

Cornerstone OnDemand Inc
Form 8-K
June 17, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

June 11, 2013

Date of Report (date of earliest event reported)

Cornerstone OnDemand, Inc.

(Exact name of Registrant as specified in charter)

Delaware
(State or other jurisdiction)

001-35098
(Commission)

13-4068197
(I. R. S. Employer)

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of incorporation)

File Number)
1601 Cloverfield Blvd.

Identification No.)

Suite 620 South

Santa Monica, CA 90404

(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 752-0200

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

Purchase Agreement

On June 11, 2013, Cornerstone OnDemand, Inc. (the Company) entered into a purchase agreement (the Purchase Agreement) with Goldman, Sachs & Co. (Goldman Sachs) and Credit Suisse Securities (USA) LLC (Credit Suisse), as representatives of the several initial purchasers named therein (collectively, the Initial Purchasers), relating to the sale by the Company of \$220 million aggregate principal amount of its 1.50% Convertible Senior Notes due 2018 (the Notes) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act). In addition, the Company granted the initial purchasers an overallotment option to purchase, within 30 days from the date of the Purchase Agreement, up to an additional \$33 million aggregate principal amount of the Notes on the same terms and conditions. The Initial Purchasers exercised their overallotment option in full on June 12, 2013.

The Purchase Agreement includes customary representations, warranties and covenants by the Company. Under the terms of the Purchase Agreement, the Company has agreed to indemnify the Initial Purchasers against certain liabilities.

The description of the Purchase Agreement contained herein is qualified in its entirety by reference to the Purchase Agreement attached as Exhibit 10.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2013 and incorporated herein by reference.

Indenture

On June 17, 2013, the Company entered into an indenture (the Indenture) by and between the Company and U.S. Bank National Association, as trustee. The Notes will bear interest at a rate of 1.50% per year, payable semi-annually in arrears on January 1 and July 1 of each year, commencing January 1, 2014. The Notes will mature on July 1, 2018, unless earlier purchased by the Company or converted.

The initial conversion rate is 18.5046 shares of common stock per \$1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately \$54.04 per share). The conversion rate will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the Indenture), the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change.

Prior to April 1, 2018, the Notes will be convertible only under the following circumstances (1) during any calendar quarter commencing after September 30, 2013, if, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding calendar quarter, the last reported sale price of the Company's common stock on such trading day is greater than or equal to 130% of the applicable conversion price on such trading day; (2) during the five consecutive business day period after any five consecutive trading day period in which, for each day of that period, the trading price per \$1,000 principal amount of Notes for such trading day was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on such trading day; or (3) upon the occurrence of specified corporate transactions. On and after April 1, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or a portion of their Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Notes will be settled in cash and, if applicable, shares of the Company's common stock (subject to its right to pay cash in lieu of all or any portion of such shares) as described in the indenture.

The Company may not redeem the Notes prior to the maturity date. Upon the occurrence of a fundamental change (as defined in the Indenture), holders may require the Company to purchase all or a portion of their Notes for cash at a price equal to 100% of the principal amount of the Notes to be purchased plus any accrued and unpaid interest to, but excluding, the fundamental change purchase date.

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The Notes will be the Company's unsecured and unsubordinated obligations and will rank senior in right of payment to any of the Company's future indebtedness that is expressly subordinated in right of payment to the Notes; rank equal in right of payment to the Company's existing and future unsecured indebtedness that is not so subordinated; be effectively subordinated in right of payment to any of its secured indebtedness to the extent of the value of the assets securing such indebtedness; and be structurally subordinated to all existing and future indebtedness and liabilities of subsidiaries of the Company.

The following events are considered events of default, which may result in the acceleration of the maturity of the Notes:

- (1) the Company defaults in the payment of interest on any Note when the same becomes due and payable and such default continues for a period of 30 days;
- (2) the Company defaults in the payment of principal of any Note when the same becomes due and payable at the maturity date, upon declaration of acceleration, upon any fundamental change purchase date or otherwise;
- (3) failure by the Company to deliver the consideration due upon the conversion of any Notes and such failure continues for a period of five business days;
- (4) failure by the Company to give a fundamental change notice at the time, in the manner, and with the contents specified under the Indenture when due;
- (5) failure by the Company to comply with its obligations under the Indenture with respect to consolidation, merger and sale of assets of the Company;
- (6) the Company defaults in the performance of or breaches any other covenant or agreement of its in the Indenture with respect to the Notes (other than a covenant or agreement in respect of which a default or breach is specifically addressed in clauses (1) through (5) above) and such default or breach continues for a period of 60 consecutive days after written notice of such default is delivered to the Company by the trustee or to the Company and the trustee by the holders of 25% or more in aggregate principal amount of the Notes then outstanding;
- (7) a default under any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness of the Company or any of its significant subsidiary (as defined in the Indenture) for money borrowed, whether such indebtedness now exists or shall hereafter be created, if that default:

constitutes the failure to pay when due (at express maturity, upon acceleration as a result of an event of default or otherwise, after giving effect to any applicable grace period) indebtedness in an aggregate principal amount in excess of \$35,000,000 (or its foreign currency equivalent), and

such default continues for a period of 30 days after written notice thereof is delivered to the Company by the trustee or to the Company and the trustee by the holders of 25% or more in aggregate principal amount of the Notes then outstanding without such default having been cured or waived, such acceleration having been rescinded or annulled (if applicable) and such indebtedness not having been paid or discharged; or

- (8) certain events of bankruptcy, insolvency, or reorganization of the Company or any of its significant subsidiaries (as defined in the indenture).

If an event of default, other than an event of default described in clause (8) above with respect to the Company, occurs and is continuing, and in each and every such case, except for any Notes the principal of which shall have already become due and payable, either the trustee by notice to the Company, or the holders of not less

than 25% in aggregate principal amount of the Notes then outstanding, by notice to the Company and to the trustee, may declare 100% of the principal amount of, and accrued and unpaid interest (including additional interest, if any) on all the Notes then outstanding, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable. If an event of default described in clause (8) occurs and is continuing with respect to the Company (and not solely with respect to one or more of its significant subsidiaries), then 100% of the principal amount of, and all accrued and unpaid interest (including additional interest, if any) on all the Notes then outstanding shall be and become immediately due and payable, without any notice or other action by any holder or the trustee, to the full extent permitted by applicable law.

The summary of the foregoing transactions is qualified in its entirety by reference to the text of the Indenture, which is included as Exhibit 4.1 hereto and is incorporated herein by reference.

Convertible Note Hedge Transactions

In connection with the offering and pricing of the Notes, on June 11, 2013 and, in connection with the Initial Purchasers' exercise of the overallotment option, on June 12, 2013, the Company entered into privately-negotiated convertible note hedge transactions with respect to its common stock (the "Convertible Note Hedge Transactions") with each of Goldman Sachs and an affiliate of Credit Suisse, Credit Suisse International (collectively, the "Counterparties"). The Company paid an aggregate amount of approximately \$49.5 million to the Counterparties for the Convertible Note Hedge Transactions. The Convertible Note Hedge Transactions cover, subject to anti-dilution adjustments substantially similar to those in the Notes, approximately 4.7 million shares of the Company's common stock, the same number of shares underlying the Notes, at a strike price that corresponds to the initial conversion price of the Notes and are exercisable upon conversion of the Notes. The Convertible Note Hedge Transactions will expire upon the maturity of the Notes. A form of the confirmations relating to the Convertible Note Hedge Transactions is attached hereto as Exhibit 10.2 and is incorporated herein by reference.

The Convertible Note Hedge Transactions are intended to reduce the potential dilution upon conversion of the Notes and/or offset the cash payments in excess of the principal amount of the Notes the Company is required to make in the event that the market value per share of the Company's common stock, as measured under the Notes, at the time of exercise is greater than the conversion price of the Notes.

The Convertible Note Hedge Transactions are separate transactions, entered into by the Company with the Counterparties, and are not part of the terms of the Notes. Holders of the Notes will not have any rights with respect to the Convertible Note Hedge Transactions. The foregoing description of the Convertible Note Hedge Transactions is qualified in its entirety by the copies of the confirmations for the Convertible Note Hedge Transactions attached as exhibits hereto and incorporated herein by reference.

Warrant Transactions

In addition, concurrently with entering into the Convertible Note Hedge Transactions, on June 11, 2013 and on June 12, 2013, the Company separately entered into privately-negotiated warrant transactions (the "Warrants"), whereby the Company sold to the Counterparties warrants to acquire, collectively, subject to anti-dilution adjustments, up to 4.7 million shares of the Company's common stock at a strike price of \$80.06 per share, which is 100% higher than the closing price of shares of the Company's common stock of \$40.03 on June 11, 2013. The Company received aggregate proceeds of approximately \$23.2 million from the sale of the Warrants to the Counterparties. The Warrants were sold in private placements to the Counterparties pursuant to the exemptions from the registration requirements of the Securities Act afforded by Section 4(a)(2) of the Securities Act. A form of the confirmations relating to the Warrant transactions is attached hereto as Exhibit 10.3 and is incorporated herein by reference.

If the market value per share of the Company's common stock, as measured under the Warrants, exceeds the strike price of the Warrants, the Warrants will have a dilutive effect on the Company's earnings per share.

The Warrants are separate transactions, entered into by the Company with the Counterparties, and are not part of the terms of the Notes. Holders of the Notes will not have any rights with respect to the Warrants. The foregoing description of the Warrants is qualified in its entirety by the copies of the confirmations for the Warrant transactions attached as exhibits hereto and incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth in Item 1.01 above is incorporated by reference into this Item 2.03.

Item 3.02. Unregistered Sales of Equity Securities.

The information set forth in Item 1.01 above is incorporated by reference into this Item 3.02.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit

| No. | Description |
|------|---|
| 4.1 | Indenture between Cornerstone OnDemand, Inc. and U.S. Bank National Association, dated as of June 17, 2013. |
| 10.2 | Form of Convertible Bond Hedge Confirmation |
| 10.3 | Form of Warrant Confirmation |

Signature

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

Dated: June 17, 2013

Cornerstone OnDemand, Inc.

/s/Adam Weiss

Adam Weiss

General Counsel

EXHIBIT INDEX

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