

**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 April 30, 2021

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 1, 2021, there were 83,559,038 shares of the registrant's common stock outstanding, consisting of 13,559,038 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)

	April 30, 2021	January 29, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 180,607	\$ 220,300
Accounts receivable, net of allowances of \$4,534 and \$4,830, respectively	94,901	108,005
Inventories, net	687	560
Other current assets	16,920	17,349
Total current assets	293,115	346,214
Property and equipment, net	15,243	17,143
Operating lease right-of-use assets, net	21,207	22,330
Goodwill	426,278	425,861
Intangible assets, net	152,247	157,820
Other non-current assets	76,721	75,993
Total assets	<u>\$ 984,811</u>	<u>\$ 1,045,361</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,473	\$ 16,769
Accrued and other current liabilities	60,194	109,134
Short-term deferred revenue	166,211	168,437
Total current liabilities	243,878	294,340
Long-term deferred revenue	8,193	9,590
Operating lease liabilities, non-current	21,082	22,461
Other non-current liabilities	50,609	51,189
Total liabilities	323,762	377,580
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock - \$0.01 par value: 200,000 shares authorized; — shares issued	—	—
Common stock - Class A of \$0.01 par value: 2,500,000 shares authorized; 13,550 and 12,450 issued and outstanding, respectively.	135	124
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	916,528	917,344
Accumulated deficit	(236,222)	(229,831)
Accumulated other comprehensive (loss) income	(196)	(660)
Treasury stock, at cost - 1,257 and 1,257 shares, respectively	(19,896)	(19,896)
Total stockholders' equity	661,049	667,781
Total liabilities and stockholders' equity	<u>\$ 984,811</u>	<u>\$ 1,045,361</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)

	Three Months Ended	
	April 30, 2021	May 1, 2020
Net revenue	\$ 139,463	\$ 141,181
Cost of revenue	57,207	62,909
Gross margin	82,256	78,272
Research and development	28,152	24,073
Sales and marketing	36,405	37,452
General and administrative	25,555	27,516
Total operating expenses	90,112	89,041
Operating loss	(7,856)	(10,769)
Interest and other, net	(907)	993
Loss before income taxes	(8,763)	(9,776)
Income tax benefit	(2,373)	(2,240)
Net loss	\$ (6,390)	\$ (7,536)
Loss per common share (basic and diluted)	\$ (0.08)	\$ (0.09)
Weighted-average common shares outstanding (basic and diluted)	81,985	80,938

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

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

	Three Months Ended	
	April 30, 2021	May 1, 2020
Net loss	\$ (6,390)	\$ (7,536)
Foreign currency translation adjustments, net of tax	464	(1,222)
Comprehensive loss	<u>\$ (5,926)</u>	<u>\$ (8,758)</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)

	Three Months Ended	
	April 30, 2021	May 1, 2020
Cash flows from operating activities:		
Net loss	\$ (6,390)	\$ (7,536)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,918	10,486
Stock-based compensation expense	6,035	5,887
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	798	(856)
Income tax benefit	(2,373)	(2,240)
Provision for credit losses	434	909
Changes in assets and liabilities:		
Accounts receivable	12,573	(5,987)
Net transactions with parent	(9,859)	2,494
Inventories	(127)	(66)
Other assets	3,320	5,267
Accounts payable	526	8,495
Deferred revenue	(3,773)	1,291
Accrued and other liabilities	(41,640)	(38,481)
Net cash used by operating activities	<u>(30,558)</u>	<u>(20,337)</u>
Cash flows from investing activities:		
Capital expenditures	<u>(2,294)</u>	<u>(1,020)</u>
Net cash used in investing activities	<u>(2,294)</u>	<u>(1,020)</u>
Cash flows from financing activities:		
Taxes paid on vested restricted shares	<u>(6,841)</u>	<u>(4,491)</u>
Net cash used in financing activities	<u>(6,841)</u>	<u>(4,491)</u>
Net decrease in cash and cash equivalents	(39,693)	(25,848)
Cash and cash equivalents at beginning of the period	220,300	181,838
Cash and cash equivalents at end of the period	<u>\$ 180,607</u>	<u>\$ 155,990</u>

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 April 30, 2021

	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 29, 2021	12,450	\$ 124	70,000	\$ 700	\$ 917,344	\$ (229,831)	\$ (660)	\$ (19,896)	\$ 667,781
Net loss	—	—	—	—	—	(6,390)	—	—	(6,390)
Other comprehensive income	—	—	—	—	—	—	464	—	464
Vesting of restricted stock units	1,140	11	—	—	(11)	—	—	—	—
Grant of restricted stock awards	485	5	—	—	(5)	—	—	—	—
Common stock withheld as payment for withholding taxes upon the vesting of restricted shares	(525)	(5)	—	—	(6,836)	—	—	—	(6,841)
Stock-based compensation	—	—	—	—	6,035	—	—	—	6,035
Balances, April 30, 2021	<u>13,550</u>	<u>\$ 135</u>	<u>70,000</u>	<u>\$ 700</u>	<u>\$ 916,527</u>	<u>\$ (236,221)</u>	<u>\$ (196)</u>	<u>\$ (19,896)</u>	<u>\$ 661,049</u>

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
Balances, May 1, 2020	<u>12,120</u>	<u>\$ 121</u>	<u>70,000</u>	<u>\$ 700</u>	<u>\$ 898,370</u>	<u>\$ (215,465)</u>	<u>\$ (4,312)</u>	<u>\$ (19,896)</u>	<u>\$ 659,518</u>

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 cybersecurity provider of technology-driven security solutions singularly focused on protecting the Company's customers by outpacing and outmaneuvering adversaries.

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. and Dell Inc.'s subsidiaries (Dell Inc., individually and collectively with its consolidated subsidiaries, "Dell") all shares of the Company's outstanding Class B common stock, which as of April 30, 2021 represented approximately 83.8% of the Company's total outstanding shares of common stock and approximately 98.1% 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 technology-driven 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. Intercompany transactions and balances are eliminated in consolidation.

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 related party transactions, see "Note 10—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 9—Income and Other Taxes" for more information.

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 28, 2022 and the fiscal year ended January 29, 2021 as fiscal 2022 and fiscal 2021, respectively. Both fiscal 2022 and fiscal 2021 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 purchase price allocation for business combinations. Estimates are also used in determining the reported amounts of liabilities, such as taxes payable and the impact of contingencies. All estimates 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 April 30, 2021. 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 the pandemic continues to evolve, the Company's estimates may change materially in future periods.

Recently Adopted Accounting Pronouncements

The Company adopted Accounting Standard Update ("ASU") 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," effective February 1, 2021. 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. The adoption of the standard had no material impact on the condensed consolidated financial statements.

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 April 30, 2021, as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2021.

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 dilutive effects of 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):

	Three Months Ended	
	April 30, 2021	May 1, 2020
Numerator:		
Net loss	\$ (6,390)	\$ (7,536)
Denominator:		
Weighted-average number of shares outstanding:		
Basic and Diluted	81,985	80,938
Loss per common share:		
Basic and Diluted	\$ (0.08)	\$ (0.09)
Weighted-average anti-dilutive stock options, non-vested restricted stock and restricted stock units	6,863	5,294

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 — CONTRACT BALANCES AND CONTRACT COSTS

The Company derives revenue primarily from three sources: (1) subscription revenue related to managed security services, (2) subscription revenue derived from the Taegis software-as-a-service (“SaaS”) security analytics platform and (3) professional services. Subscription-based managed security service arrangements typically include a suite of security services, up-front installation fees and maintenance, and also may include the provision of an associated hardware appliance. Taegis subscription-based revenue currently includes two applications, Extended Detection and Response, or XDR, and Vulnerability Detection and Response, or VDR, along with the add-on managed service to supplement the XDR SaaS application, referred to as Managed Detection and Response, or ManagedXDR. Professional services typically include incident response and security and risk consulting solutions.

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

	Three Months Ended	
	April 30, 2021	May 1, 2020
Managed Security Services	\$ 90,110	\$ 101,904
Taegis Subscription Solutions	13,960	4,453
Professional Services	35,393	34,824
Total Revenue	\$ 139,463	\$ 141,181

Taegis Subscription Solutions revenue for the three months ended May 1, 2020 has been presented for consistency with current period presentation.

The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancelable subscription agreements. The Company invoices its customers based on a variety of billing schedules. During the three months ended April 30, 2021, on average, approximately 57% of the Company's recurring revenue was billed in advance and approximately 43% 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 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 April 30, 2021 and May 1, 2020 are as follows (in thousands):

	As of January 29, 2021	Upfront payments received and billings during the three months ended April 30, 2021	Revenue recognized during the three months ended April 30, 2021	As of April 30, 2021
	Deferred revenue	\$ 178,027	\$ 99,364	\$ (102,987)

	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)

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 subscription-based solutions 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 backlog 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 revenues.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of April 30, 2021, 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	\$ 276,913	\$ 157,597	\$ 80,279	\$ 30,200	\$ 8,837
Performance obligation - backlog	14,137	5,212	4,995	3,930	—
Total	\$ 291,050	\$ 162,809	\$ 85,274	\$ 34,130	\$ 8,837

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 services, 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 April 30, 2021 and May 1, 2020 are as follows (in thousands):

	As of January 29, 2021	Amount capitalized	Amount recognized	As of April 30, 2021
Deferred commissions	\$ 57,888	\$ 3,186	\$ (5,053)	\$ 56,021
Deferred fulfillment costs	11,009	1,256	(1,415)	10,850

	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

The Company did not record any impairment losses on the deferred commissions or deferred fulfillment costs during the three months ended April 30, 2021 or May 1, 2020.

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, as well as subsequent business combinations completed by the Company. Goodwill increased \$0.4 million due to foreign currency translation for the three months ended April 30, 2021, as compared to January 29, 2021. Goodwill totaled \$426.3 million as of April 30, 2021 and \$425.9 million as of January 29, 2021. No triggering events have subsequently transpired that would indicate a potential impairment subsequent to the test date through April 30, 2021.

Intangible Assets

The Company's intangible assets as of April 30, 2021 and January 29, 2021 were as follows:

	April 30, 2021			January 29, 2021		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in thousands)					
Customer relationships	\$ 189,518	\$ (108,865)	\$ 80,653	\$ 189,518	\$ (105,341)	\$ 84,177
Technology	145,591	(104,115)	41,476	143,821	(100,296)	43,525
Finite-lived intangible assets	335,109	(212,980)	122,129	333,339	(205,637)	127,702
Trade name	30,118	—	30,118	30,118	—	30,118
Total intangible assets	\$ 365,227	\$ (212,980)	\$ 152,247	\$ 363,457	\$ (205,637)	\$ 157,820

Amortization expense related to finite-lived intangible assets was approximately \$7.3 million and \$7.0 million for each of the three months ended April 30, 2021 and May 1, 2020, 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 April 30, 2021 or May 1, 2020.

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 April 30, 2021, the facility was amended and restated to extend the maturity date from March 26, 2021 to March 25, 2022 and to increase the annual rate at which interest accrues to the applicable London interbank offered rate ("LIBOR") plus 1.54%. Under the amended terms, if LIBOR is no longer published on a current basis and such circumstances are unlikely to be temporary, the facility will be amended to replace LIBOR with an alternate benchmark rate. 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 April 30, 2021 or January 29, 2021.

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 April 30, 2021, 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. As of April 30, 2021, the Company is under audit with various state taxing authorities in which rulings related to the taxability of certain of our services are in appeals. The Company will continue to appeal these rulings, but should the Company not prevail, there could be obligations to pay additional taxes together with associated penalties and interest for the audited tax period, as well as additional taxes for periods subsequent to the tax audit period, including penalties and interest. An estimated liability in the amount of \$6.3 million was accrued in fiscal 2021 and remains as of April 30, 2021. While Dell does provide an indemnification for certain state tax issues for tax periods prior to August 1, 2015, it does not cover a material portion of the current estimated liability.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 April 30, 2021 and May 1, 2020, the Company had no customer that represented 10% or more of its net revenue.

NOTE 7 — LEASES

The Company recorded operating lease cost for facilities of approximately \$1.4 million and \$1.5 million for the three months ended April 30, 2021 and May 1, 2020, respectively. Operating lease cost include expenses in connection with variable lease costs of \$0.1 million and \$0.2 million for the three months ended April 30, 2021 and May 1, 2020, respectively, which primarily consisted of utilities and common area charges.

For the three months ended April 30, 2021 and May 1, 2020, the Company recorded operating lease cost for equipment leases of approximately \$0.2 million and \$0.7 million, respectively. For the three months ended April 30, 2021 and May 1, 2020, equipment lease cost included short-term lease costs of \$0.1 million and \$0.6 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 \$1.9 million and \$0.9 million during the three months ended April 30, 2021 and May 1, 2020, respectively.

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

	April 30, 2021
Weighted-average remaining lease term	5.0 years
Weighted-average discount rate	5.33 %

The following table summarizes the maturity of the Company's operating lease liabilities as of April 30, 2021 (in thousands):

Fiscal Years Ending	April 30, 2021
2022	\$ 5,038
2023	6,451
2024	6,101
2025	5,270
2026	4,616
Thereafter	4,147
Total operating lease payments	\$ 31,623
Less imputed interest	(3,894)
Total operating lease liabilities	<u>\$ 27,729</u>

The Company's leases have remaining lease terms of 2 months to 5.7 years, inclusive of renewal or termination options that the Company is reasonably certain to exercise.

NOTE 8 — 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 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Under the 2016 Plan, during the three months ended April 30, 2021 and May 1, 2020, the Company granted 1,848,963 and 2,428,357 restricted stock units, respectively, and 484,825 and 454,546 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 27% and 17% of such awards granted during the three months ended April 30, 2021 and May 1, 2020, respectively, are subject to performance conditions. All 1,848,963 restricted stock unit awards made during the three months ended April 30, 2021 are subject to the approval at the Company's 2021 annual meeting of stockholders of an amendment to the 2016 Plan to increase the number of shares of Class A common stock issuable under the plan and thus are not deemed granted or 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 were 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 April 30, 2021 and 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 \$7.5 million and \$8.1 million during the three months ended April 30, 2021 and May 1, 2020, respectively. The Company recognized \$1.6 million of related compensation expense for both the three months ended April 30, 2021 and May 1, 2020, respectively.

NOTE 9 — INCOME AND OTHER TAXES

The Company's loss before income taxes and income tax benefit (in thousands) and effective income tax rate for the three months ended April 30, 2021 and May 1, 2020 was as follows (in thousands, except percentages):

	Three Months Ended	
	April 30, 2021	May 1, 2020
Loss before income taxes	\$ (8,763)	\$ (9,776)
Income tax benefit	\$ (2,373)	\$ (2,240)
Effective tax rate	27.1 %	22.9 %

During the periods presented in the accompanying Condensed Consolidated Statements of Financial Position, 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 27.1% for the three months ended April 30, 2021 and 22.9% for the three months ended May 1, 2020. 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 April 30, 2021 and May 1, 2020 of approximately \$(0.3) million and \$0.3 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 higher than the fair value for the three months ended April 30, 2021 and lower than the fair value for the three months ended May 1, 2020 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 higher actual tax deduction for the three months ended April 30, 2021 and a lower actual tax deduction for the three months ended May 1, 2020 than the amounts deducted for financial reporting purposes.

As of April 30, 2021 and January 29, 2021, the Company had \$5.5 million and \$5.3 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 January 29, 2021. 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 April 30, 2021 and January 29, 2021. 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 April 30, 2021 would have been \$8.8 million, \$1.1 million and \$7.7 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of April 30, 2021 and January 29, 2021, the Company had a \$1.7 million net operating loss receivable from Dell and \$(0.7) million income tax payable to Dell, respectively. The Company had \$3.8 million of unrecognized tax benefits as of April 30, 2021 and January 29, 2021, respectively.

NOTE 10 — 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 \$0.9 million and \$1.0 million for the three months ended April 30, 2021 and May 1, 2020, 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 \$0.2 million and \$0.3 million for the three months ended April 30, 2021 and May 1, 2020, respectively.

EMC 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 \$0.6 million and \$0.4 million for the three months ended April 30, 2021 and May 1, 2020, respectively.

The Company recognized revenue related to solutions provided to VMware that totaled \$0.1 million as of April 30, 2021. The Company recognized no such revenue for the three months ended May 1, 2020. In October 2019, VMware acquired Carbon Black Inc., a security business with which the Company had an existing commercial relationship. Purchases by the Company of solutions from Carbon Black totaled \$1.0 million and \$1.6 million for the three months ended April 30, 2021 and May 1, 2020, respectively.

The Company recognized no revenue related to security solutions provided to other subsidiaries of Dell Technologies, consisting of Pivotal Software, Inc. and Boomi, Inc for the three months ended April 30, 2021 and May 1, 2020, respectively. Purchases by the Company from these other subsidiaries totaled \$56 thousand and \$60 thousand for the three months ended April 30, 2021 and May 1, 2020, respectively.

The Company also recognized revenue related to solutions provided to significant beneficial owners of Secureworks common stock, which include Michael S. Dell, Chairman and Chief Executive Officer of Dell Technologies, and affiliates of Mr. Dell. 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 totaled \$41 thousand and \$0.1 million for the three months ended April 30, 2021 and May 1, 2020, respectively.

The Company provides solutions to certain customers whose contractual relationships have 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 \$15.0 million and \$14.6 million for the three months ended April 30, 2021 and May 1, 2020, respectively. In addition, as of April 30, 2021, the Company had approximately \$1.8 million of contingent obligations to Dell related to outstanding performance bonds for certain customer contracts, which Dell issued on behalf of the Company.

As the Company's customer and on behalf of certain of its own customers, Dell also purchases solutions from the Company. Beginning in the third quarter of the fiscal year ended January 29, 2016, in connection with the effective date of the Company's commercial agreements with Dell, the Company began charging Dell for these services at pricing that is intended to

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

approximate arm's-length pricing, in lieu of the prior cost recovery arrangement. Such revenues totaled approximately \$3.2 million and \$6.0 million for the three months ended April 30, 2021 and May 1, 2020, respectively.

As a result of the foregoing related party arrangements beginning in the third quarter of the fiscal year ended January 29, 2016, the Company has recorded the following related party balances in the Condensed Consolidated Statements of Financial Position as of April 30, 2021 and January 29, 2021 (in thousands).

	April 30, 2021	January 29, 2021
Related party payable (in accrued and other current liabilities)	\$ 4,243	\$ 13,807
Accounts receivable from customers under reseller agreements with Dell (in accounts receivable, net)	\$ 10,963	\$ 15,625
Net operating loss tax sharing (payable)/receivable under agreement with Dell (payable in accrued and other and receivable in other current assets)	\$ 1,742	\$ (667)

NOTE 11 — 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 April 30, 2021 and January 29, 2021 were as follows (in thousands):

	April 30, 2021	January 29, 2021
	Level 1	Level 1
Cash equivalents - Money Market Funds	\$ 45,843	\$ 85,841

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 29, 2021 included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended January 29, 2021 filed with the SEC on March 25, 2021, 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 28, 2022 and the fiscal year ended January 29, 2021 as fiscal 2022 and fiscal 2021, respectively. Fiscal 2022 and fiscal 2021 each have 52 weeks, and each quarter has 13 weeks. Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal periods.

All percentage amounts and ratios presented in this management's discussion and analysis were calculated using the underlying data in thousands.

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 cybersecurity provider of technology-driven security solutions singularly focused on protecting our customers by outpacing and outmaneuvering threat actors.

Our vision is to be the essential cybersecurity company for a digitally connected world by providing the software platform of choice to deliver our holistic approach to security at scale for our customers. We combine considerable experience from securing thousands of customers, deep and machine-learning capabilities in our software platform, and actionable insights from our team of elite researchers, analysts and consultants to create a powerful network effect that provides increasingly strong protection for our customers.

Through our vendor-inclusive 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 solutions to close the gaps in their defenses. We seek to provide the right level of security for each customer's unique situation, which evolves as their organization grows and changes over time.

By aggregating and analyzing data from sources around the world, we offer solutions that enable organizations to:

- prevent security breaches,
- detect malicious activity,
- respond rapidly when a security breach occurs, and
- identify emerging threats.

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

We offer our customers:

- software-as-a-service, or ("SaaS"), solutions,
- managed security services, and
- professional services, including incident response services and security risk consulting.

Our solutions leverage the proprietary technologies, security operations workflows, extensive expertise and knowledge of the tactics, techniques and procedures of the adversary that we have developed over more than 22 years. As key elements of our strategy, we seek to:

- be the cloud-native security analytics software platform of choice,
- broaden our reach with security service providers to deliver our security analytics software platform globally, and
- empower the global security community to beat the adversary at scale.

Our technology-driven security solutions offer an innovative approach to prevent, detect, and respond to cybersecurity breaches. The platforms collect, aggregate, correlate and analyze billions of events daily from our extensive customer base utilizing sophisticated algorithms to detect malicious activity and deliver security countermeasures, dynamic intelligence and valuable context regarding the intentions and actions of cyber adversaries. Through our Taegis applications and managed security services, which are sold on a subscription basis, we provide global visibility and insight into malicious activity, enabling our customers to detect, respond to and effectively remediate threats quickly.

Our proprietary Taegis software platform, which we launched in fiscal 2020, was purpose-built as a cloud-native software platform that combines the power of machine-learning with security analytics and threat intelligence to unify detection and response across endpoint, network and cloud environments for better security outcomes and simpler security operations. The Taegis software platform is a core element for our SaaS applications, which leverage workflows designed using 22 years of security operations expertise and our integrated orchestration and automation capabilities to increase the speed of response actions. We expanded our Taegis SaaS applications with Vulnerability, Detection and Response, or VDR, during fiscal 2021 with our acquisition of Delve Laboratories Inc., as discussed below.

In addition to Taegis applications and managed security services, we also offer a variety of professional services, which include incident response and security and risk consulting, to accelerate adoption of our software solutions. We advise customers on a broad range of security and risk-related matters through both project-based and long-term contracts in addition to our Taegis applications and managed security services.

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 for the three months ended April 30, 2021. We have experienced a limited reduction in customer demand for our solutions that we believe is attributable to COVID-19, which may impact our results in future periods. Although we are unable to predict the extent and severity of all impacts of COVID-19, the pandemic might further curtail customer spending, lead to delayed or deferred purchasing decisions, lengthen sales cycles and result in delays in receiving customer or partner payments. These effects, individually or in the aggregate, could have a material negative impact on our future results of operations and financial condition.

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, effectiveness of vaccines deployed to contain the virus, impact on our employees, customers and vendors, impact on our customers' liquidity, and impact on 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. Due to our subscription-based business model, any such effect of COVID-19 may not be fully reflected in our results of operations until future periods.

Key Factors Affecting Our Performance

We believe that our future success will depend on many factors, including the adoption of our Taegis solutions by organizations, continued investment in our technology and threat intelligence research, our introduction of new solutions, our ability to increase sales of our solutions to new and existing customers and our ability to attract and retain top talent. Although these areas present significant opportunities, they also present risks that we must manage to ensure our future success. For additional information about these risks, refer to "Risk Factors" in Part I, Item 1A of our Annual Report. We operate in an intensely competitive industry and face, among other competitive challenges, pricing pressures within the information security market as a result of action by our larger competitors to reduce the prices of their security prevention, detection and response solutions, as well as the prices of their managed security services. We must continue to manage our investments in an efficient manner and effectively execute our strategy to succeed. If we are unable to address these challenges, our business could be adversely affected.

Adoption of Technology-Driven Solution Strategy. The evolving landscape of applications, modes of communication and IT architectures makes it increasingly challenging for organizations of all sizes to protect their critical business assets, including

proprietary information, from cyber threats. New technologies heighten security risks by increasing the number of ways a threat actor can attack a target, by giving users greater access to important business networks and information and by facilitating the transfer of control of underlying applications and infrastructure to third-party vendors. An effective cyber defense strategy requires the coordinated deployment of multiple products and solutions tailored to an organization's specific security needs. Our integrated suite of solutions, including our new Taegis offerings, is designed to facilitate the successful implementation of such a strategy, but continuous investment in, and adaptation of, our technology will be required as the threat landscape continues to evolve rapidly. The degree to which prospective and current customers recognize the mission-critical nature of our technology-driven information security solutions, and subsequently allocate budget dollars to our solutions, will affect our future financial results.

Investment in Our Technology and Threat Intelligence Research. Our software platforms constitute the core of our technology-driven security solutions. They provide our customers with an integrated perspective and intelligence regarding their network environments and security threats. Our software platforms are augmented by our Counter Threat Unit research team, which conducts exclusive research into threat actors, uncovers new attack techniques, analyzes emerging threats and evaluates the risks posed to our customers. Our performance is significantly dependent on the investments we make in our research and development efforts, and on our ability to be at the forefront of threat intelligence research, and to adapt these software platforms to new technologies as well as to changes in existing technologies. This is an area in which we will continue to invest, while leveraging a flexible staffing model to align with solutions development. We believe that investment in our Taegis software platform and solutions will contribute to long-term revenue growth, but it may continue to adversely affect our near-term profitability.

Introduction of New Security Solutions. Our performance is significantly dependent on our ability to continue to innovate and introduce new information security solutions, such as our Taegis solutions, that protect our customers from an expanding array of cybersecurity threats. We continue to invest in solutions innovation and leadership, including hiring top technical talent and focusing on core technology innovation. In addition, we will continue to evaluate and utilize third-party proprietary technologies, where appropriate, for the continuous development of complementary offerings. We cannot be certain that we will realize increased revenue from our solutions development initiatives. We believe that our investment in solutions development will contribute to long-term revenue growth, but such investment may continue to adversely affect our near-term profitability.

Investments in Expanding Our Customer Base and Deepening Our Customer Relationships. To support future sales, we will need to continue to devote resources to the development of our global sales force. We have made and plan to continue to make significant investments in expanding our go-to-market efforts with direct sales, channel partners and marketing. Any investments we make in our sales and marketing operations will occur before we realize any benefits from such investments. The investments we have made, or intend to make, to strengthen our sales and marketing efforts may not result in an increase in revenue or an improvement in our results of operations. Although we believe our investment in sales and marketing will help us improve our results of operations in the long term, the resulting increase in operating expenses attributable to these sales and marketing functions may continue to affect adversely our profitability in the near term. The continued growth of our business also depends in part on our ability to sell additional solutions to our existing customers. As our customers realize the benefits of the solutions they previously purchased, our portfolio of solutions provides us with a significant opportunity to expand these relationships.

Investment in Our People. The difficulty in providing effective information security is exacerbated by the highly competitive environment for identifying, hiring and retaining qualified information security professionals. Our technology leadership, brand, exclusive focus on information security, customer-first culture, and robust training and development program have enabled us to attract and retain highly talented professionals with a passion for building a career in the information security industry. These professionals are led by a highly experienced and tenured management team with extensive IT security expertise and a record of developing successful new technologies and solutions to help protect our customers. We will continue to invest in attracting and retaining top talent to support and enhance our information security offerings.

Key Operating Metrics

In recent years, we have experienced broad growth across our portfolio of technology-driven information security solutions being provided to all sizes of customers. 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 ongoing 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 fiscal years then ended.

	April 30, 2021	May 1, 2020
Managed security subscription customer base	3,100	3,900
Taegis subscription customer base	500	100
Total subscription customer base	<u>3,600</u>	<u>4,000</u>
Total customer base	5,300	5,300
Managed security annual recurring revenue (in millions)	\$ 349.1	\$ 412.8
Taegis annual recurring revenue (in millions)	\$ 72.4	\$ 24.9
Total annual recurring revenue (in millions)	<u>\$ 421.5</u>	<u>\$ 437.7</u>
Managed security average subscription revenue per customer (in thousands)	\$ 105.4	\$ 104.6
Taegis average subscription revenue per customer (in thousands)	\$ 143.3	\$ 172.8
Total average subscription revenue per customer (in thousands)	<u>\$ 116.1</u>	<u>\$ 109.4</u>
Net revenue retention rate	98 %	98 %

Total Subscription Customer Base. We define our total subscription customer base as the number of customers who subscribe to our Taegis SaaS applications or managed security services 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 total customer base as the number of customers that subscribe to our Taegis SaaS applications and managed security services and customers that buy professional and other services from us, as of a particular date.

Total Annual Recurring Revenue. We define total annual recurring revenue as of the measurement date. Changes to recurring revenue may result from the expansion of our offerings and sales of additional solutions to our existing customers, as well as the timing of customer renewals.

Total Average Subscription Revenue Per Customer. Total 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. Our customer composition of both enterprise and small and medium sized business provides us with an opportunity to expand our professional services revenue. As of April 30, 2021 and May 1, 2020, approximately 64% and 61%, respectively, of our professional services customers subscribed to our Taegis applications or managed security services.

Net Revenue Retention Rate. Net 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 annual recurring revenue of our subscription-based customers at the beginning of the fiscal year (base recurring revenue) to the same measure from that same cohort of customers at the end of the fiscal year (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 net revenue retention rates may increase or decline from period to period as a result of various factors, including the timing of solutions 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 generally accepted accounting principles in the United States of America, referred to as GAAP. Non-GAAP financial measures presented in this management's discussion and analysis include 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), net income (loss), earnings (loss) per share and EBITDA 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 and our acquisition of Delve Laboratories, Inc. in fiscal 2021, 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 each such transaction.
- *Stock-based Compensation Expense.* Non-cash stock-based compensation expense relates to both the Dell Technologies and Secureworks equity plans. We exclude such expense 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.

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in thousands)	
GAAP revenue ⁽¹⁾	\$ 139,463	\$ 141,181
GAAP gross margin	\$ 82,256	\$ 78,272
Amortization of intangibles	3,819	3,460
Stock-based compensation expense	299	355
Non-GAAP gross margin	<u>\$ 86,374</u>	<u>\$ 82,087</u>
GAAP research and development expenses	\$ 28,152	\$ 24,073
Stock-based compensation expense	(1,098)	(1,291)
Non-GAAP research and development expenses	<u>\$ 27,054</u>	<u>\$ 22,782</u>
GAAP sales and marketing expenses	\$ 36,405	\$ 37,452
Stock-based compensation expense	(732)	(741)
Non-GAAP sales and marketing expenses	<u>\$ 35,673</u>	<u>\$ 36,711</u>
GAAP general and administrative expenses	\$ 25,555	\$ 27,516
Amortization of intangibles	(3,524)	(3,524)
Stock-based compensation expense	(3,906)	(3,500)
Non-GAAP general and administrative expenses	<u>\$ 18,125</u>	<u>\$ 20,492</u>
GAAP operating loss	\$ (7,856)	\$ (10,769)
Amortization of intangibles	7,343	6,984
Stock-based compensation expense	6,035	5,887
Non-GAAP operating income	<u>\$ 5,522</u>	<u>\$ 2,102</u>
GAAP net loss	\$ (6,390)	\$ (7,536)
Amortization of intangibles	7,343	6,984
Stock-based compensation expense	6,035	5,887
Aggregate adjustment for income taxes	(2,997)	(2,803)
Non-GAAP net income	<u>\$ 3,991</u>	<u>\$ 2,532</u>
GAAP loss per share	\$ (0.08)	\$ (0.09)
Amortization of intangibles	0.09	0.09
Stock-based compensation expense	0.07	0.07
Aggregate adjustment for income taxes	(0.04)	(0.03)
Non-GAAP earnings per share *	<u>\$ 0.05</u>	<u>\$ 0.03</u>
<i>* Sum of reconciling items may differ from total due to rounding of individual components</i>		
GAAP net loss	\$ (6,390)	\$ (7,536)
Interest and other, net	907	(993)
Income tax benefit	(2,373)	(2,240)
Depreciation and amortization	9,918	10,486
Stock-based compensation expense	6,035	5,887
Adjusted EBITDA	<u>\$ 8,097</u>	<u>\$ 5,604</u>

⁽¹⁾ Historically the Company has presented non-GAAP revenue as a financial measure. There are no such adjustments that give rise to non-GAAP revenue for either of the periods presented.

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, all shares of our outstanding Class B common stock, which as of April 30, 2021 represented approximately 83.8% of our total outstanding shares of common stock and approximately 98.1% 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 10—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 9—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 10—Related Party Transactions" in our condensed consolidated financial statements included in this report.

Components of Results of Operations

Revenue

We sell SaaS applications and managed security services on a subscription basis and various professional services, including incident response solutions and security risk consulting services. Our Taegis SaaS applications and managed security contracts typically range from one to three years and, as of April 30, 2021, averaged approximately 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 2022, approximately 75% of our revenue was derived from subscription-based arrangements, attributable to Taegis applications and managed security services, 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 32% of our total net revenue in the first quarter of fiscal 2022 and approximately 29% of our total net revenue in the first quarter of fiscal 2021. Although our international customers are located primarily in the United Kingdom, Japan, Australia and Canada, we provide our SaaS applications or managed security services to customers across 75 countries as of April 30, 2021.

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, the timing of revenue recognition and the extent to which we expand our security 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 support services 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. 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 or expense.

Income Tax Benefit

Our effective tax benefit rate was 27.1% and 22.9% for the three months ended April 30, 2021 and May 1, 2020, respectively. The change in effective tax rate from fiscal 2020 to fiscal 2021 was primarily attributable to the impact of certain discrete adjustments related to the vesting of stock-based compensation awards and results of foreign operations.

We calculate a provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting purposes. We provide valuation allowances for deferred tax assets, where appropriate. We file U.S. federal returns on a consolidated basis with Dell and we expect to continue doing so until such time (if any) as we are deconsolidated for tax purposes with respect to the Dell consolidated group. According to the terms of the tax matters agreement between Dell Technologies and Secureworks that went into effect on August 1, 2015, Dell Technologies will reimburse us for any amounts by which our tax assets reduce the amount of tax liability owed by the Dell group on an unconsolidated basis. For a further

discussion of income tax matters, see "Notes to Condensed Consolidated Financial Statements—Note 9—Income and Other Taxes" in our consolidated financial statements included in this report.

Results of Operations

Three months ended April 30, 2021 compared to the three months ended May 1, 2020

The following tables summarize our key performance indicators for the three months ended April 30, 2021 and May 1, 2020.

	Three Months Ended				
	April 30, 2021		% Change	May 1, 2020	
	\$	% of Revenue		\$	% of Revenue
	(in thousands, except percentages)				
Net revenue	\$ 139,463	100.0 %	(1.2)%	\$ 141,181	100.0 %
Cost of revenue	\$ 57,207	(41.0)%	(9.1)%	\$ 62,909	(44.6)%
Total gross margin	\$ 82,256	59.0 %	5.1 %	\$ 78,272	55.4 %
Operating expenses	\$ 90,112	64.6 %	1.2 %	\$ 89,041	63.1 %
Operating loss	\$ (7,856)	(5.6)%	(27.0)%	\$ (10,769)	(7.6)%
Net loss	\$ (6,390)	(4.6)%	(15.2)%	\$ (7,536)	(5.3)%
Other Financial Information ⁽¹⁾					
Non-GAAP net revenue	\$ 139,463	100.0 %	(1.2)%	\$ 141,181	100.0 %
Non-GAAP cost of revenue	\$ 53,089	38.1 %	(10.2)%	\$ 59,094	41.9 %
Non-GAAP gross margin	\$ 86,374	61.9 %	5.2 %	\$ 82,087	58.1 %
Non-GAAP operating expenses	\$ 80,852	58.0 %	1.1 %	\$ 79,985	56.7 %
Non-GAAP operating income (loss)	\$ 5,522	4.0 %	162.7 %	\$ 2,102	1.5 %
Non-GAAP net income (loss)	\$ 3,991	2.9 %	57.6 %	\$ 2,532	1.8 %
Adjusted EBITDA	\$ 8,097	5.8 %	44.5 %	\$ 5,604	4.0 %

⁽¹⁾ 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.

Revenue

Net revenue, which we refer to as revenue, decreased \$1.7 million, or 1.2%, for the three months ended April 30, 2021. The decrease resulted primarily from a decline in revenue generated by our subscription-based solutions, which represented approximately 75% of total revenue for the three months ended April 30, 2021. The decline reflected our continued focus on reducing non-strategic service offerings and prioritizing the growth of our Taegis subscription solutions, which includes reselling Taegis offerings to our current subscription customer base.

Revenue for certain services provided to or on behalf of Dell under our commercial agreements with Dell totaled approximately \$3.2 million and \$6.0 million for the three months ended April 30, 2021 and May 1, 2020, respectively. For more information regarding the commercial agreements, see "Notes to Condensed Consolidated Financial Statements—Note 10—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 April 30, 2021, international revenue, which we define as revenue contracted through non-U.S. entities, increased to \$44.9 million, or 10.8% of total revenue from the three months ended May 1, 2020. Currently, our international customers are primarily located in the United Kingdom, Japan, Australia and Canada. We are focused on continuing to grow our international customer base in future periods.

Gross Margin

Our total gross margin increased \$4.0 million, or 5.1%, for the three months ended April 30, 2021. As a percentage of revenue, our gross margin increased 400 basis points to 59.0% for the three months ended April 30, 2021. 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 \$4.3 million, or 5.2%, for the three months ended April 30, 2021. As a percentage of

revenue, our non-GAAP gross margin increased 400 basis points to 61.9% for three months ended April 30, 2021. The increase in gross margin as a percentage of revenue on both a GAAP and non-GAAP basis during the three months ended April 30, 2021 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, as well as to a decrease in travel-related costs attributable to the COVID-19 pandemic.

Operating Expenses

The following table presents information regarding our operating expenses during the three months ended April 30, 2021 and May 1, 2020.

	Three Months Ended				
	April 30, 2021		% Change	May 1, 2020	
	Dollars	% of Revenue		Dollars	% of Revenue
(in thousands, except percentages)					
<i>Operating expenses:</i>					
Research and development	\$ 28,152	20.2 %	16.9 %	\$ 24,073	17.1 %
Sales and marketing	36,405	26.1 %	(2.8)%	37,452	26.5 %
General and administrative	25,555	18.3 %	(7.1)%	27,516	19.5 %
Total operating expenses	<u>\$ 90,112</u>	<u>64.6 %</u>	<u>1.2 %</u>	<u>\$ 89,041</u>	<u>63.1 %</u>
<i>Other Financial Information</i>					
Non-GAAP research and development	\$ 27,054	19.4 %	18.8 %	\$ 22,782	16.1 %
Non-GAAP sales and marketing	35,673	25.6 %	(2.8)%	36,711	26.0 %
Non-GAAP general and administrative	18,125	13.0 %	(11.6)%	20,492	14.5 %
Non-GAAP operating expenses ⁽¹⁾	<u>\$ 80,852</u>	<u>58.0 %</u>	<u>1.1 %</u>	<u>\$ 79,985</u>	<u>56.7 %</u>

⁽¹⁾ 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 \$4.1 million, or 16.9%, for the three months ended April 30, 2021. As a percentage of revenue, R&D expenses increased 300 basis points to 20.2% for the three months ended April 30, 2021. On a non-GAAP basis, R&D expenses as a percentage of revenue decreased 300 basis points to 19.4% for the three months ended April 30, 2021. The increase in R&D expenses was primarily attributable to increased compensation and benefits resulting from the addition of R&D personnel associated with the continued development of our Taegis software platform and SaaS applications.

Sales and Marketing Expenses. S&M expenses decreased \$1.0 million, or 2.8%, for the three months ended April 30, 2021. As a percentage of revenue, S&M expenses decreased 40 basis points to 26.1% for the three months ended April 30, 2021. On a non-GAAP basis, S&M expenses as a percentage of revenue decreased 40 basis points to 25.6% for the three months ended April 30, 2021. The decrease in S&M expenses was primarily attributable to lower travel-related cost associated with increased activities on a remote basis as a result of the COVID-19 pandemic.

General and Administrative Expenses. G&A expenses decreased \$2.0 million, or 7.1%, for the three months ended April 30, 2021. As a percentage of revenue, G&A expenses increased 100 basis points to 18.3% for the three months ended April 30, 2021. On a non-GAAP basis, G&A expenses as a percentage of revenue increased 200 basis points to 13.0% for the three months ended April 30, 2021. The decrease in G&A expenses was primarily attributable to lower professional services and consulting related costs for the current quarter.

Operating Loss

Our operating loss was \$7.9 million and \$10.8 million for the three months ended April 30, 2021 and May 1, 2020, respectively. As a percentage of revenue, our operating loss was 5.6% and 7.6% for the three months ended April 30, 2021 and May 1, 2020, 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 \$5.5 million for the three months ended April 30, 2021 compared to an operating loss of \$2.1 million for the three months ended May 1, 2020.

Interest and Other, Net

Our interest and other, net was \$(0.9) million and \$1.0 million for the three months ended April 30, 2021 and May 1, 2020, respectively. The change primarily reflected the effects of foreign currency transactions and related exchange rate fluctuations.

Income Tax Expense (Benefit)

Our income tax benefit was \$2.4 million, or 27.1%, and \$2.2 million, or 22.9%, of our pre-tax loss during the three months ended April 30, 2021 and May 1, 2020, respectively. The change in the effective tax benefit rate was primarily attributable to the impact of certain discrete adjustments related to the vesting of stock-based compensation awards in the current quarter.

Net Income (Loss)

Our net loss of \$(6.4) million decreased \$1.1 million, or 15.2%, for the three months ended April 30, 2021. Net income on a non-GAAP basis was \$4.0 million compared to a non-GAAP net loss of \$2.5 million the three months ended May 1, 2020. The changes on both a GAAP and non-GAAP basis were attributable to our improved operating results, partially offset 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 and for the foreseeable future thereafter. 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, potential acquisitions of complementary businesses and technologies, continuing market acceptance of our solutions, and general economic and market conditions. 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 April 30, 2021, our principal sources of liquidity consisted of cash and cash equivalents and accounts receivable. Our cash and cash equivalents balance as of April 30, 2021 included \$45.8 million invested in money market funds pending their use in our business.

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

	April 30, 2021	January 29, 2021
	(in thousands)	
Cash and cash equivalents	\$ 180,607	\$ 220,300
Accounts receivable, net	\$ 94,901	\$ 108,005

We invoice our customers based on a variety of billing schedules. During the three months ended April 30, 2021, on average, approximately 57% of our recurring revenue was billed in advance and approximately 43% 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 decrease in accounts receivable as of April 30, 2021 reflected increased collection activity. 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 April 30, 2021 and January 29, 2021, the provision for credit losses was \$4.5 million and \$4.8 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 April 30, 2021 or January 29, 2021. Effective March 25, 2021, the facility was amended and restated to extend the maturity date to March 25, 2022 and to modify the annual rate at which interest accrues to the applicable LIBOR plus 1.54%.

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

	Three Months Ended	
	April 30, 2021	May 1, 2020
	(in thousands)	
<i>Net change in cash from:</i>		
Operating activities	\$ (30,558)	\$ (20,337)
Investing activities	(2,294)	(1,020)
Financing activities	(6,841)	(4,491)
Change in cash and cash equivalents	<u>\$ (39,693)</u>	<u>\$ (25,848)</u>

Operating Activities — Cash used by operating activities totaled \$30.6 million and \$20.3 million for the three months ended April 30, 2021 and May 1, 2020, respectively. The increased use of our operating cash was primarily driven by the decrease in our accounts payables, accrued liabilities and our net transactions with Dell, which was offset by decrease in our net accounts receivable balance due to an increase in collection rates. 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 \$2.3 million and \$1.0 million for the three months ended April 30, 2021 and May 1, 2020, respectively. For the periods presented, investing activities consisted primarily of capitalized expenses related to the development of our Taegis software platform and SaaS applications, as well as capital expenditures to support our facilities infrastructure.

Financing Activities — Cash flows used in financing activities totaled \$6.8 million and \$4.5 million for the three months ended April 30, 2021 and May 1, 2020, respectively. The use of cash flows for the three months ended April 30, 2021 reflected employee tax withholding payments of \$6.8 million on restricted stock awards paid by us. 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.

Off-Balance Sheet Arrangements

As of April 30, 2021, 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," 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 April 30, 2021.

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, the Japanese Yen, the Australian Dollar 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 April 30, 2021. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of April 30, 2021.

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 April 30, 2021 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 29, 2021 filed with the SEC on March 25, 2021. 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

The following table presents information with respect to our purchases of Class A common stock during the three months ended April, 30, 2021.

Period	Total Number of Shares Purchased	Weighted 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
January 30, 2021 through February 26, 2021				
Share repurchase program	—	\$ —	—	\$ —
Employee transactions ⁽¹⁾	—	—	—	—
February 27, 2021 through March 26, 2021				
Share repurchase program	—	—	—	\$ —
Employee transactions ⁽¹⁾	22	14.85	—	—
March 27, 2021 through April 30, 2021				
Share repurchase program	—	—	—	\$ —
Employee transactions ⁽¹⁾	85	14.01	—	—
Total	107	\$ 14.18	—	\$ —

(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	Fourth Amended and Restated Revolving Credit Agreement, dated as of March 25, 2021, between SecureWorks, Inc. and Dell USA L.P. Filed herewith
10.2*	Form of Restricted Stock Unit Agreement for Executives under SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.
10.3*	Form of Restricted Stock Agreement for Executives under SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.
10.4*	Form of Performance Stock Unit Agreement for Executives under the SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.
10.5*	Form of Performance-Based Restricted Stock Agreement for Executives under the SecureWorks Corp. 2016 Long-Term Incentive Plan. Filed herewith.
31.1	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.
31.2	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.
32.1	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.
101.INS	Inline 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	Inline XBRL Taxonomy Extension Schema Document. Filed herewith.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. Filed herewith.
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document, which is contained in Exhibit 101).

* 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 3, 2021

FOURTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This FOURTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this “Agreement”), dated as of March 25, 2021 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 Third Amended and Restated Revolving Credit Agreement dated as of March 26, 2020 (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 1.54% above the LIBOR applicable to each Loan. If LIBOR is not available or is no longer being published on a current basis and such circumstances are unlikely to be temporary (or if the administrator of such rate has made a public announcement that such rate will no longer be available or used for determining interest rates for loans as of a specific date), the Lender and the Borrower will negotiate in good faith to amend this Agreement to replace such rate with an alternate benchmark rate and other related provisions as the Lender and the Borrower shall reasonably agree (which shall give due regard to the then existing or evolving market practice or replacement of LIBOR-based interest rates and be generally consistent with the alternate benchmark rate adopted, if any, by affiliates of the Lender and the Borrower under their financing arrangements).

“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 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
a. 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 or 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.

i. 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 (or such other agreed rate) 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.

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

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 25, 2021 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 inequity 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: Chief Financial Officer

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 Fourth Amended and Restated Revolving Credit Agreement, dated as of ___[●], 2021 (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.

By__ Name:
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 (i) the Stockholder Approval Condition (as defined in the attached Restricted Stock Unit Agreement), and (ii) 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 in the Agreement) 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
EXECUTIVE 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. The Award of RSUs described in this Agreement is subject to the approval by the stockholders of the Company of an amendment to the Plan to increase the total number of shares of Stock that may be issued under the Plan, as recommended by the Board of Directors, at the annual meeting of stockholders to be held in the Company's fiscal year ending January 28, 2022 (the "**Stockholder Approval Condition**") and, in the event of the failure of such amendment to be approved, such Award shall be cancelled effective as of the Grant Date and shall be deemed null and void ab initio and no settlement or delivery of, or conversion into, shares of Stock underlying such Award may occur.
- 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, and subject to the satisfaction of the Stockholder Approval Condition.
- 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 or any other provision of this Agreement to the contrary, the RSUs shall become 100% vested upon your termination of Service due to your death or Disability, subject to the prior satisfaction of the Stockholder Approval Condition or waiver of such condition by the Committee in its sole discretion not inconsistent with the terms of the Plan. 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, following the satisfaction of the Stockholder Approval Condition or waiver of such condition by the Committee in its sole discretion not inconsistent with the terms of the Plan, 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: Qualys, Tenable, 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, subject to the prior satisfaction of the Stockholder Approval Condition or waiver of such condition by the Committee in its sole discretion not inconsistent with the terms of the Plan.

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, and you have not made acceptable arrangements to make such payment, 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

No Right to Continued Employment or Other Service

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.

Corporate Activity

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.

Clawback

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.

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.

Governing Law & Venue

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.

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 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.

All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.

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 Asia Pacific region, the Latin American region, the European Economic Area, Canada or elsewhere, such as the United States of America. 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 in this Agreement) 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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Leaves of Absence	For purposes of this Agreement, your Service does not terminate when you go on a <i>bona fide</i> 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: Qualys, Tenable, 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, and you have not made acceptable arrangements to make such payment, 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.

All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.

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 Asia Pacific region, the Latin American region, the European Economic Area, Canada or elsewhere, such as the United States of America. 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.
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 (i) the Stockholder Approval Condition (as defined in the attached Restricted Stock Unit Agreement), and (ii) 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 in this Agreement) 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 (1st) anniversary of the Grant Date and if you are in Service on the first (1st) 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.

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

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 Award of PSUs described in this Agreement is subject to the approval by the stockholders of the Company of an amendment to the Plan to increase the total number of shares of Stock that may be issued under the Plan, as recommended by the Board of Directors, at the annual meeting of stockholders to be held in the Company's fiscal year ending January 28, 2022 (the "**Stockholder Approval Condition**") and, in the event of the failure of such amendment to be approved, such Award shall be cancelled effective as of the Grant Date and shall be deemed null and void ab initio and no settlement or delivery of, or conversion into, shares of Stock underlying such Award may occur.

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, and subject to the satisfaction of the Stockholder Approval Condition. 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 or any other provision of this Agreement to the contrary, 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 prior satisfaction of the Stockholder Approval Condition or waiver of such condition by the Committee in its sole discretion not inconsistent with the terms of the Plan. 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, following the satisfaction of the Stockholder Approval Condition or waiver of such condition by the Committee in its sole discretion not inconsistent with the terms of the Plan, 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: Qualys, Tenable, 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, subject to the prior satisfaction of the Stockholder Approval Condition or waiver of such condition by the Committee in its sole discretion not inconsistent with the terms of the Plan.

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, and you have not made acceptable arrangements to make such payment, 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.

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 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:

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 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.

Corporate Activity

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.

Clawback

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.

All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.

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 Asia Pacific region, the Latin American region, the European Economic Area, Canada or elsewhere, such as the United States of America. 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 in this Agreement) 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 (1st) anniversary of the Grant Date and if you are in Service on the first (1st) 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: Qualys, Tenable, 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, and you have not made acceptable arrangements to make such payment, 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.

All terms used in this Agreement with their initial letters capitalized shall have the meanings given them in the Plan unless otherwise defined herein.

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 Asia Pacific region, the Latin American region, the European Economic Area, Canada or elsewhere, such as the United States of America. 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.

**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 3, 2021

/s/ Michael R. Cote

Michael R. Cote
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 3, 2021

/s/ Paul M. Parrish

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 April 30, 2021 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 3, 2021

/s/ Michael R. Cote

Michael R. Cote
Chief Executive Officer

Date: June 3, 2021

/s/ Paul M. Parrish

Paul M. Parrish
Chief Financial Officer