interest.

(a) Interest Generally. Interest shall accrue on the outstanding principal amount of each Loan for the period from the relevant Borrowing Date until the date such Loan shall be paid in full, at the per annum rate of interest which, for each Interest Period, is equal to the Applicable Margin plus LIBOR for such Interest Period, calculated on the basis of a 360-day year for the actual number of days elapsed.

(b) Interest Payment Dates. Accrued interest on each Loan shall be payable on the last day of each Interest Period, and upon the payment or prepayment thereof (on the principal amount so paid or prepaid).



(c) Any principal of or interest on any Loan that is not paid in full when due (whether at stated maturity, by acceleration or otherwise) shall bear interest until paid in full at a rate per annum equal to 2% above the rate of interest otherwise applicable to Loans under this Agreement. Interest on amounts in Default shall be payable on demand by the Lender from time to time.

### 3.3. Prepayments.

(a) Optional Prepayments. The Borrower shall have the right to prepay the Loans in whole or in part at any time or from time to time, without penalty or premium. In connection with any such optional prepayment, the Borrower shall give the Lender a notice of such optional prepayment, which shall be effective only if received by the Lender not later than 11:00 a.m. Eastern time on the date which is five (5) Business Days prior to the relevant date of prepayment. Each notice of optional prepayment shall specify the amount to be prepaid and the date of prepayment (and, upon the date specified in any such notice, the amount to be prepaid shall become due and payable hereunder). Each partial prepayment shall be in the aggregate amount of \$250,000 or an integral multiple of \$50,000 in excess thereof.

#### (b) Mandatory Prepayments.

(i) Repayment Upon Change of Control. In the event that a Change of Control occurs after the date hereof and prior to the repayment in full of the Loans and the termination of the Commitments, the Commitments shall automatically terminate, and the Borrower shall pay to the Lender an aggregate amount equal to all amounts outstanding under this Agreement, including principal of all Loans, all accrued and unpaid interest thereon and any other amounts that may be or become due under this Agreement to the Lender.

(ii) Illegality, etc. Notwithstanding any other provision of this Agreement, if the Lender shall notify the Borrower that any Change in Law makes it unlawful for the Lender to perform its obligations hereunder to make Loans or to fund or otherwise maintain Loans hereunder, (a) the obligation of the Lender to make Loans shall be suspended until the Lender shall notify the Borrower that the circumstances causing such suspension no longer exist and (b) if such Change in Law shall so mandate, the Loans shall be prepaid by the Borrower, together with accrued and unpaid interest thereon and all other amounts payable by the Borrower under this Agreement, on or before such date as shall be mandated by such Change in Law or, if earlier, on the date required by the Lender in a notice to the Borrower.

(iii) In the event of any Asset Disposition, the Borrower shall, on the date of receipt by it or a Subsidiary of any Net Proceeds of such Asset Distribution, prepay the Loans and Notes in an amount equal to the Net Proceeds of such Asset Dispositions, together with accrued and unpaid interest on the amount prepaid through the date of prepayment and all other amounts payable by the Borrower under this Agreement, and the Commitment, if then in effect, shall be reduced or terminated, as applicable, by an amount equal to such Net Proceeds; provided, that the Borrower shall not be required to make any prepayment pursuant to this Section 3.3(b)(iii) until the Net Proceeds of Asset Dispositions exceed \$5,000,000 in the aggregate, in which event, the Borrower shall be required to make prepayment only of the amount of such Net Proceeds which exceeds \$5,000,000.

prepaid. (c) Other Amounts. All prepayments under this Section 3.3 shall be accompanied by interest accrued on the principal amount

#### SECTION 4. PAYMENTS, ETC.

##### 4.1. Payments.

(a) Payments Generally. Each payment of principal, interest and other amounts to be made by the Borrower under this Agreement shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim, to such account as the Lender may specify from time to time, not later than 11:00 a.m. Eastern time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day).

(b) Application of Payments. The Borrower shall, at the time of making each payment under this Agreement, specify to the Lender the amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that the Borrower fails to so specify, or if an Event of Default has occurred and is continuing, the Lender may apply such payment in such manner as it may determine to be appropriate in its sole discretion).

(c) Application of Insufficient Payments. If at any time insufficient funds are received by the Lender to pay fully all amounts of principal, interest, fees and other amounts then due and payable hereunder, such funds shall be applied (i) first, to pay interest then due and payable hereunder, (ii) then, to pay principal then due and payable hereunder, and (iii) then, to pay other amounts then due and payable under this Agreement.

(d) Non-Business Days. If the due date of any payment under this Agreement would otherwise fall on a day that is not a Business Day, such date shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

4.2. Computations. Interest on the Loans and fees hereunder shall be computed on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) occurring in the period for which payable.

4.3. Set-Off. Upon the occurrence and during the continuance of any Event of Default, the Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all indebtedness at any time owing by the Lender or such Affiliate to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement to the Lender, irrespective of whether or not the Lender shall have made any demand under this Agreement. The Lender agrees promptly to notify the Borrower after any such set-off and application; provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender and its Affiliates under this Section 4.3 are in addition to other rights and remedies (including other rights of set-off) that the Lender and its Affiliates may have. Nothing contained in this Section 4.3 shall require the Lender to exercise any such right or shall affect the right of the Lender to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

#### SECTION 5. TAXES.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions for Indemnified Taxes or Other Taxes (including deductions for Indemnified Taxes or Other Taxes applicable to additional sums payable under this Section) the Lender shall receive an amount equal to the sum it would have received had no such deductions for Indemnified Taxes or Other Taxes been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes that arise from any payment made by it under, or otherwise with respect to, this Agreement to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Lender for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 5) attributable to the Borrower under this Agreement and paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive and binding absent manifest error.

#### SECTION 6. CONDITIONS PRECEDENT.

6.1. Conditions to Closing. The effectiveness of this Agreement and the Commitment of the Lender shall be subject to the conditions precedent that (a) no applicable law or regulation shall restrain, prevent or, in the reasonable judgment of the Lender, impose materially adverse conditions upon the transactions contemplated hereby, and (b) the Lender shall have received, on or prior to March 26, 2020 the following documents, each of which shall be in form and substance satisfactory to the Lender:

- (a) this Agreement, duly executed and delivered by the Borrower and the Lender;
- (b) copies of all licenses, consents, authorizations and approvals of, and notices to and filings and registrations with, any Governmental Authority (including all foreign exchange approvals), and of all third-party consents and approvals, necessary in connection with the making and performance by the Borrower of the Agreement and the transactions contemplated thereby;
- (c) copies of the resolutions of the Board of Directors of the Borrower authorizing the making and performance by it of the Agreement; and
- (d) such other documents relating hereto as the Lender shall reasonably request.

6.2. Additional Conditions to Borrowings. The obligation of the Lender to make each Loan to be made by it is also subject to the further conditions precedent that both immediately prior to the making of such Loan and after giving effect thereto and to the intended use of proceeds thereof:

- (a) no Default shall have occurred and be continuing;
- (b) there shall have occurred no event or condition that could reasonably be expected to result in a Material Adverse Effect;
- (c) the representations and warranties made by the Borrower in Section 7 shall be true in all respects on and as of the relevant Borrowing Date and immediately after giving effect to the application of the proceeds of the relevant Borrowing with the same force and effect as if made on and as of such date (unless expressly stated to relate to an earlier date, in which case such representations and warranties shall be true in all respects as of such earlier date); and
- (d) the Lender shall have received such other documents relating hereto as the Lender shall reasonably request, each of which shall be in form and substance satisfactory to the Lender.

The giving of a Notice of Borrowing shall constitute a certification by the Borrower to the effect that the conditions set forth in this Section 6.2 have been fulfilled (both as of the date of such Notice of Borrowing and, unless the Borrower otherwise notifies the Lender prior to the relevant Borrowing Date, as of such Borrowing Date).

#### SECTION 7. REPRESENTATIONS AND WARRANTIES.

The Borrower represents and warrants to the Lender that:

7.1. Power and Authority. Each of the Borrower and each of its Subsidiaries (a) is a company duly organized and validly existing under the laws of its jurisdiction of organization, (b) has all requisite corporate or other power, and has all material governmental licenses, authorizations, consents and approvals necessary to own its property and carry on its business as now being or as proposed to be conducted except to the extent that failure to have the same could not reasonably be expected to have a Material Adverse Effect, (c) is qualified to do business and is in good standing in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure so to qualify could (either individually or in the aggregate) have a Material Adverse Effect, (d) is in material compliance with all applicable laws and regulations and all agreements binding on or affecting it or any of its property, and (e) has good title to all its assets, free and clear of any Liens or adverse claims except as expressly permitted by this Agreement. The Borrower has full power, authority and legal right to make and perform this Agreement and to borrow the Loans hereunder.

7.2. Due Authorization, Etc. The making and performance by the Borrower of this Agreement and all other documents and instruments to be executed and delivered hereunder by the Borrower have been duly authorized by all necessary corporate action, and do not and will not contravene (a) the constitutive documents of the Borrower, (b) any applicable law or regulation, (c) any judgment, award, injunction or similar legal restriction or (d) any agreement or instrument binding on or affecting the Borrower or any of its property, and do not and will not result in the imposition of any Lien on any property of the Borrower.

7.3. Governmental and Other Approvals. No license, consent, authorization or approval or other action by, or notice to or filing or registration with, any Governmental Authority (including any foreign exchange approval), and no other third-party consent or approval, is necessary for the due execution, delivery and performance by the Borrower of this Agreement or for the legality, validity

or enforceability thereof against the Borrower, and there is no law, regulation or decree that imposes material adverse conditions upon the credit facility contemplated hereby.

7.4. Legal Effect. This Agreement has been duly executed and delivered by the Borrower and is the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws relating to or affecting the rights of creditors generally, and except as the enforceability of this Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

7.5. No Default. No Default has occurred and is continuing.

7.6. Ranking. The payment obligations of the Borrower hereunder are and will at all times be senior unsecured obligations of the Borrower, and will at all times rank at least pari passu in right of payment with all other present and future senior unsecured Indebtedness of the Borrower.

7.7. Litigation. There is no litigation, investigation or proceeding pending or, to the best of the Borrower's knowledge, threatened by or before any Governmental Authority or arbitrator that (either individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect.

#### SECTION 8. COVENANTS OF THE BORROWER.

The Borrower covenants and agrees with the Lender that, so long as the Commitment or any Loan is outstanding and until payment in full of all amounts payable by the Borrower hereunder:

8.1. Corporate Existence, Etc. The Borrower will, and will cause each of its Subsidiaries to, (a) preserve and maintain its corporate existence and (b) preserve and maintain all of its material rights, privileges, licenses and franchises, including all trade names, patents and other intellectual property necessary for its business, except in the case of this clause (b) to the extent the failure to preserve and maintain the same could not reasonably be expected to have a Material Adverse Effect.

8.2. Compliance with Law. The Borrower will, and will cause each of its Subsidiaries to, (a) comply in all material respects with the requirements of all applicable laws, rules, regulations and orders of Governmental Authorities and all agreements binding on or affecting the Borrower or such Subsidiary or any of their respective properties, except where the necessity of compliance therewith is being contested in good faith by appropriate proceedings and for which adequate reserves have been made if required in accordance with GAAP, (b) timely file all required tax returns and pay and discharge at or before maturity all of its material obligations (including tax liabilities, except where the same are contested in good faith and by appropriate proceedings and against which adequate reserves are being maintained to the extent required by GAAP and where the failure to pay or discharge such obligations or liabilities would not result in a Material Adverse Effect), (c) maintain all of its property used in its business in good working order and condition, ordinary wear and tear excepted, and (d) maintain insurance with respect to its property and businesses.

8.3. Governmental Authorizations. The Borrower will, and will cause each of its Subsidiaries to, promptly from time to time obtain and maintain in full force and effect all licenses, consents, authorizations and approvals of, and make all filings and registrations with, any Governmental Authority necessary under applicable law for the making and performance by it of this Agreement.

8.4. Information. The Borrower will provide to the Lender: (a) such information relating to the financial condition, business, prospects, or affairs of the Borrower as the Lender may from time to time reasonably request; (b) not later than five (5) days after any officer of the Borrower obtains knowledge of the occurrence of any Default, a certificate of the chief financial officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto; and (c) promptly upon the commencement of, or any material adverse development in, any litigation, investigation or proceeding against the Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect, notice thereof with a description thereof in reasonable detail.

8.5. Keeping of Books; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, (a) keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and such Subsidiary in accordance with GAAP and (b) permit representatives of the Lender to visit and inspect the Borrower's properties, examine its books of account and records and discuss the Borrower's affairs, finances, and accounts with its officers, during normal business hours of the Borrower as may be reasonably requested by the Lender.

8.6. Ranking. The Borrower will promptly take all actions as may be necessary to ensure that the payment obligations of the Borrower under this Agreement will at all times constitute senior unsecured obligations of the Borrower ranking at least pari passu in right of payment with all other present and future senior unsecured Indebtedness of the Borrower.

8.7. Negative Pledge. The Borrower shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) on any of their property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so.

8.8. Indebtedness. The Borrower shall not, and shall not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness (other than Permitted Indebtedness).

8.9. Net Proceeds Reporting. The Borrower shall promptly notify the Lender in writing if the Net Proceeds of Asset Dispositions exceed \$5,000,000 in the aggregate.

8.10. Remedies Cumulative. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

8.11. Further Assurances. The Borrower will from time to time give, execute, deliver, file and/or record any notice, instrument, document, agreement or other papers that may be necessary or desirable or that may be reasonably requested by the Lender to further effectuate the purposes of this Agreement or the enforceability thereof against the Borrower.

#### SECTION 9. EVENTS OF DEFAULT.

If one or more of the following events (each, an "Event of Default") shall occur and be continuing:

(a) the Borrower shall fail to pay when due (i) any principal of any Loan or (ii) any interest or any other amount whatsoever payable hereunder, and such failure to pay shall, in the case of this clause (ii) only, continue for five (5) Business Days;

(b) any representation, warranty or certification made or deemed made by the Borrower herein (or in any modification or supplement hereto or thereto) or in any certificate furnished to the Lender pursuant to the provisions hereof or thereof shall prove to have been untrue in any material respect as of the time made or furnished;

(c) (i) the Borrower shall fail to perform or observe any of its obligations under Section 8.1, or (ii) the Borrower shall fail to perform or observe any of its obligations under this Agreement (other than as referred to in clause (a) or (c)(i) above) if such failure shall remain unremedied for thirty (30) or more days;

(d) (i) the Borrower or any Subsidiary thereof shall default in the payment of any principal of or interest on any Material Indebtedness (whether at stated maturity or at mandatory or optional prepayment or otherwise) and such default shall continue beyond any applicable grace period set forth in the agreements or instruments evidencing or governing such Material Indebtedness, or (ii) any default or event of default shall occur under any agreement or instrument evidencing or governing any Material Indebtedness of the Borrower or any Subsidiary thereof if the effect thereof is to accelerate the maturity thereof, or to permit the holder or holders of such Material Indebtedness, or an agent or trustee on its or their behalf, to accelerate the maturity thereof, or to require the mandatory prepayment or redemption thereof;

(e) the Borrower or any of its Subsidiaries shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due;

(f) the Borrower or any of its Subsidiaries shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, examiner or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, suspension of payments, liquidation, dissolution, arrangement or winding-up, or composition or readjustment of debts or (iv) take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts described in this clause (f);

(g) a proceeding or case shall be commenced against the Borrower or any of its Subsidiaries, without its application or consent, seeking (i) its reorganization, liquidation, dissolution, arrangement or winding up, (ii) the appointment of a receiver, custodian, trustee, examiner, liquidator or like Person of it or of all or any substantial part of its property or (iii) similar relief with respect to it under any law relating to bankruptcy, insolvency, reorganization, winding up, or composition or adjustment or debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) or more days, or a declaration of bankruptcy or suspension of payments shall be entered against the Borrower or such Subsidiary under the bankruptcy laws of the United States of America as now or hereafter in effect; or

(h) this Agreement shall become unenforceable or the performance of the obligations of the Borrower thereunder shall become illegal; or

(i) a Change of Control shall occur;

THEREUPON: in any such event, the Lender may, by notice to the Borrower, (i) declare the Commitment to be terminated forthwith, whereupon the Commitment shall forthwith terminate, and/or

(ii) declare the principal of and the accrued interest on the Loans and all other amounts whatsoever payable by the Borrower hereunder to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Borrower; provided that, in the case of an Event of Default of the kinds referred to in clause (f) or (g) with respect to the Borrower, the Commitment shall automatically terminate and the Loans and all such other amounts shall automatically become due and payable, without any further action by any party.

SECTION 10. MISCELLANEOUS.

10.1. Notices.

(a) All notices, demands, requests, consents and other communications provided for in this Agreement shall be given in writing and addressed to the party to be notified as follows:

(i) if to the Borrower:

SecureWorks, Inc.  
One Concourse Parkway NE  
Atlanta, Georgia 30328  
Attention of: George B. Hanna  
E-Mail Address: ghanna@secureworks.com

(ii) if to the Lender:

Dell USA L.P.  
c/o Dell Inc.  
One Dell Way  
Round Rock, Texas 78682 Attention of: Robert Potts  
E-Mail Address: Robert.Potts@Dell.com

or, as to either party, at such other address as it shall notify the other party in writing.

(b) All notices, demands, requests, consents and other communications described in clause (a) shall be effective (i) if delivered by hand, including any overnight courier service, upon personal delivery, (ii) if delivered by mail, when deposited in the mail, or (iii) if delivered by electronic mail, when transmitted to an electronic mail address and sender has received a return receipt thereof; provided that notices and communications to the Lender pursuant to Section 2 or Section 9 shall not be effective until received by the Lender.

10.2. No Waiver. No failure on the part of the Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

10.3. Expenses, Etc.



(a) Costs and Expenses. The parties shall pay their own expenses with respect this Agreement and the transactions contemplated hereby; provided that the Borrower shall pay to the Lender, no later than thirty (30) days after receipt of a reasonably detailed invoice from the Lender, all reasonable and documented out-of-pocket expenses incurred by the Lender, including the reasonable fees, charges and disbursements of counsel to the Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including such expenses incurred during any workout, restructuring or negotiations in respect of the Loans.

(b) Indemnification by the Borrower. The Borrower shall indemnify the Lender and each Related Party thereof (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

10.4. Amendments, Etc. Except as otherwise expressly provided in this Agreement, any provision of this Agreement may be modified or supplemented only by an instrument in writing signed by the Borrower and the Lender, and any provision of this Agreement may be waived only by the Lender.

10.5. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender, and the Lender may not assign or otherwise transfer any of its rights or obligations hereunder except as permitted by this Section 10.5 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, and, to the extent expressly contemplated hereby, the respective Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lender. The Lender may at any time assign all or a portion of its rights and obligations under this Agreement (including all or a portion of the Commitment and the Loans) with the prior written consent of the Borrower, which consent shall not be unreasonably withheld or delayed; provided that no such consent shall be required for an assignment to an Affiliate of the Lender, or, if a Default has occurred and is continuing, any other Person. In the event of any such assignment, the Lender and the assignee or assignees may enter such intercreditor arrangements as they may determine to be necessary or advisable for the purpose of determining voting rights and similar issues hereunder. From and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be

a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of the Lender under this Agreement, and the Lender shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the Lender's rights and obligations under this Agreement, the Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 5 and 10.3 with respect to facts and circumstances occurring prior to the effective date of such assignment.

(c) Certain Pledges. The Lender may at any time pledge or assign as collateral all or any portion of its rights under this Agreement to secure obligations of the Lender; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

10.6. Survival. The obligations of the Borrower under Sections 5 and 10 shall survive the repayment of the Loans and the termination of the Commitment and, in the case of any assignment by the Lender of any interest in the Commitment or Loans hereunder, shall survive, in the case of any event or circumstance that occurred prior to the effective date of such assignment, the making of such assignment, notwithstanding that the Lender may cease to be the "Lender" hereunder. In addition, each representation and warranty made, or deemed to be made by a notice of any Loan, herein or pursuant hereto shall survive the making of such representation and warranty.

10.7. Captions. The section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

10.8. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

10.9. Governing Law; Jurisdiction, Service of Process and Venue.

(a) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Texas, without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the applicable laws of any jurisdiction other than the State of Texas.

(b) Submission to Jurisdiction. The Borrower irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of Texas sitting in Travis County and of the United States District Court for the Western District of Texas, and any applicable appellate court, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims with respect to any such action or proceeding may be heard and determined in such Texas State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its property in the courts of any jurisdiction.

(c) Alternative Process. Nothing herein shall in any way be deemed to limit the ability of the Lender to serve any such process or summonses in any other manner permitted by applicable law.

(d) Waiver of Venue, Etc. Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to in subsection (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

10.10. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.11. Entire Agreement. This Agreement constitutes the entire contract among the parties relating to the subject matter hereof and thereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof and thereof.

10.12. Severability. If any provision hereof is found by a court to be invalid or unenforceable, to the fullest extent permitted by applicable law the parties agree that such invalidity or unenforceability shall not impair the validity or enforceability of any other provision hereof.

10.13. No Fiduciary Relationship. The Borrower acknowledges that the Lender has no fiduciary relationship with, or fiduciary duty to, the Borrower arising out of or in connection with this Agreement. This Agreement does not create a joint venture among the parties.

**[Signatures on Next Page]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

BORROWER

SECUREWORKS, INC.

By: /s/ Paul Parrish  
Name: Paul Parrish  
Title: CFO

LENDER

DELL USA L.P.

By: /s/ Robert Potts  
Name: Robert Potts  
Title: Senior Vice President, Assistant Secretary

[FORM OF NOTICE OF BORROWING] NOTICE OF BORROWING

—, —

Dell USA L.P.  
c/o Dell Inc.  
One Dell Way  
Round Rock, Texas 78682 Attention of: [●]

Ladies and Gentlemen:

The undersigned refers to the Third Amended and Restated Revolving Credit Agreement, dated as of \_\_\_\_\_ [●], 2020 (as amended, supplemented or otherwise modified, the “Credit Agreement”), by and between the undersigned and you. Capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement. The undersigned hereby gives you notice, irrevocably, pursuant to Section 2.2 of the Credit Agreement, that the undersigned hereby wishes to make a Borrowing, and in that connection sets forth below the information relating to such Borrowing:

- (i) The Business Day of the requested Borrowing is \_\_, \_\_.
- (ii) The amount of the requested Borrowing is \$ \_\_.
- (iii) The proceeds of the Loan constituting the requested Borrowing are to be remitted to: *[specify account information]*.

The undersigned hereby certifies that the conditions precedent set forth in clauses (a) and (b) of Section 6.2 of the Credit Agreement have been fulfilled as of the date hereof, and that the representations and warranties set forth in Section 7 thereof are true in all respects on the date hereof and will be true in all respects as of the date of the requested Borrowing with the same force and effect as if made on and as of each such date (unless expressly stated to relate to an earlier date, in which case such representations and warranties shall be true in all respects as of such earlier date).

Very truly yours, SECUREWORKS, INC.

ByName:

Title:

SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK UNIT AGREEMENT  
EXECUTIVE FORM  
COVER SHEET

SecureWorks Corp., a Delaware corporation (the “Company”), hereby grants restricted stock units (the “RSUs”) relating to shares of the Company’s Class A common stock, par value \$0.01 per share (the “Stock”), to the Grantee named below, subject to the vesting conditions set forth below. Additional terms and conditions of the RSUs are set forth on this cover sheet and in the attached Restricted Stock Unit Agreement (together, the “Agreement”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “Plan”).

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Number of Shares of Stock Covered by the RSUs: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined below) on each applicable vesting date, the RSUs shall vest in [ ] equal annual installments on each of the [ ] anniversaries of the Grant Date.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Time, five (5) business days prior to the first vesting date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Company: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachment

*This is not a stock certificate or a negotiable instrument.*

**SECUREWORKS CORP.**  
**2016 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK UNIT AGREEMENT**  
**EXCECUTIVE FORM**

- Restricted Stock Units** This Agreement evidences an award of RSUs in the number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.
- Transferability** Your RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the RSUs be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your RSUs.
- Vesting** Your RSUs shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on each applicable vesting date.
- The determination of the number of RSUs that may vest on each applicable vesting date shall be subject to the rounding convention approved by the Committee (or its designee), which convention may rely on rounding down fractional shares.
- You may not vest in more than the number of shares of Stock covered by your RSUs, as set forth on the cover sheet of this Agreement.
- Notwithstanding your vesting schedule, the RSUs shall become 100% vested upon your termination of Service due to your death or Disability. Subject to the Change in Control provisions of this Agreement, no additional portion of your RSUs shall vest after your Service has terminated for any other reason.
- Notwithstanding the Plan definitions of “Service” and “Service Provider,” for purposes of this Agreement, “Service” shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary. The Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary. Subject to the preceding sentence, any determination by the Committee whether a termination of Service shall have occurred for purposes of the Plan shall be final, binding, and conclusive. If the Grantee’s employment or other Service relationship is with a Subsidiary and the applicable entity ceases to be a Subsidiary, a termination of Service shall be deemed to have occurred when such entity ceases to be a Subsidiary, unless the Grantee transfers his or her employment or other Service relationship to the Company or any other Subsidiary.
- Leaves of Absence** For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by Applicable Laws. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.
- Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.
- Change in Control** Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control, if assumed or substituted for, the RSUs shall become 100% vested upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

**“Involuntary Termination”** means termination of your Service by reason of (i) your involuntary dismissal by the Company, a Subsidiary, or their successors for reasons other than Cause; or (ii) your voluntary resignation for “good reason” as defined in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or if none, then your voluntary resignation following the occurrence, without your written consent, of one or more of the following: (x) a material reduction in your base salary, target annual or long-term incentive compensation (whether payable in cash or otherwise), or health and welfare benefits, unless such reduction is part of an across-the-board reduction for all employees who are in the same salary grade as you as of the time of such reduction, (y) your demotion of more than one job grade, or (z) relocation of your principal work location to a location more than fifty (50) miles from the work location to which you are currently assigned. For a voluntary resignation to qualify as for “good reason,” you must provide written notice to the Company or its successor of any of the foregoing occurrences within ninety (90) days of the initial occurrence; the Company must fail to remedy such occurrence within the thirty (30)-day cure period following the date of such written notice; and you must resign within sixty (60) days after the Company’s cure period has ended.

**Forfeiture of Unvested RSUs** Unless the termination of your Service triggers accelerated vesting or other treatment of your RSUs pursuant to the terms of this Agreement, the Plan, a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested RSUs in the event your Service terminates for any reason.

**Forfeiture of Rights** You understand and agree that if the Company, acting through the Committee, determines that you engaged in Conduct Detrimental to the Company during your Service or during the twelve (12)-month period following the termination of your Service, (i) your unvested RSUs shall immediately and automatically expire; and (ii) if you have vested in any RSUs during the twenty-four (24)-month period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice of the foregoing determination from the Company, the amount will be the proceeds received from any and all sales of those shares of Stock, and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive such notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the shares or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion). You understand and agree that the forfeiture and/or repayment under this Agreement is separate from and does not preclude the Company from seeking relief based on your conduct that constitutes Conduct Detrimental to the Company.

For purposes of this provision, **“Conduct Detrimental to the Company”** means:

- (i) You engage in serious misconduct, whether or not such serious misconduct is discovered by the Company prior to the termination of your Service;
- (ii) You breach your obligations to the Company or an Affiliate under any of your written agreements with the Company or an Affiliate; or
- (iii) You engage in Conflicting Activities (as defined below).



For purposes of this Agreement, “**Conflicting Activities**” means, without advance, express, written consent of the Company’s Chief Legal and Administrative Officer:

- (i) You are or become a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than 5% of the outstanding shares or other equity interests of a publicly traded company) of a Direct Competitor (as defined below);
- (ii) You are or become a partner or joint venturer in any business or other enterprise or undertaking with a Direct Competitor;
- (iii) You work or perform services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an Affiliate materially conducts business, if your services are similar in any material way to the services you performed for the Company or an Affiliate in the twelve (12) months preceding the termination of your Service;
- (iv) Except for communications made on behalf of the Company or an Affiliate in the scope of your Service, you advise, assist, attempt to influence or otherwise induce or persuade (or assist any other person in advertising, attempting to influence or otherwise induce or persuade) any person employed by the Company or an Affiliate to end such employment with the Company or an Affiliate; or
- (v) You solicit, divert, take away, or attempt to solicit, divert or take away, directly or by assistance of others, any business from the clients or customers of the Company or an Affiliate, including actively sought clients or customers, with whom you have or have had material contact during your Service for purposes of providing products or services that are competitive with those provided by the Company or an Affiliate.

For purposes of this Agreement, the term “**Direct Competitor**” means any entity or other business concern that offers or plans to offer products or services that are materially competitive with any of the products or services being manufactured, offered, marketed, or actively developed by the Company or an Affiliate as of the date your Service ends. By way of illustration, and not by limitation, the following companies are Direct Competitors: Symantec, IBM, Verizon, Accenture, FireEye, Splunk, Cisco, NTT, CrowdStrike, and Rapid7. You understand and agree that the foregoing list of Direct Competitors represents only an illustrative list of the Company’s Direct Competitors as of the date of execution of this Agreement, that other entities are Direct Competitors as of the date of this Agreement, and that other entities may become Direct Competitors in the future.

You understand and agree that neither this provision nor any other provision of this Agreement prohibits you from engaging in Conflicting Activities but only requires the forfeiture and/or repayment as set forth herein if you engage in Conflicting Activities. If you desire to engage in Conflicting Activities, you agree to seek written consent from the Company’s Chief Legal and Administrative Officer prior to engaging in the Conflicting Activities. If you enter into any business, employment, or service relationship during your Service or within the twelve (12) months following the termination of your Service, you agree to provide the Company sufficient information regarding the relationship to enable the Company to determine whether that relationship constitutes Conflicting Activities. You agree to provide such information within five (5) business days after entering into the business, employment, or service relationship.

#### **Delivery**

Delivery of the shares of Stock represented by your vested RSUs shall be made as soon as practicable after the date on which your RSUs vest and, in any event, by no later than March 15th of the calendar year after your RSUs vest.

- Evidence of Issuance** The issuance of the shares of Stock with respect to the RSUs shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book-entry registration or (ii) issuance of one or more share certificates.
- Withholding** You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the RSUs or the issuance of shares of Stock with respect to the RSUs. In the event that the Company or a Subsidiary determines that any federal, state, local, or foreign tax or withholding payment is required relating to the RSUs or the issuance of shares of Stock with respect to the RSUs, the Company or a Subsidiary shall have the right to (i) require you to tender a cash payment, (ii) deduct the tax or withholding payment from payments of any kind otherwise due to you, (iii) permit or require you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”), whereby you irrevocably elect to sell a portion of the shares of Stock to be delivered in connection with the RSUs to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or a Subsidiary, or (iv) withhold the delivery of vested shares of Stock otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Stock so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by Applicable Laws.
- You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.
- Trading Restrictions** If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “**Restricted Period**”) on the date a distribution would otherwise be made pursuant to this Agreement, such distribution shall instead be made as of the earlier of (i) the first date you are not subject to any such policy or restriction and (ii) the later of (A) the last day of the calendar year in which such distribution would otherwise have been made, and (B) a date that is immediately prior to the expiration of two and one-half months following the date such distribution would otherwise have been made hereunder. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including Restricted Periods generally applicable to employees or groups of employees or Restricted Periods applicable to you during an investigation of allegations of misconduct or Conduct Detrimental to the Company by you.
- Stockholder Rights** You have no rights as a stockholder with respect to the RSUs unless and until shares of Stock relating to the RSUs have been issued to you and either a certificate evidencing your Stock has been issued or an appropriate entry has been made on the Company’s books. No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan. You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway NE, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:
- Stock Option Administration  
SecureWorks Corp.  
One Concourse Parkway NE, Suite 500  
Atlanta, GA 30328  
+1 877 838 7947  
Stock\_Option\_Administrator@SecureWorks.com

<b>No Right to Continued Employment or Other Service</b>	This Agreement and the RSUs evidenced by this Agreement do not give you the right to expectation of employment or other Service by, or to continue in the employment or other Service of, the Company or a Subsidiary. Unless otherwise specified in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, the Company or a Subsidiary, as applicable, reserves the right to terminate your employment or other Service relationship with the Company or a Subsidiary at any time and for any reason.
<b>Corporate Activity</b>	Your RSUs shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.
<b>Clawback</b>	<p>The RSUs are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company "clawback" or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.</p> <p>If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under Applicable Laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of the RSUs earned or accrued during the twelve (12)-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.</p>
<b>Governing Law &amp; Venue</b>	<p>You understand and agree that the Company is a Delaware corporation with global operations and that your RSUs may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.</p> <p>The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).</p>
<b>Compliance with Foreign Exchange Laws</b>	Local foreign exchange laws may affect your RSUs or the vesting of your RSUs. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant or vesting of the RSUs.

**The Plan** The text of the Plan is incorporated into this Agreement by reference.

***Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the RSUs. Any prior agreements, commitments, or negotiations concerning the RSUs are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Disclaimer of Rights** The grant of RSUs under this Agreement will in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to you. You will have no rights under this Agreement or the Plan other than those of a general unsecured creditor of the Company. RSUs represent unfunded and unsecured obligations of the Company, subject to the terms and conditions of the Plan and this Agreement.

**Data Privacy** As a condition of the grant of the RSUs, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested (“**Data**”). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You understand that these recipients may be located in the European Economic Area or elsewhere, such as the United States. You authorize them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.

**Notice Delivery** By accepting the RSUs, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its employees.

**Code Section 409A**

The grant of RSUs under this Agreement is intended to comply with the short-term deferral exemption from Code Section 409A (“**Section 409A**”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

To the extent that the RSUs constitute “deferred compensation” under Section 409A, a termination of Service occurs only upon an event that would be a Separation from Service within the meaning of Section 409A. If, at the time of your Separation from Service, (i) you are a “specified employee” within the meaning of Section 409A, and (ii) the Company makes a good faith determination that an amount payable on account of your Separation from Service constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A to avoid taxes or penalties under Section 409A (the “**Delay Period**”), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after the Delay Period (or upon your death, if earlier), without interest. Each installment of RSUs that vest under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Plan.***

SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK AGREEMENT  
COVER SHEET

SecureWorks Corp., a Delaware corporation (the “**Company**”), hereby grants restricted shares of the Company’s Class A common stock, par value \$0.01 per share (the “**Stock**”), to the Grantee named below, subject to the vesting conditions set forth below (the “**Restricted Stock**”), for consideration received. Additional terms and conditions of the Restricted Stock are set forth on this cover sheet and in the attached Restricted Stock Agreement (together, the “**Agreement**”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “**Plan**”).

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Number of Shares of Restricted Stock: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined below) on each applicable vesting date, the shares of Restricted Stock shall vest in [ ] equal annual installments on each of the [ ] anniversaries of the Grant Date.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Time, five (5) business days prior to the first vesting date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_  
(Signature)

Date: \_\_\_\_\_

Company: \_\_\_\_\_  
(Signature)

Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachment

*This is not a stock certificate or a negotiable instrument.*

**SECUREWORKS CORP.**  
**2016 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK AGREEMENT**

**Restricted Stock**

This Agreement evidences an award of shares of Restricted Stock in the number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.

**Transferability**

Your shares of Restricted Stock may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the shares of Restricted Stock be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your shares of Restricted Stock.

**Vesting**

Your shares of Restricted Stock shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on each applicable vesting date. You may not vest in more than the number of shares of Stock covered by your Restricted Stock, as set forth on the cover sheet of this Agreement.

The determination of the number of shares of Restricted Stock that may vest on each applicable vesting date shall be subject to the rounding convention approved by the Committee (or its designee), which convention may rely on rounding down fractional shares.

Notwithstanding your vesting schedule, the shares of Restricted Stock shall become 100% vested upon your termination of Service due to your death or Disability. Subject to the Change in Control provisions of this Agreement, no additional portion of your shares of Restricted Stock shall vest after your Service has terminated for any other reason.

Notwithstanding the Plan definitions of "Service" and "Service Provider," for purposes of this Agreement, "Service" shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary. The Grantee's change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary. Subject to the preceding sentence, any determination by the Committee whether a termination of Service shall have occurred for purposes of the Plan shall be final, binding, and conclusive. If the Grantee's employment or other Service relationship is with a Subsidiary and the applicable entity ceases to be a Subsidiary, a termination of Service shall be deemed to have occurred when such entity ceases to be a Subsidiary, unless the Grantee transfers his or her employment or other Service relationship to the Company or any other Subsidiary.

**Leaves of Absence**

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by Applicable Laws. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

**Change in Control**

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control, if assumed or substituted for, the shares of Restricted Stock shall become 100% vested upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

“**Involuntary Termination**” means termination of your Service by reason of (i) your involuntary dismissal by the Company, a Subsidiary, or their successors for reasons other than Cause; or (ii) your voluntary resignation for “good reason” as defined in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or if none, then your voluntary resignation following the occurrence, without your written consent, of one or more of the following: (x) a material reduction in your base salary, target annual or long-term incentive compensation (whether payable in cash or otherwise), or health and welfare benefits, unless such reduction is part of an across-the-board reduction for all employees who are in the same salary grade as you as of the time of such reduction, (y) your demotion of more than one job grade, or (z) relocation of your principal work location to a location more than fifty (50) miles from the work location to which you are currently assigned. For a voluntary resignation to qualify as for “good reason,” you must provide written notice to the Company or its successor of any of the foregoing occurrences within ninety (90) days of the initial occurrence; the Company must fail to remedy such occurrence within the thirty (30)-day cure period following the date of such written notice; and you must resign within sixty (60) days after the Company’s cure period has ended.

**Forfeiture of Unvested Shares of Restricted Stock**

Unless the termination of your Service triggers accelerated vesting or other treatment of your shares of Restricted Stock pursuant to the terms of this Agreement, the Plan, a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested shares of Restricted Stock in the event your Service terminates for any reason.

**Forfeiture of Rights**

You understand and agree that if the Company, acting through the Committee, determines that you engaged in Conduct Detrimental to the Company during your Service or during the twelve (12)-month period following the termination of your Service, (i) your unvested shares of Restricted Stock shall immediately and automatically expire; and (ii) if you have vested in any shares of Stock during the twenty-four (24)-month period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice of the foregoing determination from the Company, the amount will be the proceeds received from any and all sales of those shares of Stock, and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive such notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the shares or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion). You understand and agree that the forfeiture and/or repayment under this Agreement is separate from and does not preclude the Company from seeking relief based on your conduct that constitutes Conduct Detrimental to the Company.

For purposes of this provision, “**Conduct Detrimental to the Company**” means:

- (i) You engage in serious misconduct, whether or not such serious misconduct is discovered by the Company prior to the termination of your Service;
- (ii) You breach your obligations to the Company or an Affiliate under any of your written agreements with the Company or an Affiliate; or
- (iii) You engage in Conflicting Activities (as defined below).



For purposes of this Agreement, “**Conflicting Activities**” means, without advance, express, written consent of the Company’s Chief Legal and Administrative Officer:

- (i) You are or become a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than 5% of the outstanding shares or other equity interests of a publicly traded company) of a Direct Competitor (as defined below);
- (ii) You are or become a partner or joint venturer in any business or other enterprise or undertaking with a Direct Competitor;
- (iii) You work or perform services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an Affiliate materially conducts business, if your services are similar in any material way to the services you performed for the Company or an Affiliate in the twelve (12) months preceding the termination of your Service;
- (iv) Except for communications made on behalf of the Company or an Affiliate in the scope of your Service, you advise, assist, attempt to influence or otherwise induce or persuade (or assist any other person in advertising, attempting to influence or otherwise induce or persuade) any person employed by the Company or an Affiliate to end such employment with the Company or an Affiliate; or
- (v) You solicit, divert, take away, or attempt to solicit, divert or take away, directly or by assistance of others, any business from the clients or customers of the Company or an Affiliate, including actively sought clients or customers, with whom you have or have had material contact during your Service for purposes of providing products or services that are competitive with those provided by the Company or an Affiliate.

For purposes of this Agreement, the term “**Direct Competitor**” means any entity or other business concern that offers or plans to offer products or services that are materially competitive with any of the products or services being manufactured, offered, marketed, or actively developed by the Company or an Affiliate as of the date your Service ends. By way of illustration, and not by limitation, the following companies are Direct Competitors: Symantec, IBM, Verizon, Accenture, FireEye, Splunk, Cisco, NTT, CrowdStrike, and Rapid7. You understand and agree that the foregoing list of Direct Competitors represents only an illustrative list of the Company’s Direct Competitors as of the date of execution of this Agreement, that other entities are Direct Competitors as of the date of this Agreement, and that other entities may become Direct Competitors in the future.

You understand and agree that neither this provision nor any other provision of this Agreement prohibits you from engaging in Conflicting Activities but only requires the forfeiture and/or repayment as set forth herein if you engage in Conflicting Activities. If you desire to engage in Conflicting Activities, you agree to seek written consent from the Company’s Chief Legal and Administrative Officer prior to engaging in the Conflicting Activities. If you enter into any business, employment, or service relationship during your Service or within the twelve (12) months following the termination of your Service, you agree to provide the Company sufficient information regarding the relationship to enable the Company to determine whether that relationship constitutes Conflicting Activities. You agree to provide such information within five (5) business days after entering into the business, employment, or service relationship.

**Evidence of Issuance**

The Company will issue your shares of Restricted Stock in the name set forth on the cover sheet. The issuance of the shares of Stock with respect to the Restricted Stock shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book entry registration or (ii) issuance of one or more share certificates, with any unvested shares of Restricted Stock bearing the appropriate restrictions imposed by this Agreement and the Plan. As your interest in the shares of Restricted Stock vests, the recordation of the number of shares of Restricted Stock attributable to you will be appropriately modified if necessary.

**Legends**

If and to the extent that the shares of Restricted Stock are represented by share certificates rather than book entry, all certificates representing the shares of Restricted Stock issued under this Agreement shall, where applicable, have endorsed thereon the following legends:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING, FORFEITURE, AND OTHER RESTRICTIONS ON TRANSFER SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.”

To the extent the shares of Restricted Stock are represented by a book entry, such book entry will contain an appropriate legend or restriction similar to the foregoing.

**Code Section 83(b)  
Election**

Under Code Section 83, the difference between the Purchase Price paid for the shares of Restricted Stock and their Fair Market Value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. For this purpose, “**forfeiture restrictions**” include the forfeiture as to unvested shares of Restricted Stock described above. You may elect to be taxed at the time the shares of Restricted Stock are acquired, rather than when such shares cease to be subject to such forfeiture restrictions, by filing an election under Code Section 83(b) with the Internal Revenue Service within thirty (30) days after the Grant Date. You will have to make a tax payment to the extent the Purchase Price is less than the Fair Market Value of the shares on the Grant Date. No tax payment will have to be made to the extent the Purchase Price is at least equal to the Fair Market Value of the shares on the Grant Date. The form for making this election is attached as **Exhibit A** hereto. Failure to make this filing within the thirty (30)-day period will result in the recognition of ordinary income by you (in the event the Fair Market Value of the shares as of the vesting date exceeds the Purchase Price) as the forfeiture restrictions lapse.

**YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY’S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(b), EVEN IF YOU REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY CODE SECTION 83(b) ELECTION.**

**Withholding**

You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the receipt or vesting of the shares of Restricted Stock, the receipt of dividends on the shares of Restricted Stock, or otherwise with respect to the shares of Restricted Stock. In the event that the Company or a Subsidiary determines that any federal, state, local, or foreign tax or withholding payment is required relating to the receipt or vesting of the shares of Restricted Stock, the receipt of dividends on the shares of Restricted Stock, or otherwise with respect to the shares of Restricted Stock, the Company or a Subsidiary shall have the right to (i) require you to tender a cash payment, (ii) deduct the tax or withholding payment from payments of any kind otherwise due to you, (iii) permit or require you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”) whereby you irrevocably elect to sell a portion of the shares of Stock to be delivered in connection with the shares of Restricted Stock to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or a Subsidiary, or (iv) withhold the delivery of vested shares of Stock otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Stock so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by Applicable Laws.

You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.

**Trading Restrictions**

If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “**Restricted Period**”) on an applicable vesting date under this Agreement, any vesting scheduled to occur on such date shall occur instead on the first subsequent date on which you are not subject to any such policy or restriction. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including Restricted Periods generally applicable to employees or groups of employees or Restricted Periods applicable to you during an investigation of allegations of misconduct or Conduct Detrimental to the Company by you.

**Stockholder Rights**

You have the right to vote the shares of Restricted Stock and to receive any dividends declared or paid on such shares. Any stock distributions you receive with respect to unvested shares of Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be deemed to be a part of the Restricted Stock and subject to the same conditions and restrictions applicable thereto. Any cash dividends paid on unvested shares of Restricted Stock you hold on the record date for such dividend shall be paid to the Company and subject to the same conditions and restrictions applicable to your unvested shares of Restricted Stock; provided that, within thirty (30) days after the date on which the applicable shares of Restricted Stock vest in accordance with the terms of this Agreement, such dividend shall be paid to you, without interest. You will immediately and automatically forfeit such dividends to the extent that you forfeit the corresponding unvested shares of Restricted Stock. No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan. You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway NE, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:

Stock Option Administration  
SecureWorks Corp.  
One Concourse Parkway NE, Suite 500  
Atlanta, GA 30328  
+1 877 838 7947  
Stock\_Option\_Administrator@SecureWorks.com

**No Right to Continued Employment or Other Service**

This Agreement and the shares of Restricted Stock evidenced by this Agreement do not give you the right to expectation of employment or other Service by, or to continue in the employment or other Service of, the Company or a Subsidiary. Unless otherwise specified in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, the Company or a Subsidiary, as applicable, reserves the right to terminate your employment or other Service relationship with the Company or a Subsidiary at any time and for any reason.

**Corporate Activity**

Your shares of Restricted Stock shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.

**Clawback**

The shares of Restricted Stock are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company "clawback" or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under Applicable Laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of the Restricted Stock earned or accrued during the twelve (12)-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Governing Law & Venue** You understand and agree that the Company is a Delaware corporation with global operations and that your shares of Restricted Stock may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).

**Compliance with Foreign Exchange Laws** Local foreign exchange laws may affect your shares of Restricted Stock or the vesting of your shares of Restricted Stock. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant of, vesting of, or otherwise related to the shares of Restricted Stock.

**The Plan** The text of the Plan is incorporated into this Agreement by reference.

***Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the shares of Restricted Stock. Any prior agreements, commitments, or negotiations concerning the shares of Restricted Stock are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Data Privacy**

By accepting the shares of Restricted Stock, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested (“**Data**”). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You understand that these recipients may be located in the European Economic Area or elsewhere, such as the United States. You authorize them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.

**Notice Delivery**

By accepting the shares of Restricted Stock, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its employees.

**Code Section 409A**

The grant of shares of Restricted Stock under this Agreement is intended to comply with the “restricted property” exemption from Code Section 409A (“**Section 409A**”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Plan.***

**Exhibit A**  
**ELECTION UNDER SECTION 83(b) OF**  
**THE INTERNAL REVENUE CODE**

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address, and social security number of the undersigned taxpayer:

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Social Security Number: \_\_\_\_\_

2. Description of property with respect to which the election is being made:

\_\_\_\_\_ shares of Class A common stock, par value \$0.01 per share, of SecureWorks Corp., a Delaware corporation  
(the "**Company**").

3. The date on which the property was transferred is: \_\_\_\_\_, 20\_\_.

4. The taxable year to which this election relates is calendar year: 20\_\_.

5. Nature of restrictions to which the property is subject:

The shares of common stock are subject to the provisions of a Restricted Stock Agreement between the undersigned taxpayer and the Company. The shares of common stock are subject to forfeiture under the terms of the Restricted Stock Agreement.

6. The fair market value of the property at the time of transfer (determined without regard to any lapse restriction) was: \$\_\_\_\_\_ per share, for a total of \$\_\_\_\_\_.

7. The amount paid by taxpayer for the property was: \$\_\_\_\_\_.

8. A copy of this statement has been furnished to the Company.

Dated: \_\_\_\_\_, 20\_\_

Print Name: \_\_\_\_\_

**PROCEDURES FOR MAKING ELECTION  
UNDER INTERNAL REVENUE CODE SECTION 83(b)**

The following procedures must be followed with respect to the attached form for making an election under Internal Revenue Code section 83(b) in order for the election to be effective:

1. You must file one copy of the completed election form with the IRS Service Center where you file your federal income tax returns within thirty (30) days after the Grant Date of your Restricted Stock.
2. At the same time you file the election form with the IRS, you must also give a copy of the election form to the Stock Plan Administrator of the Company.



SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
PERFORMANCE STOCK UNIT AGREEMENT  
EXECUTIVE FORM  
COVER SHEET

SecureWorks Corp., a Delaware corporation (the “Company”), hereby grants performance stock units (the “PSUs”) relating to shares of the Company’s Class A common stock, par value \$0.01 per share (the “Stock”), to the Grantee named below, subject to the vesting conditions set forth below. Additional terms and conditions of the PSUs are set forth on this cover sheet and in the attached Performance Stock Unit Agreement (together with all exhibits, the “Agreement”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “Plan”).

Grant Date: \_\_\_\_\_

Name of Grantee: \_\_\_\_\_

Target Number of Shares of Stock Covered by the PSUs: \_\_\_\_\_

Performance Period: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined below) on each applicable vesting date, your Earned PSUs, if any, shall vest in [ ] equal annual installments on each of [ ] (each, a “Vesting Date”). Notwithstanding the preceding, if the Certification Date follows the first (1<sup>st</sup>) anniversary of the Grant Date and if you are in Service on the first (1<sup>st</sup>) anniversary of the Grant Date, you shall be treated as in Service on the Certification Date for purposes of determining your Earned PSUs, if any, and the level of your vesting in any such Earned PSUs.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Time, five (5) business days prior to the first Vesting Date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Company: \_\_\_\_\_ Date: \_\_\_\_\_  
(Signature)

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachment  
This is not a stock certificate or a negotiable instrument.

**Performance Stock Units** This Agreement evidences an award of PSUs in the target number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.

The number of PSUs, if any, that may be earned pursuant to the terms of this Agreement (the “**Earned PSUs**”) will be calculated based on the attainment, as determined by the Committee, of the performance goals described in **Exhibit A** to this Agreement (the “**Performance Goals**”) over the Performance Period set forth on the cover sheet, which number of Earned PSUs may be equal to all or a portion, including none, of the Maximum Number of PSUs set forth in **Exhibit A**. If the Performance Goals are not achieved during the Performance Period, you will forfeit all of your PSUs as of the end of the Performance Period, except as otherwise provided in this Agreement.

Promptly following the completion of the Performance Period, and no later than seventy-five (75) days following the end of the Performance Period (the date of such certification, the “**Certification Date**”), the Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved and (ii) the number of PSUs that will become Earned PSUs. Such certification will be final, conclusive, and binding. Notwithstanding the foregoing or anything in this Agreement to the contrary, the Committee reserves the right to adjust the number of Earned PSUs based on the achievement of the Performance Goals downward, including to zero, in its sole discretion.

You will forfeit to the Company all of the PSUs to the extent the specified Performance Goals have not been achieved, and the number of PSUs that will become Earned PSUs are also subject to downward adjustment irrespective of the satisfaction of Performance Goals, in each case as determined by the Committee, effective as of the Certification Date.

You will forfeit to the Company all of the PSUs if your service (as defined herein) terminates for any reasons prior to the last day of the Performance Period.

Notwithstanding the Plan definitions of “Service” and “Service Provider,” for purposes of this Agreement, “Service” shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary. The Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary. Subject to the preceding sentence, any determination by the Committee whether a termination of Service shall have occurred for purposes of the Plan shall be final, binding, and conclusive. If the Grantee’s employment or other Service relationship is with a Subsidiary and the applicable entity ceases to be a Subsidiary, a termination of Service shall be deemed to have occurred when such entity ceases to be a Subsidiary, unless the Grantee transfers his or her employment or other Service relationship to the Company or any other Subsidiary.

**Transferability of PSUs** Your PSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the PSUs be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your PSUs.

**Vesting of Earned PSUs** Your Earned PSUs, if any, shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on each applicable Vesting Date. You may not vest in more than the number of shares of Stock covered by your Earned PSUs, and the number of Earned PSUs may not exceed [ ]% of your Target Number of PSUs as set forth on the cover sheet of this Agreement.

The determination of the number of Earned PSUs that may vest on each applicable Vesting Date shall be subject to the rounding convention approved by the Committee (or its designee), which convention may rely on rounding down fractional shares.

Notwithstanding your vesting schedule, the Earned PSUs, if any, shall become 100% vested upon your termination of Service on or following the last day of the Performance Period due to your death or Disability. Subject to the Change in Control provisions of this Agreement, no additional portion of your PSUs (or Earned PSUs) shall vest after your Service has terminated for any other reason.

**Leaves of Absence** For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by Applicable Laws. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

**Change in Control** Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control prior to the Certification Date, if assumed or substituted for, the PSUs shall become (i) earned based upon the greater of (A) deemed attainment of the Performance Goals at target or (B) actual attainment of the Performance Goals as of the Change in Control and (ii) 100% vested, in each case upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control on or following the Certification Date, if assumed or substituted for, the Earned PSUs shall become 100% vested upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

“**Involuntary Termination**” means termination of your Service by reason of (i) your involuntary dismissal by the Company, a Subsidiary, or their successors for reasons other than Cause; or (ii) your voluntary resignation for “good reason” as defined in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or if none, then your voluntary resignation following the occurrence, without your written consent, of one or more of the following: (x) a material reduction in your base salary, target annual or long-term incentive compensation (whether payable in cash or otherwise), or health and welfare benefits, unless such reduction is part of an across-the-board reduction for all employees who are in the same salary grade as you as of the time of such reduction, (y) your demotion of more than one job grade, or (z) relocation of your principal work location to a location more than fifty (50) miles from the work location to which you are currently assigned. For a voluntary resignation to qualify as for “good reason,” you must provide written notice to the Company or its successor of any of the foregoing occurrences within ninety (90) days of the initial occurrence; the Company must fail to remedy such occurrence within the thirty (30)-day cure period following the date of such written notice; and you must resign within sixty (60) days after the Company’s cure period has ended.

**Forfeiture of Unvested Earned PSUs**

Unless the termination of your Service triggers accelerated vesting or other treatment of your Earned PSUs pursuant to the terms of this Agreement, the Plan, a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested Earned PSUs in the event your Service terminates for any reason.

**Forfeiture of Rights**

You understand and agree that if the Company, acting through the Committee, determines that you engaged in Conduct Detrimental to the Company during your Service or during the twelve (12)-month period following the termination of your Service, (i) your unvested PSUs (including unvested Earned PSUs) shall immediately and automatically expire; and (ii) if you have vested in any Earned PSUs during the twenty-four (24)-month period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice of the foregoing determination from the Company, the amount will be the proceeds received from any and all sales of those shares of Stock, and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive such notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the shares or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion). You understand and agree that the forfeiture and/or repayment under this Agreement is separate from and does not preclude the Company from seeking relief based on your conduct that constitutes Conduct Detrimental to the Company.

For purposes of this provision, “**Conduct Detrimental to the Company**” means:

- (i) You engage in serious misconduct, whether or not such serious misconduct is discovered by the Company prior to the termination of your Service;
- (ii) You breach your obligations to the Company or an Affiliate under any of your written agreements with the Company or an Affiliate; or
- (iii) You engage in Conflicting Activities (as defined below).

For purposes of this Agreement, “**Conflicting Activities**” means, without advance, express, written consent of the Company’s Chief Legal and Administrative Officer:

- (i) You are or become a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than 5% of the outstanding shares or other equity interests of a publicly traded company) of a Direct Competitor (as defined below);
- (ii) You are or become a partner or joint venturer in any business or other enterprise or undertaking with a Direct Competitor;
- (iii) You work or perform services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an Affiliate materially conducts business, if your services are similar in any material way to the services you performed for the Company or an Affiliate in the twelve (12) months preceding the termination of your Service;
- (iv) Except for communications made on behalf of the Company or an Affiliate in the scope of your Service, you advise, assist, attempt to influence or otherwise induce or persuade (or assist any other person in advertising, attempting to influence or otherwise induce or persuade) any person employed by the Company or an Affiliate to end such employment with the Company or an Affiliate; or

- (v) You solicit, divert, take away, or attempt to solicit, divert or take away, directly or by assistance of others, any business from the clients or customers of the Company or an Affiliate, including actively sought clients or customers, with whom you have or have had material contact during your Service for purposes of providing products or services that are competitive with those provided by the Company or an Affiliate.

For purposes of this Agreement, the term “**Direct Competitor**” means any entity or other business concern that offers or plans to offer products or services that are materially competitive with any of the products or services being manufactured, offered, marketed, or actively developed by the Company or an Affiliate as of the date your Service ends. By way of illustration, and not by limitation, the following companies are Direct Competitors: Symantec, IBM, Verizon, Accenture, FireEye, Splunk, Cisco, NTT, CrowdStrike, and Rapid7. You understand and agree that the foregoing list of Direct Competitors represents only an illustrative list of the Company’s Direct Competitors as of the date of execution of this Agreement, that other entities are Direct Competitors as of the date of this Agreement, and that other entities may become Direct Competitors in the future.

You understand and agree that neither this provision nor any other provision of this Agreement prohibits you from engaging in Conflicting Activities but only requires the forfeiture and/or repayment as set forth herein if you engage in Conflicting Activities. If you desire to engage in Conflicting Activities, you agree to seek written consent from the Company’s Chief Legal and Administrative Officer prior to engaging in the Conflicting Activities. If you enter into any business, employment, or service relationship during your Service or within the twelve (12) months following the termination of your Service, you agree to provide the Company sufficient information regarding the relationship to enable the Company to determine whether that relationship constitutes Conflicting Activities. You agree to provide such information within five (5) business days after entering into the business, employment, or service relationship.

**Delivery** Delivery of the shares of Stock represented by your vested Earned PSUs shall be made as soon as practicable after the date on which your Earned PSUs vest and, in any event, by no later than March 15th of the calendar year after the applicable Vesting Date.

**Evidence of Issuance** The issuance of the shares of Stock with respect to the vested Earned PSUs shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book-entry registration or (ii) issuance of one or more share certificates.

**Withholding** You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the PSUs or the issuance of shares of Stock with respect to the vested Earned PSUs. In the event that the Company or a Subsidiary determines that any federal, state, local, or foreign tax or withholding payment is required relating to the PSUs or the issuance of shares of Stock with respect to the vested Earned PSUs, the Company or a Subsidiary shall have the right to (i) require you to tender a cash payment, (ii) deduct the tax or withholding payment from payments of any kind otherwise due to you, (iii) permit or require you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”), whereby you irrevocably elect to sell a portion of the shares of Stock to be delivered in connection with the vested Earned PSUs to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or a Subsidiary, or (iv) withhold the delivery of vested shares of Stock otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Stock so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by Applicable Laws.

You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.

<b>Trading Restrictions</b>	If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “ <b>Restricted Period</b> ”) on the date a distribution would otherwise be made pursuant to this Agreement, such distribution shall instead be made as of the earlier of (i) the first date you are not subject to any such policy or restriction and (ii) the later of (A) the last day of the calendar year in which such distribution would otherwise have been made, and (B) a date that is immediately prior to the expiration of two and one-half months following the date such distribution would otherwise have been made hereunder. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including Restricted Periods generally applicable to employees or groups of employees or Restricted Periods applicable to you during an investigation of allegations of misconduct or Conduct Detrimental to the Company by you.
<b>Stockholder Rights</b>	<p>You have no rights as a stockholder with respect to the PSUs unless and until shares of Stock relating to the vested Earned PSUs have been issued to you and either a certificate evidencing your Stock has been issued or an appropriate entry has been made on the Company’s books. No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan. You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway NE, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:</p> <p style="margin-left: 40px;">Stock Option Administration SecureWorks Corp. One Concourse Parkway NE, Suite 500 Atlanta, GA 30328 +1 877 838 7947 Stock_Option_Administrator@SecureWorks.com</p>
<b>No Right to Continued Employment or Other Service</b>	This Agreement and the PSUs evidenced by this Agreement do not give you the right to expectation of employment or other Service by, or to continue in the employment or other Service of, the Company or a Subsidiary. Unless otherwise specified in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, the Company or a Subsidiary, as applicable, reserves the right to terminate your employment or other Service relationship with the Company or a Subsidiary at any time and for any reason.
<b>Corporate Activity</b>	Your PSUs shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.
<b>Clawback</b>	The PSUs are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company “clawback” or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under Applicable Laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of the vested Earned PSUs during the twelve (12)-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Governing Law & Venue** You understand and agree that the Company is a Delaware corporation with global operations and that your PSUs may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).

**Compliance with Foreign Exchange Laws** Local foreign exchange laws may affect your PSUs or the vesting of your Earned PSUs. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant or vesting of the PSUs.

**The Plan** The text of the Plan is incorporated into this Agreement by reference.

*Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.*

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the PSUs. Any prior agreements, commitments, or negotiations concerning the PSUs are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Disclaimer of Rights** The grant of PSUs under this Agreement will in no way be interpreted to require the Company to transfer any amounts to a third-party trustee or otherwise hold any amounts in trust or escrow for payment to you. You will have no rights under this Agreement or the Plan other than those of a general unsecured creditor of the Company. PSUs represent unfunded and unsecured obligations of the Company, subject to the terms and conditions of the Plan and this Agreement.

**Data Privacy**

As a condition of the grant of the PSUs, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested (“Data”). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You understand that these recipients may be located in the European Economic Area or elsewhere, such as the United States. You authorize them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering, and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.

**Notice Delivery**

By accepting the PSUs, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its employees.

**Code Section 409A**

The grant of PSUs under this Agreement is intended to comply with the short-term deferral exemption from Code Section 409A (“Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

To the extent that the PSUs constitute “deferred compensation” under Section 409A, a termination of Service occurs only upon an event that would be a Separation from Service within the meaning of Section 409A. If, at the time of your Separation from Service, (i) you are a “specified employee” within the meaning of Section 409A, and (ii) the Company makes a good faith determination that an amount payable on account of your Separation from Service constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A to avoid taxes or penalties under Section 409A (the “Delay Period”), then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it in a lump sum on the first business day after the Delay Period (or upon your death, if earlier), without interest. Each installment of PSUs that vests under this Agreement (if there is more than one installment) will be considered one of a series of separate payments for purposes of Section 409A.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Plan.***



**SECUREWORKS CORP.  
2016 LONG-TERM INCENTIVE PLAN  
PERFORMANCE-BASED RESTRICTED STOCK AGREEMENT  
COVER SHEET**

SecureWorks Corp., a Delaware corporation (the “**Company**”), hereby grants performance-based restricted shares of the Company’s Class A common stock, par value \$0.01 per share (the “**Stock**”), to the Grantee named below, subject to the vesting conditions set forth below (the “**Restricted Stock**”), for consideration received. Additional terms and conditions of the shares of Restricted Stock are set forth on this cover sheet and in the attached Performance-Based Restricted Stock Agreement (together with all exhibits, the “**Agreement**”) and in the SecureWorks Corp. 2016 Long-Term Incentive Plan (as amended from time to time, the “**Plan**”).

Grant Date: \_\_\_\_\_  
 Name of Grantee: \_\_\_\_\_  
 Target Number of Shares of Restricted Stock: \_\_\_\_\_  
 Performance Period: \_\_\_\_\_

Vesting Schedule: If you continue in Service (as defined below) on each applicable vesting date, your Earned Shares, if any, shall vest in [ ] equal annual installments on each of [ ] (each, a “**Vesting Date**”). Notwithstanding the preceding, if the Certification Date follows the first (1<sup>st</sup>) anniversary of the Grant Date and if you are in Service on the first (1<sup>st</sup>) anniversary of the Grant Date, you shall be treated as in Service on the Certification Date for purposes of determining your Earned Shares, if any, and the level of your vesting in any such Earned Shares.

*By your signature below or by your electronic acknowledgement of this Agreement, you agree to all of the terms and conditions described in the Agreement and in the Plan (if this is in paper form, a copy of the Plan is attached and if this is in electronic form, a copy of the Plan is available on this website). You acknowledge that you have carefully reviewed the Plan and agree that the Plan shall control in the event any provision of this Agreement should appear to be inconsistent with the Plan. You must accept your award no later than 4pm Eastern Time, five (5) business days prior to the first Vesting Date or your entire award will be cancelled.*

Grantee: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Signature)

Company: \_\_\_\_\_ Date: \_\_\_\_\_  
 (Signature)

Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

Attachment  
 This is not a stock certificate or a negotiable instrument.

**Performance-Based  
Restricted Stock**

This Agreement evidences an award of shares of Restricted Stock in the target number set forth on the cover sheet and subject to the terms and conditions set forth in the Agreement and the Plan.

The number of shares of Restricted Stock, if any, that may be earned pursuant to the terms of this Agreement (the “**Earned Shares**”) will be calculated based on the attainment, as determined by the Committee, of the performance goals described in **Exhibit A** to this Agreement (the “**Performance Goals**”) over the Performance Period set forth on the cover sheet, which number of Earned Shares may be equal to all or a portion, including none, of the Maximum Number of Earned Shares set forth in **Exhibit A**. If the number of Earned Shares exceeds the Target Number of Shares of Restricted Stock set forth on the cover sheet of this Agreement, you shall receive an additional grant of shares of Restricted Stock equal to such excess as of the Certification Date, which shares shall be treated as Earned Shares for purposes of this Agreement. If the Performance Goals are not achieved during the Performance Period, you will forfeit all of your shares of Restricted Stock as of the end of the Performance Period, except as otherwise provided in this Agreement.

Promptly following the completion of the Performance Period, and no later than seventy-five (75) days following the end of the Performance Period (the date of such certification, the “**Certification Date**”), the Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved and (ii) the number of shares of Restricted Stock that will become Earned Shares. Such certification will be final, conclusive, and binding. Notwithstanding the foregoing or anything in this Agreement to the contrary, the Committee reserves the right to adjust the number of Earned Shares based on the achievement of the Performance Goals downward, including to zero, in its sole discretion.

You will forfeit to the Company all of the shares of Restricted Stock to the extent the specified Performance Goals have not been achieved, and the number of shares of Restricted Stock that will become Earned Shares is also subject to downward adjustment irrespective of the satisfaction of Performance Goals, in each case as determined by the Committee, effective as of the Certification Date.

You will forfeit to the Company all of the shares of Restricted Stock if your Service (as defined in this Agreement) terminates for any reason prior to the last day of the Performance Period. .

**Transferability**

Your shares of Restricted Stock may not be sold, assigned, transferred, pledged, hypothecated, or otherwise encumbered, whether by operation of law or otherwise, nor may the shares of Restricted Stock be made subject to execution, attachment, or similar process. If you attempt to do any of these things, you will immediately and automatically forfeit your shares of Restricted Stock.

**Vesting**

Your Earned Shares, if any, shall vest in accordance with the vesting schedule set forth on the cover sheet of this Agreement, so long as you continue in Service (as defined in this Agreement) on each applicable Vesting Date. You may not vest in more than the number of shares of Stock covered by your Earned Shares, and the number of Earned Shares may not exceed [ ]% of your Target Number of Shares of Restricted Stock as set forth on the cover sheet of this Agreement.

The determination of the number of Earned Shares that may vest on each applicable Vesting Date shall be subject to the rounding convention approved by the Committee (or its designee), which convention may rely on rounding down fractional shares.

Notwithstanding your vesting schedule, the Earned Shares, if any, shall become 100% vested upon your termination of Service due to your death or Disability on or following the last day of the Performance Period. Subject to the Change in Control provisions of this Agreement, no additional portion of your shares of Restricted Stock (or Earned Shares) shall vest after your Service has terminated for any other reason.

Notwithstanding the Plan definitions of "Service" and "Service Provider," for purposes of this Agreement, "Service" shall mean service qualifying a Grantee as a Service Provider to the Company or a Subsidiary, but not to an Affiliate that is not a Subsidiary. The Grantee's change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or a Subsidiary. Subject to the preceding sentence, any determination by the Committee whether a termination of Service shall have occurred for purposes of the Plan shall be final, binding, and conclusive. If the Grantee's employment or other Service relationship is with a Subsidiary and the applicable entity ceases to be a Subsidiary, a termination of Service shall be deemed to have occurred when such entity ceases to be a Subsidiary, unless the Grantee transfers his or her employment or other Service relationship to the Company or any other Subsidiary.

**Leaves of Absence**

For purposes of this Agreement, your Service does not terminate when you go on a *bona fide* leave of absence that was approved by your employer in writing if the terms of the leave provide for continued Service crediting, or when continued Service crediting is required by Applicable Laws. Your Service terminates in any event when the approved leave ends unless you immediately return to active employee work.

Your employer may determine, in its discretion, which leaves count for this purpose and when your Service terminates for all purposes under the Plan in accordance with the provisions of the Plan. Notwithstanding the foregoing, the Company may determine, in its discretion, that a leave counts for this purpose even if your employer does not agree.

**Change in Control**

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control prior to the Certification Date, if assumed or substituted for, the shares of Restricted Stock shall become (i) earned based upon the greater of (A) deemed attainment of the Performance Goals at target or (B) actual attainment of the Performance Goals as of the Change in Control and (ii) 100% vested, in each case upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

Notwithstanding the vesting schedule set forth above, upon the consummation of a Change in Control on or following the Certification Date, if assumed or substituted for, the Earned Shares shall become 100% vested upon your Involuntary Termination within the twelve (12)-month period following the consummation of the Change in Control.

**“Involuntary Termination”** means termination of your Service by reason of (i) your involuntary dismissal by the Company, a Subsidiary, or their successors for reasons other than Cause; or (ii) your voluntary resignation for “good reason” as defined in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or if none, then your voluntary resignation following the occurrence, without your written consent, of one or more of the following: (x) a material reduction in your base salary, target annual or long-term incentive compensation (whether payable in cash or otherwise), or health and welfare benefits, unless such reduction is part of an across-the-board reduction for all employees who are in the same salary grade as you as of the time of such reduction, (y) your demotion of more than one job grade, or (z) relocation of your principal work location to a location more than fifty (50) miles from the work location to which you are currently assigned. For a voluntary resignation to qualify as for “good reason,” you must provide written notice to the Company or its successor of any of the foregoing occurrences within ninety (90) days of the initial occurrence; the Company must fail to remedy such occurrence within the thirty (30)-day cure period following the date of such written notice; and you must resign within sixty (60) days after the Company’s cure period has ended.

**Forfeiture of Unvested Earned Shares**

Unless the termination of your Service triggers accelerated vesting or other treatment of your Earned Shares pursuant to the terms of this Agreement, the Plan, a written employment or other written compensatory agreement between you and the Company or a Subsidiary, or a written compensatory program or policy of the Company or a Subsidiary otherwise applicable to you, you will immediately and automatically forfeit to the Company all of your unvested Earned Shares in the event your Service terminates for any reason.

## Forfeiture of Rights

You understand and agree that if the Company, acting through the Committee, determines that you engaged in Conduct Detrimental to the Company during your Service or during the twelve (12)-month period following the termination of your Service, (i) your unvested shares of Restricted Stock (including unvested Earned Shares) shall immediately and automatically expire; and (ii) if you have vested in any Earned Shares during the twenty-four (24)-month period prior to your actions, you will owe the Company a cash payment (or forfeiture of shares of Stock) in an amount determined as follows: (a) for any shares of Stock that you have sold prior to receiving notice of the foregoing determination from the Company, the amount will be the proceeds received from any and all sales of those shares of Stock, and (b) for any shares of Stock that you still own, the amount will be the number of shares of Stock owned times the Fair Market Value of the shares of Stock on the date you receive such notice from the Company (provided, that the Company may require you to satisfy your payment obligations hereunder either by forfeiting and returning to the Company the shares or any other shares of Stock or making a cash payment or a combination of these methods as determined by the Company in its sole discretion). You understand and agree that the forfeiture and/or repayment under this Agreement is separate from and does not preclude the Company from seeking relief based on your conduct that constitutes Conduct Detrimental to the Company.

For purposes of this provision, “**Conduct Detrimental to the Company**” means:

- (i) You engage in serious misconduct, whether or not such serious misconduct is discovered by the Company prior to the termination of your Service;
- (ii) You breach your obligations to the Company or an Affiliate under any of your written agreements with the Company or an Affiliate; or
- (iii) You engage in Conflicting Activities (as defined below).

For purposes of this Agreement, “**Conflicting Activities**” means, without advance, express, written consent of the Company’s Chief Legal and Administrative Officer:

- (i) You are or become a principal, owner, officer, director, shareholder, or other equity owner (other than a holder of less than 5% of the outstanding shares or other equity interests of a publicly traded company) of a Direct Competitor (as defined below);
- (ii) You are or become a partner or joint venturer in any business or other enterprise or undertaking with a Direct Competitor;
- (iii) You work or perform services (including contract, consulting, or advisory services) for a Direct Competitor in any geographic area where the Company or an Affiliate materially conducts business, if your services are similar in any material way to the services you performed for the Company or an Affiliate in the twelve (12) months preceding the termination of your Service;
- (iv) Except for communications made on behalf of the Company or an Affiliate in the scope of your Service, you advise, assist, attempt to influence or otherwise induce or persuade (or assist any other person in advertising, attempting to influence or otherwise induce or persuade) any person employed by the Company or an Affiliate to end such employment with the Company or an Affiliate; or

- (v) You solicit, divert, take away, or attempt to solicit, divert or take away, directly or by assistance of others, any business from the clients or customers of the Company or an Affiliate, including actively sought clients or customers, with whom you have or have had material contact during your Service for purposes of providing products or services that are competitive with those provided by the Company or an Affiliate.

For purposes of this Agreement, the term “**Direct Competitor**” means any entity or other business concern that offers or plans to offer products or services that are materially competitive with any of the products or services being manufactured, offered, marketed, or actively developed by the Company or an Affiliate as of the date your Service ends. By way of illustration, and not by limitation, the following companies are Direct Competitors: Symantec, IBM, Verizon, Accenture, FireEye, Splunk, Cisco, NTT, CrowdStrike, and Rapid7. You understand and agree that the foregoing list of Direct Competitors represents only an illustrative list of the Company’s Direct Competitors as of the date of execution of this Agreement, that other entities are Direct Competitors as of the date of this Agreement, and that other entities may become Direct Competitors in the future.

You understand and agree that neither this provision nor any other provision of this Agreement prohibits you from engaging in Conflicting Activities but only requires the forfeiture and/or repayment as set forth herein if you engage in Conflicting Activities. If you desire to engage in Conflicting Activities, you agree to seek written consent from the Company’s Chief Legal and Administrative Officer prior to engaging in the Conflicting Activities. If you enter into any business, employment, or service relationship during your Service or within the twelve (12) months following the termination of your Service, you agree to provide the Company sufficient information regarding the relationship to enable the Company to determine whether that relationship constitutes Conflicting Activities. You agree to provide such information within five (5) business days after entering into the business, employment, or service relationship.

#### **Evidence of Issuance**

The Company will issue your shares of Restricted Stock in the name set forth on the cover sheet. The issuance of the shares of Restricted Stock shall be evidenced in such a manner as the Company, in its discretion, deems appropriate, including, without limitation, by (i) book entry registration or (ii) issuance of one or more share certificates, with any unvested shares of Restricted Stock bearing the appropriate restrictions imposed by this Agreement and the Plan. As your interest in the Earned Shares, if any, vests, the recordation of the number of shares of Restricted Stock attributable to you will be appropriately modified if necessary.

#### **Legends**

If and to the extent that the shares of Restricted Stock are represented by share certificates rather than book entry, all certificates representing the shares of Restricted Stock issued under this Agreement shall, where applicable, have endorsed thereon the following legends:

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING, FORFEITURE, AND OTHER RESTRICTIONS ON TRANSFER SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.”

To the extent the shares of Restricted Stock are represented by a book entry, such book entry will contain an appropriate legend or restriction similar to the foregoing.

**Code Section 83(b)  
Election**

Under Code Section 83, the difference between the Purchase Price paid for the shares of Restricted Stock and their Fair Market Value on the date any forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. For this purpose, “**forfeiture restrictions**” include the forfeiture as to unvested shares of Restricted Stock described above. You may elect to be taxed at the time the shares of Restricted Stock are acquired, rather than when such shares cease to be subject to such forfeiture restrictions, by filing an election under Code Section 83(b) with the Internal Revenue Service within thirty (30) days after the Grant Date. You will have to make a tax payment to the extent the Purchase Price is less than the Fair Market Value of the shares on the Grant Date. No tax payment will have to be made to the extent the Purchase Price is at least equal to the Fair Market Value of the shares on the Grant Date. The form for making this election is attached as **Exhibit B** hereto. Failure to make this filing within the thirty (30)-day period will result in the recognition of ordinary income by you (in the event the Fair Market Value of the shares as of the vesting date exceeds the Purchase Price) as the forfeiture restrictions lapse.

**YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY’S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(b), EVEN IF YOU REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE ANY CODE SECTION 83(b) ELECTION.**

**Withholding**

You agree as a condition of this Agreement that you will make acceptable arrangements to pay any withholding or other taxes that may be due relating to the receipt or vesting of the shares of Restricted Stock, the receipt of dividends on the shares of Restricted Stock, or otherwise with respect to the shares of Restricted Stock (including the Earned Shares). In the event that the Company or a Subsidiary determines that any federal, state, local, or foreign tax or withholding payment is required relating to the receipt or vesting of the shares of Restricted Stock, the receipt of dividends on the shares of Restricted Stock, or otherwise with respect to the shares of Restricted Stock (including the Earned Shares), the Company or a Subsidiary shall have the right to (i) require you to tender a cash payment, (ii) deduct the tax or withholding payment from payments of any kind otherwise due to you, (iii) permit or require you to enter into a “same day sale” commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “**FINRA Dealer**”) whereby you irrevocably elect to sell a portion of the shares of Restricted Stock to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company or a Subsidiary, or (iv) withhold the delivery of vested Earned Shares otherwise deliverable under this Agreement to meet such obligations, provided that, to the extent required to avoid adverse accounting consequences to the Company, the shares of Stock so withheld will have an aggregate Fair Market Value not exceeding the minimum amount of tax required to be withheld by Applicable Laws.

You agree that the Company or a Subsidiary shall be entitled to use whatever method it may deem appropriate to recover such taxes. You further agree that the Company or a Subsidiary may, as it reasonably considers necessary, amend or vary this Agreement to facilitate such recovery of taxes.

**Trading Restrictions**

If you are subject to any Company “blackout” policy or other trading restriction imposed by the Company (a “**Restricted Period**”) on an applicable vesting date under this Agreement, any vesting scheduled to occur on such date shall occur instead on the first subsequent date on which you are not subject to any such policy or restriction. For purposes of this provision, you acknowledge that you may be subject to a Restricted Period for any reason that the Company determines appropriate, including Restricted Periods generally applicable to employees or groups of employees or Restricted Periods applicable to you during an investigation of allegations of misconduct or Conduct Detrimental to the Company by you.

**Stockholder Rights**

You have the right to vote the shares of Restricted Stock and to receive any dividends declared or paid on such shares. Any stock distributions you receive with respect to unvested shares of Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be deemed to be a part of the Restricted Stock and subject to the same conditions and restrictions applicable thereto. Any cash dividends paid on unvested shares of Restricted Stock you hold on the record date for such dividend shall be paid to the Company and subject to the same conditions and restrictions applicable to your unvested shares of Restricted Stock; provided that, within thirty (30) days after the date on which the applicable Earned Shares vest in accordance with the terms of this Agreement, such dividend shall be paid to you, without interest. You will immediately and automatically forfeit such dividends to the extent that you forfeit the corresponding unvested shares of Restricted Stock (or unvested Earned Shares).

No adjustments to your Stock shall be made for dividends, distributions, or other rights on or with respect to the Stock generally if the applicable record date for any such dividend, distribution, or right occurs before your certificate is issued (or an appropriate book entry is made), except as described in the Plan.

You may at any time obtain a copy of the prospectus related to your Award pursuant to this Agreement by accessing the prospectus at SecureWorks Corp., One Concourse Parkway NE, Suite 500, Atlanta, Georgia 30328. Additionally, you may receive a paper copy of the prospectus free of charge from the Company by contacting:

Stock Option Administration  
SecureWorks Corp.  
One Concourse Parkway NE, Suite 500  
Atlanta, GA 30328  
+1 877 838 7947  
Stock\_Option\_Administrator@SecureWorks.com

**No Right to Continued Employment or Other Service**

This Agreement and the shares of Restricted Stock evidenced by this Agreement do not give you the right to expectation of employment or other Service by, or to continue in the employment or other Service of, the Company or a Subsidiary. Unless otherwise specified in a written employment or other written compensatory agreement between you and the Company or a Subsidiary, the Company or a Subsidiary, as applicable, reserves the right to terminate your employment or other Service relationship with the Company or a Subsidiary at any time and for any reason.

**Corporate Activity**

Your shares of Restricted Stock shall be subject to the terms of any applicable agreement of merger, liquidation, or reorganization in the event the Company is subject to such corporate activity, consistent with Article 16 of the Plan.



**Clawback**

The shares of Restricted Stock are subject to mandatory repayment by you to the Company in the circumstances specified in the Plan, including to the extent you are or in the future become subject to any Company “clawback” or recoupment policy or Applicable Laws that require the repayment by you to the Company of compensation paid by the Company to you in the event that you fail to comply with, or violate, the terms or requirements of such policy or Applicable Laws.

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under Applicable Laws and you knowingly engaged in the misconduct, were grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct, or were grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment in settlement of the vested Earned Shares during the twelve (12)-month period following the first public issuance or filing with the Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

**Governing Law & Venue**

You understand and agree that the Company is a Delaware corporation with global operations and that your shares of Restricted Stock may be part of a contemporaneous grant of many similar awards to individuals located in numerous jurisdictions. You agree that this Agreement and the Plan shall be governed by, and construed and interpreted in accordance with, the laws of the State of Delaware, United States of America, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of any other jurisdiction.

The exclusive venue for any and all disputes arising out of or in connection with this Agreement shall be New Castle County, Delaware, United States of America, and the courts sitting exclusively in New Castle County, Delaware, United States of America shall have exclusive jurisdiction to adjudicate such disputes. Each party hereby expressly consents to the exercise of jurisdiction by such courts and hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to such laying of venue (including the defense of inconvenient forum).

**Compliance with Foreign Exchange Laws**

Local foreign exchange laws may affect your shares of Restricted Stock or the vesting of your Earned Shares. You are responsible for obtaining any exchange control approval that may be required in connection with such events. Neither the Company nor any of its Affiliates will be responsible for obtaining such approvals or liable for the failure on your part to obtain or abide by such approvals. This statement does not constitute legal or tax advice upon which you should rely. You should consult with your personal legal and tax advisers to ensure your compliance with local laws. You agree to comply with all Applicable Laws and pay any and all applicable taxes associated with the grant or vesting of, or otherwise related to the shares of Restricted Stock (including the Earned Shares).

**The Plan**

The text of the Plan is incorporated into this Agreement by reference.

***Certain capitalized terms used in this Agreement are defined in the Plan and have the meaning set forth in the Plan.***

This Agreement and the Plan constitute the entire understanding between you and the Company regarding the shares of Restricted Stock. Any prior agreements, commitments, or negotiations concerning the shares of Restricted Stock are superseded, except that any written employment, consulting, confidentiality, non-competition, non-solicitation, and/or severance agreement between you and the Company or an Affiliate, as applicable, shall supersede this Agreement with respect to its subject matter.

**Data Privacy**

By accepting the shares of Restricted Stock, you consent to the collection, use and transfer of personal data as described in this paragraph. You understand that the Company and its Affiliates hold certain personal information about you, including your name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to shares of Stock awarded, cancelled, exercised, vested or unvested (“**Data**”). You further understand that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration and management of your participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration and management of the Plan. You understand that these recipients may be located in the European Economic Area or elsewhere, such as the United States. You authorize them to receive, possess, use, retain and transfer such Data as may be required for the administration of the Plan or the subsequent holding of shares of Stock on your behalf, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer to a broker or other third party with whom you may elect to deposit any shares of Stock acquired under the Plan. You understand that you may, at any time, view such Data or require any necessary amendments to the Data.

**Notice Delivery**

By accepting the shares of Restricted Stock, you agree that notices may be given to you in writing either at your home or mailing address as shown in the records of the Company or an Affiliate or by electronic transmission (including e-mail or reference to a website or other URL) sent to you through the normal process employed by the Company or the Affiliate, as applicable, for communicating electronically with its employees.

**Code Section 409A**

The grant of shares of Restricted Stock under this Agreement is intended to comply with the “restricted property” exemption from Code Section 409A (“**Section 409A**”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance with the exemption. Notwithstanding anything to the contrary in the Plan or this Agreement, none of the Company, its Affiliates, the Board, or the Committee will have any obligation to take any action to prevent the assessment of any excise tax or penalty on you under Section 409A, and none of the Company, its Affiliates, the Board, or the Committee will have any liability to you for such tax or penalty.

***By accepting this Agreement, you agree to all of the terms and conditions described above and in the Plan.***

**SECUREWORKS CORP.**

**AMENDED AND RESTATED  
SEVERANCE PAY PLAN  
FOR EXECUTIVE EMPLOYEES**

**Effective April 1, 2020**

# SECUREWORKS CORP.

## AMENDED AND RESTATED SEVERANCE PAY PLAN FOR EXECUTIVE EMPLOYEES

Effective April 1, 2020

### BACKGROUND AND SCOPE

Dell Inc. (“**Dell**”) previously adopted the Dell Inc. Severance Pay Plan for Executive Employees, amended and restated effective July 14, 2010 (the “**Dell Plan**”), to provide severance benefits under the terms and conditions specified in the Dell Plan. Prior to the effective date of the Initial Plan (as defined below), certain employees of the Company were eligible to participate in the Dell Plan. In connection with the Company’s initial public offering (“**IPO**”), the Company determined it advisable to adopt the SecureWorks Corp. Severance Pay Plan for Executive Employees (the “**Initial Plan**”) for periods on and after April 18, 2016, the effective date of the Initial Plan. Following the Company’s IPO, the Compensation Committee of the Board conducted a review of the Initial Plan and amended and restated the Initial Plan effective September 1, 2016, which plan was again amended and restated effective as of August 10, 2019. The Company now wishes to amend and restate the Plan, as provided in this document, effective as of April 1, 2020.

The Company intends the Plan to qualify as an “employee welfare benefit plan” within the meaning of Section 3(1) of ERISA. The Plan shall, at all times, be interpreted and administered in accordance with ERISA and any other pertinent provisions of federal law. Except as specified in the Plan, no employee of the Company or any other person shall have any right to severance benefits under the Plan or otherwise as a result of their performance of services for the Company or any of its related or affiliated entities. These Severance Benefits may be modified or eliminated at any time for any reason.

#### ARTICLE I

##### PURPOSE

The Plan provides Eligible Executives with severance benefits designed to mitigate the effects of unemployment in the event that their employment is terminated by the Company as a result of a Qualifying Termination.

#### ARTICLE II

##### DEFINITIONS

Wherever used herein, the following terms have the following meanings unless the context clearly requires a different meaning:

2.1 “**Administrator**” means the Company’s Compensation Committee, as may be appointed from time to time by the Board.

2.2 “**Base Salary**” means compensation equal to:

(i) the annual base salary reported in the Company’s human resources database and as in effect on the last day on which the Eligible Executive was actively performing services for the Company prior to his or her Separation Date (not including shift differentials, commissions, bonuses, incentive payments, benefits, perks, or overtime compensation); divided by

(ii) 12, for computations of monthly Base Salary, or 52, for computations of weekly Base Salary.

2.3 “**Beneficiary**” means the first surviving person of the following: (i) the Severance Benefit Employee’s surviving spouse, (ii) his or her lineal descendants per stirpes, (iii) his or her parents in equal shares, (iv) his or her brothers and sisters in equal shares, or (v) the executor or administrator of his or her estate.

2.4 “**Board**” means the Board of Directors of SecureWorks Corp.

2.5 “**Cash Severance Benefit**” means the severance pay, if any, payable to a Severance Benefit Employee as described in Section 3.1.

2.6 “**Casual Employee**” means an employee hired to supplement the work force during temporary periods or on an intermittent basis, usually due to unusual or emergency workload.

2.7 “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended from time to time.

2.8 “**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

2.9 “**Company**” means SecureWorks Corp., any successor entity that adopts the Plan, or any subsidiary or affiliate of the Company which is designated by the Administrator as having adopted the Plan.

2.10 “**Comparable Job**” means a job with the Company or any other entity in the SecureWorks Group where (i) the Base Salary to be paid is not materially reduced from the Base Salary previously paid by the Company to such executive; (ii) the grade level offered is not less than the grade level the executive held immediately prior to the date the executive was offered the job; and (iii) the executive’s principal place of work is not changed on or before the first date of employment in the new job to a location that is a material distance from the executive’s principal place of work immediately prior to the date the executive was offered the job, without the prior consent of the executive. For purposes of the preceding sentence, a distance of less than fifty (50) miles shall be treated as immaterial.

2.11 “**Dell Group**” means Dell Technologies Inc. and each other legal entity (including without limitation, any corporation, partnership, limited liability company, association, trust and any other legal form of organization) of which Dell Technologies Inc. is the beneficial owner of voting interests representing twenty percent (20%) or more in voting power of the outstanding voting interests in such entity, and any other legal entity that directly or indirectly is controlled by, is under common control with or controls Dell Technologies Inc.

2.12 “**Effective Date**” means April 1, 2020, the effective date of this amendment and restatement of the Plan. All Eligible Executive separations under the terms of a Separation Agreement and Release made prior to this Effective Date will be subject to terms of the Plan as in effect prior to this amendment and restatement.

2.13 “**Eligible Executive**” means an individual who is classified as an Executive Employee and:

(i) who is designated by the Administrator, in its sole and absolute discretion, as having experienced a Qualifying Termination;

(ii) who is notified in writing by the Administrator or its duly authorized representative that his or her employment with the Company will be terminated as part of a Qualifying Termination;

(iii) who is employed by the Company to perform services for the Company in a capacity of a regular employee of the Company; and

(iv) whose employment with the Company was in fact terminated solely as a result of such Qualifying Termination.

The term “Eligible Executive” shall not include: (i) an Independent Contractor; (ii) a Casual Employee; or (iii) a Temporary Employee.

2.14 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.15 “**Executive Employee**” means an employee of the Company who is designated as having a status of Vice President/Fellow (grade level E1/I12), Senior Vice President/Senior Fellow (grade level E2/I13) or President & CEO (grade level E3).

2.16 “**Exempt Separation Pay**” means payments that do not exceed the Safe Harbor Amount and may not be paid later than the Safe Harbor Deadline, and that otherwise qualify for the exemption for amounts paid upon certain involuntary terminations under Treasury Regulation Section 1.409A-1(b)(9)(iii).

2.17 “**Independent Contractor**” means a person the Company engaged to perform services with the intention that those services would be performed in a capacity other than that of a common law employee, regardless of whether or not the actual facts and circumstances under

which such person actually renders services to the Company could be construed to establish that the person was or could be considered for any purpose to be a common law employee.

2.18 **“Plan”** means this SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees, as set forth herein and as may be amended from time to time.

2.19 **“Qualifying Termination”** means the termination of employment of a Severance Benefit Employee due to Workforce Reduction.

2.20 **“Safe Harbor Amount”** means two (2) times the lesser of (i) the sum of the Eligible Executive’s annualized compensation based on the taxable year immediately preceding the year in which his or her Separation Date occurs or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Code Section 401(a)(17) for the year in which the Eligible Executive’s Separation Date occurs, within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) and the guidance related thereto.

2.21 **“Safe Harbor Deadline”** means the last day of the second calendar year following the calendar year in which the Eligible Executive’s Separation Date occurs, within the meaning of Treasury Regulation Section 1.409A-1(b)(9)(iii)(B) and the guidance related thereto.

2.22 **“SecureWorks Group”** means SecureWorks Corp. and each other legal entity (including without limitation, any corporation, partnership, limited liability company, association, trust and any other legal form of organization) of which SecureWorks Corp. is the beneficial owner of voting interests representing fifty percent (50%) or more in voting power of the outstanding voting interests in such entity.

2.23 **“Separation Agreement and Release”** means the agreement that an Eligible Executive must execute prior to receiving any benefits under the Plan. The Administrator will provide a copy of the Separation Agreement and Release to the Eligible Executive when he or she is designated as a Severance Benefit Employee under the Plan.

2.24 **“Separation Date”** means the date designated by the Administrator on which the Eligible Executive experiences a separation from service within the meaning of Treasury Regulation Section 1.409A-1(h) and the guidance related thereto.

2.25 **“Severance Benefit Employee”** means an Eligible Executive who:

- (i) is designated by the Administrator, in its sole and absolute discretion, as a Severance Benefit Employee;
- (ii) continues to perform all of his or her job responsibilities, in a manner acceptable to the Company, through his or her Separation Date;
- (iii) did not, at any time subsequent to the Company’s decision to terminate the employee, receive an offer for continued employment in a Comparable Job;

(iv) did not, at any time subsequent to the Company's decision to terminate the employee, receive an offer for employment in a Similar Job, which was in any way arranged or facilitated by the Company;

(v) did not, at any time subsequent to the Company's decision to terminate the employee, accept an offer of, or commence, employment or any other service provider relationship, including without limitation as an Independent Contractor, consultant, advisor or any similar relationship, with any member of the Dell Group;

(vi) prior to the date of the Company's notification of the termination of employment, did not voluntarily terminate employment or notify the Company of his or her intention or election to terminate employment at some future date by resignation, failure to appear for work, retirement, or otherwise;

(vii) did not make any statements or engage in any actions that directly or indirectly defamed, disparaged, or detracted from the Company's reputation; damage or destroy any of the Company's property; or otherwise injure or damage the Company; and

(viii) maintained the confidentiality of any and all confidential or proprietary information of the Company at all times during his employment with the Company.

2.26 "**Severance Benefits**" mean the benefits, if any, provided under ARTICLE III to a Severance Benefit Employee.

2.27 "**Short-Term Deferral**" shall have the meaning set forth in Treasury Regulation Section 1.409A-1(b)(4) and the guidance related thereto.

2.28 "**Short-Term Deferral Period**" means the period of time (i) beginning on the date that an Eligible Executive's right to Severance Benefits is no longer subject to a substantial risk of forfeiture, and (ii) ending on the later of (A) the 15th day of the third month following the end of the Eligible Executive's taxable year in which the date described in (i) above occurs, or (B) the 15th day of the third month following the end of the Company's taxable year in which the date described in (i) above occurs, all within the meaning of Treasury Regulation Section 1.409A-1(b)(4) and the guidance related thereto.

2.29 "**Similar Job**" means a job with a new employer where (i) the compensation offered by the new employer to the executive is not materially less than the Base Salary previously paid by the Company to the executive; (ii) the general nature of the executive's anticipated duties for the new employer are similar to the general nature of the duties the executive performed for the Company; and (iii) the executive's principal place of work is not changed by the new employer on or before the first day of employment with the new employer to any location that is a material distance from the executive's principal place of work on the date prior to the date the executive was offered the job, without the prior consent of the executive. For purposes of the preceding sentence, a distance of less than fifty (50) miles shall be treated as immaterial.



2.30 “**Temporary Employee**” means a person that the Company contracted with through a temporary service, agency, employee leasing company, staffing company, or a person individually who supplements the work force as a temporary employee, or is otherwise hired to perform services for the Company other than as an employee.

2.31 “**Workforce Reduction**” means the reduction of the Company’s workforce as part of a designated cost reduction program.

### ARTICLE III

#### SEVERANCE BENEFITS

3.1 **Cash Severance Benefit.** A Severance Benefit Employee shall be entitled to receive severance pay equal to the greater of (i) the amount listed on the applicable Exhibit A to this Plan, or (ii) if applicable, the cash severance benefit amount described in a separate written agreement between the Eligible Executive and the Company (the “Cash Severance Benefit”).

3.2 **Form of Payment.** Unless otherwise provided in a Separation Agreement and Release, the Cash Severance Benefit shall be paid in four (4) substantially equal quarterly installments, with the first such installment payable on or about the last day of the third month following the Severance Benefit Employee’s Separation Date, and each subsequent installment payable on or about the last day of the third month following each such payment; provided, however, that if a Severance Benefit Employee’s Cash Severance Benefit that is otherwise scheduled to be paid outside the Short-Term Deferral Period would not qualify as Exempt Separation Pay, each quarterly installment that is scheduled to be paid outside the Short-Term Deferral Period will be reduced ratably until the amount scheduled to be paid outside the Short-Term Deferral Period no longer exceeds the amount that would qualify as Exempt Separation Pay, and the total amount of such reduction will be paid to the Severance Benefit Employee no later than the end of the Short-Term Deferral Period. Payments under the Plan shall be delivered in the form of a check or, at the Company’s discretion, through any other payment delivery method used to make payroll payments to a Severance Benefit Employee.

3.3 **Additional Severance Benefits.** Unless otherwise provided in a Separation Agreement and Release, a Severance Benefit Employee shall receive such other Severance Benefits as are listed in Exhibit A.

3.4 **Benefits Are Not Salary.** Any Severance Benefits paid under the Plan are not considered as salary for any employee benefit plan purposes. The number of weeks of Severance Benefits provided to a Severance Benefit Employee shall not be considered in calculating his or her entitlement, if any, to vacation, sick leave, bonus, incentive salary, retirement, or other benefits except as is specifically provided in the Company’s other employee benefit plans.

3.5 **Re-employment.** Any Eligible Executive who received a Severance Benefit under the Plan will not have any right to be re-employed by the Company. If an Eligible Executive is re-employed by the Company within twelve (12) months from the date of his or her Separation Date, such Severance Benefit Employee shall forfeit any and all rights to further Severance Benefits under the Plan and may, as a condition of reemployment as determined by the Company, be required to

repay to the Company a portion of his or her Cash Severance Benefit; provided that, such repayment requirement shall not exceed a pro rata amount of such Severance Benefit Employee's Cash Severance Benefit determined by multiplying (i) the total amount of his or her Cash Severance Benefit that would be payable under the Plan without regard to this paragraph by (ii) a fraction, the numerator of which is the number of whole and partial months remaining in the twelve (12) month period following such Severance Benefit Employee's Separation Date at the time that he or she was employed by the Company, and the denominator of which is twelve (12).

#### ARTICLE IV

#### DEDUCTIONS & FORFEITURES

4.1 **Deductions.** To the extent permissible under federal or state law, the following items and amounts will be deducted from the amount of Severance Benefits otherwise payable to an Eligible Executive under the Plan:

(i) Any salary or other payments that the Eligible Executive receives (or may be entitled to receive) on termination of employment pursuant to any rights or entitlements that the Eligible Executive possesses or asserts pursuant to a written or oral employment agreement with the Company or any successor thereto, regardless of whether the term of such agreement is expired or unexpired as of the Eligible Executive's Separation Date;

(ii) Any amounts that an Eligible Executive owes to the Company;

(iii) Any severance pay or other wage replacement benefits payable or previously paid to the Eligible Executive or his beneficiary from this Plan or any other plan or program maintained by the Company or any of its affiliates (other than any benefits payable from any pension, profit sharing, or stock bonus plan);

(iv) Any amount of garnished earnings which would have been withheld from the Eligible Executive's pay, if the Company has been garnishing the Eligible Executive's earnings pursuant to an order of garnishment, child support, or tax lien; and

(v) The Company shall have the authority to withhold or to cause to have withheld applicable taxes from any payments under or in accordance with the Plan to the extent required by law.

4.2 **Forfeitures.** An Eligible Executive shall forfeit any and all rights to Severance Benefits under the Plan, and shall be obligated to repay any such benefits previously paid under the Plan, if the Administrator, in its sole discretion, determines that the Eligible Executive:

(i) does not timely submit, and the Administrator does not actually receive, a valid and fully enforceable Separation Agreement and Release from the Eligible Executive;

(ii) fails or has failed to fulfill any requirement of the Plan or otherwise does not satisfy any of the terms and conditions of either the Plan or the Separation Agreement and Release;

(iii) prior to his or her Separation Date or thereafter makes any statements or engages in any actions that directly or indirectly defame, disparage, or detract from the Company's reputation, damage or destroy any of Company's property, otherwise injure or damage the Company, or discloses any confidential or proprietary information regarding the Company; or

(iv) subsequently revokes or otherwise takes action to set aside, avoid, or violate the Separation Agreement and Release or the Plan's terms.

In addition, if a Severance Benefit Employee becomes employed by, or otherwise provides services (whether as an Independent Contractor, consultant, advisor or in any similar relationship) to any member of the Dell Group within the twelve (12) month period following the date of his or her Separation Date, such Severance Benefit Employee shall forfeit any and all rights to further Severance Benefits under the Plan. Furthermore, such Severance Benefit Employee shall be obligated to repay to the Company an amount equal to the Cash Severance Benefit previously paid to or received by such Severance Benefit Employee; provided that, such repayment requirement shall not exceed a pro rata amount of such Severance Benefit Employee's Cash Severance Benefit determined by multiplying (i) the total amount of his or her Cash Severance Benefit that would be payable under the Plan without regard to this paragraph by (ii) a fraction, the numerator of which is the number of whole and partial months remaining in the twelve (12) month period following such Severance Benefit Employee's Separation Date at the time that he or she commenced providing services to a member of the Dell Group, and the denominator of which is twelve (12).

By accepting any benefits under the Plan's terms, an Eligible Executive shall be deemed to have agreed to adhere to all terms of the Plan. The Eligible Executive also shall be deemed to agree that the Eligible Executive will repay any benefits that the Administrator determines he or she has received from the Plan in excess of the amount provided under the Plan. Additionally, the Eligible Executive must repay all Severance Benefits that the Eligible Executive is paid or receives if the Eligible Executive asserts that he or she is or may be entitled to receive compensation or other payments on termination of employment pursuant to any rights or entitlements that he or she possesses or asserts pursuant to a written or oral employment agreement with the Company, any affiliate of the Company, or any successor of either the Company or its affiliates, regardless of whether the term of such agreement is expired or unexpired as of his or her Separation Date.

#### ARTICLE V REQUIREMENT FOR RECEIPT OF SEVERANCE BENEFITS

In order to receive payment of any Severance Benefits under the Plan, the Eligible Executive must comply with all requirements of this ARTICLE V.

**5.1 Execution of Separation Agreement and Release.** In order for an Eligible Executive to receive his or her Severance Benefit, the Eligible Executive must first execute the Separation Agreement and Release within the particular time period specified in the Separation Agreement and Release, which shall be no later than forty-five (45) days following the Eligible Executive's receipt of the Separation Agreement and Release or such earlier date as required by the Separation Agreement and Release (such deadline, the "**Release Deadline**"). The Separation

Agreement and Release may provide for an additional revocation period of at least seven (7) days (the “**Revocation Period**”). The executed Separation Agreement and Release must actually be received by the Administrator, or its duly authorized representative, at the address specified by the Administrator, by the Release Deadline to be considered timely. Notwithstanding the preceding, if the Eligible Executive does not properly execute the Separation Agreement and Release by the applicable Release Deadline, or, in the case of a Separation Agreement and Release that includes a Revocation Period, timely revokes an executed Separation Agreement and Release, the Eligible Executive will receive only those benefits required by applicable law. If the Eligible Executive’s Separation Date and the Release Deadline fall in two (2) separate taxable years, any payments required to be made to the Eligible Executive that are treated as nonqualified deferred compensation for purposes of Code Section 409A shall be made in the later taxable year.

5.2 **Right to Recovery.** The Company shall have the right to recover any payment made to an Eligible Executive in excess of the amount to which the Eligible Executive is entitled to under the terms of the Plan. Such recovery may be from the Eligible Executive, the Beneficiary, or any insurer or other organization or entity thereby enriched. In the event such repayment is not made by the Eligible Executive, such repayment shall be made either by (i) reducing or suspending any future payments hereunder to the Eligible Executive or (ii) requiring an assignment of a portion of the Eligible Executive’s earnings, until the amount of such excess payments are fully recovered. The Company shall also have the right to recover any payment made to an Eligible Executive under the Plan if he or she later asserts to be entitled to compensation or other payments on termination of employment pursuant to any rights or entitlements that he or she possesses or asserts pursuant to a written or oral employment agreement with the Company or any successor thereto, regardless of whether the term of such agreement is expired or unexpired as of his or her Separation Date.

5.3 **Payment of Severance Benefits.** Severance Benefits provided under the Plan shall be paid to the Eligible Executive within the timeframe provided for in Section 3.2, but no earlier than the day following the expiration of any Revocation Period outlined in the Separation Agreement and Release, if applicable, assuming such Separation Agreement and Release has not been revoked. If the Eligible Executive is, in the opinion of the Administrator, not competent to effect a valid release for payment of any benefit due him or her under the Plan and if no request for payment has been received by the Administrator from a duly appointed guardian or other legally appointed representative of the Eligible Executive, the Company may make direct payment to the individual or institution appearing to the Administrator to have assumed custody or the principal support of the Eligible Executive. If the Eligible Executive dies before receipt of his or her Severance Benefits to which he or she is entitled under the Plan, such benefits shall be paid to the Eligible Executive’s Beneficiary, if not otherwise required by law.

5.4 **Acceptance of Severance Benefit.** By accepting any Severance Benefits from the Plan, the Eligible Executive shall be deemed to have agreed to adhere to all terms of the Plan.

#### ARTICLE VI CLAIMS AND APPEAL PROCEDURES

6.1 **Claims Procedures.** Severance Benefits will be automatically paid to an Eligible Executive who qualifies for such benefits under the Plan and who signs and does not revoke the

Separation Agreement and Release. An Eligible Executive who believes he or she is entitled to Severance Benefits under this Plan and has not been provided such benefits must file a written claim for such benefits with the Administrator. The Administrator shall render a written decision concerning the claim not later than ninety (90) days after its receipt, unless special circumstances require an extension of time for processing the claim, in which case a decision will be rendered not later than one hundred twenty (120) days after receipt of the claim. Written notice of the extension will be furnished to the Eligible Executive prior to the expiration of the initial ninety (90)-day period and will indicate (i) the special circumstances requiring an extension of time for processing the claim and (ii) the date the Administrator expects to render its decision. For purposes of this Section 6.1, any payment of Severance Benefits under this Plan shall be treated as the issuance of a written decision by the Administrator to approve the claim for benefits.

If the claim is denied, in whole or in part, such decision shall include (i) the specific reasons for the denial; (ii) a reference to the Plan provision(s) constituting the basis of the denial; (iii) a description of any additional material or information necessary for the Eligible Executive to perfect his or her claim; (iv) an explanation as to why such additional material or information is necessary; and (v) a description of how the claim review procedure is administered. If the notice of denial is not furnished in accordance with the above procedure, the claim shall be deemed denied, and the Eligible Executive is then permitted to appeal the decision.

**6.2 Appeal Procedure.** If the Eligible Executive's claim is denied, in whole or in part, he or she then has sixty (60) days to appeal the decision. An appeal must be submitted in writing to the Administrator. The Eligible Executive may also submit a written request to review copies of the pertinent Plan documents in connection with his or her appeal. The Administrator will review the appeal and determine if a meeting with the Eligible Executive is necessary to reach a decision. If the Administrator determines a meeting is necessary, the Eligible Executive must submit a written "statement of position" containing all pertinent details of the appeal and the supporting reasons, as well as any questions the Eligible Executive may have regarding the appeal. The statement of position must be received by the Administrator at least fourteen (14) days before the scheduled meeting. If the statement of position is not received in a timely manner, the Administrator may cancel the meeting. No action may be brought for Severance Benefits provided under the Plan or any amendment or modification thereof, or to enforce any right thereunder, until a claim has been submitted and the appeal rights under the Plan have been exhausted.

## ARTICLE VII PLAN ADMINISTRATION

**7.1 In General.** The general administration of the Plan and the duty to carry out its provisions shall be vested in the Administrator, which shall be the named fiduciary of the Plan for purposes of ERISA. The Administrator shall administer the Plan and any Severance Benefits provided under the Plan. The Administrator may, in its discretion, secure the services of other parties, including agents and/or employees, to carry out the day-to-day functions necessary to an efficient operation of the Plan. The Administrator shall have the exclusive, discretionary right to interpret the terms of the Plan, to determine eligibility for coverage and benefits, and to make such other determinations and to exercise such other powers and responsibilities as shall be provided for

in the Plan or shall be necessary or helpful with respect thereto, and its good faith interpretations and decisions shall be final, binding, and conclusive upon all persons.

7.2 **Reimbursement and Compensation.** The Administrator shall receive no compensation for its services as Administrator, but it shall be entitled to reimbursement for all sums reasonably and necessarily expended by it in the performance of such duties.

7.3 **Rulemaking Powers.** The Administrator shall have the discretionary power to make reasonable rules and regulations required in the administration of the Plan; make all determinations necessary for the Plan's administration, except those determinations which the Plan requires others to make; and construe and interpret the Plan wherever necessary to carry out its intent and purpose and to facilitate its administration. The Administrator shall have the exclusive right to determine, in its discretion, eligibility for coverage and benefits under the Plan and waive any requirements under the Plan's terms, and the Administrator's good faith interpretation of the Plan shall be final, binding, and conclusive on all persons. Any dispute as to eligibility, type, amount, or duration of benefits under the Plan or any amendment or modification thereof shall be resolved by the Administrator under and pursuant to the Plan, in its sole and absolute discretion, and its decision of the dispute shall be final, binding, and conclusive on all parties to the dispute. In the exercise of such discretionary powers, the Administrator shall treat all similarly situated Eligible Executives uniformly and equitably under the Plan. The Administrator will be the named fiduciary for purposes of Section 402(a)(1) of ERISA with respect to all duties and powers assigned to the Administrator hereunder and will be responsible for complying with all reporting and disclosure requirements of Part I of Subtitle B of Title I of ERISA.

7.4 **Indemnification.** To the extent permitted by law, the Company shall indemnify any persons acting on its behalf in fulfilling its duties as Administrator against any and all claims, losses, damages, expenses, or liabilities arising from its responsibilities in connection with the Plan, unless the same is deemed to be due to intentional misconduct or such indemnification is prohibited by ERISA.

#### ARTICLE VIII MISCELLANEOUS

8.1 **Amendment and Termination.** The Company, acting through its chief executive officer or such other person or committee appointed by its board of directors, reserves the right to amend or terminate the Plan at any time it may deem advisable without the consent of any person or entity. Severance Benefits payable to an Eligible Executive or his or her Beneficiary under the Plan prior to the amendment or termination of the Plan shall continue to be due and payable under the Plan. Any amendment or termination shall be effective when adopted in a written instrument, and all Eligible Executives and their Beneficiaries and other persons shall be bound thereby. If the Plan is amended to improve benefits, the amendment will only apply to Eligible Executives who terminate employment after the effective date of the amendment, unless the amendment specifies that it also applies to employment terminations occurring before the effective date of the amendment. If the Plan is terminated, employment terminations that occur after the effective date of the termination of the Plan will not be covered by the Plan.

8.2 **Limitation of Rights.** Neither the establishment of the Plan nor any amendment thereof, nor the payment of any benefits, will be construed as giving to any Eligible Executive, or other person, any legal or equitable right against the Company or any person acting on behalf of the Company. Likewise, nothing appearing in or completed pursuant to the Plan shall be held or construed to create a contract of employment with any Eligible Executive, to continue the current employment status, or to modify his or her terms of employment in any way; nor shall any provision hereof restrict the right of the Company to discharge any of its employees or restrict the right of any such employee to terminate his or her employment with the Company.

8.3 **Governing Law.** The Plan shall be governed and construed in accordance with ERISA and any other applicable federal law and, to the extent not preempted by federal law, the laws of the State of Georgia. Except as otherwise mandated by federal law, exclusive jurisdiction over all disputes and actions arising under, or directly or indirectly relating to, the Plan shall be in Fulton County, Georgia.

8.4 **Funding and Source of Severance Benefits Payments.** Any Severance Benefits payable under the Plan shall be paid from the general assets of the Company. Nothing in the Plan shall be construed to create a trust or to establish or evidence any Eligible Executive's claim of any right to payment of any benefits other than as an unsecured general creditor with respect to any payment to which such Eligible Executive may be entitled.

8.5 **Successor Employer.** In the event of a merger, consolidation, dissolution, or reorganization of the Company or transfer of all or substantially all of its assets to any other corporation, partnership, or association, a provision may be made by such successor corporation, partnership, or association, at its election, for the continuation of the Plan created hereunder by such successor entity. Such successor shall, upon its election to continue the Plan, be substituted in place of the Company by an instrument duly authorizing such substitution.

8.6 **Severability.** If any provision of the Plan is held invalid or unenforceable, its validity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provision had not been included herein.

8.7 **Captions.** The captions contained herein are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the Plan or the construction of any provision thereof.

8.8 **Gender and Numbers.** Terms used in the masculine shall also include the feminine and be neutral where appropriate. Terms in the singular shall include the plural where appropriate and vice versa.

8.9 **Non-transferability.** No benefit, right, or interest of any Eligible Executive hereunder shall be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, seizure, attachment or legal, equitable, or other process or be liable for, or subject to, the debts, liabilities, or other obligations of such persons, except as otherwise required by law.

8.10 **Limitations.** No action may be brought for benefits provided by this Plan or any amendment or modification thereof, or to enforce any right thereunder, until after the claim has been submitted to and determined by the Administrator, and thereafter the only action which may be brought is one to enforce the decision of the Administrator. Any legal action must commence within twelve (12) calendar months immediately following the date of such Administrator's decision made pursuant to Section 6.2 above.

8.11 **Non-Duplication of Benefit.** No provisions in this Plan shall be deemed to duplicate any compensation or benefits provided under any agreement, plan, or program covering the Eligible Executive (including, without limitation, the Dell Plan) with respect to the same Qualifying Termination, and any duplicative amount payable under any such agreement, plan, or program shall be applied as an offset to reduce the amounts otherwise payable hereunder.

8.12 **Information Requested.** The Eligible Executive or other persons shall provide the Company, the Administrator, or their authorized representatives with such information and evidence, and shall sign such documents, as may reasonably be requested from time to time for the purpose of administration of the Plan.

8.13 **Mistaken Payments.** Any amounts paid to an Eligible Executive or other person in excess of the amount to which he or she is entitled hereunder shall be repaid by the Eligible Executive or other person promptly following the sooner of receipt by the Eligible Executive or other person of a notice of such excess payments or when such person has knowledge of the excess payments. In the event such repayment is not made by the Eligible Executive or other person, such repayment shall be made, at the discretion of the Administrator, either by reducing or suspending future payments hereunder to the Eligible Executive or other person or by requiring an assignment of a portion of the Eligible Executive or other person's earnings, until the amount of such excess payments are recovered by the Administrator.

8.14 **Integration with WARN Act.** To the extent that any federal, state, or local law, including, without limitation, any so-called "plant closing" laws, requires the Company to give advanced notice or make payment of any kind to an Eligible Executive because of his or her involuntary termination due to a layoff, reduction in force, plant or facility closing, sale of business, change of control, or any other similar event or reason, the Severance Benefits provided under this Plan may either be reduced or eliminated. The benefits provided under this Plan are intended to satisfy any and all statutory obligations that may arise out of any Eligible Executive's involuntary termination for any of the foregoing reasons, and the Administrator shall construe and implement the terms of this Plan in its sole discretion. Included in the scope of the foregoing, (i) if an Eligible Executive receives notice from the Company pursuant to the Workers Adjustment and Retraining Notification (WARN) Act and remains employed during the WARN notice period, then the Severance Benefits payable to the Eligible Executive may be reduced by the pay and benefits received by such Eligible Executive during the WARN notice period, and (ii) if an Eligible Executive receives notice from the Company pursuant to the Workers Adjustment and Retraining Notification (WARN) Act and does not remain employed during some or all of the WARN notice period, then the Severance Benefits payable to the Eligible Executive shall be reduced by any amount the Company is required to pay to such Eligible Executive as compensation for its failure to provide



timely notice under the WARN Act. An Eligible Executive shall not be required to sign a Separation Agreement and Release solely with respect to the portion of any payment under this Plan which must be paid pursuant to the Workers Adjustment and Retraining Notification (WARN) Act or any other comparable law.

8.15 **Code Section 409A.** Each payment of Severance Benefits, including any outplacement benefits or continued medical benefits, shall be treated as a separate payment for purposes of the Short-Term Deferral rules under Treasury Regulation Section 1.409A-1(b)(4)(i)(F), the exemption for amounts paid upon certain involuntary terminations under plans providing Exempt Separation Pay under Treasury Regulation Section 1.409A-1(b)(9)(iii), the exemption for medical expense reimbursements under Treasury Regulation Section 1.409A-1(b)(9)(v)(B), and the exemption for in-kind benefits under Treasury Regulation Section 1.409A-1(b)(9)(v)(C). Unless otherwise provided in a Separation Agreement and Release, no amount shall be payable under this Plan unless such amount (i) is paid within the Short-Term Deferral Period or (ii) qualifies as Exempt Separation Pay. If as of an Eligible Executive's Separation Date, the Eligible Executive is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B) or any successor provision thereto), then with regard to any payment that is subject to Code Section 409A as deferred compensation and is due upon or as a result of the Eligible Executive's "separation from service," notwithstanding any contrary provision of the Plan, such payment shall not be made or provided, to the extent making or providing such payment would result in additional taxes or interest under Code Section 409A, until the date which is the earlier of (A) expiration of the six (6)-month period measured from such "separation from service," and (B) the date of the Eligible Executive's death (the "**Delay Period**"). Upon the expiration of the Delay Period, all payments delayed pursuant to the preceding sentence (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Eligible Executive in a lump sum, and any remaining payments and benefit due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them in this Agreement. While the Plan is intended to be exempt from Code Section 409A, the Company does not make and has not made any representation, warranty or guarantee of any federal, state or local tax consequences of any Eligible Executive's or Beneficiary's entitlements under the Plan, including, but not limited to, under Code Section 409A.

8.16 **Entire Document.** THE BENEFITS DESCRIBED IN THE PLAN ARE INTENDED TO BE THE ENTIRE BENEFITS PAYABLE TO AN ELIGIBLE EXECUTIVE WHOSE EMPLOYMENT IS TERMINATED SOLELY AS A RESULT OF A QUALIFYING TERMINATION, OTHER THAN BENEFITS PROVIDED BY ANOTHER EMPLOYEE BENEFIT PLAN OF THE COMPANY. BY ELECTING TO PARTICIPATE IN THE PLAN AND SIGNING THE SEPARATION AGREEMENT AND RELEASE ON THE FORM PROVIDED TO THE ELIGIBLE EXECUTIVE BY THE COMPANY, THE ELIGIBLE EXECUTIVE WAIVES HIS OR HER RIGHT TO BENEFITS UNDER ANY AND ALL PRIOR SEVERANCE AGREEMENTS, UNDERSTANDINGS, EMPLOYMENT, OR OTHER AGREEMENTS, DESCRIPTIONS, OR ARRANGEMENTS.

[Signature Page Attached]

IN WITNESS WHEREOF, the Company has caused the SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees to be executed in its name and on its behalf by a duly authorized officer.

**SECUREWORKS CORP.**

By: /s/ George Hanna

Name: George Hanna

Title: Chief Legal and Administrative Officer

**Exhibit A**

**DESCRIPTION OF SEVERANCE BENEFITS**

**(Attached)**

## Schedule A-1

### Standard Severance Benefits

#### (Individuals Described in Any Other Schedule to Exhibit A Excluded)

This Schedule A-1 to Exhibit A to the SecureWorks Corp. Amended and Restated Severance Pay Plan for Executive Employees lists the Severance Benefits provided to Severance Benefit Employees under the Plan's terms. Individuals eligible to receive benefits under any other Schedule to Exhibit A shall not be eligible to receive benefits under this Schedule A-1.

- 1. Cash Severance Benefit - Severance Pay.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release, he or she will be eligible to receive Severance Pay in the amount equal to twelve (12) months of Base Salary. This payment will not include 401(k) or any other benefits-related deductions. However, all applicable taxes will be withheld.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the only benefits payable hereunder shall be such amounts as are required by applicable law.

- 2. Additional Severance Benefits - COBRA Benefits Payment Coverage.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release and he or she enrolls in COBRA coverage, the Company will pay the first twelve (12) months of the Eligible Executive's COBRA premiums.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the only COBRA benefits payable hereunder shall be those benefits required by applicable law.

- 3. Additional Severance Benefits - Short-Term Incentive Plan Payments.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release and such Eligible Executive is participating in the SecureWorks Corp. Incentive Bonus Plan (or any other predecessor or successor plan of the Company or any of its affiliates under which the Eligible Executive is entitled to receive a short-term incentive payment) on his or her Separation Date, the Eligible Executive will receive an additional Severance Benefit equal to a prorated award payout. This payout amount will be calculated using:

- A payout modifier of 75%.
- A proration factor based on the number of days in the fiscal year that the Eligible Executive was employed by the Company, Dell, and their subsidiaries or affiliates through his or her Separation Date.
- The Eligible Executive's Base Salary on his or her Separation Date.
- The plan target for the Eligible Executive's grade.

- Assumed corporate performance and individual modifiers of 100%.

Amounts payable under this Section 3 will be paid to the Eligible Executive through direct deposit (if available) within thirty (30) business days after the Eligible Executive's Separation Date.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the Eligible Executive will not receive any short-term incentive plan payments.

**4. Additional Severance Benefits - Long-Term Incentive Plan Payments.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release and such Eligible Executive holds unvested long-term incentive grants which are due to vest within ninety (90) days following his or her Separation Date, such Eligible Executive will receive an additional Severance Benefit equal to a prorated portion of the value of such grants. This payout amount will be calculated using the following calculation formula as applicable:

- Stock Options: 75% TIMES number of options due to vest within ninety (90) days after the Eligible Executive's Separation Date TIMES (the Company's average closing price for the week prior to the week of the Eligible Executive's Separation Date MINUS the option exercise price). If this value is negative, it will be excluded from the payment calculation.
- Restricted (and Performance Based) Stock Units: 75% TIMES number of units due to vest within ninety (90) days after the Eligible Executive's Separation Date TIMES the Company's average closing price for the week prior to the week of the Eligible Executive's Separation Date.
- Long-Term Cash: 75% TIMES value of cash due to vest within ninety (90) days after the Eligible Executive's Separation Date.

Amounts payable under this Section 4 will be paid to the Eligible Executive through direct deposit (if available) within thirty (30) business days after the Eligible Executive's Separation Date.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the Eligible Executive will not receive any long-term incentive plan payments.

**NOTE:** The terms and conditions of an Eligible Executive's Long-Term Incentive award agreements remain in full force and effect following the termination of his or her employment. An Eligible Executive's agreements may require the Eligible Executive to return shares of stock, share value, option proceeds, or cash award payments if he or she engages in certain conduct detrimental to the Company after the Eligible Executive's termination of employment.

5. **Additional Severance Benefits - Outplacement Benefits.** If an Eligible Executive signs and does not revoke a Separation Agreement and Release, such Eligible Executive will receive six (6) months of executive outplacement services, provided the Eligible Executive commences use of such benefits within sixty (60) days following his or her Separation Date.

If an Eligible Executive does not sign the Separation Agreement and Release or if the Eligible Executive revokes a signed Separation Agreement and Release, the Eligible Executive will not receive any outplacement benefits.

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

I, Michael R. Cote, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SecureWorks Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 4, 2020

/s/ Michael R. Cote

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Michael R. Cote  
*President and Chief Executive Officer*

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

I, Paul M. Parrish, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SecureWorks Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) 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
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 4, 2020

/s/ Paul M. Parrish  
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Paul M. Parrish  
*Chief Financial Officer*



**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER OF THE COMPANY  
PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
AND 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, in his capacity as an officer of SecureWorks Corp. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The quarterly report on Form 10-Q of the Company for the quarter ended May 1, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in such quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 4, 2020

/s/ Michael R. Cote

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Michael R. Cote

*President and Chief Executive Officer*

Date: June 4, 2020

/s/ Paul M. Parrish

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Paul M. Parrish

*Chief Financial Officer*