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LEGALZOOM.COM, INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS Years Ended December 31, 2009, 2010 and 2011 and the Three Months Ended March 31, 2011 and 2012

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As filed with the Securities and Exchange Commission on July 2, 2012

Registration No. 333-181332

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

Amendment No. 2 to
FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

LegalZoom.com, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**7370**	**95-4752856**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

101 North Brand Boulevard, 11th Floor
Glendale, California 91203
(323) 962-8600
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

John Suh
Chief Executive Officer
LegalZoom.com, Inc.
101 North Brand Boulevard, 11th Floor
Glendale, California 91203
(323) 962-8600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Please send copies of all communications to:

C. Thomas Hopkins, Esq. **Louis P.A. Lehot, Esq.** Sheppard, Mullin, Richter & Hampton LLP 1901 Avenue of the Stars, Suite 1600 Los Angeles, California 90067 (310) 228-3735	**Fred Krupica** **Chief Financial Officer** **Chas Rampenthal, Esq.** **General Counsel and Secretary** LegalZoom.com, Inc. 101 North Brand Boulevard, 11th Floor Glendale, California 91203 (323) 962-8600	**Steven B. Stokdyk, Esq.** Latham & Watkins LLP 355 South Grand Avenue Los Angeles, California 90071 (213) 485-1234

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

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

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

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

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

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

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

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

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling stockholders are soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Dated July 2, 2012

Shares

COMMON STOCK

LegalZoom.com, Inc. is offering shares of its common stock and the selling stockholders are offering shares of common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between $ and $ per share.

We have applied for listing of our common stock on the New York Stock Exchange under the symbol "LGZ."

We are an "emerging growth company" under the federal securities laws and will be subject to reduced public company reporting requirements. Investing in our common stock involves risks. See "Risk Factors" beginning on page 12.

PRICE $ A SHARE

	Price to Public	***Underwriting Discounts and Commissions***	***Proceeds to LegalZoom***	***Proceeds to Selling Stockholders***
Per Share	*$*	*$*	*$*	*$*
Total	*$*	*$*	*$*	*$*

We and the selling stockholders have granted the underwriters the right to purchase up to an additional shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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

MORGAN STANLEY *BofA MERRILL LYNCH*

STIFEL NICOLAUS WEISEL

RBC CAPITAL MARKETS *WILLIAM BLAIR* *MONTGOMERY & CO.*

, 2012

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The information in this prospectus is not complete and is subject to change. No person should rely on the information contained in this document for any purpose other than participating in our proposed initial public offering, and only the prospectus dated , 2012, is authorized by us to be used in connection with our proposed initial public offering. The prospectus will only be distributed by us and the underwriters named herein and no other person has been authorized by us to use this document to offer or sell any of our securities.

Until , 2012 (25 days after the commencement of our initial public offering), all dealers that buy, sell, or trade shares of our common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: Neither we, nor the selling stockholders, nor the underwriters have done anything that would permit our initial public offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our common stock and the distribution of this prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary highlights information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of th information that you should consider in making your investment decision. You should read this entire prospectus carefully before making an investment in our comm stock. You should consider, among other things, our consolidated financial statements and the related notes and sections titled "Risk Factors," "Special No Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in th prospectus.

LEGALZOOM.COM, INC.

We believe that everyone deserves access to quality legal services so they can benefit from the full protection of the law. Our mission is to be the truste destination where small businesses and consumers address their important legal needs and to be our customers' legal partner for life.

Overview

LegalZoom is the leading online provider of services that meet the legal needs of small businesses and consumers in the United States. We believe that we a transforming the small business and consumer legal services market by leveraging the power of technology and people. Our online legal platform enables us to deliv services at scale with a compelling combination of quality, customer care and value. Our services include a portfolio of interactive legal documents that a personalized by our customers through our dynamic online processes, as well as subscription legal plans and registered agent services.

We developed our easy-to-use, online legal platform to make the law more accessible to small businesses and consumers. Our scalable technology platfor enables the efficient creation of personalized legal documents, automates our supply chain and fulfillment workflow management, and provides customer analytics t help us improve our services. For small businesses and consumers who want legal advice, we offer subscription legal plans that connect our customers wi experienced attorneys who participate in our legal plan network.

We have served approximately two million customers over the last 10 years. In 2011, nine out of ten of the approximately 34,000 customers who responded to survey we provided said they would recommend LegalZoom to their friends and family. Our customers placed approximately 490,000 orders and more than 20 perce of new California limited liability companies were formed using our online legal platform in 2011. We believe the volume of transactions processed through our onlin legal platform creates a scale advantage that deepens our knowledge and enables us to improve the quality and depth of the services we provide to our customers.

The Small Business and Consumer Legal Services Market

The law provides numerous benefits and protections to businesses and consumers. For example, entrepreneurs incorporate their businesses to shield person assets, limit liabilities and help raise capital, and consumers use estate planning tools to ensure their assets are distributed according to their wishes and to minimize ta liabilities. According to the U.S. Census Bureau, in 2009, there were approximately 26 million businesses with fewer than ten employees. We estimate that in 201 approximately two million new businesses were formed in the United States. According to the U.S. Bureau of Economic Analysis, legal services in the United State in 2010 represented a $266 billion market. We estimate that in 2011 approximately $97 billion of legal services were provided to small businesses and consumer based on a study conducted on our behalf by L.E.K. Consulting LLC.

Despite the enormous amount spent on legal services, we believe that small businesses and consumers have not been adequately served by the optio traditionally available to them. Every year, small

businesses enter into legal contracts and become entangled in disputes, many of which require legal services to address. Consumers experience important life even that affect their families, including the birth of a child, marriage, divorce and death, all of which can also give rise to diverse needs for legal services. Small business and consumers often do not understand their legal needs or know where to start looking for an attorney. The high and unpredictable cost of traditional legal service also presents challenges. As a result, many small businesses and consumers often are unsure of or dissatisfied with the legal services available to them, and mar either elect not to seek help or take no action to address their important legal needs.

Our Opportunity

We founded LegalZoom with a vision of combining the power of online technology with deep legal experience to create a scalable online legal platform th would fundamentally transform the way legal services are delivered to small businesses and consumers. We believe we are uniquely positioned to continu transforming the small business and consumer legal services market through the use of technology. Furthermore, there is a significant opportunity to expand the leg services market by making the benefits and protection of the law more accessible to small businesses and consumers. We are taking advantage of this opportunity b providing the following benefits to our customers:

- ***Quality.*** Our deep legal knowledge, portfolio of interactive legal documents and subscription legal plans enable us to provide quality services designe to meet the specific needs of our customers.

- ***Customer Care.*** We strive to deliver an exceptional customer experience, and we guarantee customer satisfaction.

- ***Value.*** We believe that fixed, transparent pricing offers superior value compared to traditional hourly billing.

Our Strengths

Our key strengths include:

- ***Leading Brand.*** We are the leading, nationally recognized legal brand for small businesses and consumers in the United States, with 60% aided brar awareness based on a survey we conducted using United Sample, Inc. in January 2012. We believe that we are redefining the small business ar consumer legal services market and that the strength of our brand is enabling us to expand this market.

- ***Deep Legal Knowledge.*** We have a deep understanding of the legal needs of small businesses and consumers based on over 10 years of experienc serving our customers. We leverage our legal knowledge and team of experienced, in-house attorneys, often in consultation with outside attorneys fro across the United States, to design, review and maintain our services. The high volume of transactions we handle and feedback we receive fro customers and government agencies give us a scale advantage that deepens our knowledge and enables us to further develop additional services address our customers' needs and refine our business processes.

- ***Exceptional Customer Experience.*** Customer care is central to our culture and we are highly focused on providing exceptional customer experience Our online legal platform was designed to be easy for our customers to navigate and use. Our customers have access to live customer ca representatives, and subscribers to our legal plans may consult with an experienced attorney licensed in their jurisdiction. If a customer is n completely satisfied with our services for any reason, we will attempt to correct the situation, or provide a refund or credit.

- ***Advanced Systems and Processes.*** We have developed advanced systems and processes to efficiently deliver services at scale that meet the specif needs of our customers. Our technology allows us to efficiently serve thousands of small businesses and consumers every day. Our supply chain ar fulfillment systems integrate external and internal technologies, enabling intelligent workflow management while increasing processing speed ar efficiency.

- ***Accessible Services.*** Our online legal platform allows customers to access our services from their home, office or anywhere they have an Intern connection. Our fixed, transparent pricing is often more affordable when compared to traditional hourly billing, and our subscription legal plans allo our customers to avoid the often difficult process of finding and meeting with an attorney.

Our Strategy

The key elements of our strategy include:

- ***Expand and Improve Our Services.*** We plan to expand and improve the services we offer our customers to better address their legal needs and deepe our relationships with them.

- ***Leverage and Grow Our Subscription Legal Plans.*** We intend to offer our subscription legal plans to a wider group of customers by making the available in additional states, bundling them with more of our services, and offering them on a standalone basis. We plan to invest in marketin campaigns to promote our subscription legal plans. Our aim is to reach a broader group of customers through our legal plans, including those who ar unsure of their legal needs or who want the added comfort of speaking with an attorney.

- ***Expand Internationally.*** We plan to replicate our U.S. model abroad in the near term, as we believe that our online legal platform represents compelling value proposition to small businesses and consumers globally. We plan to partner with legal services providers outside of the United State to expand our operations internationally. We believe that the strength of our brand, focus on customer care, deep understanding of the legal needs o small businesses and consumers, and scalable technology will help us successfully enter markets outside the United States.

- ***Continue to Build a Trusted Brand and Drive Awareness of Our Services.*** We will continue to build a trusted brand by delivering a compellin combination of quality, customer care and value. We plan to enhance our marketing activities to build our brand and increase awareness of our service We plan to continue to make significant investments in marketing campaigns, including through online, television and radio advertising, to enhance ou ability to acquire new customers and increase customer retention.

Our Services

Through our online legal platform, we offer a variety of services to meet the specific needs of small businesses and consumers.

Interactive Legal Documents

We offer a broad portfolio of interactive legal documents that our customers can tailor to their specific needs through our dynamic online processes and scalab technology. Our interactive legal documents are designed for use, as appropriate, at the federal level, as well as in all 50 states, the District of Columbia ar approximately 2,900 U.S. counties. Our interactive legal document services for small businesses include limited liability company formations, incorporations ar trademark applications. Our interactive legal document services for consumers include wills, living trusts and powers of attorney.

Subscription Legal Plans

For small businesses and consumers who want legal advice, we offer legal plans that connect subscribers with experienced attorneys licensed in their jurisdictio to address their specific legal needs. In order to be considered for participation in our legal plan network, independent attorneys must satisfy certain quality standard established by us and be highly focused on customer care. Our small business and consumer subscription legal plans are currently available in 40 states and the Distri of Columbia. Our subscription legal plans include free attorney consultations on new legal matters, review of our interactive legal documents, and discounts o LegalZoom services and additional services provided by legal plan network attorneys.

Subscription Registered Agent Services and Other Services

We offer subscription registered agent services for business entities, who are required to appoint and maintain a registered agent in their state of formation t receive service of process and official government communications. We offer other services to our customers, including unlimited access to our forms librar electronic storage of applicable LegalZoom documents and document revisions. We also introduce our customers to relevant non-legal services and products throug our relationships with leading credit card companies, commercial banks and other companies serving our customer base.

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, as discussed more fully in the section entitled "Risk Factors" immediately following the prospectu summary and elsewhere in this prospectus. You should carefully consider these risks before making an investment in our common stock. Some of these risks include:

- our business and services subject us to complex and evolving U.S. and foreign laws and regulations regarding the unauthorized practice of law, leg document processing and preparation, legal plans, privacy and other matters;
- if we fail to provide high quality services, customer care and customer experience and add new services that meet our customers' expectations, we ma not be able to attract and retain customers;
- our business model is evolving from a transaction model to a combined transaction and subscription model, and our existing and new customers ma not become subscribers;
- if we fail to successfully promote and maintain our brand and reputation, or if we incur excessive expenses in doing so, our business may be adversel affected;
- if our marketing efforts are unsuccessful, our ability to attract new customers or retain existing customers to our services may be adversely affected;
- if we fail to safeguard our customers' information and privacy, our brand and reputation may be harmed, customers may curtail or stop using ou services and we may face claims and potential liabilities;
- we expect to face increasing competition in the online and offline legal services markets from law firms, solo attorneys, online legal document service national legal plans and other service providers;
- if we are unable to effectively manage and minimize errors, failures, interruptions or delays caused by third parties, or if our third-party servic providers cease to do business with us, our ability to deliver our services may be adversely affected;

- we depend on top talent, including our senior management team, to grow and operate our business, and if we are unable to hire, retain and motivate ou employees, we may not be able to grow effectively;
- we may experience significant disruptions in our online services or otherwise fail to ensure that our website is accessible; and
- we are involved in several class action lawsuits and other litigation matters that are expensive and time consuming and that could be resolved adversel

Corporate Information

We were initially formed as a California corporation in July 1999, and we converted to a Delaware corporation in February 2007. Our principal executive offic are located at 101 North Brand Boulevard, 11th Floor, Glendale, California 91203, and our telephone number at this address is (323) 962-8600. Our website www.legalzoom.com. Information contained on, or that can be accessed through, our website shall not be deemed incorporated into and is not a part of this prospectu or the registration statement of which it forms a part. Unless the context otherwise requires, the terms "LegalZoom.com," "LegalZoom," "company," "we," "us" ar "our" refer to LegalZoom.com, Inc. and its direct and indirect subsidiaries.

We are not a law firm, and we do not provide legal advice. We provide self-help legal documents at our customers' specific direction and general information c legal issues generally encountered. Independent, licensed attorneys participate in our attorney network to provide services to our customers through our legal plans.

LegalZoom, the LegalZoom.com logo and other LegalZoom-formative marks are trademarks of LegalZoom.com, Inc. in the United States or other countries. Th prospectus also includes other trademarks of LegalZoom.com and trademarks of other persons.

THE OFFERING

Common stock offered	
By us	shares
By the selling stockholders	shares
Total	shares
Total common stock to be outstanding after our initial public offering	shares
Over-allotment option of common stock offered by us and the selling stockholders	shares
Use of proceeds	We currently intend to use the net proceeds to us from this offering primarily for general corporate purposes, including working capital and capital expenditures associated with scaling our operations, technology and infrastructure to support our growth. We will not receive any of the proceeds from the sale of shares by the selling stockholders. See "Use of Proceeds" on page 29.
Risk factors	See "Risk Factors" beginning on page 12 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Proposed New York Stock Exchange symbol	"LGZ"

The total number of shares of common stock to be outstanding after this offering is based on 54,624,570 shares common stock outstanding, as of March 31, 201 and excludes, as of March 31, 2012:

- 952,570 shares of our common stock issuable upon the exercise of outstanding options granted pursuant to our 2000 Stock Option Plan at a weighte average exercise price of $0.62 per share, 6,633,909 shares of our common stock issuable upon the exercise of outstanding options granted pursuant our 2010 Stock Incentive Plan at a weighted-average exercise price of $2.26 per share and 75,000 restricted stock units to be settled into shares of o common stock granted pursuant to our 2010 Stock Incentive Plan;
- 434,247 shares of common stock available for future issuance under our 2010 Stock Incentive Plan; and
- shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2012 Equity Incentive Pla which will become effective in connection with this offering.

Unless otherwise stated, information in this prospectus (except for the historical financial statements) assumes:

- that our amended and restated certificate of incorporation, which we will file in connection with the completion of this offering, is in effect;
- the automatic conversion of all shares of our outstanding preferred stock into an aggregate of 22,884,000 shares of our common stock immediate prior to the completion of this offering; and
- no exercise by the underwriters of their option to purchase up to an additional shares of common stock to cover over-allotments.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our consolidated financial data. You should read this summary consolidated financial data in conjunction with the sections title "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financi statements and related notes, all included elsewhere in this prospectus.

We derived the consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the consolidated balance sheet data as December 31, 2011, from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary unaudited interim consolidate balance sheet data as of March 31, 2012 and the statements of operations data for the three months ended March 31, 2011 and 2012 from our unaudited interi consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements were prepared on a basis consiste with our audited consolidated financial statements and include, in the opinion of management, all adjustments, consisting of only normal recurring adjustment necessary for a fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may b expected in the future.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues[1]	$ 103,299	$ 120,771	$ 156,066	$ 38,288	$ 46,988
Costs and operating expenses[2]:					
Cost of services	53,082	60,643	80,437	20,459	22,847
Sales and marketing	32,673	36,322	41,891	12,388	15,651
Technology and development	4,686	7,509	8,117	1,869	2,071
General and administrative[1]	13,154	20,024	19,343	4,596	6,167
Total costs and operating expenses	103,595	124,498	149,788	39,312	46,736
Income (loss) from operations	(296)	(3,727)	6,278	(1,024)	252
Interest and other expense, net	(33)	(15)	(153)	(51)	(27)
Income (loss) before income taxes	(329)	(3,742)	6,125	(1,075)	225
Income tax (provision) benefit	(311)	(282)	5,998	103	(280)
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Accretion of Series A redeemable convertible preferred stock	(4,035)	(4,038)	(4,042)	(997)	(1,008)
Net income attributable to participating securities	—	—	(3,407)	—	—
Net income (loss) attributable to common stockholders	$ (4,675)	$ (8,062)	$ 4,674	$ (1,969)	$ (1,063)
Net income (loss) per share attributable to common stockholders[3]:					
Basic	$ (0.17)	$ (0.28)	$ 0.15	$ (0.06)	$ (0.03)
Diluted	$ (0.17)	$ (0.28)	$ 0.13	$ (0.06)	$ (0.03)
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders[3]:					
Basic	28,051	29,040	31,388	31,248	31,633
Diluted	28,051	29,040	36,293	31,248	31,633
Pro forma net income (loss) per share[4]:					
Basic:			$ 0.22		$ (0.00)
Diluted:			$ 0.20		$ (0.00)
Weighted average number of shares used in computing pro forma net income (loss) per share[4]:					
Basic			54,272		54,517
Diluted			59,177		54,517

(1) We recorded an estimated charge of $5.4 million during the year ended December 31, 2010 related to legal settlements, of which $4.6 million was included as part of general a administrative expenses and $0.8 million was recorded as a reduction of revenues. During the three months ended March 31, 2012, we recorded an additional $0.2 million charge relat to a change in estimate of the settlement costs of these legal matters, which was recorded as a reduction of revenues. The ultimate costs of resolving these matters are dependent on number of factors, including the resolution of any appeals of the approved settlements, actual claims made by, participation rates of, and the resulting payments, if any, to the cla members. Any difference between the amount accrued and the ultimate costs of these matters will be recognized as an additional or lower expense in the period in which the matters a resolved. If the actual costs of these matters are higher than the amount we

estimated, this difference could have a material adverse effect on our business, operating results, cash flows and financial condition. See Note 6 to our consolidated financial statemer included elsewhere in this prospectus for a full discussion of this legal settlement accrual.

(2) Stock-based compensation expense included in the above line items:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in thousands)				
Cost of services	$ 200	$ 178	$ 155	$ 48	$ 39
Sales and marketing	124	46	56	15	33
Technology and development	114	155	133	40	40
General and administrative	699	929	600	163	220
Total stock-based compensation expense	$ 1,137	$ 1,308	$ 944	$ 266	$ 332

(3) See Note 2 to our consolidated financial statements included elsewhere in this prospectus for a description of the method to compute basic and diluted net income (loss) per sha attributable to common stockholders.

(4) Unaudited basic and diluted pro forma net income (loss) per share has been calculated assuming the conversion of all outstanding shares of our redeemable convertible preferred sto (using the if-converted method) into 22,884,000 shares of our common stock as though the conversion had occurred on January 1, 2011. See Note 2 to our consolidated financi statements included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in thousands, except percent data)				
Key Metrics[1]:					
Number of orders placed[2]	408	436	490	137	151
Number of subscribers[3]	47	116	228	163	274
Subscription revenues as a percentage of total revenues	5%	9%	18%	12%	21%

(1) For additional information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics."

(2) This metric represents total customer orders placed in the period, which may include one or more services purchased at the same time.

(3) This metric includes total paid and free subscribers at the end of a period.

		As of March 31, 2012		
	As of December 31, 2011	Actual	Pro Forma[1]	Pro Forma As Adjusted[1][2]
		(in thousands)		
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ 27,108	$ 31,922	$ 31,922	
Working capital (deficit)	(2,316)	(4,060)	(4,060)	
Total assets	53,501	62,291	62,291	
Total liabilities	50,620	58,866	58,866	
Redeemable convertible preferred stock	62,691	63,699	—	
Total stockholders' equity (deficit)	(59,810)	(60,274)	3,425	

(1) The pro forma consolidated balance sheet data gives effect to the automatic conversion of all outstanding shares of convertible preferred stock into an aggregate of 22,884,000 shares common stock.

(2) The pro forma as adjusted consolidated balance sheet data gives effect to (i) the pro forma adjustments described in footnote (1) above and (ii) the sale of shares common stock in this offering by us at an assumed initial public offering price of $ per share (the mid-point of the price range set forth on the cover page of this prospectus), aft deducting underwriting discounts and commissions and estimated offering expenses payable by us.

Adjusted EBITDA

To provide investors and others with additional information regarding our financial results, we have disclosed in the table below and within this prospectu Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) plus interest and other expense, net; income tax provisio (benefit); certain non-cash charges, including depreciation, amortization and stock-based compensation; and loss from legal settlements. Our non-GAAP Adjuste EBITDA financial measure differs from GAAP in that it excludes certain items of income and expense. Adjusted EBITDA or the equivalent is frequently used b securities analysts, investors and others as a common financial measure of operating performance.

Adjusted EBITDA is one of the primary measures used by our management and board of directors to understand and evaluate our financial performance an operating trends, including period to period comparisons, to prepare and approve our annual budget and to develop short and long term operational plans. Additionall Adjusted EBITDA is one of the key measures used by the compensation committee of our board of directors to establish the target for and ultimately pay our annu employee bonus pool for virtually all bonus eligible employees. We also frequently use Adjusted EBITDA in our discussions with investors, commercial bankers an other users of our financial statements.

Management believes Adjusted EBITDA reflects our ongoing business in a manner that allows for meaningful period to period comparisons and analysis trends. In particular, in calculating Adjusted EBITDA, we exclude certain income and expense items that we believe are not directly attributable to the underlyin performance of our business, or are the result of long-term investment decisions in previous periods rather than day-to-day operating decisions, and may be used future decisions for expansion and acquisition opportunities.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the futur Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA does not include losses associated with, or reflect the cash requirements for, legal settlements; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparativ measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, n income (loss) and our other GAAP results. We encourage investors and others to review our financial information in its entirety and not rely on a single financi measure.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
			(in thousands)		
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Interest and other expense, net	33	15	153	51	27
Income tax provision (benefit)	311	282	(5,998)	(103)	280
Depreciation and amortization	2,937	3,509	4,562	1,002	1,244
Stock-based compensation	1,137	1,308	944	266	332
Loss from legal settlements	—	5,359	—	—	200
Adjusted EBITDA	$ 3,778	$ 6,449	$ 11,784	$ 244	$ 2,028

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including our consolidated financial statements and related notes included elsewhere in this prospectus, before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks are realized, our business, results of operations, financial condition and future prospects could be materially and adversely affected. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

Risks Relating To Our Business

Our business and services subject us to complex and evolving U.S. and foreign laws and regulations regarding the unauthorized practice of law, or UPL, legal document processing and preparation, legal plans, privacy and other matters. These laws and regulations may result in claims, changes to or discontinuance of some of our services, potential liabilities or additional costs that could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Our business involves providing services that meet the legal needs of our customers and, as a result, is subject to a variety of complex and evolving U.S. and foreign laws and regulations, including the following:

- Our business model includes the provision of services that represent an alternative to traditional legal services, which subjects us to allegations of UPL. UPL generally refers to an entity or person giving legal advice who is not licensed to practice law. However, laws and regulations defining UPL, and the governing bodies that enforce UPL rules, differ among the various jurisdictions in which we operate. We are unable to acquire a license to practice law in the United States, or employ licensed attorneys to provide legal advice to our customers, because we do not meet the regulatory requirement of being exclusively owned by licensed attorneys. We are also subject to laws and regulations that govern business transactions between attorneys and non-attorneys, including those related to the ethics of attorney fee-splitting and the corporate practice of law.

- Regulation of legal document processing and preparation services varies among the jurisdictions in which we conduct business.

- Regulation of our legal plans varies considerably among the insurance departments, bar associations and attorneys general of the particular states in which we offer, or plan to offer, our legal plans. In addition, some states may seek to regulate our legal plans as insurance or specialized legal service products.

Additionally, we are required to comply with laws and regulations related to privacy and the storing, use, processing, disclosure and protection of personal information and other customer data.

Our business operations also subject us to laws and regulations relating to general business practices and the manner in which we offer our services to customers subjects us to various consumer laws and regulations, including false advertising and deceptive trade practices.

The scope of these laws and regulations are often vague and broad, and their applications and interpretations are often uncertain and conflicting. Compliance with these disparate laws and regulations requires us to structure our business and services differently in certain jurisdictions. We dedicate significant management time and expense to dealing with these issues and expect that these issues will continue to be a significant focus as we expand into other services and jurisdictions, including those outside the United States.

In addition, any failure or perceived failure by us to comply with applicable laws and regulations may subject us to regulatory inquiries, claims, suits and prosecutions. We have incurred in the past, and expect to incur in the future, costs associated with responding to, defending and settling such proceedings, particularly those related to UPL, and the provision of our services more generally. We can give no assurance that we will prevail in such regulatory inquiries, claims, suits and prosecutions on commercially reasonable terms or at all. Responding to, defending and/or settling regulatory inquiries, claims, suits and prosecutions may be time-consuming and divert management and financial resources or have other adverse effects on our business. A negative outcome in any of these proceedings may result in changes to or discontinuance of some of our services, potential liabilities or additional costs that could have a material adverse effect on our business, results of operations, financial condition and future prospects.

If we fail to provide high quality services, customer care and customer experience and add new services that meet our customers' expectations, we may not be able to attract and retain customers.

The quality and value of our services, customer care and customer experience, as well as the quality of the services provided by the licensed attorneys who participate in our legal plan network, are critical to our ability to attract and retain customers. We have made substantial investments in developing our website, interactive legal documents, customer relationship management, automated supply chain and fulfillment, integrated digital workflow management and other dynamic online processes that comprise our online legal platform to improve the quality of our services, customer care and customer experience. We also intend to add new services such as our legal plans and enhance our existing services. We may fail to attract new customers or lose existing customers if these or future development efforts or services fail to meet changing customer preferences on a timely basis or if the licensed attorneys who participate in our legal plan network fail to provide high quality services, customer care and customer experience. If we are unable to attract new customers or lose existing customers, our business, revenues, results of operations, financial condition and future prospects would be adversely affected.

Our business model is evolving from a transaction model to a combined transaction and subscription model. If a sufficient number of our existing and new customers do not become subscribers, our business, revenues, results of operations and future prospects would be adversely affected.

Our revenues have historically been derived mostly from providing business formation, estate planning and other interactive legal documents to our customers for a one-time fee. In 2010, we began offering subscription legal plans for small businesses and consumers. Providing access to attorneys in a legal plan network to small businesses and consumers via the Internet is in large part commercially untested. We have invested, and intend to continue to invest, in expanding our subscription services for small businesses and consumers, including continuing to develop technology and infrastructure to support our legal plans and attorney network and expanding our sales and marketing efforts, particularly to promote legal plans and our brand. We expect our total operating expenses to increase in the foreseeable future as a result of continued investments in our subscription legal plan services. These investments will occur in advance of realizing any benefit from such investments, and therefore it may be difficult for us to determine if we are effectively allocating resources in these areas. In addition, we cannot predict whether sufficient numbers of our existing or new customers will subscribe to our legal plans or other subscription services. If we are unable to attract new subscribers to grow our legal plan services or our existing subscribers cancel their legal plan or other subscriptions, or if we are unable to attract attorneys to our legal network, our revenues, results of operations and future prospects would be adversely affected.

Our business depends on a strong brand and reputation. If we fail to successfully promote and maintain our brand and reputation, or if we incur excessive expenses in doing so, our business, revenues and results of operations may be adversely affected.

We believe our brand has contributed to the success of our business and we have made substantial investments to build and strengthen our brand and reputation. Maintaining and enhancing the LegalZoom brand and our reputation is critical to growing and retaining our customer base. Regulatory proceedings, consumer claims, litigation, customer complaints or negative publicity through word-of-mouth, social media outlets, blogs, the Better Business Bureau and other sources related to our business practices, services, customer care, data privacy, security issues, or reputation of our endorsers irrespective of their validity, could diminish confidence in our services and adversely affect our brand and reputation and our ability to attract and retain customers. In addition, maintaining and enhancing our brand and reputation may require us to incur significant expenses and make substantial investments, which may not be successful. If we fail to successfully promote and maintain our brand and reputation, or if we incur excessive expenses in doing so, our business, revenues and our results of operations may be adversely affected.

If our marketing efforts are unsuccessful, our ability to attract new customers or retain existing customers to our services may be adversely affected, which may adversely affect our business, revenues, results of operations and future prospects.

Our ability to attract new customers and retain existing customers to our services depends in large part on the success of our marketing channels. Our primary marketing channels to generate traffic for our website include search engine marketing, television and radio.

We rely on both algorithmic and paid listing Internet search results to drive customer traffic to our website. Algorithmic listings are determined and displayed solely by a set of formulas designed by Internet search engine companies, such as Google and Bing. Paid listings can be purchased and then are displayed if particular words or terms are included in a customer's Internet search. We bid on words or terms we expect customers will use to search for our services in the search engine's auction system for preferred placement on its results page. Placement in paid listings is generally not determined solely on the bid price, but also takes into account the search engines' assessment of the quality of the website featured in the paid listing and other factors. Our ability to maintain or increase customer traffic to our website from Internet search engines is not entirely within our control. For example, Internet search engines sometimes revise their algorithms to optimize their search result listings or maintain their internal standards and strategies. Changes in search algorithms could cause our websites to receive less favorable placement and reduce traffic to our website. In addition, we bid for paid listings against our competitors and third parties that may outbid us for preferred placement, which could adversely impact advertising efficiency and customer acquisition efforts. If competition for paid listings increases, we may be required to increase our marketing expenses or reduce the number or prominence of these paid listings. If we reduce our Internet search engine advertising, the number of customers who visit our website could decline significantly.

In our radio advertising, we currently rely heavily on the use of advertisements featuring exclusive endorsements from prominent on-air radio personalities to drive prospects to our website. A loss of our relationships with, or decline in the reputation or effectiveness of, any endorser could reduce our prospective traffic or harm our brand.

A reduction or loss of any of our advertising channels may adversely affect our ability to attract new customers to our services, which could adversely affect our business, revenues, results of operations and future prospects.

If we fail to safeguard our customers' information and privacy, our brand and reputation may be harmed, customers may curtail or stop using our services and we may face claims and potential liabilities, which could adversely affect our business, results of operations, financial condition and future prospects.

Our online legal platform involves the receipt, use, storage, processing and transmission of information from and about our customers, some of which may be personal or confidential. We rely on encryption and authentication technology licensed from third parties to secure the storage and transmission of customer information. Sophistication of intrusion techniques used to gain unauthorized access to or sabotage systems change frequently and are generally not recognized until launched against a target. We may be unable to anticipate these techniques or implement adequate preventative measures. Third parties may also attempt to fraudulently induce our employees or customers to disclose information in order to gain access to customer information. A third party that is able to circumvent our security measures could misappropriate customer or proprietary information or cause interruptions in our business and operations. Computer malware, viruses, hacking and phishing attacks, and spamming could also harm our business and operations. If an actual or perceived breach of our security measures occurs as a result of third-party action, employee error, malfeasance or otherwise, our brand and reputation may be harmed, customers may curtail or stop using our services and we may face claims and potential liabilities, which could adversely affect our business, results of operations, financial condition and future prospects.

Our business is subject to seasonal fluctuations that may cause our results of operations to vary from period to period.

Many of the factors that contribute to seasonal fluctuations in our results of operations are out of our control. We have experienced, and expect that we will continue to experience, seasonality in the number of orders placed. Customers tend to place a higher number of orders in the first quarter of the year as we believe the demand for forming businesses is the highest at the beginning of the year. Further seasonality is reflected in the timing of our revenue recognition in the second quarter, when we typically recognize a high amount of revenues from orders placed in the first quarter but fulfilled in the second quarter. Also, we generally see demand for our services decline around the beginning of the third quarter with summer vacations and in the last two months of the fourth quarter around the winter holidays. We expect this seasonality to continue into the future, which may cause period to period fluctuations in certain of our operating results and financial metrics and thus limit our ability to predict our future results.

We expect to face increasing competition in the online and offline legal services markets from law firms, solo attorneys, online legal document services, national legal plans and other service providers and our failure to effectively compete with these providers may adversely affect our business, results of operations, financial condition and future prospects.

We face intense competition from law firms and solo attorneys, online legal document services, national legal plans and other service providers. The online legal document services market is evolving rapidly and is becoming increasingly competitive. Other companies that focus on the online legal document services market, such as BizFilings, RocketLawyer, and The Company Corporation, and law firms that may elect to pursue the online legal document services market, can and do directly compete with us. Law firms and solo attorneys, who provide in-person consultations and are able to provide direct legal advice that we cannot offer due to laws and regulations regarding UPL, compete with us offline and have and may develop competing online legal services. We also compete with several national legal plans, including Hyatt Legal Plans (a MetLife company), ARAG and LegalShield. Many legal plan competitors have focused on employer-sponsored markets or have acquired customers through in-person multi-level marketing. At least one of these competitors, LegalShield, has recently rebranded itself from a multi-level marketing operation to a direct-to-consumer operation that more closely competes with our legal plans. Other legal plan companies may similarly decide to migrate into the direct-to-consumer market and offer plans that compete with ours. We compete in the registered agent services business with several companies, including

CT Corporation and Corporation Services Company, and these competitors have extensive experience in this market.

Our competitors, whether they are online legal document providers, legal plan providers, law firms or solo attorneys, may also be developing innovative and cost-effective services that target our existing and potential customers. We expect to face increasing competition from offline and online legal services providers in our market, and our failure to effectively compete with these providers may adversely affect our business, results of operations and future prospects.

If we are unable to effectively manage and minimize errors, failures, interruptions or delays caused by third parties, or if our third-party service providers cease to do business with us, our ability to deliver services to our customers, business, brand and reputation and results of operations may be adversely affected.

We rely on third parties to fulfill portions of the services we offer and to support our operations. For example, we rely on government agencies, including secretary of state offices and the United States Patent and Trademark Office, to process business formation documents and intellectual property applications. If these agencies are unable to process submissions in a timely manner, our brand and reputation may be adversely affected or customers may seek other avenues for their business formation or intellectual property needs. We have other third parties who fulfill our services, including the independent attorneys in our legal plan network. If we cannot attract additional, qualified attorneys into our legal plan network to service the needs of our legal plan subscribers, we may not be able grow our legal plan subscription business effectively and our business, revenues, results of operations and future prospects may be adversely affected. Our data centers, which host many facets of our online legal platform, are also operated out of third-party facilities, and we rely on third-party technology licenses for many aspects of our operations. We exercise limited control over these third parties, which increases our vulnerability to problems with the products and services they provide for us. These third parties may also be subject to financial issues and other unanticipated problems or events. Delays in the services provided by the third parties we rely on could result in deferred revenue recognition. If we are unable to effectively manage and minimize errors, failures, interruptions or delays caused by third parties, or if our third-party service providers cease to do business with us, our ability to deliver services to our customers, business, brand and reputation and results of operations may be adversely effected.

If we fail to effectively manage our growth, our business, brand and reputation, results of operations and financial condition may be adversely affected.

We have experienced, and continue to experience, rapid growth in headcount and operations, which has placed, and will continue to place significant demands on our management team and our operational and financial infrastructure. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, and maintain the beneficial aspects of our corporate culture. To attract top talent, we have had to offer, and believe we will need to continue to offer, highly competitive compensation packages before we can validate the productivity of those employees. The risks of over-hiring or over compensating and the challenges of integrating a rapidly growing employee base into our corporate culture are exacerbated by our expected international expansion.

Additionally, if we do not effectively manage our growth, the quality of our services could suffer, which could adversely affect our business, brand and reputation, results of operations and financial condition. If operational, technology and infrastructure improvements are not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues. To effectively manage our growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. This will require that we refine our information technology systems to maintain effective online services and enhance information and communication systems to ensure that our employees effectively communicate with each other and our growing base of customers. These system enhancements and

improvements will require significant incremental and ongoing capital expenditures and allocation of valuable management and employee resources. If we fail to implement these improvements and maintenance programs effectively, our ability to manage our expected growth and comply with the rules and regulations that are applicable to publicly reporting companies will be impaired and we may incur additional expenses.

We expect to invest significant resources in pursuing opportunities in new products and markets and expect our expenses to increase as we broaden our customer base, hire additional employees and expand internationally. Historically, our costs have increased each year due to new opportunities and investments in technology, and we expect these costs to increase including as a result of additional investments in software licenses and data centers to support our anticipated future growth. Our expenses may be greater than we anticipate, and our investments to make our business and our online legal platform more efficient may not be successful. In addition, we may increase marketing, sales, and other operating expenses to grow and expand our operations and to remain competitive. Increases in our costs may adversely affect our results of operations and financial condition, including, for example, that we expect to make investments over the next few quarters to grow our business that will reduce Adjusted EBITDA and compress related margins.

We may be unsuccessful in expanding our operations internationally, which may adversely affect our business, results of operations, financial condition and future prospects.

We are considering expanding our operations internationally in the near term, which may not be successful. Expanding internationally may subject us to new risks or increase risks that we currently face, including risks associated with:

- entering into strategic transactions, acquisitions or joint ventures to establish our presence in international markets;
- developing and customizing services that conform to the local legal systems to address the needs of small businesses and consumers in international markets;
- difficulties in developing and marketing our services and brand as a result of language and cultural differences;
- competition from local legal service providers;
- compliance with varied, unfamiliar, unclear and changing laws and regulations, including consumer protection, data protection and privacy laws;
- recruiting and retaining talented and capable employees;
- currency exchange rate fluctuations;
- political, economic and social instability in some countries;
- potential adverse tax consequences;
- higher costs of doing business internationally;
- negotiating economically beneficial agreements with local vendors and strategic partners;
- the inability to extend proprietary rights in our brand, content or technology into new jurisdictions;
- implementing alternative payment methods to comply with local laws and practices and prevent fraud, higher levels of credit risk and payment fraud;
- protectionist laws and business practices that favor local businesses in some countries; and
- delays and interruptions to our business in the United States.

As a result of these obstacles, we may find it difficult or prohibitively expensive to expand internationally, and we may be unsuccessful in our attempt to do so, which may adversely affect our business, results of operations, financial condition and future prospects.

Adverse application of existing tax laws, rules or regulations or implementation of new unfavorable laws, rules or regulations, could adversely affect on our business, results of operations and financial condition.

The application of domestic and international sales, use, occupancy, value-added, payroll and other tax laws, rules and regulations to our services is subject to interpretation by the applicable authorities. We currently pay sales or other transaction taxes for certain services in jurisdictions where we do business. A successful assertion by any state, local jurisdiction or country that we should be paying sales or other transaction taxes on services with respect to which we have not been paying such taxes, or the imposition of new laws requiring the payment of sales or other transaction taxes on services in which we do not currently pay such taxes, or increase in the tax rates, or some combination of the foregoing, could result in substantial increase in our sales and other transaction taxes, create increased administrative burdens or costs, discourage customers from purchasing services from us, decrease our ability to compete or otherwise adversely affect our business, results of operations and financial condition.

The current administration in the United States has publicly stated that international tax reform is a priority, and key members of the United States Congress have conducted hearings and proposed new legislation in that area. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and use foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to applicable tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings. Given our plans to expand internationally in the near term, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate which could adversely affect our business, results of operations and financial condition.

We depend on top talent, including our senior management team, to grow and operate our business, and if we are unable to hire, retain and motivate our employees, we may not be able to grow effectively which may adversely affect our business and future prospects.

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain top talent. Competition for such talent is intense. If we are not able to effectively attract and retain quality employees, our ability to achieve our strategic objectives will be adversely impacted, our brand or reputation could suffer and our business will be adversely affected. Our ability to execute efficiently depends upon contributions from all of our employees, in particular our chief executive officer, John Suh, and the rest of our senior management team. Key institutional knowledge remains with a small group of long-term employees and directors whom we may not be able to retain. In addition, from time to time, there may be changes in our senior management team that may be disruptive to our business. If our senior management team, including any new hires that we may make, fails to work together effectively and execute our plans and strategies on a timely basis, our business and future prospects may be adversely affected.

We may not effectively ensure that our website is accessible and any significant disruption in our online services could adversely affect our business, brand and reputation, results of operations, financial condition and future prospects.

A key element of our continued growth is the ability of our customers to access our website and our ability to fulfill orders. Our systems may not be adequately designed with the necessary reliability to avoid performance delays, disruptions or outages that could be harmful to our business. At times we have experienced, or may in the future experience, website disruptions, outages, and other performance problems due to a variety of factors, including infrastructure maintenance, human or software errors,

capacity constraints, denial-of-service, fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these website performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our website performance, especially during peak usage times, if the number of online services we offer increases, our services become more complex, or our customer traffic grows. If our website is unavailable when customers attempt to access it, our customers may seek other solutions to address their legal needs and may not return to our website in the future. To the extent that we do not effectively address future capacity constraints, upgrade our systems as needed and continually develop our online legal platform to accommodate actual and anticipated technology changes, our business, brand and reputation, results of operations, financial condition and future prospects could be adversely affected.

Our product fulfillment locations and data centers are vulnerable to damage or interruption from natural disasters, power losses, telecommunication failures, terrorist attacks, human errors, break-ins and similar events. The occurrence of a natural disaster or other unanticipated problems at our facilities could result in lengthy interruptions in our services. We may not be able to efficiently relocate our fulfillment and delivery operations due to disruptions in service if one of these events occurs and our insurance coverage may be insufficient to compensate us for such losses. Because the Los Angeles area is located in an earthquake fault zone, we are particularly sensitive to the risk of damage to, or total destruction of, our primary office and one of our key fulfillment and delivery centers. We are not insured against any such loss or expense that may result from a disruption to our business due to earthquakes, which, if incurred, could adversely affect our business, results of operations and financial condition.

We are involved in several litigation matters that are expensive and time consuming, and, if resolved adversely, could harm our business, brand and reputation, financial condition or results of operations.

We are involved in several lawsuits brought by customers or other parties alleging that we engage in the unauthorized practice of law or otherwise violate the law. The plaintiffs in these actions generally seek disgorgement, monetary damages, penalties, and/or injunctive relief. For example, class action lawsuits were filed against us in California state court in September 2009 and May 2010 alleging, primarily, that we failed to comply with the California Legal Document Assistance Act, engaged in unfair business practices and made misrepresentations in our business operations. Between the cases, plaintiffs sought to have all contracts between LegalZoom and its customers for the prior four years declared void, a return of all revenues generated from these customers, punitive damages, penalties and injunctive relief. A statewide class action lawsuit was filed against us in Missouri state court in December 2009, alleging that we were engaged in the unauthorized practice of law and had violated the Missouri Merchandising Practices Act and seeking damages of five years of fees charged to Missouri customers with the fees from the two years immediately preceding the complaint trebled and an injunction enjoining us from continued operation in Missouri. While we have denied and continue to deny all of the allegations and claims asserted in these lawsuits, without admitting liability, and to avoid additional legal costs to defend these matters, we signed settlement agreements to resolve the claims in the California cases in June 2011 and the Missouri case in August 2011. The maximum settlement for these matters, assuming all eligible claimants made a valid claim, was estimated to be $16 million. The ultimate cost of these two pending settlements are dependent on a number of factors, including the resolution of any appeals of the approved settlements, and actual claims made by, and the resulting payments to, the class members. As of December 31, 2011, we had reasonably estimated the collective range of aggregate probable losses for these matters to be between $5.4 million and $7 million and, in accordance with GAAP, had accrued $5.4 million included in other current liabilities, the low end of the range. The determination of the probability of loss and the range of loss requires significant judgement. The range of loss has been estimated based on an analysis of numerous factors, including possible claim amounts within the class, whether the claim amounts are payable in-kind or in cash, the date when the services subject to the class were sold, comparable class action settlement and redemption rate statistics, experience available from other companies for similar types of settlements, and the claims rates to date. Based on the claims received through May 14 and 15, 2012, the claims submission

deadlines for these two matters, and claims processed to date, we have reasonably estimated the collective aggregate probable loss to be approximately $5.6 million ($2.9 million estimated for the California matter and $2.7 million estimated for the Missouri matter), resulting in additional $0.2 million included in accrued expenses and other current liabilities as of March 31, 2012. The ultimate costs of these two matters are dependent on a number of factors, including the resolution of any appeals of the approved settlements, and actual claims made by, and the resulting payments to, the class members. There is at least a reasonable possibility that we may incur an additional loss in excess of the amount accrued at March 31, 2012. We are unable to estimate the amount of additional loss or range of additional loss, if any, relating to these matters. If the actual payments for the settlements are materially higher than the amount estimated by us, this difference could have a material adverse effect on our business, financial condition and results of operations.

We anticipate that we will continue to be a target for such lawsuits in the future. Any litigation to which we are a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal, or we may decide to settle lawsuits on unfavorable terms. In addition, defending these claims is costly and can impose a significant burden on management and employees, and we may receive unfavorable preliminary or interim rulings in the course of litigation. Any such negative outcome could result in payments of substantial monetary damages or fines, adverse effects on the market price of our common stock or changes to our products or business practices, and accordingly our business, brand and reputation, financial condition, or results of operations could be materially and adversely affected.

If we fail to adequately protect our website from computer malware, viruses, hacking, phishing and denial-of-service attacks, our brand and reputation and our ability to retain existing customers and attract new customers could be harmed.

Computer malware, viruses, hacking, phishing and denial-of-service attacks have become more prevalent in the online services industry. Denial-of-service attacks, a type of security attack which affects access to and speed of operation of our website, have occurred on our systems in the past, and may occur on our systems in the future. We have experienced two instances of service interruption as a result of denial-of-service attacks in the past. Both instances caused our website to be intermittently unavailable for several hours. Any failure to maintain performance, reliability, security, and availability of our interactive legal documents services and online technology platform to the satisfaction of our customers may harm our brand and reputation and our ability to retain existing customers and attract new customers, which could adversely affect our business, results of operations and financial condition.

If we are unable to adequately protect our intellectual property to prevent unauthorized use or appropriation, the value of our brand and other intangible assets, as well as our business, results of operations, financial condition and future prospects may be adversely affected.

We rely and expect to continue to rely on confidentiality and license agreements with our employees, consultants and third parties, and on trademark, copyright, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed applications to protect elements of our intellectual property. We have no issued patents or pending patent applications. Third parties may knowingly or unknowingly infringe on or challenge our proprietary rights, and pending and future trademark or other intellectual property applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In these cases, we may expend significant time and expense to prevent infringement and enforce our rights. We cannot assure you that others will not offer services or concepts that are substantially similar to ours and compete with our business. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our services,

business practices or operations which may have an adverse effect on our business, results of operations, financial condition and future prospects.

We may in the future become party to lawsuits and other intellectual property rights claims that are expensive and time consuming, and, if resolved adversely, could adversely affect our business, results of operations and financial condition.

As we face increasing competition and gain an increasingly high profile, including in connection with our initial public offering, third parties may make intellectual property claims, file lawsuits or initiate other proceedings against us. In addition, we may introduce new services, including in areas where we currently do not compete, which could increase our exposure to intellectual property claims. Defending against lawsuits and other intellectual property claims is costly and can place a significant burden on management and employees. If claims are made against us, there can be no assurances that favorable final outcomes will be obtained and, if resolved adversely, may result in changes to or discontinuance of some of our services, potential liabilities or additional costs which could adversely affect our business, results of operations and financial condition.

We are subject to risks related to accepting credit and debit card payments that may harm our business or expose us to additional costs and liabilities.

We accept payments from our customers primarily through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on a third party to provide payment processing services, including the processing of our credit and debit card transactions, and it could interrupt our business if this third party becomes unwilling or unable to provide these services to us. If our processing vendor has problems with our billing software, or the billing software malfunctions, we could lose customers who subscribe to our legal plans, registered agent services and other subscription services, which could decrease our revenues. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our subscribers' credit cards on a timely basis or at all, our revenues could be adversely affected.

We are also subject to payment card industry rules, certification requirements and rules governing electronic funds transfer, any of which could change or be reinterpreted to make it more difficult for us to comply. Our failure to comply fully with these rules or requirements may subject us to fines, higher transaction fees, penalties, damages, and civil liability and may result in the loss of our ability to accept credit and debit card payments, which could have a material adverse effect on our business, results of operations and financial condition.

As we expand our business to jurisdictions outside the United States, we may be required to explore and adopt new payment methods and processes. This may require the development of software or application for licenses for billing and collection purposes. Our failure to timely and efficiently adopt those new methods and implement new processes could adversely affect our business, results of operations, financial condition and future prospects.

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

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden

parachute payments not previously approved. We could be an emerging growth company for up to five years, although we could lose that status sooner if our revenues exceed $1 billion, if we issue more than $1 billion in non-convertible debt in a three year period, or if the market value of our common stock held by non-affiliates exceeds $700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourself of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline.

As a public company, we will be required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. In addition, beginning with our 2013 annual report on Form 10-K to be filed in 2014, we will be required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We are in the process of designing, implementing, and testing the internal control over financial reporting required to comply with this obligation, which process is time consuming, costly, and complicated. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting beginning with our annual report on Form 10-K following the date on which we are no longer an "emerging growth company," which may be up to five full years following the date of this offering. If we identify material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting when required, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the Securities and Exchange Commission, or the SEC, or other regulatory authorities, which could require additional financial and management resources.

The requirements of being a public company may strain our resources and divert management's attention.

As a public company, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Act, the listing requirements of the New York Stock Exchange, or the NYSE, and other applicable securities rules and regulations. Despite recent reforms made possible by the JOBS Act, compliance with these rules and regulations will nonetheless increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly after we are no longer an "emerging growth company." The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results.

As a result of disclosure of information in this prospectus and in filings required of a public company, our business and financial condition will become more visible, which we believe may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and operating results could be harmed, and even if the claims do not result in litigation or are

resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business, brand and reputation and results of operations.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

Risks Relating to Our Common Stock

The market price of our common stock may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the initial public offering price, if at all.

The initial public offering price for our common stock will be determined through negotiations between the underwriters and us and may vary from the market price of our common stock following our initial public offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the initial public offering price, if at all. We cannot assure you that the initial public offering price of our common stock, or the market price following this offering, will equal or exceed prices in privately negotiated transactions of our shares that have occurred from time to time prior to this offering. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenues and results of operations;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- increase or loss of customers;
- fluctuations in product sales mix;
- changes in our pricing strategy or those of our competitors;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies;
- lawsuits threatened or filed against us;
- actual or anticipated changes in our growth rate relative to those of our competitors;
- announcements of technological innovations or new services offered by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- additions or departures of key personnel;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or investor expectations;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- additional shares of our common stock being sold into the market by us or our existing stockholders or the anticipation of such sales, including if existing stockholders sell shares into the market when applicable "lock-up" periods end;

- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events; and
- general economic and market conditions.

Furthermore, the stock markets recently have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. If the market price of our common stock after this offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could adversely affect our business, results of operations and financial condition.

Future sales of our common stock in the public market could cause the price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market after our initial public offering, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. After this offering, we will have outstanding shares of common stock, based on the number of shares of our common stock outstanding as of March 31, 2012. This number includes shares that we and the selling stockholders are selling in this offering, and assumes no additional exercise of outstanding options.

All of the shares of common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended or the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act. The remaining shares of our common stock outstanding after this offering, based on shares outstanding as of March 31, 2012, will be restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers for at least 180 days after the date of this prospectus, subject to certain extensions.

Morgan Stanley & Co. LLC and Merrill, Lynch, Pierce, Fenner & Smith Incorporated may permit our executive officers, our directors, and the selling stockholders to sell shares prior to the expiration of the restrictive provisions contained in the "lock-up" agreements with the underwriters. In addition, we may, with the written consent of Morgan Stanley & Co. LLC and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, permit our employees and current stockholders who are subject to market standoff agreements or arrangements with us and who are not subject to a lock-up agreement with the underwriters to sell shares prior to the expiration of the restrictive provisions contained in those market standoff agreements or arrangements.

After this offering, the holders of shares of common stock, or % of our total outstanding common stock, based on shares outstanding as of March 31, 2012 and giving effect to the sale of shares by us and the selling stockholders, will be entitled to rights with respect to registration of these shares under the Securities Act pursuant to an investors' rights agreement. If these holders of our common stock, by exercising their registration rights, sell a large number of shares, they could adversely affect the market price for our common stock. If we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of

their registration rights, our ability to raise capital may be impaired. We intend to file a registration statement on Form S-8 under the Securities Act to register up to approximately million shares of our common stock for issuance under our 2000 Stock Option Plan, our 2010 Stock Incentive Plan and our 2012 Equity Incentive Plan. Once we register these shares, they can be freely sold in the public market upon issuance and once vested, subject to a 180-day lock-up period and other restrictions provided under the terms of the applicable plan and/or the option agreements entered into with option holders.

No public market for our common stock currently exists, and an active public trading market may not develop or be sustained following this offering.

Prior to this offering, there has been no public market for our common stock. Although we expect to apply to list our common stock on the NYSE, an active trading market may not develop following the completion of this offering or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

If you purchase shares of our common stock in our initial public offering, you will experience substantial and immediate dilution.

If you purchase shares of our common stock in our initial public offering, you will experience substantial and immediate dilution in the pro forma net tangible book value per share of $ per share as of March 31, 2012, based on an assumed initial public offering price of our common stock of $ per share, the midpoint of the price range on the cover page of this prospectus, because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased their shares of our capital stock. You will experience additional dilution upon exercise of options to purchase common stock under our equity incentive plans, if we issue restricted stock to our employees under our equity incentive plans, or if we otherwise issue additional shares of our common stock. See "Dilution."

We have broad discretion in the use of the net proceeds from our initial public offering and may not use them effectively.

We intend to use the net proceeds to us from this offering primarily for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions, businesses or assets that complement our business or operations, although we have no present commitments or agreements to enter into any acquisitions or investments. However, we will have broad discretion over the uses of the net proceeds, and we may spend or invest them in ways that our stockholders disagree or that could adversely affect our business, results of operations and financial condition.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our common stock will, to some extent, depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future, which could reduce the attractiveness of our stock to some investors.

We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. In addition, our credit facility contains restrictions on our ability to pay dividends.

Delaware law and provisions in our amended and restated certificate of incorporation and bylaws that will be in effect at the closing of our initial public offering could make a merger, tender offer, or proxy contest difficult, thereby depressing the trading price of our common stock.

Following the closing of our initial public offering, our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and bylaws that will be in effect at the closing of our initial public offering will contain provisions that may make the acquisition of our company more difficult, including the following:

- our amended and restated certificate of incorporation will authorize undesignated preferred stock, the terms of which may be established, and shares of which may be issued, without stockholder approval;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of our board of directors, or our Chief Executive Officer;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving three-year staggered terms;
- prohibit cumulative voting in the election of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and
- require the approval of our board of directors or the holders of a supermajority of our outstanding shares of capital stock to amend our bylaws and certain provisions of our certificate of incorporation.

These provisions could depress the trading price of our common stock or reduce the ability of someone to acquire the company at a premium to the trading price of our common stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contains forward-looking statements. In some cases you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "could," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our financial performance, including our revenue, operating expenses and our ability to attain and sustain profitability;
- our ability to comply with and adapt to the dynamic legal and regulatory landscape applicable to our business;
- our ability to maintain, protect and enhance our brand;
- our ability to continue to develop, enhance and expand our online interactive legal document services;
- the success and development of our legal plans;
- our ability to timely and effectively scale and adapt our existing online legal platform;
- our ability to increase engagement of services by our customers;
- our ability to protect our customers' information and adequately address privacy concerns;
- our ability to maintain an adequate rate of revenue growth;
- the effects of increased competition in our market;
- our ability to effectively manage our growth;
- our ability to successfully enter new markets and manage our international expansion;
- costs associated with defending intellectual property infringement and other claims;
- the attraction and retention of our senior management team; and
- other risk factors included under "Risk Factors" in this prospectus.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors." Moreover, we operate in a competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our services. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Neither we, nor the selling stockholders, nor the underwriters, have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the selling stockholders are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

USE OF PROCEEDS

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

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to create a public market for our common stock and thereby enable access to the public equity markets by our employees and stockholders, obtain additional capital and increase our visibility in the marketplace. We currently intend to use the net proceeds to us from this offering primarily for general corporate purposes, including working capital and up to approximately $5.0 million for capital expenditures, approximately half of which would be for capitalized software expenditures and the other half of which would be for other capital expenditures associated with scaling our operations, technology and infrastructure to support our growth. We may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions, businesses or assets that complement our business or operations, although we have no present commitments or agreements to enter into any acquisitions or investments. We will have broad discretion over the uses of the net proceeds in this offering. Pending these uses, we intend to invest the net proceeds from this offering in short-term, investment-grade interest-bearing securities.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings for use in the operation of our business and do not intend to declare or pay any cash dividends in the foreseeable future. Any further determination to pay dividends on our capital stock will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant. In addition, the terms of our credit facility contain restrictions on our ability to pay dividends.

CAPITALIZATION

The following table shows our cash and cash equivalents and our capitalization as of March 31, 2012:

- on an actual basis;
- on a pro forma basis, giving effect to the filing of our amended and restated certificate of incorporation and the automatic conversion of all outstanding shares of Series A redeemable convertible preferred stock, or Series A, into an aggregate of 22,884,000 shares of common stock immediately prior to the completion of this offering as if such conversion had occurred on March 31, 2012; and
- on a pro forma as adjusted basis, giving effect to the pro forma adjustments described in the immediately preceding bullet, and the sale by us of shares of common stock in this offering, at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the sale of shares of common stock by the selling stockholders in this offering, as if this offering had occurred on March 31, 2012.

	As of March 31, 2012		
	Actual	Pro Forma	Pro Forma, As Adjusted[1]
	(in thousands, except share and par value data)		
Cash and cash equivalents	$ 31,922	$ 31,922	$
Series A redeemable convertible preferred stock, $0.001 par value: 7,628,000 shares authorized, issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	$ 63,699	$ —	$
Stockholders' equity (deficit):			
Preferred stock, $0.001 par value: no shares authorized, issued and outstanding, actual; shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	
Common stock, $0.001 par value: 66,180,000 shares authorized, 32,010,570 shares issued and 31,740,570 shares outstanding, actual; shares authorized, 54,894,570 shares issued and 54,624,570 outstanding, pro forma; and shares authorized, shares issued and outstanding, pro forma as adjusted	32	55	
Additional paid-in capital	—	63,676	
Treasury stock, at cost, 270,000 shares	(519)	(519)	
Accumulated deficit	(59,787)	(59,787)	
Total stockholders' equity (deficit)	(60,274)	3,425	
Total capitalization	$ 3,425	$ 3,425	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the amount of cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) cash and cash equivalents, and additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million, assuming the assumed initial public offering price remains the same, and after deducting

underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

The total number of shares of our common stock reflected in the discussion and table above is based on 54,624,570 shares of common stock (including preferred stock on an as converted basis) outstanding on a pro forma basis, as of March 31, 2012, and excludes, as of March 31, 2012:

- 952,570 shares of common stock issuable upon the exercise of outstanding options granted pursuant to our 2000 Stock Option Plan at a weighted-average exercise price of $0.62 per share, 6,633,909 shares of common stock issuable upon the exercise of options granted pursuant to our 2010 Stock Incentive Plan at a weighted-average exercise price of $2.26 per share and 75,000 restricted stock units to be settled into shares of our common stock granted pursuant to our 2010 Stock Incentive Plan;

- 434,247 shares of common stock available for future issuance under our 2010 Stock Incentive Plan; and

- shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2012 Equity Incentive Plan, which will become effective in connection with this offering.

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. The historical net tangible book value of our common stock as of March 31, 2012 was a deficit of $5.1 million, or $(0.16) per share. Historical net tangible book value per share represents our total tangible assets, excluding deferred tax assets and deferred costs of this offering, less our total liabilities, divided by the number of shares of outstanding common stock.

After giving effect to the (i) automatic conversion of our outstanding preferred stock into our common stock immediately prior to the completion of this offering and (ii) receipt of the net proceeds from our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2012 would have been $ million, or $ per share. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share		$
Net tangible book value (deficit) per share as of March 31, 2012	$ (0.16)	
Increase per share attributable to conversion of Series A	0.07	
Pro forma net tangible book value (deficit) per share as of March 31, 2012	(0.09)	
Increase per share attributable to this offering		
Pro forma net tangible book value per share, as adjusted to give effect to this offering		
Dilution in pro forma net tangible book value per share to new investors in this offering		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the pro forma net tangible book value, as adjusted to give effect to this offering, by $ per share and the dilution to new investors by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of common stock offered by us would increase (decrease) the pro forma net tangible book value, as adjusted to give effect to this offering, by $ per share and the dilution to new investors by $ per share, assuming the assumed initial public offering price remains the same and after deducting underwriting discounts and commissions and estimated expenses payable by us. If the underwriters exercise their over-allotment option in full, the pro forma net tangible book value per share of our common stock, as adjusted to give effect to this offering, would be $ per share, and the dilution in pro forma net tangible book value per share to investors in this offering would be $ per share of common stock.

The table below summarizes as of March 31, 2012, on a pro forma as adjusted basis described above, the number of shares of our common stock, the total consideration and the average price per share (i) paid to us by existing stockholders and (ii) to be paid by new investors purchasing our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set

forth on the cover page of this prospectus, before deducting underwriting discounts and commissions and estimated offering expenses.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100%	$	100%	

The total number of shares of our common stock reflected in the discussion and tables above is based on 54,624,570 shares of common (including preferred stock on an as converted basis) outstanding, as of March 31, 2012, and excludes, as of March 31, 2012:

- 952,570 shares of common stock issuable upon the exercise of outstanding options granted pursuant to our 2000 Stock Option Plan at a weighted-average exercise price of $0.62 per share, 6,633,909 shares of common stock issuable upon the exercise of options granted pursuant to our 2010 Stock Incentive Plan at a weighted-average exercise price of $2.26 per share and 75,000 restricted stock units to be settled into shares of our common stock granted pursuant to our 2010 Stock Incentive Plan;

- 434,247 shares of common stock available for future issuance under our 2010 Stock Incentive Plan; and

- shares of common stock, subject to increase on an annual basis, reserved for future issuance under our 2012 Equity Incentive Plan, which will become effective in connection with this offering.

Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to shares, or % of the total number of shares of our common stock outstanding after this offering, and will increase the number of shares held by new investors to shares, or % of the total number of shares of our common stock outstanding after this offering. In addition, if the underwriters' over-allotment option is exercised in full, the number of shares held by the existing stockholders after this offering would be reduced to % of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors would increase to shares, or % of the total number of shares of our common stock outstanding after this offering.

To the extent that any outstanding options are exercised, new options are issued under our stock-based compensation plans or we issue additional shares of common stock in the future, there will be further dilution to investors participating in this offering. If all outstanding options under our 2000 Stock Option Plan and our 2010 Stock Incentive Plan as of March 31, 2012 were exercised, our existing stockholders, including the holders of these options, would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the completion of this offering. In such event, the total consideration paid by our existing stockholders, including the holders of these options, would be approximately $ million, or %, the total consideration paid by our new investors would be $ million, or %, the average price per share paid by our existing stockholders would be $ and the average price per share paid by our new investors would be $.

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected historical consolidated financial data below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements, related notes and other financial information included in this prospectus. The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

The consolidated statements of operations data for the years ended December 31, 2009, 2010 and 2011 and the consolidated balance sheet data as of December 31, 2010 and 2011 are derived from our audited consolidated financial statements included elsewhere in this prospectus. We derived the summary unaudited interim consolidated balance sheet data as of March 31, 2012 and statements of operations data for the three months ended March 31, 2011 and 2012 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements were prepared on a basis consistent with our audited consolidated financial statements and include, in the opinion of management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of the results to be expected in the future.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues[1]	$ 103,299	$ 120,771	$ 156,066	$ 38,288	$ 46,988
Costs and operating expenses[2]:					
Cost of services	53,082	60,643	80,437	20,459	22,847
Sales and marketing	32,673	36,322	41,891	12,388	15,651
Technology and development	4,686	7,509	8,117	1,869	2,071
General and administrative[1]	13,154	20,024	19,343	4,596	6,167
Total costs and operating expenses	103,595	124,498	149,788	39,312	46,736
Income (loss) from operations	(296)	(3,727)	6,278	(1,024)	252
Interest and other expense, net	(33)	(15)	(153)	(51)	(27)
Income (loss) before income taxes	(329)	(3,742)	6,125	(1,075)	225
Income tax (provision) benefit	(311)	(282)	5,998	103	(280)
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Accretion of Series A redeemable convertible preferred stock	(4,035)	(4,038)	(4,042)	(997)	(1,008)
Net income attributable to participating securities	—	—	(3,407)	—	—
Net income (loss) attributable to common stockholders	$ (4,675)	$ (8,062)	$ 4,674	$ (1,969)	$ (1,063)
Net income (loss) per share attributable to common stockholders[3]:					
Basic	$ (0.17)	$ (0.28)	$ 0.15	$ (0.06)	$ (0.03)
Diluted	$ (0.17)	$ (0.28)	$ 0.13	$ (0.06)	$ (0.03)

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in thousands, except per share data)				
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders[3]:					
Basic	28,051	29,040	31,388	31,248	31,633
Diluted	28,051	29,040	36,293	31,248	31,633
Pro forma net income (loss) per share[4]:					
Basic			$ 0.22		$ (0.00)
Diluted			$ 0.20		$ (0.00)
Weighted average number of shares used in computing pro forma net income (loss) per share[4]:					
Basic			54,272		54,517
Diluted			59,177		54,517

(1) We recorded an estimated charge of $5.4 million during the year ended December 31, 2010 related to legal settlements, of which $4.6 million was included as part of general and administrative expenses and $0.8 million was recorded as a reduction of revenues. During the three months ended March 31, 2012, we recorded an additional $0.2 million charge related to a change in estimate of the settlement costs of these legal matters, which was recorded as a reduction of revenues. The ultimate costs of resolving these matters are dependent on a number of factors, including the resolution of any appeals of the approved settlements, actual claims made by, participation rates of, and the resulting payments, if any, to the class members. Any difference between the amount accrued and the ultimate costs of these matters will be recognized as an additional or lower expense in the period in which the matters are resolved. If the actual costs of these matters are higher than the amount we estimated, this difference could have a material adverse effect on our business, operating results, cash flows and financial condition. See Note 6 to our consolidated financial statements included elsewhere in this prospectus for a full discussion of this legal settlement accrual.

(2) Stock-based compensation expense included in the above line items:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
	(in thousands)				
Cost of services	$ 200	$ 178	$ 155	$ 48	$ 39
Sales and marketing	124	46	56	15	33
Technology and development	114	155	133	40	40
General and administrative	699	929	600	163	220
Total stock-compensation expense	$ 1,137	$ 1,308	$ 944	$ 266	$ 332

(3) See Note 2 to our consolidated financial statements included elsewhere in this prospectus for a description of the method to compute basic and diluted net income (loss) per share attributable to common stockholders.

(4) Unaudited basic and diluted pro forma net income (loss) per share has been calculated assuming the conversion of all outstanding shares of our redeemable convertible preferred stock (using the if-converted method) into 22,884,000 shares of our common stock as though the conversion had occurred on January 1, 2011. See Note 2 to our consolidated financial statements included elsewhere in this prospectus.

	As of December 31, 2010	As of December 31, 2011	As of March 31, 2012
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 19,169	$ 27,108	$ 31,922
Working capital (deficit)	(5,905)	(2,316)	(4,060)
Total assets	35,629	53,501	62,291
Total liabilities	46,488	50,620	58,866
Redeemable convertible preferred stock	58,649	62,691	63,699
Total stockholders' deficit	(69,508)	(59,810)	(60,274)

Adjusted EBITDA

To provide investors and others with additional information regarding our financial results, we have disclosed in the table below and within this prospectus Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) plus interest and other expense, net; income tax provision (benefit); certain non-cash charges, including depreciation, amortization and stock-based compensation; and loss from legal settlements. Our non-GAAP Adjusted EBITDA financial measure differs from GAAP in that it excludes certain items of income and expense. Adjusted EBITDA or the equivalent is frequently used by securities analysts, investors and others as a common financial measure of operating performance.

Adjusted EBITDA is one of the primary measures used by our management and board of directors to understand and evaluate our financial performance and operating trends, including period to period comparisons, to prepare and approve our annual budget and to develop short and long term operational plans. Additionally, Adjusted EBITDA is one of the key measures used by the compensation committee of our board of directors to establish the target for and ultimately pay our annual employee bonus pool for virtually all bonus eligible employees. We also frequently use Adjusted EBITDA in our discussions with investors, commercial bankers and other users of our financial statements.

Management believes Adjusted EBITDA reflects our ongoing business in a manner that allows for meaningful period to period comparisons and analysis of trends. In particular, in calculating Adjusted EBITDA, we exclude certain income and expense items that we believe are not directly attributable to the underlying performance of our business, or are the result of long-term investment decisions in previous periods rather than day-to-day operating decisions, and may be used in future decisions for expansion and acquisition opportunities.

Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;

- Adjusted EBITDA does not include losses associated with, or reflect the cash requirements for, legal settlements; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
			(in thousands)		
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Interest and other expense, net	33	15	153	51	27
Income tax provision (benefit)	311	282	(5,998)	(103)	280
Depreciation and amortization	2,937	3,509	4,562	1,002	1,244
Stock-based compensation	1,137	1,308	944	266	332
Loss from legal settlements	—	5,359	—	—	200
Adjusted EBITDA	$ 3,778	$ 6,449	$ 11,784	$ 244	$ 2,028

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with "Prospectus Summary—Summary Consolidated Financial Data," "Selected Consolidated Financial Data" and our consolidated financial statements and accompanying notes included elsewhere within this prospectus. This discussion includes both historical information and forward-looking information that involves risks, uncertainties and assumptions. Our actual results may differ materially from management's expectations as a result of various factors, including but not limited to those discussed in the sections entitled "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview

LegalZoom is the leading online provider of services that meet the legal needs of small businesses and consumers in the United States. We believe that we are transforming the small business and consumer legal services market by leveraging the power of technology and people. Our online legal platform enables us to deliver services at scale with a compelling combination of quality, customer care and value. Our services include a portfolio of interactive legal documents that are personalized by our customers through our dynamic online processes, as well as subscription legal plans and registered agent services.

We developed our easy-to-use, online legal platform to make the law more accessible to small businesses and consumers. Our scalable technology platform enables the efficient creation of personalized legal documents, automates our supply chain and fulfillment workflow management, and provides customer analytics to help us improve our services. For small businesses and consumers who want legal advice, we offer subscription legal plans that connect our customers with experienced attorneys who participate in our legal plan network.

We have served approximately two million customers over the last 10 years. In 2011, nine out of ten of the approximately 34,000 customers who responded to a survey we provided said they would recommend LegalZoom to their friends and family. Customers that completed orders for certain of our services are invited to take an email survey. Our customers placed approximately 490,000 orders and more than 20 percent of new California limited liability companies were formed using our online legal platform in 2011. We believe the volume of transactions processed through our online legal platform creates a scale advantage that deepens our knowledge and enables us to improve the quality and depth of the services we provide to our customers.

Our revenues consist primarily of transaction revenues and subscription revenues. We generate transaction revenues when we fulfill customer orders. We generate subscription revenues from customers who subscribe to our legal plans, registered agent services and unlimited access to our forms library. We also generate other revenues from fees we earn when our customers purchase products and services offered by certain third parties.

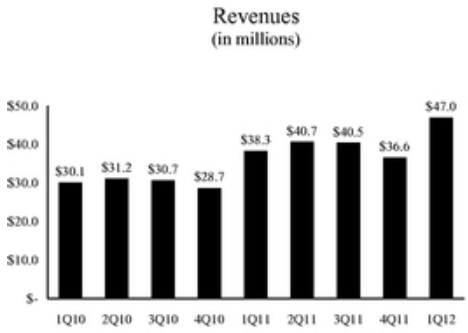
Our business is evolving from primarily a transaction model to a combined transaction and subscription model. As a result, we expect that subscription revenues as a percentage of our total revenues will continue to grow for the foreseeable future. We evaluate how we market and sell transaction services to optimize our subscription business, with the ultimate objective of increasing revenues from customers through additional orders and subscriptions, which we refer to as customer lifetime value.

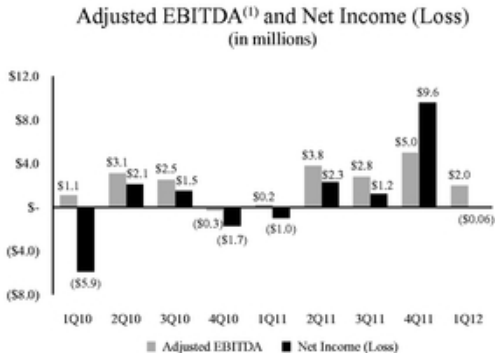
We have consistently invested in building and growing our business. Other than $8.4 million of outside capital and cash provided by exercises of stock options, we have funded our operations and capital expenditures since inception from cash flows provided by operating activities.

Key Metrics

Our management uses a number of financial and business metrics to evaluate and monitor the performance of our business, identify trends affecting our business, determine the allocation of resources and make decisions regarding our business strategies. We believe these metrics are useful to investors to understand the underlying trends in our business.

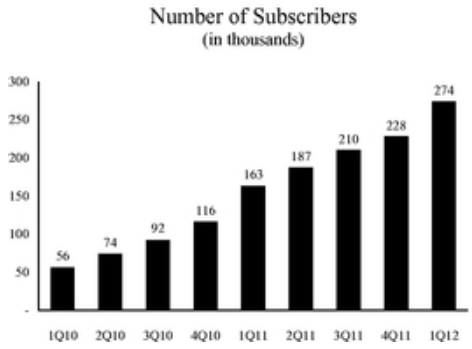
The following charts set forth our revenues, Adjusted EBITDA and net income (loss) for each of the nine quarters ended March 31, 2012.

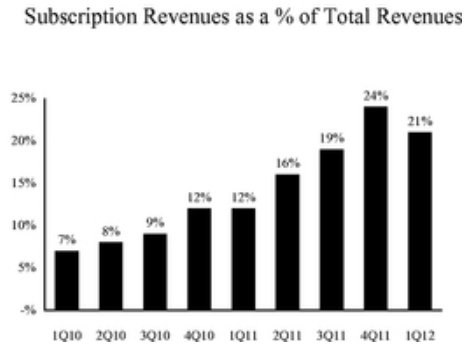




(1) Adjusted EBITDA is a Non-GAAP financial measure. For a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP item, see "Unaudited Quarterly Results of Operations Data, Other Financial Data and Seasonality."

The following charts set forth the number of orders placed, the number of subscribers (as of period end) and subscription revenues as a percentage of total revenues for each of the nine quarters ended March 31, 2012.





- ***Number of Orders Placed.*** This metric represents total customer orders placed in the period, which may include one or more services purchased at the same time. As part of the order, our

customers can enroll in a free, 30-day trial of one or more of our subscription-based services, which does not constitute a separate order, but does create a subscriber, as defined below. We use this metric as a key indicator to measure the performance of our transaction business from period to period.

- ***Number of Subscribers.*** This metric includes total paid and free subscribers at the end of a period. Our subscription services consist primarily of our legal plans, registered agent services and unlimited access to our forms library, and can range in duration from 30 days to two years. Free trial subscriptions are only offered to customers that purchase certain of our transaction-based services and, accordingly, we allocate revenues to all the deliverables in these bundled transactions, including the free trial subscriptions. We believe including bundled free trial subscribers in the total number of subscribers provides a meaningful comparison to subscription revenues which include the value allocated to bundled free trials for our subscription services. We use this metric to measure the growth of our subscription business.

- ***Subscription Revenues as a Percentage of Total Revenues.*** This metric measures the evolution of our business model from primarily a transaction model to a combined transaction and subscription model. We have experienced rapid growth in our subscription revenues, and we expect that our subscription revenues as a percentage of total revenues will continue to increase.

Factors Affecting Our Performance

Investment in Our Subscription Legal Plan Business. While we have a large transaction business for online interactive legal document services, we have invested, and will continue to invest, in expanding our subscription revenues from legal plans. This includes developing technology and infrastructure to support our legal plans and attorney network and expanding our sales and marketing efforts, particularly to promote legal plans and our brand. These investments will occur in advance of realizing any benefit from such investments, and therefore it may be difficult for us to determine if we are effectively allocating resources in these areas.

Investment in Customer Acquisition and Retention. We have invested, and expect that we will continue to invest, in the promotion of our services through our various customer acquisition channels, including search engine marketing, television and radio to acquire new customers and grow our business. We also invest in attracting and retaining customers with an objective of increasing overall customer lifetime value through product development and customer care initiatives. We continuously evaluate how we market and sell transaction services in order to optimize our subscription business.

Continued Adoption of Online Legal Services. Growth in number of orders placed, number of subscribers and total revenues will depend on continued customer adoption of online interactive legal documents and legal plans. Our business depends on our ability to build and maintain customer trust in the online legal services market and on our ability to broaden the market for small business and consumer legal services. The rate of adoption of online legal services will impact our ability to acquire new customers, increase our subscribers and grow our revenues.

Key Components of our Results of Operations

Revenues

We generate revenues from the following sources:

Transaction Revenues. Transaction revenues are primarily generated from our legal document preparation services upon fulfillment of these services, as well as certain legal document preparation services that were bundled with one- and five-year document revision and vaulting services. Prior to the change in accounting guidance on how revenue recognition is applied to multiple deliverable arrangements that we adopted on January 1, 2010, the full value of these bundled services were required to be recognized

as revenues ratably on a straight-line basis over the service period. Revenues are recognized upon fulfillment of services, predominantly when a completed set of documents is shipped to the customer. Transaction revenues are net of refunds, cancellations, promotional discounts, sales allowances, credit reserves and the value allocated to bundled free-trials for our subscription services.

Subscription Revenues. Subscription revenues are generated primarily when customers enroll in subscriptions to our legal plans, registered agent services or unlimited access to our forms library. We recognize revenues from our subscriptions ratably on a straight-line basis over the subscription term as such services are rendered. Subscription terms range from a period of 30 days to two years. Subscription revenues include the value allocated to bundled free-trials for our subscription services and are net of promotional discounts, cancellations, sales allowances, credit reserves and payments to legal plan attorneys.

Other Revenues. Other revenues consist primarily of fees earned from third-party providers for services provided to or leads generated for such providers through our online legal platform. We typically earn these revenues on a cost-per-click or cost-per-action basis.

We generally collect payments and fees at the time orders are placed. We record amounts collected for services that have not been performed as deferred revenues on our consolidated balance sheet. See "—Critical Accounting Policies—Revenue Recognition" for a description of the accounting policies related to revenue recognition, including arrangements that contain multiple deliverables.

Cost of Services

Our cost of services include all costs of providing and fulfilling our services. Cost of services primarily include government filing fees; costs of fulfillment, customer care and inbound sales personnel and related benefits, including stock-based compensation, and costs of independent contractors for document preparation; telecommunications and data center costs, including depreciation and amortization of network computers, equipment and internal use software; printing, shipping and courier charges; credit and debit card fees; allocated overhead; legal document kit expenses; and sales and use taxes.

Sales and Marketing

Our sales and marketing expenses are comprised of customer acquisition media, consisting primarily of search engine marketing, television and radio; compensation and related benefits, including stock-based compensation, for marketing and outbound sales personnel; media production; public relations and other promotional activities; general business development activities; and allocated overhead. Marketing and advertising costs to promote our products and services are expensed in the period incurred. Media production costs are expensed the first time the advertisement is aired.

Technology and Development

Technology and development expenses consist primarily of personnel costs and related benefits, including stock-based compensation, and expenses for outside consultants. These expenses also include allocated overhead and costs incurred in the development, implementation, amortization and maintenance of internal use software, including our website, online legal platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use software or website development costs that are capitalized.

General and Administrative

Our general and administrative expenses relate primarily to employee compensation and related benefits, including stock-based compensation, for executive and corporate personnel; professional and consulting fees; allocated overhead; and legal loss contingencies.

Interest and Other Expense, Net

Interest and other expense, net, consists primarily of interest expense on our capital lease obligations, amortization of deferred financing fees and annual commitment fees on our revolving line of credit.

Income Taxes

Our income tax (provision) benefit is comprised of current and deferred federal and state income taxes. Our current income tax provision is primarily related to state income taxes in jurisdictions where we generate taxable income. In 2011, our deferred federal and state income tax benefit was generated from the release of the valuation allowance pertaining to our federal and state net deferred income tax assets. In 2009 and 2010, we did not record any deferred income tax benefit or provision as we maintained a full valuation allowance against our federal and state net deferred income tax assets. See "—Critical Accounting Policies—Income Taxes."

Segments

We operate in one operating segment, providing legal document preparation and related subscription services. Our chief operating decision maker is our Chief Executive Officer, who manages our operations on a consolidated basis for purposes of evaluating financial performance and allocating resources. Our Chief Executive Officer reviews separate revenue information for our transaction and subscription services. All other financial information is reviewed by him on a consolidated basis. All of our principal operations, decision-making functions and assets are located in the United States. Assets and revenues generated outside of the United States are not material for any of the periods presented.

Results of Operations

The following table sets forth our consolidated statements of operations data for each of the periods indicated. The period-to-period comparison of financial results should not be considered as a prediction or indicative of our future results.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
			(in thousands)		
Consolidated Statements of Operations Data:					
Revenues[1]	$ 103,299	$ 120,771	$ 156,066	$ 38,288	$ 46,988
Costs and operating expenses[2]:					
Cost of services	53,082	60,643	80,437	20,459	22,847
Sales and marketing	32,673	36,322	41,891	12,388	15,651
Technology and development	4,686	7,509	8,117	1,869	2,071
General and administrative[1]	13,154	20,024	19,343	4,596	6,167
Total costs and operating expenses	103,595	124,498	149,788	39,312	46,736
Income (loss) from operations	(296)	(3,727)	6,278	(1,024)	252
Interest and other expense, net	(33)	(15)	(153)	(51)	(27)
Income (loss) before income taxes	(329)	(3,742)	6,125	(1,075)	225
Income tax (provision) benefit	(311)	(282)	5,998	103	(280)
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)

(1) We recorded an estimated charge of $5.4 million during the year ended December 31, 2010 related to legal settlements, of which $4.6 million was included as part of general and administrative expenses and $0.8 million was recorded as a reduction of revenues. During the three months ended March 31, 2012, we recorded an additional $0.2 million charge related to a change in estimate of the settlement costs of these legal matters, which was recorded as a reduction of revenues. The ultimate costs of

resolving these matters are dependent on a number of factors, including the resolution of any appeals of the approved settlements, actual claims made by, participation rates of, and the resulting payments, if any, to the class members. Any difference between the amount accrued and the ultimate costs of these matters will be recognized as an additional or lower expense in the period in which the matters are resolved. If the actual costs of these matters are higher than the amount we estimated, this difference could have a material adverse effect on our business, operating results, cash flows and financial condition. See Note 6 to our consolidated financial statements included elsewhere in this prospectus for a full discussion of this legal settlement accrual.

(2) Stock-based compensation expense included in the above line items:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
			(in thousands)		
Cost of services	$ 200	$ 178	$ 155	$ 48	$ 39
Sales and marketing	124	46	56	15	33
Technology and development	114	155	133	40	40
General and administrative	699	929	600	163	220
Total stock-based compensation expense	$ 1,137	$ 1,308	$ 944	$ 266	$ 332

The following table sets forth our consolidated statements of operations data as a percentage of revenues for each of the periods indicated. The period-to-period comparison of financial results should not be considered as a prediction or indicative of our future results.

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
Consolidated Statements of Operations Data:					
Revenues	100%	100%	100%	100%	100%
Costs and operating expenses:					
Cost of services	51	50	52	53	49
Sales and marketing	32	30	27	33	33
Technology and development	5	6	5	5	4
General and administrative	13	17	12	12	13
Total costs and operating expenses	101	103	96	103	99
Income (loss) from operations	(1)	(3)	4	(3)	1
Interest and other expense, net	—	—	—	—	—
Income (loss) before income taxes	(1)	(3)	4	(3)	1
Income tax (provision) benefit	—	—	4	—	(1)
Net income (loss)	(1)%	(3)%	8%	(3)%	—%

Three Months Ended March 31, 2011 and 2012

Revenues

	Three Months Ended March 31,		
	2011	2012	% Change
	(in thousands)		
Revenues by type:			
Transaction revenues	$ 31,568	$ 34,494	9%
Subscription revenues	4,772	10,001	110%
Other	1,948	2,493	28%
Total revenues	$ 38,288	$ 46,988	23%

Total revenues increased $8.7 million for the three months ended March 31, 2012 primarily as a result of increases in both transaction and subscription revenues. Transaction revenues increased $2.9 million for the three months ended March 31, 2012 primarily due to a 10% increase in the number of orders placed. The increase in the number of orders placed was largely driven by an increase in business formation services.

Subscription revenues increased $5.2 million for the three months ended March 31, 2012, benefitting from a 68% increase in the number of subscribers across all of our subscription services combined with price increases for our legal plans that we implemented in February 2011. We expect our subscription revenues to grow as a percentage of total revenues as we continue to transition our business from a transaction model to a combined transaction and subscription model.

Other revenues increased $0.5 million primarily due to increased revenues from third-party products and services purchased by our customers.

Cost of Services

	Three Months Ended March 31,		
	2011	2012	% Change
Cost of services	$ 20,459	$ 22,847	12%
Percentage of total revenues	53%	49%	

Cost of services increased $2.4 million for the three months ended March 31, 2012 primarily due to the growth in orders placed. The decrease in cost of services as a percentage of total revenues was largely attributable to the increase in subscription revenues, which have lower associated costs of services.

We plan to continue efforts to manage cost of services but expect total cost of services to increase as we fulfill greater volumes. However, with our business model evolving from primarily a transaction model to a combined transaction and subscription model, we expect the total cost of services as a percentage of total revenues to decrease over time as subscription services require less fulfillment labor and related costs.

Sales and Marketing

	Three Months Ended March 31,		
	2011	2012	% Change
Sales and marketing	$ 12,388	$ 15,651	26%
Percentage of total revenues	33%	33%	

Sales and marketing expenses increased $3.3 million for the three months ended March 31, 2012, $2.3 million of which was attributable to increased spend on customer acquisition media, including search engine marketing, television and radio. The remaining increase was primarily attributable to increases in personnel and related costs and allocated overhead.

We have invested, and expect that we will continue to invest, in sales and marketing. Sales and marketing expenses as a percentage of total revenues are expected to increase in the near term, as we continue to invest in building our brand, particularly to promote our legal plans. Additionally, we plan to add marketing, sales and business development personnel, develop new campaigns and continue to invest in various forms of media. However, as we continue to grow and transform our business into a combined transaction and subscription model and achieve a higher scale for our services, we expect sales and marketing expenses as a percentage of total revenues to decrease over the long-term.

Technology and Development

	Three Months Ended March 31,		
	2011	2012	% Change
Technology and development	$ 1,869	$ 2,071	11%
Percentage of total revenues	5%	4%	

Technology and development expenses increased $0.2 million for the three months ended March 31, 2012. The increase was primarily attributable to increased compensation expense for additional technology hires, partially offset by the impact of capitalizing more software costs in the current period.

We have focused our technology and development efforts on improving and maintaining our internally-developed online technology platform, efficiency in operations and expanded infrastructure. As we grow our business, we expect to increase the cost of investment in technology and development in these areas and develop new services while enhancing the quality of customer experience for existing services, but we expect that technology and development expenses as a percentage of total revenues will remain relatively consistent over the long term.

General and Administrative

	Three Months Ended March 31,		
	2011	2012	% Change
General and administrative	$ 4,596	$ 6,167	34%
Percentage of total revenues	12%	13%	

General and administrative expenses increased $1.6 million for the three months ended March 31, 2012 due to approximately $0.4 million in higher compensation expense for additional executive and corporate hires and $0.6 million in increased professional fees, including legal and audit fees for international expansion. We also experienced $0.5 million in increased rent, travel and other consulting costs and $0.1 million in increased accrued bonuses.

We expect our general and administrative expenses to increase as we continue to expand our operations, hire additional personnel, grant additional stock-based awards and transition from a private to a public company. Public company costs we incur will include quarterly and annual reporting and compliance costs, including ongoing evaluation and maintenance of our internal control over financial reporting, professional fees, exchange listing fees, shareholder and other investor communications, institution of an internal audit function and increased costs for directors' and officers' insurance and other support services. However, as we continue to grow and transform our business into a combined transaction and subscription model and achieve a higher scale for our services, we expect general and administrative expenses as a percentage of total revenues to decrease slightly over the long-term.

Interest and Other Expenses, net

	Three Months Ended March 31,		
	2011	2012	% Change
Interest and other expenses, net	$ (51)	$ (27)	(47)%
Percentage of total revenues	—%	—%	

Interest and other expenses, net decreased for the three months ended March 31, 2012 primarily due to lower interest expenses on capital lease obligations and amortization of deferred financing fees. We have no amounts outstanding under our line of credit and do not expect to draw on the line in 2012. We may also generate additional interest income on our investment of the proceeds from this offering.

Income Tax Benefit (Provision)

	Three Months Ended March 31,		
	2011	2012	% Change
Income tax benefit (provision)	$ 103	$ (280)	NM
Percentage of total revenues	—%	(1)%	

We recorded an income tax provision of $0.3 million for the three months ended March 31, 2012, which included $0.1 million of change in deferred income taxes and $0.2 million of current state income taxes. We recorded an income tax benefit of $0.1 million for the three months ended March 31, 2011.

Years Ended December 31, 2009, 2010 and 2011

Revenues

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
		(in thousands)			
Revenues by type:					
Transaction revenues	$ 92,561	$ 105,491	$ 121,856	14%	16%
Subscription revenues	4,966	10,889	27,878	119%	156%
Other	5,772	4,391	6,332	(24)%	44%
Total revenues	$ 103,299	$ 120,771	$ 156,066	17%	29%

2011 Compared to 2010. Total revenues increased $35.3 million in 2011 as a result of increases in transaction revenues and subscription revenues. Transaction revenues increased $16.4 million in 2011 due to a 12% increase in the number of orders placed. We implemented a number of new initiatives in the fourth quarter of 2010 that we believe contributed to the overall growth in orders in 2011, including lowered pricing for certain business formation services, the introduction of flexible customer payment options for certain of our services and website enhancements that we believe improved customer experience and conversion. The increase in the number of orders placed was largely in business formation services, which tend to have a higher average order value. In addition, our revenues in 2010 also included a reduction of revenues of $0.8 million related to legal settlements described in "—Critical Accounting Policies and Estimates—Loss Contingencies" and Note 6 to our consolidated financial statements included elsewhere in this prospectus. No similar reduction to revenues was recorded in 2011.

Subscription revenues increased $17.0 million in 2011 with a 97% increase in the number of subscribers across all of our subscription services as a result of an expansion of our services. Our registered agent services benefited from a full year of expanded in-house operations in 2011, compared to only 10 months in 2010. Additionally, our legal plan services benefitted from an increase in legal plan prices and a full year of operations in 2011, compared to a partial year in 2010.

Other revenues increased $1.9 million due primarily to increased revenues from third-party products and services purchased by our customers.

2010 Compared to 2009. Total revenues increased $17.5 million in 2010. Transaction revenues increased $12.9 million primarily as a result of an increase in the number of orders placed and the recognition of $4.7 million of revenue from certain document preparation services due to the adoption of new revenue recognition rules as of January 1, 2010. See "Critical Accounting Policies and Estimates—Revenue Recognition." The 2010 revenue growth was partially offset by the $0.8 million reduction of revenue related to legal settlements as further described in "—Critical Accounting Policies and Estimates—Loss Contingencies" and Note 6 to our consolidated financial statements included elsewhere in this prospectus.

Subscription revenues increased $5.9 million in 2010 primarily as a result of a 147% increase in the number of subscribers. The increase in the number of subscribers and subscription revenues was driven primarily by two factors. First, prior to 2010, we performed our registered agent services in only six states, with the remainder of the states serviced by third parties. In March 2010, we began to expand our in-house operations to perform our registered agent services in an additional 43 states and the District of Columbia. For registered agent services we perform, we recognize as revenues the full amount we charge the customer and record the related costs incurred in fulfilling those services in cost of services. For registered agent customers serviced by a third party, we recognize revenues net of the fees paid to the third party. Second, we launched both our legal plan and our forms subscriptions in 2010, with the initial offering in California in April and a further expansion to other states in August.

Cost of Services

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
	(dollars in thousands)				
Cost of services	$ 53,082	$ 60,643	$ 80,437	14%	33%
Percentage of total revenues	51%	50%	52%		

2011 Compared to 2010. Cost of services increased $19.8 million in 2011 primarily due to the growth in orders placed. The increase in cost of services as a percentage of total revenues was largely attributable to the strategic decision to reduce pricing of certain business formation services in the fourth quarter of 2010. This resulted in a shift in service mix toward business formation services, which have higher associated costs of services.

2010 Compared to 2009. Cost of services increased $7.6 million in 2010 due to the increase in number of orders placed and expansion of operations. During March 2010, we opened a new customer service and production center in Austin, Texas, increasing both direct and allocated overhead costs by $0.7 million in 2010 as compared to 2009. We also experienced increased fulfillment costs associated with the expansion of our registered agent services business beginning in March 2010.

Sales and Marketing

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
	(dollars in thousands)				
Sales and marketing	$ 32,673	$ 36,322	$ 41,891	11%	15%
Percentage of total revenues	32%	30%	27%		

2011 Compared to 2010. Sales and marketing expenses increased $5.6 million in 2011, $4.0 million of which was attributable to increased spend on customer acquisition media, including search engine marketing, television and radio. The remaining increase was primarily attributable to increases in personnel and related costs, and allocated overhead.

2010 Compared to 2009. Sales and marketing expenses increased $3.6 million in 2010, $3.4 million of which was attributable to increased spend on customer acquisition media.

Technology and Development

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
	(dollars in thousands)				
Technology and development	$ 4,686	$ 7,509	$ 8,117	60%	8%
Percentage of total revenues	5%	6%	5%		

2011 Compared to 2010. Technology and development expenses increased $0.6 million in 2011. The increase was primarily attributable to increased technology hiring and resulting compensation.

2010 Compared to 2009. Technology and development expenses increased $2.8 million in 2010. The increase was primarily attributable to the expansion of technology personnel and consultants for the development of our legal plan services, investments to improve operating efficiencies and to maintain and expand our infrastructure.

General and Administrative

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
	(dollars in thousands)				
General and administrative	$ 13,154	$ 20,024	$ 19,343	52%	(3)%
Percentage of total revenues	13%	17%	12%		

2011 Compared to 2010. General and administrative expenses decreased $0.7 million in 2011 because 2010 included a $4.6 million charge for estimated legal settlements with no similar charges in 2011. Excluding the legal settlements charge, further described in "—Critical Accounting Policies and Estimates—Loss Contingencies" and Note 6 to our consolidated financial statements included elsewhere in this prospectus, general and administrative expenses increased by $3.9 million in 2011, approximately $1.8 million of which was attributable to bonuses awarded for company performance. No bonuses for company performance were awarded in 2010. The remaining $2.1 million increase was comprised primarily of $1.3 million in higher compensation for and additional new hires of executive and corporate personnel and $0.8 million in increased legal and audit fees.

2010 Compared to 2009. General and administrative expenses increased $6.9 million in 2010, including a $4.6 million charge related to legal settlements. See "—Critical Accounting Policies and Estimates—Loss Contingencies" and Note 6 to our consolidated financial statements included elsewhere in this prospectus. The remaining $2.3 million in increased general administrative expenses came primarily as a result of a $2.1 million increase in personnel costs and related benefits, including stock-based compensation, due to higher compensation and hiring, but was partially offset by lower bonus accruals. In 2010, we did not award any bonuses based on company performance compared to $1.1 million in 2009. The remaining $1.3 million is attributable to other expenses including costs associated with relocating our headquarters from Los Angeles to Glendale, California and opening our facility in Austin, Texas.

Interest and Other Expenses, Net

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
	(dollars in thousands)				
Interest and other expenses, net	$ (33)	$ (15)	$ (153)	(55)%	NM
Percentage of total revenues	—%	—%	—%		

Interest and other expenses, net, increased $0.1 million in 2011 primarily due to increased interest expenses on capital lease obligations and amortization of deferred financing fees. Interest and other expenses, net, was immaterial in 2009 and 2010.

Income Tax (Provision) Benefit

	Year Ended December 31,			2009 to 2010 % Change	2010 to 2011 % Change
	2009	2010	2011		
	(dollars in thousands)				
Income tax (provision) benefit	$ (311)	$ (282)	$ 5,998	(9)%	NM
Percentage of total revenues	—%	—%	4%		

Our income tax provision in 2009 and 2010 consisted of state taxes in states where we generated taxable income. Our income tax benefit in 2011 consisted of the release of a valuation allowance of $6.9 million, partially offset by a provision for state and federal income taxes of $0.6 million and $0.3 million, respectively. Prior to 2011, we generated losses and federal net operating loss carryforwards and we were not subject to federal income taxes but provided for a full valuation allowance against our net deferred tax assets. In 2011, we became profitable and achieved a three-year cumulative income before income taxes during the second half of 2011. We also generated sufficient taxable income to begin to utilize a significant portion our previously recorded federal net operating loss carryforwards. Therefore, based on the weight of positive evidence that our deferred tax assets are more likely than not realizable, we released the valuation allowance against our remaining net deferred tax assets during the fourth quarter of 2011, except for capital loss carryforwards, which we do not expect to utilize prior to expiration in 2012. See "—Critical Accounting Policies and Estimates—Income Taxes."

We currently expect that we will continue to generate sufficient federal taxable income and be able to utilize our remaining net deferred tax assets available as of December 31, 2011. We also expect to continue to generate taxable income and pay income taxes in federal and state jurisdictions where we operate.

Unaudited Quarterly Results of Operations Data, Other Financial Data and Seasonality

The tables below set forth our unaudited quarterly consolidated statements of operations data and other financial data for each of the nine quarters ended March 31, 2012. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included in this prospectus. In the opinion of management, the financial information reflects all adjustments, consisting only of normal recurring adjustments necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results of operations for a full year or any future period.

	Three Months Ended								
	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011	Mar. 31, 2012
	(in thousands)								
Consolidated Statements of Operations Data:									
Revenues[1]	$ 30,146	$ 31,206	$ 30,734	$ 28,685	$ 38,288	$ 40,671	$ 40,507	$ 36,600	$ 46,988
Costs and operating expenses:									
Cost of services	14,756	15,345	14,864	15,678	20,459	21,346	20,088	18,544	22,847
Sales and marketing	10,524	9,044	9,189	7,565	12,388	9,801	11,747	7,955	15,651
Technology and development	2,012	1,702	1,711	2,084	1,869	2,092	2,113	2,043	2,071
General and administrative[1]	8,313	3,178	3,620	4,913	4,596	4,851	5,195	4,701	6,167
Total costs and operating expenses	35,605	29,269	29,384	30,240	39,312	38,090	39,143	33,243	46,736
Income (loss) from operations	(5,459)	1,937	1,350	(1,555)	(1,024)	2,581	1,364	3,357	252
Interest and other income (expense), net	(12)	(14)	16	(5)	(51)	(23)	(40)	(39)	(27)
Income (loss) before income taxes	(5,471)	1,923	1,366	(1,560)	(1,075)	2,558	1,324	3,318	225
Income tax (provision) benefit	(435)	153	174	(174)	103	(246)	(127)	6,268	(280)
Net income (loss)	$ (5,906)	$ 2,076	$ 1,540	$ (1,734)	$ (972)	$ 2,312	$ 1,197	$ 9,586	$ (55)
Other Financial Data:									
Net income (loss)	$ (5,906)	$ 2,076	$ 1,540	$ (1,734)	$ (972)	$ 2,312	$ 1,197	$ 9,586	$ (55)
Interest and other expense (income), net	12	14	(16)	5	51	23	40	39	27
Income tax provision (benefit)	435	(153)	(174)	174	(103)	246	127	(6,268)	280
Depreciation and amortization	888	866	879	876	1,002	1,056	1,206	1,298	1,244
Stock-based compensation	318	292	305	393	266	189	193	296	332
Loss from legal settlements	5,359	—	—	—	—	—	—	—	200
Adjusted EBITDA[2]	$ 1,106	$ 3,095	$ 2,534	$ (286)	$ 244	$ 3,826	$ 2,763	$ 4,951	$ 2,028

(1) We recorded an estimated charge of $5.4 million during the three months ended March 31, 2010 related to legal settlements, of which $4.6 million was included as part of general and administrative expenses and $0.8 million was recorded as a reduction of revenues. During the three months ended March 31, 2012, we recorded an additional $0.2 million charge related to a change in estimate of the settlement costs of these legal matters, which was recorded as a reduction of revenues. See Note 6 to our consolidated financial statements included elsewhere in this prospectus for a full discussion of this legal settlement accrual.

(2) For a definition of Adjusted EBITDA and a discussion of the limitations of using Adjusted EBITDA, see "Selected Consolidated Financial Data—Adjusted EBITDA."

Seasonality

We have experienced, and expect that we will continue to experience, seasonality in the number of orders placed. Customers tend to place a higher number of orders in the first quarter of the year as we believe the demand for forming businesses is the highest at the beginning of the year. Further seasonality is

reflected in the timing of our revenue recognition in the second quarter, as we typically recognize in the second quarter a high amount of revenues from orders placed in the first quarter that are fulfilled in the second quarter. Also, we generally see demand for our services decline around the beginning of the third quarter with summer vacations and in the last two months of the fourth quarter around the winter holidays. We expect this seasonality to continue into the future, which may cause period to period fluctuations in certain of our operating results and financial metrics and thus limit our ability to predict our future results. At the end of each of our last nine fiscal quarters, bundled free trial subscribers constituted less than 20% of the total number of subscribers and in six of those quarters bundled free trial subscribers constituted 10% or less of the total number of subscribers. As the size of our subscription business grows as a percentage of our total revenues, we expect that the number of bundled free trial subscribers as a percentage of the total number of subscribers will generally decline, with potential seasonal increases in the first quarter of each year related to the seasonality of our transactional service business.

Cost of services follow similar seasonal patterns of orders placed and revenues recognized, with higher levels of spending for customer care during periods in which our revenues are higher. Costs of services, including government filing fees, printing and shipping, credit and debit card fees and sales and use taxes, tend to be variable costs and are generally aligned with the number of orders placed. We use temporary personnel and outsourced independent contractors to provide flexibility in hiring and to manage costs. The fourth quarter cost of services as a percent of revenue tends to increase slightly over the third quarter due to increased full-time and temporary customer care and fulfillment personnel hired 45 to 60 days prior to the anticipated seasonally higher volumes in the first quarter in order to allow for appropriate training and development of such personnel. We expect the trend of hiring new customer care representatives and fulfillment personnel 45 to 60 days before the calendar year-end to continue.

Media spend is generally at its highest in the first quarter and in line with the seasonal first quarter increase in the number of orders placed. Media spend generally reaches its second highest level of spend in the third quarter. Fourth quarter media spend is generally the lowest for the year in line with our expectations of a lower number of orders placed at that time.

We also expect that the investments in our subscription legal plan business, customer acquisition and retention, and potential international expansion will reduce Adjusted EBITDA in the next few quarters.

Liquidity and Capital Resources

As of March 31, 2012, we had cash of $31.9 million, which consisted entirely of cash on deposit with banks. Other than $8.4 million of outside capital and cash provided by exercises of stock options, we have funded our operations and capital expenditures since inception from cash flows provided by operating activities.

We expect cash provided by operating activities to be our primary source of funds in future periods and to be driven by our anticipated growth in our transaction and subscription revenues, partially offset by increases in working capital requirements and capital expenditures associated with scaling our operations, technology and infrastructure to support our growth and cash payments made for legal settlements. We expect to make capital expenditures of approximately $5.0 million in 2012, approximately half of which would be for capitalized software expenditures and the other half of which would be for other capital expenditures associated with scaling our operations, technology and infrastructure to support our growth. Our future capital requirements may vary from those now planned and will depend on many factors, including:

- the development, launch and success of new services;
- the levels of marketing required to attract new customers and retain existing customers;
- the continuous development of our online legal platform to accommodate actual and anticipated technology changes;

- defending and settling potential regulatory investigations, claims, suits and prosecutions;
- the expansion of our business into international markets; and
- the timing and extent to which we scale our operations, technology and infrastructure to support future growth.

Based on our current level of operations and anticipated growth, we believe that our existing cash, together with cash provided by operating activities and the proceeds from this offering, will be sufficient to fund our operations and capital expenditures for at least the next 12 months. We may supplement our liquidity needs with borrowings under our $10 million revolving line of credit facility, if available. See "—Line of Credit Facility."

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
			(in thousands)		
Consolidated Statement of Cash Flows Data:					
Net cash provided by operating activities	$ 14,679	$ 1,488	$ 13,722	$ 3,687	$ 5,715
Net cash used in investing activities	(4,484)	(4,673)	(6,060)	(1,881)	(1,020)
Net cash provided by financing activities	247	3,386	277	141	119

Net Cash Provided by Operating Activities

Net cash provided by operating activities during the three months ended March 31, 2012 resulted primarily from a net decrease in our operating assets and liabilities of $4.1 million and our net loss of $0.1 million adjusted for non-cash expenses of $1.7 million. The net decrease in operating assets and liabilities was primarily due to an increase in deferred revenues, accounts payable and accrued expenses and other current liabilities. Deferred revenues increased primarily as a result of the growth in the number of orders placed and mix of services, as well as the timing of the completion of those services. The increase in accounts payable was primarily due to timing of payments to our vendors, and the increase in accrued expenses and other current liabilities was primarily due to an increase in accrued advertising, accrued professional fees and an additional accrual for the legal settlements, offset by a decrease in accrued payroll and related expenses mainly due to the year-end accrued bonus payments made during the three months ended March 31, 2012. Non-cash expenses during the three months ended March 31, 2012 were comprised primarily of depreciation and amortization of property and equipment totaling $1.2 million, stock-based compensation of $0.3 million and deferred income taxes of $0.1 million.

Net cash provided by operating activities during the three months ended March 31, 2011 resulted primarily from a net decrease in our operating assets and liabilities of $3.4 million and our net loss of $1.0 million adjusted for non-cash expenses of $1.3 million. The net decrease in operating assets and liabilities was primarily due to an increase in accounts payable and accrued expenses and other current liabilities. The increase in accounts payable was primarily due to the timing of payments to our vendors, and the increase in accrued expenses and other current liabilities was primarily due to an increase in accrued advertising and, payroll and related costs with increased headcount. Non-cash expenses during the three months ended March 31, 2011 were comprised primarily of depreciation and amortization of property and equipment totaling $1.0 million and stock-based compensation of $0.3 million.

Net cash provided by operating activities in 2011 resulted primarily from net income of $12.1 million and a net decrease in our operating assets and liabilities of $2.9 million, offset in part by non-cash items of $1.3 million. The net decrease in operating assets and liabilities was primarily due to an increase in accrued expenses and other current liabilities of $4.3 million primarily attributable to accrued incentive bonuses, partially offset by an increase in accounts receivable of $1.4 million primarily attributable to our customers selecting the three-pay plan, which allows them to pay for an order in three equal payments. Non-cash items in 2011 included a $6.9 million income tax benefit on the release of the valuation allowance related

to our deferred tax assets, offset in part by non-cash expenses, including depreciation, amortization and disposals totaling $4.7 million and stock-based compensation of approximately $1.0 million.

Net cash provided by operating activities in 2010 resulted from our net loss of $4.0 million adjusted for non-cash expenses of $5.2 million and a net decrease in our operating assets and liabilities of $0.3 million. Our net loss and the net decrease in operating assets and liabilities was primarily due to the accrual of $5.4 million for the legal settlements described in "—Critical Accounting Policies—Loss Contingencies" and Note 6 to our consolidated financial statements included elsewhere in this prospectus. Non-cash expenses in 2010 were comprised primarily of depreciation, amortization and a loss on disposal of property and equipment totaling $3.8 million and stock-based compensation of $1.3 million.

Net cash provided by operating activities in 2009 resulted from a net decrease in our operating assets and liabilities of $11.2 million and our net loss of $0.6 million, adjusted for non-cash expenses of $4.1 million. The net decrease in operating assets and liabilities was primarily due to an increase in deferred revenues and accrued expenses and other current liabilities. Deferred revenues increased primarily as a result of the growth in the number of orders placed and mix of services, as well as the timing of the completion of those services. The increase in accrued expenses and other current liabilities was primarily due to an increase in payroll and related costs with increased headcount and related compensation. Non-cash expenses in 2009 were comprised primarily of depreciation, amortization and loss on disposal of property and equipment totaling $3.0 million and stock-based compensation of $1.1 million.

Net Cash Used in Investing Activities

Net cash used in investing activities during the three months ended March 31, 2011 and 2012 primarily resulted from continued investment in internally developed capitalized software and the purchase of property and equipment. For the three months ended March 31, 2011, restricted cash decreased as a financial institution removed the requirement to maintain collateral against the available credit limit on procurement credit cards.

Net cash used in investing activities in 2011 primarily resulted from continued investment in internally developed capitalized software and the purchase of property and equipment, including approximately $2.5 million for data center server and computer equipment upgrades to support our operations and online legal platform, offset in part by a decrease in restricted cash held by a financial institution for banking and credit card merchant services.

Net cash used in investing activities in 2010 primarily resulted from the continued investment in internally developed capitalized software and the purchase of property and equipment to build out our facilities in Glendale, California and Austin, Texas, offset in part by proceeds received for disposal of property and equipment.

Net cash used in investing activities in 2009 primarily resulted from the purchase of property and equipment and investment in internally developed capitalized software associated with the development of a new order management system together with an increase in restricted cash held by a financial institution for banking and credit card merchant services.

Net Cash Provided by Financing Activities

Net cash provided by financing activities during the three months ended March 31, 2011 and 2012 resulted from proceeds from exercises of stock options, partially offset by the payment of capital lease obligations.

Net cash provided by financing activities in 2011 resulted primarily from the payment of capital lease obligations, largely offset by proceeds from exercises of stock options and excess windfall tax benefits related to stock-based compensation.

Net cash provided by financing activities in 2010 resulted primarily from proceeds from exercises of stock options and repayment of notes receivable from stockholders.

Net cash provided by financing activities in 2009 primarily resulted from proceeds from exercises of stock options.

Line of Credit Facility

On October 31, 2008, we entered into a revolving line of credit facility with Comerica Bank, which was amended on October 29, 2010 that allows us to borrow up to $10 million for up to 180 days from the date of borrowing. We are obligated to pay an unused line fee equal to 0.20% per annum of the average unused portion of the line of credit, payable in quarterly installments on the last day of each quarter. Borrowings under the under the line of credit bear interest at the London Interbank Offered Rate (LIBOR) or prime rate, which we can select at the time of borrowing, plus an applicable margin, and are collateralized by substantially all of our assets. The line of credit expires on October 31, 2012 and limits our ability to declare and pay dividends and to incur additional credit obligations or indebtedness. The line of credit requires immediate repayment of amounts outstanding upon an event of default, as defined in the agreement, which includes events such as a payment default, a covenant detail or the occurrence of a material adverse change. At December 31, 2010, December 31, 2011 and March 31, 2012, we had no amounts outstanding or any letters of credit backed by the line of credit.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2011:

		Payment due by Period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
			(in thousands)		
Operating lease commitments	$ 17,256	$ 2,572	$ 6,108	$ 1,828	$ 6,748
Purchase commitments	19,559	18,380	1,179	—	—
Capital lease obligations	205	205	—	—	—
Total	$ 37,020	$ 21,157	$ 7,287	$ 1,828	$ 6,748

Operating lease commitments primarily relate to minimum lease payments under the operating leases we entered into for facility space in Glendale, California, Austin, Texas and San Francisco, California. Purchase commitments relate primarily to minimum purchase commitments for advertising and media. As of December 31, 2011 and March 31, 2012, we did not have any debt. We believe our current cash and cash equivalents, as well as cash expected to be generated by future operating activities, will be sufficient to meet our contractual obligations for the next twelve months.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in those types of relationships. We enter into guarantees in the ordinary course of business related to the guarantee of our own performance and the performance of our subsidiaries.

Recent Accounting Pronouncements

In 2011, the Financial Accounting Standards Board, or FASB, issued new accounting guidance that amends some fair value measurement principles and disclosure requirements. The new guidance states

that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets and prohibits the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. The adoption of this accounting guidance during the three months ended March 31, 2012 did not have any impact on our consolidated financial statements.

In 2011, the FASB issued new disclosure guidance related to the presentation of the Statement of Comprehensive Income. This guidance eliminates the current option to report other comprehensive income and its components in the consolidated statement of stockholders' equity. The requirement to present reclassification adjustments out of accumulated other comprehensive income on the face of the consolidated statement of income has been deferred. The adoption of this accounting guidance during the three months ended March 31, 2012 did not have any impact on our consolidated financial statements.

As an emerging growth company under the JOBS Act, we have elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the Act. This election is irrevocable.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in our consolidated financial statements and related notes. Our significant accounting policies are described in Note 2 to our consolidated financial statements included elsewhere in this prospectus. We have identified below our critical accounting policies and estimates that we believe require the greatest amount of judgment. On an ongoing basis, we evaluate our estimates that are subject to significant judgment including those related to sales allowances and credit reserves, the evaluation of revenue recognition criteria, including the determination of standalone value and estimates of the selling price of deliverables in our revenue arrangements, loss contingencies, valuation allowances and reserves related to income taxes and assumptions underlying stock-based compensation. Actual results could differ materially from those estimates. On an ongoing basis, we evaluate our estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. To the extent that there are material differences between our estimates and our actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe the assumptions and estimates associated with the following have the greatest potential impact on our financial statements.

Revenue Recognition

We recognize revenues when four basic criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the fees are fixed or determinable and collectability is reasonably assured. We consider persuasive evidence of a sales arrangement to be the customer's placement of the order and acceptance of our terms of service. For arrangements with third-party companies related to other revenues, we ensure a written contract is in place. Our customers generally pay for their orders and subscription services in advance by credit or debit card. The total fees, or the consideration, collected by us for our services include, as applicable, expedited services fees, government filing fees and shipping fees. We record the total consideration initially as deferred revenues that are then recognized as revenues when we meet all of the criteria for revenue recognition. Deferred revenues that we will recognize during the succeeding 12 month period from our balance sheet date is recorded as current deferred revenues, and the remaining portion is recorded as non-current at the balance sheet date. In circumstances where we do not receive the payment in advance, revenues are only recognized if collectability is reasonably assured, assuming we meet all other revenue recognition criteria.

For our legal document preparation services, transaction revenues are recognized when we fulfill the service. For time-based, subscription services, such as legal plans, registered agent services or unlimited access to our forms library, we recognize subscription revenues ratably on a straight-line basis over the subscription term for those services, which ranges from a period of 30 days to two years.

We record transaction revenues net of refunds, cancellations, promotional discounts, sales allowances, credit reserves and the value allocated to bundled free-trials for our subscription services. We record subscription revenues net of promotional discounts, cancellations, sales allowances, credit reserves and payments to legal plan attorneys.

Other revenues are recognized when the related performance based criteria have been met. We assesses whether performance criteria have been met on a cost-per-click or cost-per-action basis and whether the fees are fixed or determinable based on a reconciliation of the performance criteria and the payment terms associated with the transaction. The reconciliation of the performance criteria generally includes a comparison of internally tracked performance data to the contractual performance obligation and, when available, to third-party or affiliate provided performance data. These arrangements do not include multiple deliverables.

A significant number of our arrangements include multiple, bundled deliverables, such as the preparation of legal documents combined with related document revision, document storage, 30-day free trial of our registered agent services or our legal plans. We therefore recognize revenues for these arrangements in accordance with FASB ASC 605-25, *Revenue Recognition—Multiple-Element Arrangements* ("ASC 605-25"). ASC 605-25 was updated by Accounting Standards Update ("ASU") 2009-13, *Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements—a Consensus of the Emerging Issues Task Force* ("ASU 2009-13").

We elected to early adopt ASU 2009-13 on a prospective basis for all arrangements entered into or materially modified after January 1, 2010.

For multiple deliverable revenue arrangements, we first assesses whether each deliverable has value to our customer on a standalone basis and performance is considered probable and substantially in our control. Our services can be sold both on a standalone basis and as part of multiple deliverable arrangements. Accordingly, substantially all of our services have standalone value to our customer. Based on that standalone value of the deliverables, we allocate our revenues among the separate deliverables in the arrangement, including the bundled free-trials, using the relative selling price method hierarchy established in ASU 2009-13. This hierarchy requires the selling price of each deliverable in a multiple deliverable revenue arrangement to be based on, in descending order: (i) vendor-specific objective evidence, or VSOE, (ii) third-party evidence of selling price, or TPE, or (iii) management's best estimated selling price, or BESP.

We establish VSOE for a majority of our services based on the price we charge when the deliverable is sold separately. In determining VSOE, we require that a substantial majority of our selling prices for our services to fall within a reasonably narrow pricing range, and we then establish VSOE based on the mid-point of the range for those services. This requires significant management judgment, including as to how we group similar services, the time period analyzed for assessing transactions, and the volume of similar transactions available to us in the relevant time period.

When we cannot establish VSOE, we apply our judgment with respect to whether we can obtain TPE based on competitor prices for similar deliverables that are sold separately. We believe our strategy differs from that of our peers, and our services contain a significant level of differentiation such that comparable pricing of our services cannot be obtained. Our competitors do not sell services similar to ours on a standalone basis, and we therefore are unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, we have been unable to establish selling price based on TPE.

When we cannot establish VSOE or TPE, we apply our judgment to determine BESP. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. The determination of BESP requires us to make significant estimates and judgments and we consider numerous factors in this determination, including the nature of the deliverables, market conditions and our competitive landscape, internal costs and our pricing and discounting practices. Our determination of BESP is made through consultation with and formal approval by our senior management. We update our estimates of both VSOE and BESP on an ongoing basis as events and as circumstances may require. Because we can establish VSOE for substantially all of our services, use of BESP estimate for revenue recognition is limited to document revisions and document storage services.

We are unable to determine VSOE or TPE for document revision and document storage services, which we bundle with certain of our consumer services. Accordingly, as of January 1, 2010, the selling prices of these document revision and document storage services are determined based on BESP, and we recognize revenues from these services based on the relative selling price of the deliverables in the arrangement. Our adoption of ASU 2009-13 resulted in us recognizing $4.7 million of transaction revenues in 2010 that we would not have otherwise recognized during that year.

Prior to January 1, 2010, we considered document revision and document storage services that we bundle with other consumer services to be a single unit of accounting and the total fees received from those arrangements were recognized as transaction revenues ratably on a straight-line basis over the service term. Prior to August 2009, we offered document revision and document storage services with a term of five years and, accordingly, the deferred revenues will be recognized as transaction revenues through August 2014. Beginning in August 2009, we sold these services only on a one year service term. At December 31, 2010, December 31, 2011 and March 31, 2012, our non-current deferred revenues balances of $7.0 million, $3.3 million and $2.4 million, respectively, included in our consolidated balance sheets primarily consist of document revision and document storage services.

Sales Allowances

Our revenue arrangements do not include contractual provisions for cancellations or terminations. However, as a business practice we provide a satisfaction guarantee that if our customer is not fully satisfied with the services or support and they notify us within a limited period of time after the purchase, we will attempt to resolve the matter, offer a credit that can be used for future services or provide a refund, excluding third-party fees. Revenues are recognized net of promotional discounts and estimated sales allowances and credit reserves related to credit or debit card chargebacks, sales credits and refunds. For completed services where the customers have elected the three-pay plan, we record a sales allowance for estimated charge backs, credits and collection losses for the second and third payment receivable amounts. The sales allowance is recorded against the customers' receivable balance. For completed and paid services, we record a sales and credit reserve based on our estimate of refunds, charge backs or credits. The sales and credit reserves are included in accrued expenses and other current liabilities. The sales allowance and the sales and credit reserves are made at the time of revenue recognition based on our historical experience, activity occurring after the balance sheet date and other factors. We have established a sufficient history of estimating refunds, charge backs, write offs and credits given the large number of our homogeneous transactions and the majority of the our allowances and reserves are known within the time period of our financial reporting cycle. The estimated provision for sales allowances and reserves has

varied from actual results within ranges consistent with our expectations. If actual sales allowances, credit reserves and promotional discounts are greater than estimated by us, revenues and operating results would be negatively impacted.

Principal Agent Considerations

We evaluate the criteria as prescribed by FASB ASC 605-45, *Principal Agent Considerations*, in order to determine whether we can recognize revenues gross as a principal or net as an agent. We record revenues on a gross basis when we are the primary obligor in the arrangement and therefore principally responsible for the fulfillment of the services. We are the primary obligor in substantially all of our legal document preparation and registered agent services. The determination of whether we are the principal or agent requires us to evaluate a number of indicators including which party, as applicable, in the arrangement:

- is the primary obligor, or has primary fulfillment responsibility and obligation to perform the services being sold to the customer;
- has latitude in establishing the sales price;
- can make changes to or perform part of the service;
- has supplier selection; and
- has credit or collection risk.

When forming our conclusion on whether we are the principal or agent in an arrangement and whether to present revenues gross or net, we weight the above factors, and places more weight on the first factor, or primary obligor, followed by whether we have latitude in establishing the sales price and whether we perform part of the service.

In arrangements in which we are the primary obligor and the indicators are weighted towards us acting as a principal, we record as revenues the amounts we have billed to our customer, and we record the related costs we have incurred in fulfilling our services. We are the primary obligor in substantially all of our legal document preparation and registered agent services.

In arrangements in which we are not the primary obligor and the indicators are more weighted towards us acting as the agent in the arrangement, we record revenues on a net basis, which is equal to the amount billed to our customer, net of the fee payable to the primary obligor, which is another third party that is primarily responsible for performing the services for the customer. Because we are not a law firm and cannot provide legal advice, the participating independent law firms in our legal plans have the primary service obligation to provide attorney consultations to our customers, for which we pay the law firms a monthly fee. Therefore, we recognize revenues net as an agent for subscriptions to our legal plans. We also recognized revenues net as an agent for registered agent services in 43 states prior to March 2010. Before March 2010, we contracted with third-party service providers to perform substantially all registered agent services on our behalf and accordingly, we recorded the amount received from the customer net of the fee payable to the service provider.

Loss Contingencies

We record loss contingencies in our consolidated financial statements in the period when they are probable and reasonably estimable. If the amount is probable and we are able to reasonably estimate a range of loss, we accrue the amount that is the best estimate within that range, and if no amount is better than any other in the range, we record the amount at the low end in the range. We disclose those contingencies that we believe are at least reasonably possible but not probable regardless of whether they are reasonably estimable. We currently do not have any loss contingencies that are probable but not estimable. The likelihood of our contingencies is determined using a number of factors including nature of

the matter, advice of our internal and external counsel, previous experience and historical and relevant information available to us. As discussed in Note 6 to our consolidated financial statements included elsewhere in this prospectus, we have agreed to settlements with respect to two matters with the maximum settlement, assuming all eligible claimants made a valid claim, estimated to be $16 million. As of December 31, 2011, we had reasonably estimated the collective range of aggregate probable losses for these matters to be between $5.4 million and $7 million and, in accordance with GAAP, had accrued $5.4 million, the low end of the range. The determination of the probability of loss and the range of loss requires significant judgment.

Based on the claims received through May 14 and 15, 2012, the claims submission deadlines for these two matters, and claims processed to date, we have reasonably estimated the collective aggregate probable loss to be approximately $5.6 million, resulting in additional $0.2 million included in accrued expenses and other current liabilities as of March 31, 2012.

The ultimate cost of these two pending settlements are dependent on a number of factors, including the resolution of any appeals of the approved settlements, and actual claims made by, and the resulting payments to, the class members. There is at least a reasonable possibility that we may incur an additional loss in excess of the amount accrued at March 31, 2012. We are unable to estimate the amount of additional loss or range of additional loss, if any, relating to these matters. If the actual payments for the settlements are higher than the amount estimated by us, this difference could have a material adverse effect on our business, operating results, cash flows and financial condition. We will recognize any difference between the amount accrued and the ultimate cost of the settlements as an additional expense or reversal of amount already accrued in the period in which the final settlement is approved and the claims made by the plaintiffs are finalized.

As discussed in Note 6 to our consolidated financial statements included elsewhere in this prospectus, we are subject to additional pending matters for which we believe that we have meritorious defenses to the claims and intend to defend against vigorously. The plaintiffs have yet to state any dollar amounts being sought associated with these matters and we have denied and continue to deny all of the allegations and claims asserted in the lawsuits. Accordingly, we are unable to predict the ultimate outcome of these matters and have not recorded any losses in our consolidated financial statements as the amount of losses, if any, associated with these matters are not probable and estimable. If these matters are not resolved in our favor, the potential losses arising from results of litigation or settlements may have a material adverse effect on our business, operating results, cash flows and financial condition.

Income Taxes

We use the liability method of accounting for income taxes. Under the liability method, we determine our deferred tax assets and liabilities based on differences between our financial reporting and tax bases of our assets and liabilities, and measure them using enacted tax rates and laws that are expected to be in effect based on when we expect these differences to reverse. We must also make judgments in evaluating whether deferred tax assets will be recovered from future taxable income. To the extent that we believe that recovery is not likely, we establish a valuation allowance. The carrying value of our net deferred tax assets is based on whether it is more likely than not that we will generate sufficient future taxable income to realize these deferred tax assets. We record a valuation allowance when it is more likely than not that some or all of our net deferred tax assets will not be realized. Our judgments regarding future taxable income may change over time due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If our assumptions and consequently our estimates change in the future, our valuation allowance established may be increased or decreased, resulting in a material respective increase or decrease in income tax provision (benefit) and related impact on our reported net income (loss).

In determining the need for a valuation allowance, we review all available evidence pursuant to the requirements of ASC 740, *Income Taxes*. The determination of recording or releasing tax valuation

allowances is made, in part, pursuant to an assessment performed by us regarding the likelihood that we will generate sufficient future taxable income against which benefits of the deferred tax assets may or may not be realized. This assessment requires us to exercise significant judgment and make estimates with respect to our ability to generate revenues, operating income and taxable income in future periods. Amongst other factors, we must make assumptions regarding overall current and projected business and legal document and ancillary services' industry conditions, operating efficiencies, our ability to timely and effectively adapt to technological change, fully and successfully resolve outstanding legal matters, and the competitive environment which may impact our ability to generate taxable income and, in turn, realize the value of the deferred tax assets. Significant cumulative operating losses in 2010 and prior years and economic uncertainties in the market made our ability to project future taxable income uncertain and volatile at December 31, 2010. Based upon our assessment of all available evidence, including our history of cumulative losses, we concluded as of December 31, 2010, that it was not more likely than not that our net deferred tax assets would be realized, and therefore we had a full valuation allowance against our deferred tax assets.

In 2011, we became profitable due to the significant increase in our revenues as we experienced an increase in demand for our services. As a result, we were able to utilize a substantial amount of our federal net operating loss carryforwards. The majority of our year ended December 31, 2011 income from operations was earned in the second half of the year resulting in our achievement of three-year cumulative income before income taxes by the fourth quarter of 2011. Accordingly, during the fourth quarter of 2011, we released our valuation allowance against deferred tax assets based on the weight of positive evidence that existed at December 31, 2011, except for the allowance of $0.4 million relating to our deferred tax asset for a capital loss carryforward which we expected to expire unused. Based upon the current trend of our operating results and forecasts, we believe that it is more likely than not that we will recognize the benefits of our deferred tax assets.

We adopted the provisions of FASBs guidance on Accounting for Uncertainty in Income Taxes on January 1, 2007. This guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for the accounting of a tax position taken or expected to be taken in a tax return. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We recognize interest and penalties accrued related to unrecognized tax benefits in income tax expense (benefit) in the accompanying statements of operations. We do not have significant uncertain tax positions.

Stock-based Compensation

We recognize compensation expense related to our employee option grants in accordance with FASB ASC 718, *Compensation—Stock Compensation* ("ASC 718"). We estimate the fair value of employee share-based payment awards on the grant-date. We use the Black-Scholes option pricing model for estimating the fair value of our options granted under our stock option plans. We have elected to treat share-based payment awards with graded vesting schedules and time-based service conditions as a single award and recognize stock-based compensation on a straight-line basis, net of estimated forfeitures, over the requisite service period. As our stock-based compensation expense recognized is based on our awards that are ultimately expected to vest, the amount has been reduced by our estimated forfeitures. ASC 718 requires us to estimate forfeitures at the time of the grant and revise, if necessary, in subsequent periods if our actual forfeitures differ from our estimates. We estimated forfeitures based on our historical experience and future expectations.

We recognize compensation expense for non-employee stock-based awards in accordance with ASC 718 and FASB ASC 505-50, *Equity Based Payments to Non-Employees* ("ASC 505-50"). We account for stock option awards issued to non-employees at fair value using the Black-Scholes option pricing model. We believe that the fair value of the stock options is more reliably measured than the fair value of services

received and record compensation expense based on the then-current fair values of the stock options at each financial reporting date. We adjust compensation recorded during the service period in subsequent periods for changes in the stock options' fair value until the earlier of the date at which the non-employee's performance is complete or a performance commitment is reached, which is generally when the stock option award vests.

The Black-Scholes option pricing model requires us to make certain assumptions, including the fair value of our underlying common stock, the expected term, the expected volatility, the risk-free interest rate and the dividend yield.

- *Fair value of our common stock:* Because our stock is not publicly traded, we must estimate the fair value of our common stock, as discussed in "—Common Stock Valuations" below.

- *Expected term:* Our expected term of our employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. We calculate the expected term of options granted based upon our actual historical exercise and post-vesting cancellations, adjusted for our expected future exercise behavior.

- *Expected volatility:* Because our common stock does not have a publicly traded history, we estimate the expected volatility of the awards from the historical volatility of selected public companies within the Internet and media industry with comparable characteristics to us, including similarity in size, lines of business, market capitalization, revenues and financial leverage. We determined the expected volatility assumption using the frequency of daily historical prices of comparable public company's common stock for a period equal to the expected term of our options in accordance with the guidance in ASC 718. We periodically assess our peer companies and other relevant factors used to measure our expected volatility for future stock option grants.

- *Risk-free interest rate:* Our risk-free interest rate assumption is based upon our observed interest rates on U.S. government securities appropriate for our expected term.

- *Dividend yield:* Our dividend yield assumption is based on our historical practice and our expectation of dividend payouts. We have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future.

The assumptions that we used to calculate the grant date fair value of our employee and non-employee stock option grants for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,
	2009	2010	2011	2012
Risk-free interest rate	2.34%	2.35%	1.25%	1.22%
Expected life (years)	5.95	5.90	6.10	5.90
Dividend yield	0.0%	0.0%	0.0%	0.0%
Volatility	50%	45%	42%	42%

Common Stock Valuations

We have regularly conducted contemporaneous valuations to assist us in the determination of the fair value of our common stock for each stock option grant. The fair value per common share underlying our stock option grants was determined by our board of directors with input from management at each grant date. The valuation of our common stock was performed in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The assumptions we use in the valuation model are based on future expectations combined with management judgement. In the absence of a public trading market for our common stock, our board of directors with input from management reviewed and discussed a variety of objective and subjective factors when exercising its judgment in determining the deemed fair value of our common stock. These factors generally include the following:

- the sale of our common stock to unrelated, third parties;
- the nature and history of our business;
- general economic conditions and specific industry outlook;
- our financial condition;
- our operating and financial performance;
- contemporaneous independent valuations performed at periodic intervals;
- the market price of companies engaged in the same or similar line of business having their equity securities actively traded in a free and open market;
- the likelihood of achieving a liquidity event, such as an initial public offering or sale given prevailing market conditions and the nature and history of our business;
- the differences between our preferred and common stock in respect of liquidation preferences, conversion rights, voting rights and other features; and
- an adjustment necessary to recognize a lack of marketability for our common stock.

We utilize the probability-weighted expected return model, or PWERM, to allocate value to our common shares. The PWERM determines the fair value of our common stock depending on the likelihood of various liquidy scenarios. We then determine the appropriate allocation of value to the common stockholders under each liquidity scenario based on the rights and preferences of our Series A and common stock at that time. The resulting value of common stock under each scenario is multiplied by a present value factor, calculated based on our cost of equity and the expected timing of the event. The value of common stock is then multiplied by an estimated probability for each of the expected events determined by our management. We then calculate the probability-weighted value per share of common stock and apply a lack of marketability discount.

Under the PWERM, the value of our common stock is based upon four possible future events for our company: initial public offering, sale, staying private and dissolution. We use the market approach for determining the fair value of our common stock under the IPO, sale and staying private scenarios. The market approach measures the value of a business through an analysis of similar publicly-traded entities. In applying the market approach, valuation multiples are determined for selected comparable companies and are then evaluated based on the strengths and weaknesses of our company relative to the comparable entities. We then apply these market multiples to our operating data to arrive at a value indication. Under the dissolution scenario, we assumed no value remained to be allocated to our common shareholders.

We also utilize the income approach to test the reasonableness of the results of the application of the PWERM. The income approach estimates value based on the expectation of future net cash flows that

were then discounted back to the present using a rate of return available from alternative companies of similar type and risk.

We determine the exercise price of our option grants based on the fair value of our common stock as of the immediately preceding valuation, unless circumstances warrant obtaining a more current valuation, including any material changes in our business or events, size of the award and the proximity of the grant to the preceding valuation. The following table summarizes options we granted in 2011 and the first quarter of 2012 based on the immediately preceding valuation:

Date	Number of Shares (in thousands)	Exercise Price and Fair Value Per Share of Common Stock
September 29, 2011	805	$ 5.47
December 20, 2011	77	$ 5.48
January 31, 2012	85	$ 5.74
March 31, 2012	420	$ 7.06

Based upon an assumed initial public offering price of $ per share, which is the mid-point of the range set forth on the cover of this prospectus, the aggregate intrinsic value of outstanding stock options as of March 31, 2012 was $ million, of which $ million related to vested options and $ million related to unvested options.

The most significant factors considered by our board of directors in determining the fair value of our common stock each quarter were as follows:

Second Quarter 2011

Our board of directors determined the fair value of our common stock was $5.47 per share as of June 30, 2011. Our board of directors took into consideration the February 2011 purchases by third parties of our common stock from our existing stockholders at an imputed purchase price of $4.97 per share. We obtained a contemporaneous third-party valuation that used PWERM to assist our board of directors in determining the fair value of our common stock. Our board of directors also considered events and changes from the previous valuation, including our business growth, and positive outlook and favorable market conditions, including various other Internet companies recently completing initial public offerings. Significant estimates and assumptions were as follows:

- Probability-weighted expected return method scenario probabilities—a 71% initial public offering probability; a 27% sale or merger probability and remaining a private company or dissolution was deemed unlikely and assigned a 1% probability for each event.
- Discount rate applied was 15% based on the calculated weighted average cost of capital.
- Lack of marketability discount was determined to be 16%.

Third Quarter 2011

Our board of directors determined the fair value of our common stock was $5.48 per share as of September 30, 2011. We obtained a contemporaneous third-party valuation that used PWERM to assist our board of directors in determining the fair value of our common stock. Our board of directors also considered other factors including our growth in revenues and profitability, as well as the volatile condition of the financial markets as a result of global financial uncertainties and a weakening in the environment for initial public offerings. Significant estimates and assumptions were as follows:

- Probability-weighted expected return method scenario probabilities—our management estimated a 74% initial public offering probability; a 24% sale or merger probability; and remaining a private company or dissolution was deemed unlikely and assigned a 1% probability.

- Discount rate applied was 14% based on the calculated weighted average cost of capital.
- Lack of marketability discount was determined to be 13%.

Fourth Quarter 2011

Our board of directors determined the fair value of our common stock was $5.74 per share as of December 31, 2011, resulting in an increase of $0.26 per share or an increase of 5% over the September 2011 valuation. We obtained a contemporaneous third-party valuation that used PWERM to assist our board of directors in determining the fair value of our common stock. Our board of directors also considered other factors including our business growth and stronger than forecasted fourth quarter results, positive outlook and improved financial market conditions in general. Significant estimates and assumptions were as follows:

- Probability-weighted expected return method scenario probabilities—our management estimated an 87% initial public offering probability; a 12% sale or merger probability; and remaining a private company or dissolution was deemed unlikely and assigned a 1% probability.
- Discount rate applied was 14% based on the calculated weighted average cost of capital, unchanged from the previous valuation.
- Lack of marketability discount was determined to be 12%, a 1% decrease from the previous valuation due to the shorter expected time until a potential initial public offering.

First Quarter 2012

Our board of directors determined the fair value of our common stock was $7.06 per share as of February 29, 2012, resulting in an increase of $1.32 per share or an increase of 23% over the December 2011 valuation. We obtained a contemporaneous third-party valuation that used PWERM to assist our board of directors in determining the fair value of our common stock. Our board of directors also considered other factors including:

- Discussions with our underwriters as to the potential timing of an initial public offering of our common stock.
- Improved operating results in the first quarter 2012. Our first quarter volume of business is typically the strongest driven by seasonality and other factors as discussed in this prospectus. We obtained improved clarity as to the operating results in the first quarter of 2012 in February 2012.
- The stock markets in general, and internet related stocks in particular, showed robust growth during the first quarter of 2012. The Dow Jones and NASDAQ composite indices increased by 6% and 14%, respectively from December 30, 2011 through February 29, 2012, and in particular the comparable publicly-traded companies in the internet and e-commerce sector that we use in determining the fair value of our common stock increased by 19% over the same period using a market capitalization weighted index.

Significant estimates and assumptions were as follows:

- Probability-weighted expected return method scenario probabilities—91% initial public offering probability, an increase from the prior valuation date given continued execution and plan to file for an initial public offering; 8% sale or merger probability; and remaining a private company or dissolution was deemed unlikely and assigned a 1% probability.
- Discount rate applied was 14% based on the calculated weighted average cost of capital.
- Lack of marketability discount was determined to be 12%.

Qualitative and Quantitative Disclosures About Market Risk

Interest Rate Fluctuation Risk

Our cash is comprised entirely of cash on deposit with banks. We do not have any long-term borrowings. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash is entirely in bank deposits, our portfolio's fair value is insensitive to interest rate changes. We determined that the increase in yield from potentially investing our cash in longer-term investments did not warrant a change in our investment strategy. In future periods, we will continue to evaluate our investment policy in order to ensure that we continue to meet our overall objectives.

Foreign Currency Exchange Risk

Our sales transactions to date have been primarily denominated in U.S. dollars and therefore substantially all of our revenues are not subject to foreign currency risk.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

BUSINESS

We believe that everyone deserves access to quality legal services so they can benefit from the full protection of the law. Our mission is to be the trusted destination where small businesses and consumers address their important legal needs and to be our customers' legal partner for life.

Overview

LegalZoom is the leading online provider of services that meet the legal needs of small businesses and consumers in the United States. We believe that we are transforming the small business and consumer legal services market by leveraging the power of technology and people. Our online legal platform enables us to deliver services at scale with a compelling combination of quality, customer care and value. Our services include a portfolio of interactive legal documents that are personalized by our customers through our dynamic online processes, as well as subscription legal plans and registered agent services.

We developed our easy-to-use, online legal platform to make the law more accessible to small businesses and consumers. Our scalable technology platform enables the efficient creation of personalized legal documents, automates our supply chain and fulfillment workflow management, and provides customer analytics to help us improve our services. For small businesses and consumers who want legal advice, we offer subscription legal plans that connect our customers with experienced attorneys who participate in our legal plan network.

We have served approximately two million customers over the last 10 years. In 2011, nine out of ten of the approximately 34,000 customers who responded to a survey we provided said they would recommend LegalZoom to their friends and family. Customers that completed orders for certain of our services are invited to take an email survey. Our customers placed approximately 490,000 orders and more than 20 percent of new California limited liability companies were formed using our online legal platform in 2011. We believe the volume of transactions processed through our online legal platform creates a scale advantage that deepens our knowledge and enables us to improve the quality and depth of the services we provide to our customers.

The Small Business and Consumer Legal Services Market

The Law Provides Numerous Benefits and Protections

The law provides numerous benefits and protections to businesses and consumers. Businesses use patents and trademarks to protect their intellectual property and help them achieve the full potential of their ideas and innovations. Entrepreneurs incorporate their businesses to shield personal assets, limit liabilities and help raise capital. Consumers use wills, trusts and other estate planning tools to ensure their assets are distributed according to their wishes, to minimize tax liabilities and to avoid or limit probate process and expenses. The law also provides a framework for resolving disputes and navigating life's challenges, including bankruptcy and divorce.

Significant Legal Services Market for Small Businesses and Consumers

According to the U.S. Census Bureau, in 2009, there were approximately 26 million small businesses with fewer than ten employees. We estimate that in 2010, approximately two million new businesses were formed in the United States. According to the U.S. Bureau of Economic Analysis, legal services in the United States in 2010 represented a $266 billion market. We estimate that in 2011 approximately $97 billion of legal services were provided to small businesses and consumers, based on a study conducted on our behalf by L.E.K. Consulting LLC.

Small Businesses and Consumers Have Many Unmet Legal Needs

Despite the enormous amount spent on legal services, we believe that small businesses and consumers have not been adequately served by the options traditionally available to them. Every year, small

businesses enter into legal contracts and become entangled in disputes, many of which require legal services to address. Consumers experience important life events that affect their families, including the birth of a child, marriage, divorce and death, all of which can also give rise to diverse needs for legal services.

Making the right choices with respect to legal matters can be difficult, especially for those with limited time and resources. The U.S. legal system consists of overlapping jurisdictions at the city, county, state and federal levels, each of which has its own evolving laws and regulations. Businesses may be subject to additional laws, regulations and legal issues applying specifically to the industries in which they operate. In addition, the policies and procedures associated with the creation, filing and certification of legal documents are often arcane and confusing.

When in need of legal help, small businesses and consumers lack an efficient and reliable way to find high quality, trustworthy attorneys with the appropriate experience to navigate this complex legal system and handle their specific needs. Small businesses and consumers often do not understand their legal needs or know where to start looking for an attorney. Some are wary of attorneys in general, and others may have heard from friends or family about negative experiences with attorneys or the legal system.

The high and unpredictable cost of traditional legal services also presents challenges for many small businesses and consumers. In 2011, the average billing rate for small and midsize law firms was $318 per hour, according to ALM's 2012 Survey of Billing and Practices for Small and Midsize Law Firms. Attorneys are frequently unable to predict the time required to address a client's legal matter, sometimes billing thousands of dollars to research a legal issue they have not previously encountered. This can be particularly true of generalist attorneys that offer many disparate legal services to members of their local communities. Unlike attorneys at large global law firms or specialty boutiques who handle high volumes of similar matters and develop expertise in specific domains, generalists can find it difficult to efficiently address a client's particular legal issue due to their lack of specialized expertise. Due to the high and unpredictable costs of traditional legal services, many small businesses and consumers limit their use of attorneys and instead often attempt to resolve legal issues without assistance.

As a result of these factors, many small businesses and consumers often are unsure of or dissatisfied with the legal services available to them, and many either elect not to seek help or take no action to address their important legal needs.

Most Online Legal Services Fail to Address the Needs of Small Businesses and Consumers

The use of technology and the Internet to address the inefficiencies in the small business and consumer legal services market has been limited to date. Available online services include distribution of standardized legal forms that are generally incapable of meeting the specific needs of a particular small business or consumer. Many legal form distributors do not provide tools for customers to make informed decisions or connect with experienced attorneys. While many solo attorneys and small law firms maintain their own websites, and other websites aggregate attorney listings or feature attorney advertisements, these attorney and firm websites, online directories, and online advertisements generally do little to assure that small businesses and consumers receive the quality, customer care and value they deserve.

Our Opportunity

We founded LegalZoom with a vision of combining the power of online technology with deep legal experience to create a scalable online legal platform that would fundamentally transform the way legal services are delivered to small businesses and consumers. We believe we are uniquely positioned to continue transforming the small business and consumer legal services market through the use of technology. Furthermore, there is a significant opportunity to expand the legal services market by making

the benefits and protection of the law more accessible to small businesses and consumers. We are taking advantage of this opportunity by providing the following benefits to our customers:

- ***Quality.*** Our deep legal knowledge, portfolio of interactive legal documents and subscription legal plans enable us to provide quality services designed to meet the specific needs of our customers.

- ***Customer Care.*** We provide all of our customers with end-to-end support and strive to deliver an exceptional customer experience. We guarantee customer satisfaction, and if our customers are not satisfied with our services for any reason, we will attempt to correct the situation, or provide a refund or credit.

- ***Value.*** We believe that fixed, transparent pricing offers superior value compared to traditional hourly billing.

Our Strengths

Our key strengths include:

- ***Leading Brand.*** We are the leading, nationally recognized legal brand for small businesses and consumers in the United States, with 60% aided brand awareness based on a survey we conducted using United Sample, Inc. in January 2012. We believe that we are redefining the small business and consumer legal services market and that the strength of our brand is enabling us to expand this market.

- ***Deep Legal Knowledge.*** We have a deep understanding of the legal needs of small businesses and consumers based on over 10 years of experience serving our customers.

  - **Extensive Legal Experience.** We leverage our legal knowledge and team of experienced, in-house attorneys, often in consultation with outside attorneys from across the United States, to design, review and maintain our services. We update and enhance our interactive legal documents based on changes in the law at the federal, state, county and local levels, review by our in-house and external attorneys, feedback from government agencies like secretary of state offices and county clerks, court rule changes and customer feedback. For customers who want legal advice, our legal plans offer access to a variety of experienced attorneys licensed in their jurisdiction to address their specific legal needs.

  - **Powerful Scale Advantage.** In 2011, our customers placed approximately 490,000 orders. As of March 31, 2012, we had approximately 274,000 subscribers in our legal plans and other subscription services. The high volume of transactions we handle and feedback we receive from customers and government agencies at the federal, state and local levels give us a scale advantage that deepens our knowledge and enables us to further develop additional services to address our customers' needs and refine our business processes.

- ***Exceptional Customer Experience.*** Customer care is central to our culture and we are highly focused on providing exceptional customer experiences.

  - **Ease of Use.** Our online legal platform was designed to be easy for our customers to navigate and use. Our customers have access to live customer care representatives, and subscribers to our legal plans may consult with an experienced attorney licensed in their jurisdiction. We actively monitor our service levels, fulfillment speed and quality to maintain the highest level of customer care.

  - **High Customer Satisfaction.** In 2011, our net promoter score, or NPS, was 65% based on the approximately 34,000 customers who responded to a survey we provided, which places us at the upper end of customer satisfaction ratings, comparable to Amazon.com,

the highest rated Internet company with a score of 76%, and Apple, the highest rated hardware company with a score of 71%, according to the Satmetrix 2012 Net Promoter Benchmark Study. Customers that completed orders for certain of our services are invited to take an email survey. NPS is a commonly used metric to gauge customer satisfaction and is calculated based on customer responses to the question, "How likely are you to recommend a particular service or company to your friends or family?" The percentage of "detractors," or customers who respond with a rating of 6 or less, is subtracted from the percentage of "promoters," or customers who respond with a 9 or 10, to yield NPS. Attorneys in our legal plan network have NPS averaging 65%, based on the approximately 34,000 customers who responded to a survey we provided. This is more than ten times higher than attorneys outside our legal plan network, who yielded NPS averaging 4%, according to surveys we conducted through United Sample, Inc. in January and April 2012. If a customer is not completely satisfied with our services for any reason, we will attempt to correct the situation, or provide a refund or credit.

- ***Advanced Systems and Processes.*** We have developed advanced systems and processes to efficiently deliver services at scale that meet the specific needs of our customers.

  - **Scalable Technology Platform.** Over the past decade, we have invested extensively in developing our scalable technology platform. Our technology allows us to efficiently serve thousands of small businesses and consumers every day.

  - **Integrated Workflow Management.** Our integrated workflow management consists of our online questionnaires, document automation and customer relationship management, supply chain and fulfillment systems. Our integrated workflow management systems enable us to deliver efficient, personalized services at scale to our customers. Additionally, our systems allow us to seamlessly connect our customers with an experienced attorney participating in our legal plan network. Our supply chain and fulfillment systems integrate external and internal technologies, enabling intelligent workflow management while increasing processing speed and efficiency.

- ***Accessible Services.*** We provide our customers access to our online legal platform, fixed, transparent pricing and legal plans to address their specific legal needs. Our online legal platform allows customers to access our services from their home, office or anywhere they have an Internet connection. Our fixed, transparent pricing is often more affordable when compared to traditional hourly billing. For example, we offer a basic will to consumers for as low as $69, and we offer basic corporate formation services to consumers looking to form a business for as low as $99 plus government filing fees. Our subscription legal plans allow our customers to avoid the often difficult process of finding and meeting with an attorney.

Our Strategy

The key elements of our strategy include:

- ***Expand and Improve Our Services.*** We have been providing interactive legal document services for over 10 years, and we plan to expand and improve the services we offer our customers to better address their legal needs and deepen our relationships with them. We have a quality program led by a team of experienced in-house attorneys that leverages the professional knowledge of attorneys across the United States to review, assess, maintain and improve our interactive legal documents. In 2011, we implemented self-scheduling and ratings review systems for legal plan subscribers as well as a legal knowledge base to share information and best practices for attorneys who participate in our legal plan network. We also recently opened a research and development center in San Francisco to further focus on enhancing our existing services, accessing new markets and developing new services.

- ***Leverage and Grow Our Subscription Legal Plans.*** We intend to offer our subscription legal plans to a wider group of customers by making them available in additional states, bundling them with more of our services, and offering them on a standalone basis. We plan to invest in marketing campaigns to promote our subscription legal plans. Our aim is to reach a broader group of customers through our legal plans, including those who are unsure of their legal needs or who want the added comfort of speaking with an attorney.

- ***Expand Internationally.*** We plan to replicate our U.S. model abroad in the near term, as we believe that our online legal platform represents a compelling value proposition to small businesses and consumers globally. We plan to partner with legal services providers outside of the United States to expand our operations internationally, and we have engaged in preliminary discussions with potential partners but no definitive agreements have been reached. We believe that the strength of our brand, focus on customer care, deep understanding of the legal needs of small businesses and consumers, and scalable technology will help us successfully enter markets outside of the United States.

- ***Continue to Build a Trusted Brand and Drive Awareness of Our Services.*** We will continue to build a trusted brand by delivering a compelling combination of quality, customer care and value. We plan to enhance our marketing activities to build our brand and increase awareness of our services. We plan to continue to make significant investments in marketing campaigns, including through online, television and radio advertising to enhance our ability to acquire new customers and increase customer retention.

Our Services

Through our online legal platform, we offer a variety of services to meet the specific needs of small businesses and consumers. We have built our services seeking to be each customer's legal partner for life.

Interactive Legal Documents

We offer a broad portfolio of interactive legal documents that our customers can tailor to their specific needs through our dynamic online processes and scalable technology. Our interactive legal documents are designed for use, as appropriate, at the federal level as well as in all 50 states, the District of Columbia and approximately 2,900 U.S. counties. Our interactive legal documents are created by our customers via an easy three-step process. First, our customers complete an online questionnaire that uses conditional, rules-based logic to personalize questions based on earlier responses. Customer responses to the questionnaires often prompt our systems to automatically offer additional complementary services to our customers, such as Employer Indentification Number obtainment and registered agent services for our small business customers. Second, we check customer responses for spelling, grammar and completeness. After our review is completed, our proprietary LegalZip software generates a final document tailored, as applicable, to the appropriate federal, state, or local jurisdiction. Last, we complete the services by printing and shipping the final document and further instructions to our customer. If applicable, we also handle any filing of the customer's completed documents with the appropriate government agency. Our system automatically notifies customers of the status of their order as the documents progress through the workflow cycle, including confirmation of filing with government agencies.

Our primary interactive legal document services include the following:

Small Business Services	Consumer Services
LLC Formation	Last Will and Testament
Incorporation	Power of Attorney
Trademark	Living Will
DBA/Fictitious Business Name	Living Trust
Copyright	Uncontested Divorce
Non-Profit Corporation	Name Change
Provisional Application for Patent	

Subscription Legal Plans

For small businesses and consumers who want legal advice, we offer legal plans that connect subscribers with experienced attorneys licensed in their jurisdiction to address their specific legal needs. Most of the attorneys who participate in our legal plan network practice at small law firms. We pay the participating independent law firms in our legal plan network a monthly fee per paid customer subscription to provide up to 30 minutes of free attorney consultations on new legal matters to our customers, and we do not receive or share in any fees from the law firms. We typically enter into one-year contractual agreements with law firms participating in our legal plan network, with the option to renew for successive one-year periods. In order to be considered for participation in our legal plan network, independent attorneys must satisfy certain quality standards established by us and be highly focused on customer care. We regularly assess our customers' satisfaction with the attorneys who participate in our legal plan network and remove attorneys that fail to satisfy our customers. Our small business and consumer subscription legal plans are currently available in 40 states and the District of Columbia.

Subscription to a legal plan provides the following benefits to our customers:

- Free attorney consultations of up to 30 minutes on new legal matters;
- Review of LegalZoom interactive legal documents and other legal documents up to 10 pages in length;
- Discounts on other LegalZoom services;
- 25% discount on additional services provided by legal plan network attorneys;
- Annual estate planning check-up (for consumer legal plans);
- Revisions and electronic storage of applicable LegalZoom estate planning documents; and
- Unlimited access to our forms library.

Our small business legal plans are currently priced at $29.99 per month and our consumer legal plans are currently priced at $14.99 per month.

Subscription Registered Agent Services

Business entities are often required by state law to appoint and maintain a registered agent in their state of formation to receive service of process and official government communications. For our business formation customers, we offer subscriptions currently priced at $159 per year.

Other Services

We offer other services to our customers, including unlimited access to our forms library, electronic storage of applicable LegalZoom documents and document revisions. We also introduce our customers to relevant services and products through our relationships with leading credit card companies, commercial banks and other companies serving our customer base.

Our Technology

We have developed technology that enables us to efficiently process thousands of daily orders, as well as facilitate interactions between our customers and the attorneys who participate in our legal plan network.

The key components of our technology include:

- ***Dynamic Online Questionnaire.*** Our interactive legal documents are generated by our customers through our dynamic online processes. Our customers complete a comprehensive, branching questionnaire that uses conditional, rules-based logic to personalize questions each based on earlier responses.

- ***Document Automation.*** Our technology includes complex automation systems that utilize customer responses to generate a document based on specific customer input.

- ***Customer Relationship Management.*** Our technology integrates and manages e-mail and telephone customer notifications and enables customers to remain informed about order status. For example, we automatically notify our customers about the status of their order as interactive legal documents move through our workflow and when we receive confirmation of filing with government agencies.

- ***Supply Chain and Fulfillment.*** Our supply chain and fulfillment systems integrate external and internal technologies, enabling intelligent workflow management between our locations, while increasing processing speed and efficiency.

- ***Infrastructure.*** Our website is hosted on hardware and software co-located at a third-party facility in Los Angeles, California. We currently have a data center located in a third-party facility in Seattle, Washington that could power the limited operation of our website in case of disaster. Within the next year, we plan to relocate this disaster recovery site to Austin, Texas and will increase its scope to cover the website and fulfillment systems. We have designed our websites to be highly available, secure and cost-effective using a variety of proprietary software and freely available and commercially supported tools. We can scale to accommodate increasing numbers of customers by adding relatively inexpensive industry-standard hardware. We use encryption technologies and certificates for secure transmission of personal information between our customers and our website. Maintaining the integrity and security of our websites is critical and we have a dedicated security team that promotes industry best practices and drives compliance with data security standards.

We devote a substantial portion of our resources to developing new technologies and features and improving our technologies. As of March 31, 2012, we employed approximately 64 engineers, developers, project managers and support technicians who focus on the design and development of new features and products, as well as the development and maintenance of our websites, network infrastructure and internal operations systems. Additionally, we engage with third parties for additional development support as needed.

Customer Care

Customer care is central to our culture and we are highly focused on providing exceptional customer experiences. All of our employees are trained to focus on our customers and deliver quality customer service. Our customers have access to live customer care representatives and subscribers to legal plans may consult an experienced attorney. As of March 31, 2012, we had 133 customer care representatives located in the United States and 65 attorneys who participate in our legal plan network. As part of our customer relationship management, our customer care representatives proactively contact our customers by phone and email to resolve any issues that may arise during the order fulfillment process as soon as possible in order to timely fulfill an order. Customer satisfaction is a key component of our value proposition. We offer our customers a satisfaction guarantee for our interactive legal document services. If a customer is

not completely satisfied with our services for any reason, we will attempt to correct the situation, or provide a refund or credit. We actively monitor our service levels, fulfillment speed and quality to maintain the highest level of customer care, including the NPS scores of our services and of attorneys who participate in our legal plan network.

Sales and Marketing

Our key marketing efforts include:

- ***Customer Acquisition and Brand Marketing.*** Our customer acquisition and brand marketing includes search engine marketing, television and radio advertising, search engine optimization, online display advertising, e-mail, affiliate marketing and outbound sales. We routinely monitor return on investment to optimize our customer acquisition and marketing initiatives. We have a long history of advertising on television and radio to drive traffic and enhance customer acquisition. For television, we plan our campaigns at the network, creative and programming level by analyzing data from our past campaigns. For radio, we have successfully used exclusive radio endorsements featuring prominent radio personalities. In addition, we use remarketing efforts such as online retargeting and shopping cart abandonment e-mail campaigns. All of our marketing leverages the brand we have developed from customer referrals and our public relations efforts.

- ***Conversion Marketing.*** Our conversion marketing efforts are focused on converting website visitors to paying customers through optimization of our website user workflows, questionnaire, and navigation experience. We also test and continuously optimize the visual design, messaging and promotion offers to improve conversion. Outbound sales calls and trial offers of our legal plans have also proved to be effective ways for us to acquire new customers.

- ***Retention Marketing.*** Our retention marketing is focused on establishing and maintaining long-term relationships with our customers through personalized marketing of our services, including telephone outreach, e-mail marketing and continuous customer care.

Research and Development

We are making substantial investments in research and development to increase innovation and develop new services to meet our customers' legal needs. Our research and development efforts are focused on enhancing our existing services, accessing new markets and developing new services. In 2011, we opened a research and development center in San Francisco that has enhanced our ability to focus on developing new services. Our research and development team works closely with both our marketing and technology teams to evaluate and react to customer demand.

Competition

We face intense competition from law firms and solo attorneys, legal document providers (including online providers) and national legal plan providers. We expect such competition to continue to increase. In addition, the competitive landscape can shift rapidly as new companies enter markets in which we compete and existing companies broaden their offerings. This is particularly true for online services, where barriers to entry are lower.

Our primary competition comes from small law firms and solo attorneys. Many of our customers have in the past used law firms or solo attorneys to address their legal needs. Attorneys are generally able to provide direct legal advice that we cannot offer due to regulations regarding the unauthorized practice of law, and firms may develop a competing online legal service division. Our primary online competitors for our interactive legal documents services include BizFilings, RocketLawyer, and The Company Corporation. We compete in the registered agent services business primarily with CT Corporation and Corporation Services Company. Our primary competitors for our legal plans include Hyatt Legal Plans (a

MetLife company), ARAG and LegalShield. Hyatt Legal Plans and ARAG primarily focus their marketing to larger employer groups, while LegalShield primarily focuses its marketing to individuals.

We believe competitive factors for our services include ease of use, breadth of offerings, brand name recognition, reputation, price, quality and customer service. To attract customers, some online competitors are offering free or low-priced entry-level services that may affect our pricing strategy.

Intellectual Property

Our success depends on our proprietary technology. We protect this proprietary technology by relying on a variety of intellectual property mechanisms including copyright, trade secret and trademark laws, and restrictions on disclosure and other methods. For example, we frequently file applications for copyrights, trademarks and service marks in order to protect our intellectual property. As of March 31, 2012, we have registered 12 trademarks in the United States including LegalZoom, LegalZoom.com, LegalZip, CreatingWill.com and ProxiLaw, and 27 trademarks in 42 foreign countries. We have no issued patents or pending patent applications. We also license intellectual property from third parties, such as software used to support our technology and operations.

Government Regulations

Our business and the services we provide subject us to complex and evolving U.S. and foreign laws and regulations regarding UPL, legal document processing and preparation, legal plans, privacy and other matters. We do not purport to be a law firm and we do not engage in the practice of law, whether authorized or not. We provide self-help at our customers' specific direction and general information on legal issues generally encountered. Licensed attorneys provide services to our customers through our legal plans, and we rely on third parties to provide certain of our other services.

Our business involves providing services that meet the legal needs of our customers and, as a result, is subject to a variety of complex and evolving U.S. and foreign laws and regulations, including the following:

- Our business model includes the provision of services that represent an alternative to traditional legal services, which subjects us to allegations of UPL. UPL generally refers to an entity or person giving legal advice who is not licensed to practice law. However, laws and regulations defining UPL, and the governing bodies that enforce UPL rules, differ among the various jurisdictions in which we operate. We are unable to acquire a license to practice law in the United States, or employ licensed attorneys to provide legal advice to our customers, because we do not meet the regulatory requirement of being exclusively owned by licensed attorneys. We are also subject to laws and regulations that govern business transactions between attorneys and non-attorneys, including those related to the ethics of attorney fee-splitting and the corporate practice of law.

- Regulation of legal document processing and preparation services varies among the jurisdictions in which we conduct business.

- Regulation of our legal plans varies considerably among the insurance departments, bar associations and attorneys general of the particular states in which we offer, or plan to offer, our legal plans. In addition, some states may seek to regulate our legal plans as insurance or specialized legal service products.

Additionally, we are required to comply with laws and regulations related to privacy and the storing, use, processing, disclosure and protection of personal information and other customer data.

Our business operations also subject us to laws and regulations relating to general business practices and the manner in which we offer our services to customers subjects us to various consumer laws and regulations, including false advertising and deceptive trade practices.

The scope of these laws and regulations are often vague and broad, and their applications and interpretations are often uncertain and conflicting. Compliance with these disparate laws and regulations requires us to structure our business and services differently in certain jurisdictions. Any failure or

perceived failure to comply with applicable laws and regulations, or if our services are considered to constitute UPL, could cause us to modify or discontinue some of our services or incur significant expenses.

In addition, any failure or perceived failure by us to comply with applicable laws and regulations may subject us to regulatory inquiries, claims, suits and prosecutions. We have been subject to, and currently are subject to, litigation and regulatory inquiries relating to UPL. We expect to continue to be subject to such litigation and regulatory inquiries, as well as potential investigations from other regulatory agencies as our business expands into new jurisdictions and we introduce new services.

Employees

As of March 31, 2012, we had 521 full-time and part-time employees and 122 temporary workers, all of whom are located in the United States. We do not currently have any collective bargaining agreements with our employees and we believe employee relations are generally good.

Property and Facilities

Our corporate headquarters and principal operations are located in Glendale, California, where we lease and occupy approximately 49,000 square feet. The term of our lease expires in 2021.

We also have additional facilities in Glendale, California, where we lease and occupy approximately 6,000 square feet, Austin, Texas, where we sublease and occupy approximately 59,000 square feet, and San Francisco, California, where we lease and occupy approximately 6,000 square feet. The terms of these leases expire in 2016, 2013 and 2016, respectively.

We believe that our facilities are adequate for our needs, and that additional space will be available to us on commercially reasonable terms for the foreseeable future.

Legal Proceedings

On September 15, 2009 and May 27, 2010, class action lawsuits were filed against us in California state court alleging, primarily, that we failed to comply with the California Legal Document Assistant Act, engaged in unfair business practices and made misrepresentations in our business operations. The September 15, 2009 case was brought by Charles Drozdyk. Plaintiff filed an amended complaint on February 14, 2011, principally replacing Drozdyk with a new plaintiff, Randall Whiting. The May 27, 2010 case was brought by Kathryn Webster, as executor of the Estate of Anthony Ferrantino. Between the cases, plaintiffs sought to have all contracts between LegalZoom and its customers for the prior four years declared void, a return of all revenues generated from these customers, punitive damages, penalties, and injunctive relief. While we have denied and continue to deny all of the allegations and claims asserted in these lawsuits, without admitting liability, and to avoid additional legal costs to defend these matters, we signed a settlement agreement of the May 27, 2010 action to resolve the claims in both cases. A fairness hearing was held on April 5, 2012. The court issued an Order Granting Final Approval of Class Action Settlement and Judgment on April 18, 2012. Objector Whiting has filed a notice of appeal of the court's denial of his motion to intervene. Objectors Johnson and Manbeck, Mings and Whiting have filed notices of appeal of the court's order and judgment. At March 31, 2012, we have accrued an estimated settlement liability of $2.9 million for this lawsuit as further described in Note 6 to the consolidated financial statements included elsewhere in this prospectus.

On December 17, 2009, a statewide class action lawsuit was filed against us by Todd Janson in Missouri state court, alleging that we were engaged in the unauthorized practice of law and violated the Missouri Merchandising Practices Act. The complaint was amended on January 15, 2010 to add plaintiffs Gerald T. Ardrey, Chad M. Ferrell, and C & J Remodeling LLC. It sought damages of five years of fees charged to Missouri customers with the fees from the two years immediately preceding the complaint trebled and an injunction enjoining LegalZoom from continued operation in Missouri. We subsequently removed the case to federal court in Missouri. While we have denied and continue to deny all of the allegations and claims asserted in this lawsuit, without admitting liability, and to avoid additional legal

costs to defend the matter, we signed a settlement agreement to resolve the lawsuit. A fairness hearing was held on April 13, 2012. The court issued a Final Approval Order and Dismissal with Prejudice on April 30, 2012. At March 31, 2012, we have accrued an estimated settlement liability of $2.7 million for this lawsuit as further described in Note 6 to the consolidated financial statements included elsewhere in this prospectus.

On June 10, 2011, a purported *quo warranto* action was filed in Alabama state court against us by DeKalb County Bar Association. The complaint generally alleges that LegalZoom engages in the unauthorized practice of law and requests injunctive relief, not damages. We have denied and continue to deny all of the allegations and claims asserted in this lawsuit.

On October 27, 2011, a purported statewide class action was filed against us by Christopher Lowry in federal court in Ohio, alleging that we engage in the unauthorized practice of law and violated the Ohio Consumer Sales Practices Act. The complaint seeks disgorgement of revenues, among other remedies. We have denied and continue to deny all of the allegations and claims asserted in this lawsuit.

On January 25, 2012, a purported class action complaint was filed against us by Jonathan McIllwain in Arkansas state court, generally alleging that we engage in the unauthorized practice of law constituting violation of the Arkansas Deceptive Trade Practices Act and unjust enrichment. The complaint seeks a refund of all monies paid to us and punitive damages, among other remedies. We have denied and continue to deny all of the allegations and claims asserted in this lawsuit.

On February 17, 2012, a complaint was filed against us by T. Travis Medlock in South Carolina state court, generally alleging that we engage in the unauthorized practice of law. The complaint requests declaratory relief, injunctive relief and disgorgement of revenues, among other measures. We have denied and continue to deny all of the allegations and claims asserted in this lawsuit.

On September 30, 2011 we filed a complaint in Raleigh, North Carolina against the North Carolina State Bar. We brought this suit requesting a declaration that our self-help services are lawful and require the registration of our subscription legal plans. We cannot predict the outcome of this matter.

In addition to these lawsuits, from time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently involved in any legal proceeding in which we expect the outcome, if determined adversely to us, to have a material adverse effect on our business, results of operations or financial condition.

MANAGEMENT

Executive Officers and Directors

The following table provides information regarding our executive officers and directors as of the date of this prospectus:

Name	Age	Position(s)
John Suh	41	Chief Executive Officer and Director
Frank Monestere	43	President and Chief Operating Officer
Edward Hartman	41	Chief Strategy Officer
Fred Krupica	60	Chief Financial Officer
Sheila Tan	48	Chief Marketing Officer
Tracy Terrill	37	Chief Technology Officer
Chas Rampenthal	44	General Counsel and Secretary
Brian Liu	44	Chairman
Daniel Cooperman(1)(3)(4)	61	Proposed Director
Susan Decker(2)(3)	49	Director
Alan Spoon(3)	61	Director
Jason Trevisan	37	Director
Nehemia (Hemi) Zucker(1)(2)	55	Director

(1) Member of the audit committee upon the completion of this offering.
(2) Member of the compensation committee upon the completion of this offering.
(3) Member of the governance and nominating committee upon the completion of this offering.
(4) Has been nominated to become a director upon the completion of this offering.

Executive Officers

John Suh has served as our Chief Executive Officer since February 2007 and as a member of our board of directors since February 2005. Prior to LegalZoom, Mr. Suh was Chief Executive Officer of StudioDirect, the Internet division of a global supply chain company, Li and Fung. Prior to StudioDirect, Mr. Suh co-founded and served as Chief Executive Officer of Castling Group, helping offline companies create their Internet divisions and launching category leaders such as jcrew.com and hifi.com. Mr. Suh received a B.A. in Organizational Behavior and Public Policy from Harvard College and received his M.B.A. with high distinction from Harvard Business School, graduating as a George F. Baker Scholar. Mr. Suh was selected to serve on our board of directors due to the perspective and experience he brings as our Chief Executive Officer and his extensive background in the Internet industry.

Frank Monestere has served as our Chief Operating Officer since September 2002 and as our President and Chief Operating Officer since January 2005. Before joining LegalZoom, Mr. Monestere was a management consultant from 2000 to 2002, and assisted clients in executing technology-focused business initiatives for clients such as Comcast and Time Warner Cable. Before that, he served in the U.S. Army as an Infantry Officer in the 82nd Airborne Division from 1991 to 1995 and as a Special Forces Officer from 1995 to 1998 with deployments to Bosnia and Sub-Saharan Africa. He also serves on the Board of Advisors of Special Forces Association, a non-profit organization. Mr. Monestere graduated with a B.S. in International Relations from the United States Military Academy at West Point and received his M.B.A. from Harvard Business School where he focused on operations strategy and management.

Edward Hartman is one of our co-founders and has served as Chief Strategy Officer since June 2000. Prior to LegalZoom, Mr. Hartman was the Chief Technology Officer at TROON, LTD, later acquired by Xceed International. Mr. Hartman was a creator of two web-based applications, MajorFind and Megaphone. He sat on the board of the Project Management Institute (Los Angeles Chapter) and is a current board member of the Brent Shapiro Foundation. Mr. Hartman received a B.S. in Computer

Science and a B.A. in Anthropology from Yale University and an M.B.A. from the Wharton School, University of Pennsylvania Program for Executives in San Francisco, California, where he was designated a Palmer Scholar. He is a member of the California Bar.

Fred Krupica has served as our Chief Financial Officer since April 2008. Mr. Krupica has over 30 years of experience at several high-growth corporations, most recently as Chief Financial Officer of Altra Inc., a leading biofuels company from January 2006 through April 2008. Prior to Altra, Mr. Krupica was Chief Financial Officer of Fastclick, Inc., an Internet advertising technology company, where he led Fastclick's initial public offering and subsequent sale and merger to Valueclick Inc. Mr. Krupica's previous positions include serving as the Chief Financial Officer of WJ Communications, Chief Financial Officer of Magnetic Data Technologies, Chief Financial Officer and Chief Operating Officer of a private equity firm, and founder of a professional services firm. Mr. Krupica also served in various senior financial management positions at Atlantic Richfield, Pullman Inc. and PricewaterhouseCoopers. Mr. Krupica is a Certified Public Accountant and holds a B.S. in Accounting from the University of Illinois and an M.B.A. in Finance from UCLA's Anderson School of Management.

Sheila Tan has served as our Chief Marketing Officer since March 2012. Before joining LegalZoom, Ms. Tan held executive positions at Align Technology Inc. as Vice President, Marketing and Chief Marketing Officer from March 2009 to December 2011 and Vice President of Product Innovation and Marketing Strategy from September 2008 to March 2009. Prior to that, she was Vice President, Marketing for Moka5, Inc., a provider of virtual desktop technology, from August 2007 to July 2008. Ms. Tan served as Vice President Marketing of Presto Services Inc., a digital-delivery service that enables families and friends to stay in touch via e-mail, without the need for a computer or Internet connection, from June 2006 to August 2007. Prior to that, Ms. Tan was Senior Director of Marketing, Quicken.com and QuickBooks at Intuit from 2001 to 2004. From 1995 to 2000, Ms. Tan held marketing positions of increasing scope and responsibility at The Procter & Gamble Company and its subsidiaries. Ms. Tan received a B.S. in Business Management from California Polytechnic State University and an M.B.A. in Business Management from UCLA's Anderson School of Management.

Tracy Terrill joined LegalZoom in January 2007 and has served as our Chief Technology Officer since October 2008. From March 2005 to December 2006, Mr. Terrill was Director of Sales and Marketing (systems) for GE NBC Universal Home Entertainment. Previous positions included Sr. Director of Digital Business Development and Sr. Director of Research and Development for Universal Music Group. Earlier in his career, Mr. Terrill was a management consultant for Gartner Group. Terrill holds a B.S. in Business Administration from Sonoma State University and an M.B.A. from the University of Southern California.

Chas Rampenthal has served as our General Counsel since October 2003 and as our Corporate Secretary since February 2007. Before joining LegalZoom, Mr. Rampenthal was a partner at Belanger and Rampenthal, LLC from October 2002 to October 2003. Prior to that, Mr. Rampenthal was an associate at Testa, Hurwitz & Thibeault, LLP of Boston, Massachusetts and the Los Angeles office of Thelen Reid & Priest LLP. Mr. Rampenthal also served as an officer and aviator in the United States Navy. Mr. Rampenthal received his B.S. in Economics and Math Studies from Southern Illinois University at Edwardsville and a J.D. from the University of Southern California.

Board of Directors

Brian Liu, one of our co-founders, has served on our board of directors since July 1999, and as our Chairman from July 1999 to February 2005 and since February 2007. Mr. Liu was our Chief Executive Officer from July 1999 to February 2007. Prior to LegalZoom, Mr. Liu was a corporate attorney with the law firm of Sullivan & Cromwell LLP. In addition, Mr. Liu was formerly assistant Vice President—Legal with investment adviser Oaktree Capital Management, LLC. Mr. Liu graduated from U.C. Berkeley, Phi Beta Kappa, and with honors, in Biochemistry. Mr. Liu received his J.D. from UCLA School of Law and is a member of the California Bar. Mr. Liu was selected to serve on our board of directors due to his

experience as our prior Chief Executive Officer and his involvement with our formation, along with his knowledge of our business, management skills and performance as a board member.

Daniel Cooperman has agreed to serve on our board of directors upon the completion of this offering. From 2010 to the present, Mr. Cooperman has been Of Counsel with Bingham McCutchen LLP, a law firm. From 2007 to 2009, Mr. Cooperman was a Senior Vice-President, General Counsel & Secretary of Apple Inc. and, before that time, he was Senior Vice-President, General Counsel & Secretary of Oracle Corporation from 1997 to 2007. Mr. Cooperman is currently a Lecturer in Law at Stanford Law School and is a Fellow at the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford Law School and Graduate School of Business. He is also currently a strategic advisor to Institutional Venture Partners and several private technology companies. Mr. Cooperman earned his A.B. in Economics from Dartmouth College, his J.D. from Stanford Law School and his M.B.A from Stanford Graduate School of Business. Mr. Cooperman was nominated to serve on our board of directors upon the completion of this offering due to his extensive knowledge and experience in the legal industry, his expertise in corporate leadership, governance and management practices and his experience with Internet and technology companies.

Susan Decker has served on our board of directors since October 2010. Ms. Decker also currently serves on the boards of directors of Intel Corporation, Berkshire Hathaway Corporation and Costco Wholesale Corporation and is a Trustee of Save the Children. Previously, Ms. Decker served on the board of directors of Stanford Institute of Economic Policy Research from March 2005 to May 2007. During the 2009-2010 school year, Ms. Decker served as Entrepreneur-in-Residence at Harvard Business School. Prior to that, from June 2000 to April 2009, Ms. Decker held various executive management positions at Yahoo! Inc., including serving as President from June 2007 to April 2009, Head of the Advertiser and Publisher Group from December 2006 to June 2007, and Chief Financial Officer from June 2000-June 2007. Before Yahoo!, Ms. Decker spent 14 years with Donaldson, Lufkin & Jenrette, most recently as Managing Director, Global Equity Research from 1998 to 2000, and previously as an equity research analyst, covering publishing and advertising stocks from 1986 to 1998. In this capacity, Ms. Decker received recognition by Institutional Investor magazine as a top-rated analyst for ten consecutive years. Ms. Decker was selected to serve on our board of directors due to her extensive experience as president of a global Internet company, providing expertise in corporate leadership, financial management, and Internet technology, and to the extent Ms. Decker services as a director for other multinational companies, Ms. Decker also provides cross-board experience.

Alan Spoon has served on our board of directors since February 2007. Mr. Spoon is a general partner with Polaris Venture Partners, a venture capital firm. Before joining Polaris in 2000, Mr. Spoon served for 18 years in a variety of roles with The Washington Post Company, including President, board member, and Chief Financial Officer. At The Washington Post, Mr. Spoon also was responsible for early stage technology investments in cellular companies, such as Cellular One and Digital PCS, distance learning and educational software, and digital media and e-commerce services. Prior to The Washington Post, Mr. Spoon was an officer at The Boston Consulting Group. In addition to serving on our board of directors, Mr. Spoon also sits on the boards of a variety of other companies, including Art.com, Focus Financial Partners, Remedy Health Media, Phreesia, Danaher Corporation and IAC/InterActiveCorp. In his not-for-profit activities, Mr. Spoon is a member of the Massachusetts Institute of Technology's Corporation and The Council on Foreign Relations. Mr. Spoon earned his S.B. at Massachusetts Institute of Technology, an S.M. at M.I.T.'s Sloan School of Management, and a J.D., with honors, from Harvard Law School. Mr. Spoon was selected to serve on our board of directors due to his extensive experience with private and public company boards, management practices and involvement with private equity, providing insights into Internet and technology industries as well as into acquisition strategy and financing.

Jason Trevisan has served on our board of directors since February 2007. Mr. Trevisan is a general partner with Polaris Venture Partners focusing on growth equity investments and buyouts in Internet, technology and healthcare industries. Before joining Polaris in 2003, Mr. Trevisan held various

management roles at aQuantive, which was acquired by Microsoft, where he oversaw client relationships in industries including pharmaceuticals, media/entertainment, financial services and consumer products. Prior to aQuantive, Mr. Trevisan was a consultant with Bain & Company where his clients included private equity firms and Fortune 500 companies in technology, media and consumer products. In addition to serving on our board of directors, Mr. Trevisan is also a member of the board of directors of ShoeDazzle, Life Line Screening, PartsSource and Snappcloud. Mr. Trevisan received his M.B.A. with Distinction from the Tuck School of Business at Dartmouth, where he was recognized as an Edward Tuck Scholar. Mr. Trevisan holds an A.B., cum laude, in English from Duke University. Mr. Trevisan was selected to serve on our board of directors due to his extensive experience in Internet and technology companies, as a venture capitalist and as one of our investors.

Nehemia (Hemi) Zucker has served on our board of directors since April 2012. Mr. Zucker is the Chief Executive Officer of j2 Global, Inc., a Nasdaq-traded provider of business cloud services, since May 2008. Prior to that time, and beginning in 1996, he held various executive positions with j2 Global, as Co-President and Chief Operating Officer from August 2005 to May 2008, as Co-President from April 2005 to August 2005, as Chief Marketing Officer from May 2003 to August 2005, as Chief Marketing Officer and Chief Financial Officer from December 2000 to May 2003, and as Chief Financial Officer from 1996 to December 2000. Prior to j2 Global, Mr. Zucker was Chief Operations Manager of Motorola's EMBARC division, which packaged CNBC and ESPN for distribution to paging and wireless networks. From 1980 to 1996, he held various positions in finance, operations and marketing at Motorola in the United States and abroad. Mr. Zucker received his B.A in Economics from Tel Aviv University. Mr. Zucker was selected to serve on our board of directors due to his extensive experience in Internet, technology and telecommunication companies and his international management experience.

Each officer serves at the discretion of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Current Board Composition

Our board of directors currently consists of six members. Our current certificate of incorporation and voting agreement provide for certain members of our board of directors to be elected by certain classes of our capital stock. The current members of the board of directors were elected as follows:

- Messrs. Suh and Liu were elected by the holders of the majority of the outstanding shares of our common stock.
- Messrs. Spoon and Trevisan were elected by the holders of the majority of the outstanding shares of our Series A.
- Ms. Decker was elected by the holders of the majority of the outstanding shares of our common stock and our Series A, voting together as a single class.
- Mr. Zucker was appointed by our board of directors.

The voting agreement and the provisions of our certificate of incorporation by which the directors were elected will terminate in connection with our initial public offering, and there will be no further contractual obligations regarding the election of our directors. Our current directors will continue to serve as directors until their resignations or until their successors are duly elected by the holders of our common stock.

Board Composition After This Offering

Upon completion of this offering, our board of directors will consist of eight members. In accordance with our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately upon the completion of this offering, our board of directors will be divided

into three classes with staggered three-year terms. At each annual general meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Upon the completion of this offering, our directors will be divided among the three classes as follows:

- The Class I directors will be Messrs. Liu and Trevisan, and their terms will expire at the annual general meeting of stockholders to be held in 2013;
- The Class II directors will be Ms. Decker and Messrs. Cooperman and Spoon, and their terms will expire at the annual general meeting of stockholders to be held in 2014; and
- The Class III directors will be Messrs. Suh and Zucker and , and their terms will expire at the annual general meeting of stockholders to be held in 2015.

We expect that additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change in control.

Director Independence

Under the listing requirements and rules of the NYSE, independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of this offering.

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each incumbent and proposed new director to take office upon completion of this offering concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that Ms. Decker and Messrs. Cooperman, Spoon, Trevisan and Zucker do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NYSE. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Board Committees

Upon the completion of this offering, we will have an audit committee, a compensation committee and a governance and nominating committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Our audit committee provides oversight of our accounting and financial reporting process, the audit of our financial statements and our internal control function. Among other matters, the audit committee assists the board of directors in oversight of the independent registered public accounting firm qualifications, independence and performance; is responsible for the engagement, retention and compensation of the independent auditors; reviews the scope of the annual audit; reviews and discusses with management and the independent registered public accounting firm the results of the annual audit and the review of our quarterly consolidated financial statements including the disclosures in our annual

and quarterly reports filed with the SEC; reviews our risk assessment and risk management processes; establishes procedures for receiving, retaining and investigating complaints received by us regarding accounting, internal accounting controls or audit matters; approves audit and permissible non-audit services provided by our independent registered public accounting firm; and reviews and approves related person transactions under Item 404 of Regulation S-K. In addition, our audit committee will oversee our internal audit function when it is established.

Upon the completion of this offering, the members of our audit committee will be , who is the chair of the committee, and Messrs. Cooperman and Zucker. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the NYSE. Our board of directors has determined that Mr. Zucker and are audit committee financial experts as defined under the applicable rules of the SEC and have the requisite financial sophistication as defined under the applicable rules and regulations of the NYSE. All of the members of our audit committee are independent directors as defined under the applicable rules and regulations of the SEC and the NYSE.

Compensation Committee

Our compensation committee adopts and administers the compensation policies, plans and benefit programs for our executive officers and all other members of our executive team. In addition, among other things, our compensation committee annually evaluates, in consultation with the board of directors, the performance of our Chief Executive Officer, reviews and approves corporate goals and objectives relevant to compensation of our Chief Executive Officer and other executives and evaluates the performance of these executives in light of those goals and objectives. Our compensation committee also adopts and administers our equity compensation plans. Upon the completion of this offering, the members of our compensation committee will be Mr. Zucker, who is the chair of the committee, and Ms. Decker. All of the members of our compensation committee are independent under the applicable rules and regulations of the SEC and the NYSE, and Section 162(m) of the Internal Revenue Code, or the Code.

Governance and Nominating Committee

Our governance and nominating committee is responsible for, among other things, making recommendations regarding corporate governance, the composition of our board of directors, identification, evaluation and nomination of director candidates and the structure and composition of committees of our board of directors. In addition, our governance and nominating committee oversees our corporate governance guidelines, approves our committee charters, oversees compliance with our code of business conduct and ethics, contributes to succession planning, reviews actual and potential conflicts of interest of our directors and officers other than related person transactions reviewed by the audit committee and oversees the board self-evaluation process. Our governance and nominating committee is also responsible for making recommendations regarding non-employee director compensation to the full board of directors. Upon the completion of this offering, the members of our governance and nominating committee will be Mr. Cooperman, who is the chair of the committee, Ms. Decker and Mr. Spoon. All of the members of our governance and nominating committee are independent under the applicable rules and regulations of the SEC and the NYSE.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has at any time during the past year been one of our officers or employees. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

Code of Business Conduct and Ethics

We will adopt a code of business conduct and ethics applicable to all of our employees, including our executive officers and directors, and those employees responsible for financial reporting. The code of business conduct and ethics will be available on our website. We expect that, to the extent required by law, any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

EXECUTIVE COMPENSATION

Our named executive officers for 2011, which consist of our principal executive officer and the two other most highly compensated executive officers, are:

- John Suh, Chief Executive Officer and Director;
- Fred Krupica, Chief Financial Officer; and
- Edward Hartman, Chief Strategy Officer.

The following tables and narratives address and explain the compensation provided to our named executive officers in fiscal 2011. All figures below reflect our 2011 three-for-one stock split.

2011 Summary Compensation Table

Name and Principal Position	Year	Salary ($)[1]	Bonus ($)[2]	Option Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)[4]	All Other Compensation ($)[5]	Total ($)
John Suh, *Chief Executive Officer and Director*	2011	332,250	—	—	350,000	9,800	692,050
Fred Krupica, *Chief Financial Officer*	2011	253,050	—	548,472	254,000	68,470	1,123,992
Edward Hartman, *Chief Strategy Officer*	2011	215,100	40,000	342,795	120,000	15,651	733,546

(1) The base salaries for the named executive officers were increased effective as of April 1, 2011 and are as follows: Mr. Suh—$340,000; Mr. Krupica—$255,000; Mr. Hartman—$225,000.

(2) Mr. Hartman was awarded a discretionary cash bonus award of $40,000 in fiscal 2011 (in addition to his fiscal 2011 performance-based incentive award described in footnote (4)) for his superior performance in heading the broad expansion of our legal plan services in fiscal 2011.

(3) Represents the total grant date fair value, as determined under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation, of all option awards granted to the named executive officer during fiscal 2011. Assumptions used to calculate these amounts are included in Note 8, "Stock Option Plans," to our consolidated financial statements included elsewhere in this prospectus. These stock options were each granted on September 29, 2011 and each has a maximum 10-year term and a per-share exercise price of $5.47 which was the fair market value of a common share on such grant date. Vesting terms are described in footnotes (5), (6), and (7) to the "—2011 Outstanding Equity Awards at Fiscal Year-End" table below.

(4) The named executive officers earned the maximum cash incentive award for fiscal 2011 based on the achievement of annual company performance objectives as discussed in "—Annual Performance-based Cash Bonus Opportunity" below.

(5) We provided our named executive officers with additional benefits that we believe are reasonable, competitive and consistent with LegalZoom's overall executive compensation program. The incremental costs of these benefits are shown in the table below.

Name	Relocation($)	Housing($)	LegalZoom 401(k) Match($)[c]	Total "Other Compensation"($)
John Suh	—	—	9,800	9,800
Fred Krupica	—	62,173[a]	6,297	68,470
Edward Hartman	10,971[b]	4,680[b]	—	15,651

(a) Represents the incremental cost incurred in connection with Mr. Krupica's usage of LegalZoom's corporate apartment, as further described in "—Executive Employment Agreements" below.

(b) In December 2011, Mr. Hartman, as the head of research and development of LegalZoom, relocated to the San Francisco area to co-oversee LegalZoom's research and development center in San Francisco. The amounts in these columns represent a relocation and a housing allowance in connection with Mr. Hartman's establishment of residency.

(c) Represents LegalZoom matching contributions to the named executive officers' 401(k) savings accounts.

Annual Base Salary

The following table provides the annual base salaries for each of the named executive officers for fiscal 2011 based on decisions made by the compensation committee in fiscal 2011. Fiscal 2011 salaries were adjusted effective as of April 1, 2011 as set forth below.

Name	Fiscal 2011 Salary First Quarter($)	Fiscal 2011 Salary (effective April 1, 2011)($)
John Suh	309,000	340,000
Fred Krupica	247,200	255,000
Edward Hartman	185,400	225,000

Annual Performance-based Cash Bonus Opportunity

In addition to base salaries, our named executive officers were eligible to receive performance-based cash bonuses in fiscal 2011. The annual cash bonus payouts for the named executive officers in fiscal 2011 were based on the degree of attainment of LegalZoom's performance criteria.

For fiscal 2011, the annual performance-based cash bonus plan was based on a dollar pool determined alongside the establishment of LegalZoom's overall annual budget. Each named executive officer then had target and maximum bonus amounts established as set forth below:

Name	Target Bonus($)	Maximum Bonus($)
John Suh	175,000	350,000
Fred Krupica	127,000	254,000
Edward Hartman	60,000	120,000

Payment of a performance-based cash bonus was based on two company performance metrics: Adjusted EBITDA and annual revenue growth. Adjusted EBITDA is a Non-GAAP financial measure. For a definition of Adjusted EBITDA and reconciliation to net income (loss), the most comparable U.S. GAAP item, see "Prospectus Summary—Summary Selected Financial and Other Data Non-GAAP discussion." These performance metrics were chosen based on the compensation committee's belief that attaining or exceeding targets for these metrics would increase LegalZoom's value and growth. The actual amount awarded for the fiscal 2011 cash bonus was primarily dependent on LegalZoom's achievement of a target annual revenue growth of 17.7%. However, in order for a named executive officer to receive any performance-based cash bonus, LegalZoom had to achieve a minimum Adjusted EBITDA of $11.4 million. If LegalZoom did not achieve the minimum Adjusted EBITDA of $11.4 million, regardless of its achievement of the annual revenue growth target, no cash bonus would have been paid to the named executive officers. If this Adjusted EBITDA minimum was achieved, then the amount of the performance bonus would be determined based on the Adjusted EBITDA and annual revenue growth results, with annual revenue growth receiving approximately 70% of the weighting and Adjusted EBITDA receiving approximately 30% of the weighting.

If LegalZoom had achieved a target annual revenue growth of 17.7% and the minimum Adjusted EBITDA of $11.4 million, the named executive officers would have received the target bonus amount. In all cases, the total annual cash bonus opportunity for each named executive officer for fiscal 2011 had a maximum payout of two times his target amount. If LegalZoom achieved approximately 26% or more in annual revenue growth (and met or exceeded the minimum Adjusted EBITDA goal of $11.4 million), the named executive officers would have received the maximum bonus payout of two times their target bonus amount. If LegalZoom achieved between 17.7% and 26% in annual revenue growth (and met or exceeded the minimum Adjusted EBITDA goal of $11.4 million), the named executive officers would have received a ratable bonus payout amount in excess of his target bonus amount but not to exceed two times his target amount (maximum payout). As a hypothetical example, if LegalZoom achieved 21.85% in annual revenue

growth and an Adjusted EBITDA of at least $11.4 million, the bonus the named executive officers would have earned would be 150% of their target bonus.

For fiscal 2011, LegalZoom achieved an annual revenue growth of 29.2% and Adjusted EBITDA of $11.8 million. As a result, the compensation committee awarded each of the named executive officers the maximum amount for fiscal 2011 performance-based cash bonuses, which amounts are reported above in the Non-Equity Incentive Plan Compensation column of the 2011 Summary Compensation table. In fiscal 2011, the compensation committee also awarded Mr. Hartman a $40,000 discretionary bonus in connection with his exceptional performance in fiscal 2011 in growing our legal plan services and almost tripling the number of subscribers in our legal plans.

Long-term Equity-based Compensation

Historically, the compensation committee and/or our board of directors has provided long-term equity incentive compensation to retain our named executive officers and to provide for a portion of their compensation to be at risk and linked directly with the appreciation of stockholder value. Long-term compensation has generally been provided through equity awards in the form of stock options subject to continued service and under the terms and conditions of our 2007 Stock Option Plan, which was renamed as the 2010 Stock Incentive Plan (hereafter, referred to as the "2010 Plan"), and related award agreements. Through possession of stock options, our executives participate in the long-term results of their efforts.

The 2010 Plan, or the stock option grant agreements, can provide for some or all of the unvested stock options to vest immediately when certain events occur, including a change in control. For example, in the event of a corporate change in control transaction in which the named executive officer's stock options are not substituted, assumed or converted, then the named executive officer's stock options shall fully vest and become exercisable immediately prior to the consummation of the change in control.

The board of directors granted stock option awards to each of the named executive officers, except for Mr. Suh, in fiscal 2011. Mr. Suh did not receive an equity award in fiscal 2011, as he had received a stock option award in 2010 (and the other named executive officers had not). Details on stock option grants in fiscal 2011 are provided in footnote (3) to the "—2011 Summary Compensation Table".

Employee Benefits and Perquisites

We have generally not offered extensive or elaborate benefits to the named executive officers, except for permitting Mr. Krupica to stay in our corporate apartment located near our corporate headquarters and providing relocation benefits to Mr. Hartman. Further details on these benefits are described in footnote (5) to the "—2011 Summary Compensation Table". We also provide 401(k) matching contributions as discussed in the "401(k) Plan" section below.

2011 Outstanding Equity Awards at Fiscal Year-End

The following table shows the number of shares of our common stock covered by stock options and restricted stock units held by the named executive officers as of December 31, 2011. All of the awards shown in the below table were granted under the 2010 Plan. Additionally, all of the stock options in the below table were granted with a per share exercise price equal to the fair market value of one of our shares of common stock on the date of grant. No stock options were exercised by the named executive officers during fiscal 2011.

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
John Suh	575,406	—	—	1.1933	2/9/17(1)	—	—
	60,000	540,000	—	1.4000	2/25/20(2)	—	—
Fred Krupica	630,000	90,000	—	1.4967	6/24/18(3)		
						75,000(4)	430,500
	—	240,000	—	5.4700	9/29/21(5)(7)	—	—
Edward Hartman	—	150,000	—	5.4700	9/29/21(6)(7)	—	—

(1) This option was granted on April 18, 2007 and the first vest date was February 9, 2007. This time-based option vested as follows: on the ninth day of each month following the first vest date, 1/48th of the option incrementally vested.

(2) This option was granted on February 25, 2010 and the first vest date was February 25, 2011. This time-based option vests as follows: (i) 10% of the option vested on the first vest date (ii) 20% of the option vested on the one-year anniversary of the first vest date, (iii) 30% of the option vests on the two-year anniversary of the first vest date, and (iv) 40% of the option vests on the three-year anniversary of the first vest date.

(3) This option was granted on June 24, 2008 and the first vest date was April 28, 2009. This time-based option vested as follows: (i) 25% of the option vested on the first vest date and (ii) the remaining 75% vested in equal quarterly installments on July 28, October 28, January 28 and April 28 over the three years following the first vest date.

(4) This stock units award was granted on April 20, 2010. These units shall become fully vested upon the earliest to occur of: (i) the closing of an initial public offering of shares pursuant to an effective registration statement with the SEC on the first business day that the shares have a closing trading price of $5 or more per share on a fully-diluted, as-converted basis; or (ii) the consummation of a change in control in which the net consideration to the then holders of shares is equal to or greater than $5 or more per share on a fully-diluted, as-converted basis and the change in control also constitutes a change in ownership or effective control of a corporation or change in the ownership of a substantial portion of the assets of a corporation within the meaning of Code section 409A; or (iii) April 20, 2015. In addition, the units shall become fully vested upon the termination date of Mr. Krupica's employment if his employment is terminated by LegalZoom without cause (as defined in the 2010 Plan).

(5) This option was granted on September 29, 2011 and the first vest date is April 28, 2013.

(6) This option was granted on September 29, 2011 and the first vest date is July 31, 2012.

(7) These time-based options vest as follows: (i) 25% of the option vests on the first vest date and (ii) the remaining 75% shall vest in equal annual installments over the three years following the first vest date.

Executive Employment Agreements

Fiscal 2011

We previously entered into employment agreements with each of the named executive officers which were effective during fiscal 2011. Below are descriptions of these agreements, which have been superseded by new employment agreements.

John Suh

Mr. Suh's offer letter, dated February 15, 2007 and amended on April 20, 2010, provided that he would serve as LegalZoom's Chief Executive Officer. It also provided that Mr. Suh would originally receive an initial annual base salary of $200,000, an annual performance-based bonus equal to approximately $200,000 and a stock option award. The agreement further provided that Mr. Suh was eligible to participate in employee benefit plans in accordance with LegalZoom's policies. This included medical programs, three weeks of paid vacation per year and reimbursement for all costs of his professional licensing and any professional organizations. Under the agreement, if LegalZoom terminated Mr. Suh's employment without "cause" then, conditioned on his providing a release of any employment related claims against LegalZoom, Mr. Suh would have been entitled to receive 12 months of continued salary and health insurance coverage. Further, if Mr. Suh resigned for "good reason" then, conditioned on his providing a release of any employment related claims against LegalZoom, Mr. Suh would have been entitled to receive 12 months of continued salary and health insurance coverage, any bonus earned and/or accrued through the date of termination and 12 months accelerated vesting of his unvested stock options. Upon an involuntary termination of Mr. Suh's employment within 12 months after a change in control of LegalZoom, he would have received a cash severance payment equal to one year of base salary and his then-outstanding unvested stock options, restricted stock, stock appreciation rights and stock units would become fully vested immediately before his termination of employment. Additionally, upon the completion of a qualified initial public offering, such as the consummation of this offering, Mr. Suh would have received a one year acceleration of vesting for his then unvested stock options and a $100,000 cash bonus. The agreement further provided that LegalZoom would indemnify Mr. Suh for any liability incurred within the scope of his employment and that LegalZoom would maintain directors and officers liability insurance.

The agreement defined "cause" as Mr. Suh's (i) willful, intentional or grossly negligent failure to perform his duties under the agreement, (ii) admission or final conviction of a misdemeanor materially adversely affecting LegalZoom or of any felony, (iii) commission of an act of fraud against, or material misappropriation of property belonging to, LegalZoom, or (iv) material breach of any provision of the agreement that is not remedied within 30 days of his receipt of written notice from LegalZoom. The agreement defined "good reason" as (1) a breach by LegalZoom of its obligations under the agreement, (2) a significant reduction of Mr. Suh's duties, title or authority, or (3) any requirement or suggestion that Mr. Suh violated his professional ethics. The agreement defined "change in control" as any of the following events:

- any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act, other than a trustee or other fiduciary holding securities of LegalZoom under an employee benefit plan of LegalZoom, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of LegalZoom representing 50% or more of (A) the outstanding shares of LegalZoom's common stock or (B) the combined voting power of LegalZoom's then-outstanding securities;

- LegalZoom is party to a merger or consolidation, or series of related transactions, which results in the voting securities of LegalZoom outstanding immediately prior thereto failing to continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power of the voting securities of LegalZoom or such surviving entity outstanding immediately after such merger or consolidation;

- the sale or disposition of all or substantially all of LegalZoom's assets (or consummation of any transaction, or series of related transactions, having similar effect);

- the dissolution or liquidation of LegalZoom; or

- any transaction or series of related transactions that has the substantial effect of any one or more of the foregoing.

Fred Krupica

Mr. Krupica's offer letter, dated March 19, 2008 and amended on April 20, 2010, was effective upon the commencement of his employment in April 2008 and provided that he would serve in an at-will capacity as LegalZoom's Chief Financial Officer. It provided that Mr. Krupica would originally receive an initial annual base salary of $230,000, an annual performance-based bonus of up to $120,000 and a stock option award. The agreement also provided that Mr. Krupica was eligible to participate in employee benefit plans in accordance with LegalZoom's policies including medical and dental plans and that he would accrue 20 vacation days per year. Under the agreement, Mr. Krupica was permitted to stay in LegalZoom's corporate apartment which is near LegalZoom's headquarters. If LegalZoom had terminated Mr. Krupica's employment without "good reason" or if Mr. Krupica had experienced a "constructive termination" then, conditioned on his providing a release of any claims against LegalZoom, Mr. Krupica would have been entitled to receive six months of continued salary and health insurance coverage along with six months accelerated vesting of his unvested stock options. Upon an involuntary termination of Mr. Krupica's employment within the six months before or 12 months after a change in control of LegalZoom, his cash severance would have equaled one year of salary and his then outstanding unvested stock options, restricted stock, stock appreciation rights and stock units would have become fully vested immediately before his termination of employment. The agreement further provided that LegalZoom would indemnify Mr. Krupica for any liability incurred within the scope of his employment and that LegalZoom would maintain directors and officers liability insurance. The agreement also imposed various restrictions on Mr. Krupica, for the benefit of LegalZoom, including maintaining the confidentiality of LegalZoom information.

Mr. Krupica's agreement defined "good reason" as Mr. Krupica's (i) commission of a crime involving dishonesty, breach of trust, or physical harm to any person, (ii) willful engagement in conduct that is in bad faith and materially injurious to LegalZoom, or (iii) willful refusal to implement or follow a lawful policy or directive of LegalZoom. The agreement defined "constructive termination" as (1) a material reduction in responsibility, (2) a material reduction in annual cash compensation except for reductions that are comparably applied to similarly situated executives, or (3) a relocation to a new work location that is more than 50 miles away from Mr. Krupica's current place of employment. Mr. Krupica's agreement provided for the same definition of "change in control" as described above for Mr. Suh.

Edward Hartman

Mr. Hartman's "Executive Employment, Confidential Information and Assignment of Inventions Agreement," dated March 25, 2004 and amended on April 20, 2010, was made effective as of the commencement of his employment in February 2001 and provided that he would serve in an at-will capacity as LegalZoom's Chief Strategy Officer. It provided that Mr. Hartman would originally receive an initial annual base salary of $130,000. The agreement also provided that Mr. Hartman was eligible to receive stock option grants, in the discretion of LegalZoom, and that he was eligible to participate in employee benefit plans in accordance with LegalZoom's policies, including paid time off and medical and dental plans. The agreement further provided that upon an "involuntary termination" of Mr. Hartman's employment within 12 months of a change in control of LegalZoom, his then-outstanding unvested stock options, restricted stock, stock units and stock appreciation rights would have become fully vested immediately before his termination of employment. The agreement also imposed various restrictions on Mr. Hartman for the benefit of LegalZoom, including maintaining the confidentiality of LegalZoom information and a 12 month post-employment non-solicitation of LegalZoom executives.

Mr. Hartman's agreement provided for the same definition of "change in control" as described above for Mr. Suh. Mr. Hartman's agreement defined "cause" generally to mean any of the following acts committed by Mr. Hartman and where such acts have not been cured or corrected:

- willful failure to follow the lawful written directions of the our board of directors;
- engaging in gross misconduct which is materially detrimental to LegalZoom;
- willful and repeated failure or refusal to comply in any material respect to the agreement, LegalZoom's insider trading policy, or any other reasonable policies of LegalZoom where non-compliance would be materially detrimental to LegalZoom; or
- commission of an unlawful or criminal act (serious in nature) which would reflect adversely on LegalZoom.

Mr. Hartman's agreement defined "involuntary termination" as a termination of his employment due to any of the following:

- actual termination of employment by LegalZoom other than for "cause";
- his resignation due to the material diminution of position or responsibility;
- his resignation due to any reduction in salary, bonus and other compensation; or
- his resignation due to a company requirement that Mr. Hartman relocate to a new job location of 50 miles or more from his then-current office location.

Fiscal 2012

In May 2012, our compensation committee unanimously approved new employment agreements and compensation arrangements with the named executive officers, which replace and supersede the predecessor employment agreements described above, effective May 9, 2012. The new compensation arrangements also include the potential future grant of stock option awards, on or around the date of this offering, to our named executive officers (see footnotes 4 and 5 to the table below). These stock options will generally have a per share exercise price equal to 115% of the price at which shares will be offered to be sold to the public in this offering and will vest as follows: 1/4 of the option vests on the first anniversary of the date of grant and the remaining 3/4 of the option will vest in equal quarterly installments over the following three years. Additionally, Mr. Suh will be granted a second stock option of 250,000 shares with a per share exercise price equal to 125% of the price at which shares will be offered to be sold to the public in this offering, and will vest as follows: 1/2 of the shares will vest annually on the third and fourth anniversaries of the date of grant.

In determining the compensation for fiscal 2012 for the named executive officers, the compensation committee reviewed a compensation report prepared by its independent compensation consultant, Frederic W. Cook & Co., Inc., or FWCook & Co. The findings of the FWCook & Co. report were one factor that the compensation committee considered, but it was not the predominant basis for the compensation committee's compensation decisions for our named executive officers. The compensation committee wanted to provide further equity retention and incentive compensation for the named executive officers.

In accordance with the foregoing, on May 8, 2012, we entered into a new employment agreement with each of the named executive officers. These new agreements, which supersede and replace the prior employment agreements, each provide that the named executive officer will continue to serve in his same role(s). The following table highlights certain items contained in the new employment agreements for the named executive officers.

	Initial Term of Employment Agreements[1]	Base Salary Effective as of an IPO[2]	Annual Target Bonus[3]	Stock Options: FY12 IPO Grant (Shares)	Severance Payments Upon "Qualifying Termination"	Severance Payments Upon "Qualifying Termination" Within LegalZoom "Change in Control" Period	Other
John Suh	2 years	$ 425,000	100%	650,000[4]	[6]	[8]	[9][10]
Fred Krupica	2 years	$ 310,000	50%	120,000[5]	[7]	[8]	[9][10]
Eddie Hartman	2 years	$ 235,000	40%	80,000[5]	[7]	[8]	[9]

(1) On May 8, 2013, and on each subsequent May 8th through and including May 8, 2017, the term of the employment agreement is automatically extended by one additional year unless either party has

previously provided written notice to not so extend the term, except that the agreement shall in all cases expire no later than (and cannot be extended beyond) May 8, 2019.

(2) On the effective date of the IPO, the annual base salaries of the named executive officers will be increased to the figures reflected in this column. The current base salaries for each of the named executive officers which were unchanged and which are reflected in the employment agreements are: Mr. Suh: $340,000; Mr. Krupica: $255,000; Mr. Hartman: $225,000.

(3) Each named executive officer will be eligible for an annual incentive bonus based on attainment of performance objectives that are prescribed and established by the compensation committee. LegalZoom intends to administer this bonus under our 2012 Management Incentive Plan. Further details on the 2012 Management Incentive Plan can be found in "—Incentive Compensation Plans—2012 Management Incentive Plan". The employment agreements further provide for an annual target bonus amount as a percentage of his annual base salary with such target percentage reflected in this column. The actual bonus paid may be more or less than the target amount. The named executive officer must remain employed with LegalZoom through the date of each of the bonus payment(s) in order to earn any performance bonus and receive such payment(s).

(4) Mr. Suh's agreement provides that two nonstatutory stock options to purchase a total of 650,000 shares will be granted to Mr. Suh on or around the effective date of this offering. 400,000 shares will be subject to the first option and will have a per share exercise price equal to 115% of the price at which shares will be offered to be sold to the public in this offering. 250,000 shares will be subject to the second option and will have a per share exercise price equal to 125% of the price at which shares will be offered to be sold to the public in this offering. The stock options will be on other terms and conditions (including vesting) set forth in the stock option agreements evidencing the grants.

(5) The agreements provide that a nonstatutory stock option (to purchase the number of shares shown in this column) will be granted to each named executive officer on or around the effective date of this offering. Each stock option will have a per share exercise price equal to 115% of the price at which shares will be offered to be sold to the public in this offering. The stock options will be on other terms and conditions (including vesting) set forth in the stock option agreements evidencing the grants.

(6) Mr. Suh's agreement provides that if his employment is terminated by us without "cause" or by Mr. Suh for "good reason," as defined in the agreement, each a "Qualifying Termination", then Mr. Suh will receive: (a) cash payments in an aggregate amount equal to 100% of his annual base salary in effect on his termination date paid in monthly installments over a 12 month period after the termination, with the first installment paid on the 60th day after the named executive officer's termination date; (b) LegalZoom will continue to pay the cost (to the same extent it was doing so immediately prior to the termination) for COBRA health insurance benefits for up to 12 months, and (c) the vesting of any of his unvested equity-based compensation awards (excluding any portion of any performance-based vesting awards which are/were forfeited due to failure to achieve the requisite performance objectives) will accelerate as if his service terminated 12 months later. Payment of the severance benefits will be conditioned upon Mr. Suh providing a release of claims against us, our affiliates and related parties.

(7) The agreements provide that if there is a Qualifying Termination, then the named executive officer will receive: (a) cash payments in an aggregate amount equal to 50% of the named executive officer's annual base salary in effect on his termination date paid in monthly installments over a six month period after the termination, with the first installment paid on the 60th day after the named executive officer's termination date; and (b) LegalZoom will continue to pay the cost (to the same extent it was doing so immediately prior to the termination) for COBRA health insurance benefits for up to six months. Mr. Krupica will also receive an acceleration of the vesting of his unvested equity-based compensation awards (excluding any portion of any performance-based vesting awards which are/were forfeited due to failure to achieve the requisite performance objectives) as if his service terminated six

months later. Payment of the severance benefits will be conditioned upon the named executive officer providing a release of claims against us, our affiliates and related parties.

(8) The employment agreements provide that if there is a Qualifying Termination during the time period that commences on the consummation of a change in control and extends through the date that is 24 months after a "change in control," as defined in the agreement, then the named executive officer will receive: (a) a lump-sum cash payment in an amount equal to a percentage of the named executive officer's annual base salary; (b) LegalZoom will continue to pay the cost (to the same extent it was doing so immediately prior to the termination) for COBRA health insurance benefits for up to nine months; and (c) any unvested equity-based compensation awards (excluding any portion of any performance-based vesting awards which are/were forfeited due to failure to achieve the requisite performance objectives) will fully vest. The cash severance shall be fully paid to the named executive officer in a single lump sum payment on the 60th day after his termination date. The amount in clause (a) above shall be equal to 100% of his then annual base salary for Mr. Krupica and equal to 75% of his then annual base salary for Mr. Hartman. For Mr. Suh, the amount in clause (a) above shall be equal to 150% of Mr. Suh's then annual base salary and the number of months in clause (b) shall be up to 18 months. Payment of the severance benefits will be conditioned upon the named executive officer providing a release of claims against us, our affiliates and related parties.

(9) In the event the named executive officer has received payments that are subject to golden parachute excise taxes, then such payments will be reduced to an amount which would result in no portion of the payments being subject to golden parachute excise taxes. Additionally, all compensation provided pursuant to the agreement is explicitly subject to our policy on recoupment of compensation, which policy is described above in "—Fiscal 2012 Compensation Decisions—Policy on Recoupment of Compensation", as adopted and/or modified from time to time and/or applicable law. Moreover, the agreement provides that the named executive officer is subject to, among other things, nondisparagement and nonsolicitation restrictions. Further, the agreements provide that the named executive officer is eligible to accrue up to 20 days of paid vacation per calendar year in accordance with LegalZoom's vacation policy.

(10) Under the new agreement, Mr. Suh will continue to be eligible to receive a one year acceleration of vesting for his then unvested equity-based compensation awards (and which were also outstanding as of the effective date of his new agreement) and a $100,000 cash bonus to be paid within 30 days of the completion of a public offering, such as this one, as provided in his prior agreement. Under the new agreement, Mr. Krupica will continue to be permitted to stay in LegalZoom's corporate apartment which is located near LegalZoom's headquarters, as provided in his prior agreement.

Incentive Compensation Plans

2010 Stock Incentive Plan

Our board of directors originally adopted the LegalZoom.com, Inc. 2007 Stock Option Plan on February 1, 2007 and such plan was approved by our stockholders in February 2007. On April 20, 2010, our board of directors amended and restated the 2007 Plan and renamed it the LegalZoom.com, Inc. 2010 Stock Incentive Plan, or the 2010 Plan. Effective with this offering, it is expected that we will no longer make new grants under the 2010 Plan and will instead issue equity compensation awards under our new 2012 Equity Incentive Plan discussed below. The 2010 Plan shall terminate upon the later to occur of: (i) the completion of this offering and (ii) stockholder approval of the 2012 Plan, provided however that all awards currently outstanding under the 2010 Plan will continue to remain outstanding pursuant to the terms of the 2010 Plan and applicable award agreements.

The 2010 Plan is administered by the compensation committee which has the authority, among other things, to:

- determine eligibility to receive awards;
- determine the types and number of shares of stock subject to awards;
- determine the terms and conditions of awards;
- delegate administrative duties; and
- construe and interpret the terms of the plan, award agreements, and other related documents.

The 2010 Plan provides that we may grant awards to our employees, non-employee directors, consultants, agents, advisors, or independent contractors and those of our affiliates. We may, on a discretionary basis, award these individuals with either stock options, stock appreciation rights, restricted stock, and/or stock units.

Stock options may be granted under the 2010 Plan, including incentive stock options, as defined under Section 422 of the Code, and nonqualified stock options. A stock option gives the participant the right to buy a specified number of shares of our common stock for a fixed price during a fixed period of time. While we may grant incentive stock options only to employees, we may grant nonqualified stock options to any eligible participant. The option exercise price of all stock options granted under the 2010 Plan is determined by the compensation committee, except that every stock option will have a per share exercise price that is not less than 100% of the fair market value of a share on the date of grant. Stock options may be exercised as determined by the compensation committee, but in no event after the tenth anniversary of the date of grant. In addition, stock units may also be awarded under the 2010 Plan. A stock unit is a bookkeeping entry that represents the equivalent of a share of our common stock. A stock unit is similar to a restricted stock award except that participants holding stock units do not have any stockholder rights until the stock unit is settled with shares and certificates representing such shares have been issued by us to the holder. Stock units represent an unfunded and unsecured obligation for us and a holder of a stock unit has no rights other than those of a general creditor. Unvested equity awards are generally subject to forfeiture upon termination of a participant's employment. None of our named executive officers currently have any outstanding stock appreciation rights or restricted stock grants.

In the event that a change in control occurs and there is no assumption or continuation of awards, all awards shall vest and become exercisable as of immediately before such change in control. Under the 2010 Plan, a "change in control" is defined as:

- any consolidation or merger of LegalZoom with or into any other corporation or other entity or person in which the stockholders of LegalZoom prior to such consolidation or merger own, directly or indirectly, less than 50% of the continuing or surviving entity's voting power immediately after such consolidation or merger, excluding any consolidation or merger effected exclusively to change the domicile of LegalZoom; or
- a sale or other disposition of all or substantially all of the stock or assets of LegalZoom.

A total of 10,042,039 shares of common stock can be issued under the 2010 Plan. 924,497 shares remained available for issuance under the 2010 Plan as of December 31, 2011. 434,247 shares remained available for issuance under the 2010 Plan as of March 31, 2012 and there were 6,633,909 shares subject to outstanding awards on such date.

2012 Equity Incentive Plan

In March 2012, our board of directors unanimously approved a form of the 2012 Equity Incentive Plan, or the 2012 Plan, subject to later allocating a specific number of shares to the plan and obtaining stockholder approval of the plan. Awards granted under the 2012 Plan prior to stockholder approval of the

2012 Plan may not be exercised and no shares may be released to any participant until such stockholder approval is obtained. If our stockholders do not approve the 2012 Plan within 12 months of the board of directors' adoption of the 2012 Plan, then the 2012 Plan (and any outstanding awards granted) shall be null and void and any outstanding awards will be forfeited without consideration. Effective with this offering, it is expected that the 2012 Plan will replace and supersede the 2010 Plan with respect to providing discretionary equity compensation or certain performance-based cash awards to our key employees, directors and other service providers.

The 2012 Plan will be administered by our compensation committee or to a committee to whom our board of directors has delegated its authority, which has the authority, among other things, to:

- determine the fair market value;
- determine eligibility to receive awards;
- issue and administer awards granted under the 2012 Plan;
- approve forms of agreement for use under the 2012 Plan;
- determine the types and number of shares of stock subject to awards;
- determine the price and terms of awards and the acceleration or waiver of any vesting;
- determine performance goals or forfeiture restrictions and other terms and conditions;
- determine whether to offer to buy out a previously granted award and the terms and conditions of such and to re-price outstanding options or stock appreciation rights on terms and conditions that it determines;
- amend the 2012 Plan and any award granted thereunder; and
- construe and interpret the terms of the plan, award agreements and other related documents.

Any of our employees, directors and consultants, as determined by the committee, may be selected to participate in the 2012 Plan. We may award these individuals with one or more of the following types of awards and all awards will be evidenced by an executed written agreement between us and the grantee:

- stock options;
- stock appreciation rights;
- stock awards;
- stock units; or
- other equity or cash awards.

Stock options may be granted under the 2012 Plan, including incentive stock options, as defined under Section 422 of the Code, and non-statutory stock options. A stock option gives the participant the right to buy a specified number of shares of our common stock for a fixed price during a fixed period of time. The exercise price of all stock options granted under the 2012 Plan will be determined by the committee except that all stock options must have an exercise price that is not less than 100% of the fair market value of the underlying shares on the date of grant. Stock options may be exercised as determined by the committee, but in no event after the tenth anniversary of the date of grant.

Stock appreciation rights entitle a participant to receive a payment equal in value to the difference between the fair market value of a share of stock on the date of exercise of the stock appreciation right over the exercise price of the stock appreciation rights. We may pay that amount in cash, in shares of our common stock, or in a combination of both. The exercise price of all stock appreciation rights granted under the 2012 Plan will be determined by the committee, except that all stock appreciation rights must

have an exercise price that is not less than 100% of the fair market value of the underlying shares on the date of grant. The committee may, in its discretion, subsequently reduce the exercise price of, or modify, a stock appreciation right.

A stock award is the grant of shares of our common stock at a price determined by the committee (including zero), and which may be subject to a substantial risk of forfeiture until specific conditions or goals are met. During the period of vesting, participants holding shares of restricted stock generally will have full voting and dividend rights with respect to such shares.

A stock unit is a bookkeeping entry that represents the equivalent of a share of our common stock. A stock unit is similar to a restricted stock award except that participants holding stock units do not have any stockholder rights until the stock unit is settled with shares and certificates representing such shares have been issued by us to the holder. Stock units represent an unfunded and unsecured obligation for us and a holder of a stock unit has no rights other than those of a general creditor.

The 2012 Plan also provides that other equity awards, which derive their value from the value of our shares or from increases in the value of our shares, may be granted. In addition, cash awards, which are intended to qualify as performance-based compensation under Code section 162(m), may be issued to certain executives. And, substitute awards may be issued under the 2012 Plan in assumption of or substitution for or exchange for awards previously granted by an entity which we (or an affiliate) acquire.

Subject to certain adjustments in the event of a change in capitalization or similar transaction, we may issue a maximum of shares of our common stock under the 2012 Plan. Subject to certain adjustments in the event of a change in capitalization or similar transaction, the maximum aggregate number of shares that may be issued in connection with any type of award, including incentive stock options, under the 2012 Plan is shares. Additionally, the maximum number of shares available for issuance under the 2012 Plan and that may be issued in connection with any type of award, including incentive stock options, under the 2012 Plan will automatically increase, without the need for further approval by our stockholders, on January 1, 2013 and on each subsequent January 1 through and including January 1, 2022, by a number of shares equal to the lesser of (i) % of the number of shares issued and outstanding on the immediately preceding December 31 or (ii) shares or (iii) an amount determined by our board of directors. Shares subject to awards that expire or are canceled will again become available for issuance under the 2012 Plan.

To the extent that an award is intended to qualify as performance-based compensation under Code section 162(m), then the maximum number of shares of common stock issuable in the form of each type of award under the 2012 Plan to any one participant during a fiscal year shall not exceed shares, in each case with such limit increased to shares for grants occurring in a participant's year of hire. Additionally, no participant shall receive in excess of $ with respect to a cash award in any fiscal year or the aggregate amount of shares pursuant to all awards issued under the 2012 Plan during any fiscal year, with such aggregate limit increased to shares for awards occurring in a participant's fiscal year of hire or during the first fiscal year that a participant becomes a covered employee whose compensation is subject to the tax deduction limits of Code section 162(m).

The 2012 Plan provides that in the event there is a change in control and the applicable agreement of merger or reorganization provides for assumption or continuation of the awards, no acceleration of vesting shall occur. In the event that a change in control occurs and there is no assumption or continuation of awards, all awards shall vest and become exercisable as of immediately before such change in control.

Under the 2012 Plan, a "change in control" is defined as:

- any consolidation or merger of LegalZoom with or into any other corporation or other entity or person in which the stockholders of LegalZoom prior to such consolidation or merger own, directly or indirectly, less than 50% of the continuing or surviving entity's voting power

immediately after such consolidation or merger, excluding any consolidation or merger effected exclusively to change the domicile of LegalZoom; or

- a sale or other disposition of all or substantially all of the stock or assets of LegalZoom.

The 2012 Plan provides our non-employee directors with the ability to receive restricted stock grants or stock units under the 2012 Plan in lieu of their annual cash retainer which is provided to them under our annual non-employee director compensation program, as described further in "—Compensation of Directors."

Under the 2012 Plan, we may cause the cancellation of any award, request reimbursement of any award by a participant and effect any other right of recoupment of equity or other compensation provided under the 2012 Plan in accordance with our policies and/or applicable law. In addition, a participant in the 2012 Plan may be required to repay us certain previously paid compensation, whether provided under the 2012 Plan or an award agreement under the 2012 Plan, in accordance with any recoupment policy of LegalZoom.

Our board of directors may terminate, amend or modify the 2012 Plan at any time; however, stockholder approval will be obtained for any amendment to the extent necessary to comply with any applicable law, regulation or stock exchange rule.

2012 Management Incentive Plan

In March 2012, our board of directors unanimously approved a 2012 performance-based bonus compensation program, subject to later allocating a maximum bonus limit for participants under the plan and obtaining stockholder approval of the plan, in which our named executive officers will be eligible to participate. This bonus plan is named the 2012 Management Incentive Plan, or the 2012 MIP. The 2012 MIP is intended to be exempt from the compensation deduction limitations imposed by Code section 162(m) until the first meeting of our stockholders, in which our board of directors members are elected, after the end of calendar year 2015. Our board of directors may amend or terminate the 2012 MIP at any time provided that any such amendment or termination will not adversely affect any outstanding bonus opportunity without the participant's written consent.

The compensation committee will administer the 2012 MIP. Guidelines, procedures and mechanics of the plan's administration may be promulgated by resolutions of the committee. Under the 2012 MIP, the compensation committee, in its discretion, shall:

- select the participants who will be eligible to earn a bonus under this plan;
- determine the bonus amounts and targets; and
- establish any performance goals with respect to a bonus along with any associated performance period(s); and prescribe all other terms and conditions of a participant's bonus opportunity.

Any employee who is an officer of ours within the meaning of Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended, will be eligible to be selected to participate in the 2012 MIP.

Bonus amounts that have been earned will be paid in cash to a participant on any date designated by the compensation committee that occurs during the $2^{1}/_{2}$ month period immediately following the end of the performance period in which the applicable bonus amount was earned or upon an earlier change in control if such earlier-in-time payment would not cause the imposition of taxes under Code section 409A. No single participant may receive bonus payments under the 2012 MIP that in the aggregate exceed $ in any fiscal year.

On and after the date, if any, that compensation paid under the 2012 MIP is subject to the compensation deduction limits imposed by Code section 162(m), then any bonuses that are intended to qualify as performance-based compensation under Code section 162(m) shall be administered by the compensation committee to comply with the applicable requirements of Code section 162(m).

Under the 2012 MIP, we may cause the cancellation of any bonus, request reimbursement of any bonus by a participant and effect any other right of recoupment of equity or other compensation provided under the 2012 MIP in accordance with our policies and/or applicable law. In addition, a participant in the 2012 MIP may be required to repay us certain previously paid compensation, in accordance with any recoupment policy of LegalZoom.

401(k) Plan

The 401(k) retirement savings plan is a defined contribution plan established in accordance with Code section 401(a). Employees may elect to defer between 1% and 100% of their eligible compensation into the plan on a pre-tax basis, up to annual limits prescribed by the Internal Revenue Service and we make an employer matching contribution to the plan in the amount of up to 50% of the first 8% of eligible compensation that employees defer each year. In general, eligible compensation for purposes of the 401(k) retirement savings plan includes an employee's wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with us to the extent the amounts are includible in gross income, and subject to certain adjustments and exclusions required under the Code.

Policy on Recoupment of Compensation

In March 2012, our board of directors unanimously approved a Policy on Recoupment of Compensation, or Recoupment Policy, primarily to deter our current and former senior executives and other key employees from taking actions that could potentially harm us and to deter any financial or accounting irregularities with respect to our financial statements. We incorporated the Recoupment Policy into the 2012 Plan, the 2012 MIP and the new employment agreements. These plans and agreements provide that if we amend the Recoupment Policy from time to time, in our discretion, including to comply with applicable laws or stock exchange requirements or guidance, such amended policy will be incorporated into award agreements issued under these plans and/or the employment agreements, as applicable.

Pursuant to our Recoupment Policy, certain members of management, including all of the named executive officers (whether or not their employment has terminated), may be directed to return to us performance-based compensation that the executive had previously received if either:

(i) there is a restatement of any of our financial statements previously filed with the SEC (regardless of whether or not there was any misconduct committed by an executive), other than those due to changes in accounting policy, and the restated financial results would have resulted in a lesser amount of performance-based compensation being paid to the named executive officer, or

(ii) the named executive officer's intentional misconduct, gross negligence or failure to report intentional misconduct or gross negligence by one of our employees (or service providers) either: (A) was a contributing factor or partial factor to having to restate any of our financial statements previously filed with the SEC or (B) constituted fraud, bribery or any other unlawful act (or contributed to another person's fraud, bribery or other unlawful act) which in each case adversely impacted our finances, business and/or reputation.

In the event of a restatement of our financial statements, the compensation committee will review performance-based compensation awarded or paid to the named executive officers that was attributable to performance during the applicable time periods. To the extent permitted by applicable law, the compensation committee will make a determination as to whether, and how much, compensation will be recouped on an individual basis. If there has been no misconduct (as described in clause (ii) above), any recoupment of compensation will be limited to a three-year look-back period from the date we discovered the financial or accounting irregularity.

Moreover, if the compensation committee determines that one of the named executive officers has engaged in misconduct, the compensation committee may take actions with respect to such executive as it deems to be in our best interests and necessary to remedy the misconduct and prevent its recurrence. To the extent permitted by applicable law, such actions can include, among other things, recoupment of compensation (which would not be limited to the three-year look-back period) and/or disciplinary actions, including termination of employment. The compensation committee's power to determine the appropriate remedy is in addition to, and not in replacement of, remedies imposed by law enforcement agencies, regulators or other authorities.

Compensation of Directors

The compensation provided to our non-employee directors in fiscal 2011 is enumerated in the table below. Directors who are also one of our employees, such as Mr. Suh or Mr. Liu, do not and will not receive any compensation for their services as a director. In the case of Mr. Suh, who is a named executive officer of LegalZoom for fiscal 2011, his compensation for fiscal 2011 is reported in the 2011 Summary Compensation Table above. Mr. Liu intends to resign his employment with us immediately upon the completion of this offering and will remain as a member of our board of directors.

2011 Director Compensation

Name	Fees Earned or Paid in Cash ($)	Total ($)
Susan Decker	20,000	20,000
Kamran Pourzanjani[(1)]	20,000	20,000
Alan Spoon[(2)]	—	—
Jason Trevisan[(2)]	—	—

(1) Mr. Pourzanjani resigned from our board of directors effective as of February 9, 2012.

(2) Messrs. Spoon and Trevisan did not receive compensation for their services as a director during fiscal 2011 or prior fiscal years.

Directors have been and will continue to be reimbursed for travel, food, lodging and other expenses directly related to their activities as directors. Directors are also entitled to the protection provided by their indemnification agreements and the indemnification provisions in our current certificate of incorporation and bylaws, as well as the certificate of incorporation and bylaws that will become effective immediately upon the completion of this offering. Two of our directors, Ms. Decker and Mr. Pourzanjani, were parties to offer letter agreements with LegalZoom which were effective in fiscal 2011 as discussed below.

Susan Decker and LegalZoom entered into an agreement, dated October 14, 2010, that provided that she would receive (i) $20,000 for each 12 month period of service on our board of directors and (ii) a stock option grant, issued under the 2010 Plan, to purchase up to 150,000 common shares with a $1.40 per share exercise price (which was the fair market value of a common share on the grant date). Subject to her continued service, this stock option vested as to 50,000 shares on October 14, 2011 and the remaining 100,000 shares vest pro-rata over the ensuing 24 months with any unvested portion of the stock option vesting in full upon a change in control of LegalZoom.

Kamran Pourzanjani and LegalZoom entered into an agreement, dated February 9, 2007, that provided that he would receive (i) $2,500 for each regular or special board of directors meeting, (ii) $5,000 annually for representation on any board of directors committee, and (iii) a stock option grant, issued under the 2010 Plan, to purchase up to 300,000 shares of our common stock with a $1.1933 per share exercise price (which was the fair market value of a common share on the grant date). Subject to his continued service, this stock option vested in monthly pro-rata increments over a four year period and was fully vested in February 2011. This stock option was fully vested and exercisable at the end of fiscal 2011

and Mr. Pourzanjani timely exercised the remaining outstanding shares subject to this stock option following his resignation in fiscal 2012. In November 2010, (i) Mr. Pourzanjani's agreement with LegalZoom was amended to provide that he would receive quarterly payments of $5,000 in exchange for his services on our board of directors and (ii) Mr. Pourzanjani was awarded an additional stock option grant, issued under the 2010 Plan, to purchase up to 60,000 shares of our common stock with a $1.40 per share exercise price. Mr. Pourzanjani fully exercised this stock option in 2010 and the acquired shares were subject to repurchase by LegalZoom at a $0.001 per share price upon termination of Mr. Pourzanjani's service. This repurchase right lapsed in monthly pro-rata increments until it had fully lapsed on February 9, 2012.

We did not grant any equity awards to our non-employee directors during fiscal 2011. As of December 31, 2011, our non-employee directors who served on our board of directors in fiscal 2011, held the following number of stock options and restricted shares and no other equity compensation awards:

Name	Restricted Shares	Vested Stock Options (shares)	Unvested Stock Options (shares)
Susan Decker	—	58,326	91,674
Kamran Pourzanjani	10,000	12,507	—
Alan Spoon	—	—	—
Jason Trevisan	—	—	—

2012 Director Compensation

In February 2012, in preparation for this offering, the compensation committee retained FWCook & Co. to provide compensation analysis and information for the committee and our board of directors with respect to future compensation for the non-employee members of our board of directors as we approached an initial public offering. FWCook & Co. provided the compensation committee and board of directors with a written report that summarized its findings. In April 2012, the board of directors, utilizing the data from the non-employee director compensation report provided by FWCook & Co., unanimously adopted a compensation program for fiscal 2012 for non-employee directors in connection with this offering. This fiscal 2012 non-employee director compensation program supersedes and replaces the previous compensation agreement between LegalZoom and Ms. Decker.

The following table presents our non-employee director compensation program that will generally become effective upon consummation of this offering:

Elements:	Cash Retainer/Fees ($)	Annual Stock Unit Award ($)	Annual Option Award (shares)
Annual retainer	25,000	55,000	15,000
Newly-elected director one-time inducement equity grant	—	18,000	5,000
Audit committee chair	15,000	—	—
Compensation committee chair	7,500	—	—
Nominating and governance committee chair	5,000	—	—
Attendance at board and committee meetings:	1,000 per meeting	—	—

Continuing non-employee directors are provided an annual stock unit award and nonstatutory stock option award in addition to a cash retainer to encourage directors to have a direct and material cash investment in shares of our common stock. It is expected that we will generally issue the annual stock unit and stock option awards at or around the date of our annual stockholders meeting. The number of stock units under each stock unit award will be determined using the closing price of a share of our common stock on the date of the annual stockholders meeting. The annual stock unit award will become 100% vested, and the shares underlying such stock unit awards will be distributed, become salable and create

taxable income, on the first anniversary of the grant date. The annual stock option award will have a per share exercise price equal to the fair market value of a share of our common stock on the date of grant and will have a ten-year term. The annual stock option award will vest at the rate of 1/12th per month on the first day of each of the 12 months following the month of the grant date, subject to continued service. In addition, the vesting of a director's stock unit and stock option awards will fully accelerate upon the occurrence of a change in control of LegalZoom. In the event of a director's separation from our board of directors, his or her outstanding stock options will remain exercisable for the lesser of three years or the remaining term of such stock option award(s). The annual stock unit and stock option awards will be pro-rated (based on months remaining until the next annual grant) for service if a director joins mid-year, which is measured from annual stockholder meeting to annual stockholder meeting.

Continuing non-employee directors are also provided an annual cash retainer (including an additional annual cash retainer if he or she is a chair of a committee as specified in the table above) that will be paid in arrears in equal installments on a quarterly basis. The per meeting attendance fee (specified in the table above) will also be paid in arrears on a quarterly basis. Each director may defer payment of all or a portion of his or her annual cash retainer, into a stock unit account, which units would be vested as of the date of grant. The election must be made in writing prior to the start of the new calendar year for subsequent elections or within 30 days of joining our board of directors for new directors. Such election may also need to be made earlier as necessary to comply with Code section 409A. The number of stock units to be credited to each director's account will be granted under the 2012 Plan, or other company equity compensation plan as determined by the board of directors, and is determined based on dividing the dollar amount of the deferred compensation by the closing price of a share of our common stock on the applicable retainer payment date. The shares underlying these stock units will be distributed at the sooner to occur of five years from the date of grant or separation from the board of directors, unless the director made an election to hold the stock units for longer than five years.

In addition to the annual stock unit and stock option awards and cash retainer referenced in the above table, a newly elected non-employee director will also receive a special one-time stock unit award valued at $18,000 and a special one-time stock option award to purchase up to 5,000 shares of our common stock, in connection with his or her commencement of service on our board of directors. The one-time stock unit award will have similar terms to those of the annual stock unit award except that it will vest in two equal annual installments on the first and second anniversaries of the grant date, subject to continued service. The one-time stock option award will have similar terms to those of the annual stock option award except that it will vest at the rate of 1/24th per month on the first day of each of the 24 months following the month of the grant date, subject to continued service. In addition, the vesting of a newly elected director's one-time stock unit and stock option awards will fully accelerate upon the occurrence of a change in control of LegalZoom.

Ms. Decker became eligible to earn an annual cash retainer under this director compensation program effective April 1, 2012. However, Messrs. Spoon and Trevisan, who are each partners with our principal investor, Polaris Venture Partners, shall not receive any annual cash retainer before the effective date of this offering and shall only commence being eligible for such annual cash retainer after this offering if they are still then providing services on our board of directors. Each of the non-employee directors who are serving on our board of directors as of the effective date of this offering shall be granted, on or around the effective date of this offering, a pro-rated annual stock unit award and stock option award with the same vesting schedule as described above. This pro-rated annual stock unit award shall be in a value equal to the product of $55,000 multiplied by the quotient of (x) the number of months during the period of time commencing from the effective date of this offering until the 2013 annual stockholder meeting, divided by (y) 12. Except for Mr. Zucker and any other newly elected or appointed directors who join the Board on or before the completion of this offering, these stock options will have a per share exercise price equal to 115% of the price at which shares will be offered to be sold to the public in this offering. The stock options to be granted to Mr. Zucker and such other new directors will have a per share exercise price equal to the

price at which shares will be offered to be sold to the public in this offering. This pro-rated stock option award shall be in a number of shares equal to the product of 15,000 multiplied by the quotient of (x) the number of months during the period of time commencing from the effective date of this offering until the 2013 annual stockholder meeting, divided by (y) 12. Any new non-employee director who joins our board of directors prior to the completion of this offering will have his or her pro-rated annual stock unit award and stock option award augmented by the number of months he or she served on our board of directors prior to the completion of this offering. If a new non-employee director joins our board of directors prior to the completion of this offering, then Ms. Decker's pro-rated annual stock unit award and stock option award will be similarly augmented by the number of months commencing from the time that such new non-employee director first became a member of our board of directors through the effective date of this offering.

Additionally, in order to promote long-term alignment of directors and stockholder interests, a non-employee director is required to hold five times his or her annual cash retainer (excluding any cash retainer for service on a committee or as a committee chair or other service-related fees). Each non-employee director will be expected to attain or exceed the stock ownership guideline amount within five years of the later of the date of this offering or the date of such director's election to our board of directors, and to remain at or above the guideline.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Other than compensation arrangements, we describe below transactions and series of similar transactions, during our last three fiscal years, to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or holders of more than 5% of our common stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Compensation arrangements for our directors and named executive officers are described elsewhere in this prospectus.

Relationships with Robert Shapiro

Robert L. Shapiro, a co-founder and stockholder of LegalZoom, is a partner in Glaser, Weil, Fink, Jacobs, Howard & Shapiro, LLP, or Glaser Weil. For legal services rendered by Glaser Weil for the years ended December 31, 2009, 2010 and 2011, we incurred approximately $12,000, $315,000 and $195,000 in expenses, respectively.

On May 31, 2005, LegalZoom authorized Mr. Shapiro to exercise a fully vested warrant for 6,000,000 shares of common stock (after giving effect to a 3-for-1 stock split effected on July 2011) for $50,000 through the issuance of a non-recourse promissory note. The warrant was initially issued on November 1, 2000 for public relations and consultancy services. The promissory note bore an annual interest rate of 5% and was due on May 31, 2010. On May 31, 2010, the principal and interest outstanding on the note totaling approximately $62,000 was applied in full in exchange for services rendered by Mr. Shapiro during the year ended December 31, 2010.

We expensed consultancy fees of $188,000, $250,000 and $125,000 for the years ended December 31, 2009, 2010 and 2011, respectively, to Mr. Shapiro. Fees paid to Mr. Shapiro for the year ended December 31, 2010 includes the $62,000 of services rendered in exchange for the repayment of the non-recourse note previously issued in connection with the exercise of warrants for common stock on May 31, 2005 described above.

Loans to Executive Officers

Castling Group LLC

Castling Group LLC issued a full recourse promissory note to us for $310,470 on February 1, 2010 to Castling Group LLC, or Castling. John Suh, our Chief Executive Officer and member of our board of directors, is the managing member of Castling. The note bore interest at the rate per annum of 4% compounded annually and superseded an original note issued by Castling to us for $255,000, dated as of February 1, 2005, which was initially issued by Castling to us as part of the total purchase price of 1,020,000 shares of our common stock (after giving effect to a 3-for-1 stock split effected on July 2011) pursuant to our 2000 Stock Option Plan. The balance of $321,954, including principal and total accrued interest of $66,954 was repaid in full by Castling on December 31, 2010.

Frank Monestere

Frank Monestere, our President and Chief Operating Officer, issued three full recourse promissory notes to us for $5,174, $36,526 and $91,315, on February 1, 2010. The notes each bore interest at the rate per annum of 4% compounded annually and superseded three original note issued by Mr. Monestere to us for $4,250, $30,000 and $75,000, dated as of February 1, 2005, which were issued by Mr. Monestere to us as part of the total purchase price of 127,500, 900,000 and 300,000 shares of our common stock (after giving effect to a 3-for-1 stock split effected on July 2011) pursuant to our 2000 Stock Option Plan. The balance

of $137,724, including principal for each of the three notes and total accrued interest for each of the three notes of $28,474 was repaid in full by Mr. Monestere on December 17, 2010.

Compensation Arrangements, Stock Option Grants and Indemnification for Executive Officers and Directors

We have entered into offer letter agreements with our named executive officers that, among other things, provide for certain change in control benefits, as well as severance benefits for our named executive officers. For a description of these agreements, see "Executive Compensation—Executive Employment Agreements."

We have entered into agreements with our named executive officers regarding cash bonuses. For a description of these bonuses, see "Executive Compensation—Components of Executive Compensation— Annual Performance-based Cash Bonus Opportunity."

We have granted stock options and restricted stock units to our executive officers and certain of our directors. For a description of these equity awards, see "Executive Compensation—2011 Outstanding Equity Awards at Year-end" and "Executive Compensation—Incentive Compensation Plans—Compensation of Directors."

We will have entered into indemnification agreements with each of our current directors and executive officers before the completion of this offering. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted under Delaware law. See "Description of Capital Stock—Limitations of Liability and Indemnification."

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

Policies and Procedures for Related Person Transactions

We plan to adopt a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock and any members of the immediate family of any of the foregoing persons are not permitted to enter into a related person transaction with us without the prior consent of our audit committee. Any request for us to enter into a transaction with an executive officer, director, nominee for election as a director, beneficial owner of more than 5% of any class of our common stock or any member of the immediate family of any of the foregoing persons, in which the amount involved exceeds $120,000, and pursuant to which such person would have a direct or indirect interest must first be presented to our audit committee for review, consideration and approval. In approving or rejecting any such proposal, our audit committee is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. All of the transactions described above were approved or ratified by our board of directors.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth, as of May 4, 2012, information regarding beneficial ownership of our capital stock by:

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

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options that are currently exercisable or exercisable within 60 days of May 4, 2012. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose. No selling stockholder is a broker-dealer or an affiliate of a broker-dealer.

Our calculation of the percentage of beneficial ownership prior to this offering is based on 54,639,720 shares of our common stock (including preferred stock on an as converted basis) outstanding as of May 4, 2012. We have based our calculation of the percentage of beneficial ownership after this offering on shares of our common stock outstanding immediately after the completion of this offering (assuming no exercise of the underwriters' over-allotment option).

Common stock subject to stock options currently exercisable or exercisable within 60 days of May 4, 2012, are deemed to be outstanding for computing the percentage ownership of the person holding these options and the percentage ownership of any group of which the holder is a member but are not deemed outstanding for computing the percentage of any other person.

Unless otherwise noted below, the address for each of the stockholders in the table below is c/o LegalZoom.com, 101 North Brand Boulevard, 11th Floor, Glendale, California 91203.

Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering[1]		Number of Shares Being Offered	Shares Beneficially Owned After Offering	
	Shares	%[2]		Shares	%[3]
5% Stockholders					
Entities affiliated with Polaris Venture Partners[4]	19,197,555	35.1			
Institutional Venture Partners XIII, L.P.[5]	8,042,631	14.7			
KPCB Holdings, Inc., as Nominee[6]	3,504,963	6.4			
Brian Liu	4,685,884	8.6			
Executive Officers and Directors					
John Suh[7]	2,425,665	4.4			
Frank Monestere[8]	952,241	1.7			
Edward Hartman[9]	1,870,499	3.4			
Fred Krupica[10]	720,000	1.3			
Sheila Tan	—	—			
Tracy Terrill[11]	408,750	*			
Chas Rampenthal	277,500	*			
Brian Liu	4,685,884	8.6			
Susan Decker[12]	83,328	*			
Alan Spoon[13] c/o Polaris Venture Partners	19,197,555	35.1			
Jason Trevisan[14] c/o Polaris Venture Partners	19,197,555	35.1			
Nehemia (Hemi) Zucker	—	—			
Daniel Cooperman[15]	—	—			
All executive officers and directors as a group (13 persons)	30,621,422	56.0			
Other Selling Stockholders					

* Represents beneficial ownership of less than 1%.

(1) The amounts in this table give effect to the conversion of all shares of Series A into common stock on a one-for-three basis that will occur immediately prior to the completion of this offering.

(2) The percentage of shares beneficially owned was determined based on a fraction, the numerator of which is the sum of (i) the number of outstanding shares of common stock beneficially owned by such owner and (ii) the number of shares issuable upon exercise of options beneficially owned by such owner and exercisable within 60 days of May 4, 2012, and the denominator of which is the sum of (a) the aggregate number of shares of common stock outstanding on May 4, 2012 and (b) the aggregate number of shares of common stock issuable upon exercise of options beneficially owned by such owner and exercisable within 60 days of May 4, 2012.

(3) The percentage of shares beneficially owned was determined based on a fraction, the numerator of which is the sum of (i) the number of outstanding shares of common stock beneficially owned by such owner and (ii) the number of shares issuable upon exercise of options beneficially owned by such owner and exercisable within 60 days of May 4, 2012, and the denominator of which is the sum of (a) the aggregate number of shares of common stock outstanding after completion of this offering and (b) the aggregate number of shares of common stock issuable upon exercise of options beneficially owned by such owner and exercisable within 60 days of May 4, 2012.

(4) Consists of: (i) 18,524,379 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners V, L.P. (Polaris V); (ii) 361,041 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners Entrepreneurs' Fund V, L.P. (Polaris EFund V); (iii) 126,891 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners Founders' Fund V, L.P. (Polaris FFund); and (iv) 185,244 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners Special Founders' Fund V, L.P. (Polaris SFFV V, and collectively with Polaris V, Polaris EFund V and Polaris FFund V, the Polaris Funds). Polaris Venture Management Co., V, L.L.C. (Polaris M) is

the General Partner of the Polaris Funds and has sole voting and investment power of the shares held by the Polaris Funds. Alan G. Spoon, Jason Trevisan, Jonathan A. Flint and Terrance G. McGuire are members of Polaris M and Messrs. Flint and McGuire are the Managing Members, and may be deemed to share voting and investment power over the securities held by the Polaris Funds. Messrs. Spoon, Trevisan, Flint and McGuire disclaim beneficial ownership of the shares held by the Polaris Funds, except to the extent of any pecuniary interest therein. The address of the Polaris Funds is 1000 Winter Street, Waltham, Massachusetts 02451.

(5) Consists of: (i) 4,533,690 existing shares of common stock and (ii) 3,508,941 shares of common stock issuable upon conversion of Series A. Institutional Venture Management XIII, LLC. (IVM XIII) is the sole General Partner of Institutional Venture Partners XIII, L.P., (IVP XIII) and has sole voting and investment control over the shares held by IVP XIII and may be deemed to beneficially own the shares held by IVP XIII. Todd C. Chaffee, Norman A. Fogelsong, Stephen J. Harrick, J. Stanford Miller and Dennis B. Phelps are the Managing Directors of IVM XIII and share voting and investment power over the shares held by IVP XIII. The address for IVP XIII is 3000 Sand Hill Road, Building 2, Suite 250, Menlo Park, California 94025. Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances up to 2,266,845 shares of common stock could be transferred to IVP XIII.

(6) Consists of: (i) 3,303,778 shares of common stock held by KPCB Digital Growth Fund, LLC (KPCB DGF) and (ii) 201,185 shares of common stock held by KPCB Digital Growth Founders Fund, LLC (KPCB DGFF) and held for convenience in the name of "KPCB Holdings, Inc. as nominee," for the accounts of such entities, each of whom exercise their own voting and investment power over such shares. The Managing Member for KPCB DGF and KPCB DGFF is KPCB DGF Associates, LLC. Brook Byers, L. John Doerr, Raymond Lane, Theodore Schlein, William Joy and Bing Gordon, the Managing Directors of KPCB DGF Associates, LLC, exercise shared voting and investment power over the shares directly held by KPCB DGF and KPCB DGFF. The address for KPCB Holding, Inc., as Nominee, is 2750 Sand Hill Road, Menlo Park, California 94025. Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances up to 1,752,482 shares of common stock could be transferred to KPCB Holdings, Inc., as Nominee.

(7) Consists of: (i) 1,170,259 shares of common stock held by Mr. Suh; (ii) 500,000 shares of common stock held by John Hyunjeck Suh and Steven Keirn, Trustees of The John Hyunjeck Suh Grantor Retained Annuity Trust dated December 29, 2011 (Suh GRAT); and (iii) 755,406 shares of common stock underlying options that are exercisable within 60 days of May 4, 2012. Mr. Suh and Steven Keirn are co-trustees of the Suh GRAT and share voting and investment power over the shares held by the Suh GRAT.

(8) Consists of: (i) 838,938 shares of common stock held by Mr. Monestere; (ii) 38,303 shares of common stock held by Francis C. Monestere, Trustee of the FRANCIS C. MONESTERE 2010 GRAT; and (iii) 75,000 shares of common stock underlying options that are exercisable within 60 days of May 4, 2012.

(9) Consists of: (i) 1,850,499 shares of common stock held by Mr. Hartman; and (ii) 20,000 shares of common stock held by Mr. Hartman's minor children. Mr. Hartman and his wife, Risha Henry, share voting and investment power over the shares held by their minor children.

(10) Consists of 720,000 shares of common stock underlying options that are exercisable within 60 days of May 4, 2012.

(11) Consists of: (i) 90,000 shares of common stock held by The Terrill Living Trust (Terrill Trust); and (ii) 318,750 shares of common stock underlying options that are exercisable within 60 days of May 4, 2012. Mr. Terrill is the sole trustee of the Terrill Trust and has sole voting and investment power over the shares held by the Terrill Trust.

(12) Consists of 83,328 shares of common stock underlying options that are exercisable within 60 days of May 4, 2012.

(13) All shares of common stock indicated as owned by Mr. Spoon are included because of his affiliation with the Polaris Funds. See footnote 4 above. Mr. Spoon disclaims beneficial ownership of all shares owned by the Polaris Funds except to the extent of any indirect pecuniary interest therein.

(14) All shares of common stock indicated as owned by Mr. Trevisan are included because of his affiliation with the Polaris Funds. See footnote 4 above. Mr. Trevisan disclaims beneficial ownership of all shares owned by the Polaris Funds except to the extent of any indirect pecuniary interest therein.

(15) Mr. Cooperman has been nominated to become a director upon the completion of this offering.

DESCRIPTION OF CAPITAL STOCK

General

The following descriptions of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to the amended and restated certificate of incorporation and the amended and restated bylaws that will be in effect upon completion of this offering. Copies of these documents will be filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of the common stock and preferred stock reflect changes to our capital structure that will occur upon the completion of this offering.

Upon the completion of this offering, our amended and restated certificate of incorporation will provide for one class of common stock. In addition, our amended and restated certificate of incorporation will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Upon the completion of this offering, our authorized capital stock will consist of shares, all with a par value of $0.001 per share, of which:

- shares are designated as common stock; and
- shares are designated as preferred stock.

As of March 31, 2012, we had outstanding 54,624,570 shares of common stock, which assumes the conversion of all outstanding shares of our Series A into shares of common stock immediately prior to the completion of this offering. Our outstanding capital stock was held by 232 stockholders of record as of March 31, 2012. As of March 31, 2012, we also had outstanding options to acquire 7,586,479 shares of common stock held by employees, directors and consultants outstanding under out 2000 Stock Option Plan and our 2010 Stock Incentive Plan and 75,000 restricted stock units to be settled into shares of our common stock outstanding under our 2010 Stock Incentive Plan.

Common Stock

Voting Rights

Holders of our common stock are entitled to one vote per share on any matter to be voted upon by our stockholders. All shares of common stock rank equally as to voting and all other matters. The shares of common stock have no preemptive or conversion rights, no redemption or sinking fund provisions, and are not liable for further call or assessment and are not entitled to cumulative voting rights.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of common stock are entitled to share equally, on a per share basis, with respect to any dividend or distribution of cash, property or shares of our capital stock paid or distributed by LegalZoom, out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. See "Dividend Policy".

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the holders of common stock will be entitled to share ratably in all assets remaining after the payment of any liabilities and subject to preferences that may apply to shares of preferred stock outstanding at the time.

Preferred Stock

As of March 31, 2012, there were 7,628,000 shares of our Series A outstanding, which will be converted into 22,884,000 shares of common stock which will occur immediately prior to the completion of this offering.

Upon the completion of this offering, our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action. Upon the completion of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

Registration Rights

After our initial public offering, certain holders of shares of our common stock that were issued upon conversion of our Series A, will be entitled to certain rights with respect to registration of such shares under the Securities Act. These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our Investors' Rights Agreement dated as of February 9, 2007, or the IRA, and are described in additional detail below. We, along with Institutional Venture Partners XIII, L.P., entities affiliated with Polaris Venture Partners, as well as certain other parties, are parties to the IRA. We entered into the IRA in connection with the issuance of our Series A in 2007.

The registration of shares of our common stock pursuant to the exercise of registration rights described below would enable the holders to trade these shares without restriction under the Securities Act when the applicable registration statement is declared effective. We will pay the registration expenses, other than underwriting discounts, selling commissions and stock transfer taxes, of the shares registered pursuant to the demand, piggyback and Form S-3 registrations described below.

Generally, in an underwritten offering, the managing underwriter, if any, has the right, subject to specified conditions, to limit the number of shares the holders may include. The demand, piggyback and Form S-3 registration rights described below will expire five years after the effective date of the registration statement, of which this prospectus forms a part, or, with respect to any particular holder, at such time that such holder can sell its shares under Rule 144 of the Securities Act during any three month period.

Demand Registration Rights

Under our IRA, upon the written request of the holders of a majority of our registrable securities then outstanding that we file a registration statement under the Securities Act, we are obligated to use our reasonable best efforts to register the sale of all registrable securities that the holders may request in writing to be registered within 20 days of the mailing of a notice by us to all holders of such registration. We are required to effect no more than two registration statements that are declared or ordered effective. We may postpone the filing of a registration statement for up to 60 days twice in a 12-month period if in the good faith judgment of our board of directors such registration would be materially detrimental to us.

Piggyback Registration Rights

If we register any of our securities for public sale, either for our own account or for the account of other security holders, we will also have to register all registrable securities that the holders of such securities request in writing be registered within 20 days of mailing of notice by us to such holders of the proposed registration; however, we have no obligation to effect the registration of registrable securities held by the holders if the registrable securities sought to be included by the holders exceeds 67% of the total number of securities proposed to be offered and sold in connection with such registration. This piggyback registration right does not apply to a registration relating to any of our stock plans, stock purchase or similar plan, a transaction under Rule 145 of the Securities Act, a registration on any registration form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the registrable securities or a registration in which the only common stock being registered is common stock issuable upon conversion of debt securities which are also being registered. The managing underwriter of any underwritten offering will have the right to limit, due to marketing reasons, the number of shares registered by these holders to 30% of the total shares covered by the registration statement, unless such offering is our initial public offering, in which case, these holders may be excluded if the underwriters determine that the sale of their shares may jeopardize the success of the offering and none of our other stockholder's securities are included in the offering.

Form S-3 Registration Rights

The holders of our registrable securities can request that we register all or a portion of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and the aggregate price to the public of the shares offered is in excess of $7.5 million (net underwriting discounts and commissions, if any). We may postpone the filing of a registration statement for up to 90 days once in a 12-month period if in the good faith judgment of our board of directors such registration would be materially detrimental to us.

Anti-takeover Provisions

Certificate of Incorporation and Bylaws to be in Effect upon the Completion of this Offering

Upon the completion of this offering, our amended and restated certificate of incorporation will provide for a board of directors comprised of three classes of directors, with each class serving a three-year term beginning and ending in different years than those of the other two classes. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation and amended and restated bylaws to be effective upon the completion of this offering will provide that all stockholder actions must be effected at a duly called meeting of stockholders and not by a consent in writing, and that only the majority of our whole board of directors, the Chairman of our board of directors or our Chief Executive Officer may call a special meeting of stockholders.

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our directors may be removed only for cause and require an 80% supermajority stockholder vote for the rescission, alteration, amendment or repeal of the certificate of incorporation or bylaws by stockholders. Our amended and restated certificate of incorporation and amended and restated bylaws will also provide that vacancies occurring on our board of directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of our board of directors. Our amended and restated bylaws will establish an advance notice procedure for stockholder approvals to be brought before an annual meeting

of our stockholders, including proposed nominations of persons for election to our board of directors. The combination of the classification of our board of directors, the lack of cumulative voting, supermajority stockholder voting requirements, the ability of the board to fill vacancies and the advance notice provisions will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}\%$ of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any losses, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within a period of three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Choice of Forum

Our amended and restated certificate of incorporation will provide that the Court of Chancery of the State of Delaware will be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and a court could find these types of provisions to be inapplicable or unenforceable.

Limitations of Liability and Indemnification

As permitted by Delaware law, provisions in our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately upon the completion of this offering will limit or eliminate the personal liability of our directors. Consequently, directors will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any unlawful payments related to dividends or unlawful stock repurchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies, such as an injunction or rescission.

Our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately upon the completion of this offering also require us to indemnify our directors and officers to the fullest extent permitted by Delaware law and, as described under "Certain Relationships and Related Person Transactions," we have entered into indemnification agreements with each of our directors and officers.

These provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, your investment in our stock may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the indemnification agreements and the insurance are necessary to attract and retain talented and experienced directors and officers.

At present, there is no pending litigation or proceeding involving any of our directors or officers where indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that might result in a claim for such indemnification.

Market Listing

We have applied for listing of our common stock on the NYSE under the symbol "LGZ."

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our common stock will be Wells Fargo Bank N.A.

SHARES ELIGIBLE FOR FUTURE SALE

Before our initial public offering, there has not been a public market for shares of our common stock. Future sales of substantial amounts of shares of our common stock, including shares issued upon the settlement of restricted stock units and exercise of outstanding options, in the public market after our initial public offering, or the possibility of these sales occurring, could cause the prevailing market price for our common stock to fall or impair our ability to raise equity capital in the future.

After our initial public offering, we will have outstanding shares of our common stock, based on the number of shares outstanding as of March 31, 2012. This includes shares that we and the selling stockholders are selling in our initial public offering, which shares may be resold in the public market immediately following our initial public offering, and assumes no additional exercise of outstanding options.

The shares of common stock that were not offered and sold in our initial public offering as well as shares underlying outstanding restricted stock units will be upon issuance, "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which are summarized below.

As a result of the lock-up agreements and market standoff provisions described below and subject to the provisions of Rules 144 and 701 under the Securities Act, these restricted securities will be available for sale in the public market as follows:

- on the date of this prospectus;
- after 90 days from the date of this prospectus;
- after 180 days from the date of this prospectus (subject, in some cases, to volume limitations); and
- at various times after 180 days from the date of this prospectus (subject, in some cases, to volume limitations).

Rule 144

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

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon the expiration of the lock-up agreements described below, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after our initial public offering, or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, consultants or advisors who purchase shares from us in connection with a compensatory stock or option plan or other written agreement in a transaction before the effective date of our initial public offering that was completed in reliance on Rule 701 and complied with the requirements of Rule 701 will, subject to the lock-up restrictions and market standoff provision described below, be eligible to resell such shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

Lock-up Agreements

All of our directors and executive officers and the holders of substantially all of our securities have signed lock-up agreements under which they have agreed not to sell, transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for shares of our common stock without the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Finner & Smith Incorporated for a period of 180 days, subject to possible extension under certain circumstances, after the date of this prospectus. These agreements are described below under "Underwriting."

Market Standoff Provisions

In addition, holders of options are subject to market standoff provisions in their incentive stock option agreements under which they have agreed not to directly or indirectly offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of our common stock held by it without our prior written consent for a period of 180 days, and we may not provide such consent prior to the expiration of the 180-day restrictive provisions contained in those market standoff provisions without the written consent of Morgan Stanley & Co. LLC and Merrill, Lynch, Pierce, Fenner & Smith Incorporated.

Registration Rights

On the date beginning 180 days after the date of this prospectus, the holders of approximately shares of our common stock, or their transferees, will be entitled to certain rights with respect to the registration of those shares under the Securities Act. For a description of these registration rights, please see "Description of Capital Stock—Registration Rights." If these shares are registered, they will be freely tradable without restriction under the Securities Act.

Stock Options

As soon as practicable after the completion of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock subject to options outstanding or reserved for issuance under our 2000 Stock Option Plan, our 2010 Stock Incentive Plan and our 2012 Equity Incentive Plan. This registration statement will become effective immediately upon filing, and shares covered by that registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements and market standoff provision described above and Rule 144 limitations applicable to affiliates. For a more complete discussion of our stock plans, see "Executive Compensation—Incentive Compensation Plans."

MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of certain material U.S. federal tax consequences of the acquisition, ownership and disposition of our common stock purchased pursuant to this offering by "Non-U.S. Holders (as defined below). This discussion is a summary for general information purposes only and does not consider all aspects of federal taxation that may be relevant to particular Non-U.S. Holders in light of their individual investment circumstances or to certain types of Non-U.S. Holders subject to special tax rules, including partnerships or other pass-through entities, banks, financial institutions or other financial services entities, broker-dealers, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, persons who use or are required to use mark-to-market accounting, persons that hold our shares as part of a "straddle," a "hedge" or a "conversion transaction," certain former citizens or permanent residents of the United States, investors in pass-through entities, or persons subject to the alternative minimum tax. In addition, this summary does not address any tax considerations that may apply to Non-U.S. Holders of our common stock under state, local or non-U.S. tax laws, or, except to the extent discussed below, the effects of any applicable gift or estate tax.

This summary is based on the Internal Revenue Code of 1986, as amended, or the Code and applicable Treasury Regulations, rulings, administrative pronouncements and decisions as of the date of this registration statement, all of which are subject to change or differing interpretations at any time with possible retroactive effect. We have not sought, and will not seek, any ruling from the Internal Revenue Service or IRS with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained. This discussion assumes that a Non-U.S. Holder will hold our common stock as a capital asset within the meaning of the Code (generally property held for investment).

For purposes of this discussion, the term "Non-U.S. Holder" means a beneficial owner of our shares that is not:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized, or treated as created or organized, in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) it is subject to the primary supervision of a court within the United States, and one or more U.S. persons, as defined under Section 7701(a)(30) of the Code, have the authority to control all substantial decisions of the trust; or (ii) it has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

An individual that is not a U.S. citizen may, in many cases, be deemed to be a U.S. resident, as opposed to a nonresident alien, by virtue of being present in the United States for at least 31 days in the calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For these purposes, all the days present in the current year, one-third of the days present in the immediately preceding year, and one-sixth of the days present in the second preceding year are counted. Resident aliens are generally subject to U.S. federal income tax as if they were U.S. citizens. Such an individual is urged to consult his or her own tax advisor regarding the U.S. federal income tax consequences of the ownership or disposition of our common stock. If a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our shares,

you should consult your tax advisor regarding the tax consequences of the purchase, ownership, and disposition of our common stock.

This discussion is not tax advice. Prospective investors are urged to consult their own tax advisor regarding the U.S. federal, state and local, and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.

Dividends and Distributions

In general, dividends paid to a Non-U.S. Holder (to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles) will be subject to U.S. withholding tax at a rate equal to 30% of the gross amount of the dividend, or a lower rate prescribed by an applicable income tax treaty, unless the dividends are effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States. Any distribution not constituting a dividend will be treated first as reducing the Non-U.S. Holder's basis in its shares of common stock, and to the extent it exceeds the Non-U.S. Holders basis, as capital gain (see "Sale of Other Taxable Disposition of Common stock" below).

A Non-U.S. Holder who claims the benefit of an applicable income tax treaty generally will be required to satisfy certain certification and other requirements prior to the distribution date. Non-U.S. Holders must generally provide the withholding agent with a properly executed IRS Form W-8BEN claiming an exemption from or reduction in withholding under an applicable income tax treaty. If tax is withheld in an amount in excess of the amount applicable under an income tax treaty, a refund of the excess amount may generally be obtained by filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends that are effectively connected with a Non-U.S. Holder's conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment of the Non-U.S. Holder) generally will not be subject to U.S. withholding tax if the Non-U.S. Holder files the required forms, including IRS Form W-8ECI, or any successor form, with the payor of the dividend, but instead generally will be subject to U.S. federal income tax on a net income basis in the same manner as if the Non-U.S. Holder were a resident of the United States. A corporate Non-U.S. Holder that receives effectively connected dividends may be subject to an additional branch profits tax at a rate of 30%, or a lower rate prescribed by an applicable income tax treaty, on the repatriation from the United States of its "effectively connected earnings and profits" for the taxable year, as adjusted for certain items.

Sale or Other Taxable Disposition of Common Stock

In general, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of the Non-U.S. Holder's shares of common stock unless:

(i) the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment of the Non-U.S. Holder);

(ii) the Non-U.S. Holder is an individual who holds shares of common stock as a capital asset and is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or

(iii) we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the Non-U.S. Holder held the common stock, and, in the case where shares of our common stock are regularly traded on an established securities market, the Non-U.S. Holder owns, or is treated as owning, more than five percent of our common stock.

Net gain realized by a Non-U.S. Holder described in clause (i) above generally will be subject to U.S. federal income tax in the same manner as if the Non-U.S. Holder were a resident of the United States. Any gains of a corporate Non-U.S. Holder described in clause (i) above may also be subject to an additional "branch profits tax" at a 30% rate, or such lower rate as may be specified by an applicable income tax treaty.

Gain realized by an individual Non-U.S. Holder described in clause (ii) above will be subject to a flat 30 percent tax, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States.

For purposes of clause (iii) above, a corporation is a United States real property holding corporation if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we are not, and we do not anticipate that we will become, a United States real property holding corporation.

U.S. Federal Estate Tax

The estate of a nonresident alien individual is generally are subject to U.S. federal estate tax on property having a U.S. situs. Because we are a U.S. corporation, our common stock will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise.

Information Reporting and Backup Withholding

Generally, we must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States or withholding was reduced by an applicable income tax treaty. Under applicable income tax treaties or other agreements, the IRS may make its reports available to the tax authorities in the Non-U.S. Holder's country of residence.

Dividends paid to a Non-U.S. Holder that is not an exempt recipient generally will be subject to backup withholding, currently at a rate of 28% of the gross proceeds, unless the Non-U.S. Holder certifies as to its foreign status, which certification may generally be made on IRS Form W-8BEN.

Proceeds from the sale or other disposition of common stock by a Non-U.S. Holder effected by or through a U.S. office of a broker will generally be subject to information reporting and backup withholding, currently at a rate of 28% of the gross proceeds, unless the Non-U.S. Holder certifies to the payor under penalties of perjury as to, among other things, its name, address and status as a Non-U.S. Holder or otherwise establishes an exemption. Payment of disposition proceeds effected outside the United States by or through a non-U.S. office of a non-U.S. broker generally will not be subject to information reporting or backup withholding if the payment is not received in the United States. Information reporting, but generally not backup withholding, will apply to such a payment if the broker has certain connections with the United States unless the broker has documentary evidence in its records that the beneficial owner thereof is a Non-U.S. Holder and specified conditions are met or an exemption is otherwise established.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules from a payment to a Non-U.S. Holder that results in an overpayment of taxes generally will be refunded, or credited against the holder's U.S. federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Foreign Accounts

A U.S. federal withholding tax of 30% may apply to dividends and the gross proceeds of a disposition of our common stock paid to a "foreign financial institution" (as specially defined under these rules) unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding certain U.S. account holders of such institution (which includes certain equity holders of such institution, as well as certain account holders that are foreign entities with U.S. owners). This U.S. federal withholding tax of 30% will also apply to payments of dividends and the gross proceeds of a disposition of our common stock paid to a non-financial foreign entity unless such entity either certifies it does not have any substantial U.S. owners or provides the withholding agent with a certification identifying substantial direct and indirect U.S. owners of the entity. The withholding tax described above will also not apply if the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from the rules. Under certain circumstances, a Non-U.S. Holder might be eligible for refunds or credits of such taxes. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in our common stock.

Although these rules currently apply to applicable payments made after December 31, 2012, the IRS has issued Proposed Treasury Regulations providing that the withholding provisions described above will generally apply to payments of dividends made on or after January 1, 2014 and to payments of gross proceeds from a sale or other disposition of common stock on or after January 1, 2015.

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Stifel, Nicolaus & Company, Incorporated	
William Blair & Company, L.L.C.	
RBC Capital Markets, LLC	
Montgomery & Co., LLC	
Total:	

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us and the selling stockholders. These amounts are shown

assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of common stock.

		Total	
	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by:			
Us			
The selling stockholders			
Proceeds, before expenses, to us			
Proceeds, before expenses, to selling stockholders			

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $ million, which includes legal, accounting and printing costs and various other fees associated with the listing of our common stock.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of common stock offered by them.

We intend to apply to list our common stock on the NYSE under the trading symbol "LGZ".

We and all directors and officers and the holders of substantially all of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Merrill, Lynch, Pierce, Fenner & Smith Incorporated on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock;
- file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock.

Whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Merrill, Lynch, Pierce, Fenner & Smith Incorporated on behalf of the underwriters, we or such other person will not, during the 180-day restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph to do not apply to:

- the sale of shares to the underwriters;
- transfers by a selling stockholder of shares of common stock or any security convertible into common stock as a bona fide gift;
- distributions by a selling stockholder of shares of common stock or any security convertible into common stock to limited partners or stockholders of the selling stockholder;
- the issuance by the Company of options or other stock-based compensation pursuant to equity compensation plans in existence on the date hereof and, in each case, described in this prospectus;

- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that such plan does not provide for the transfer of common stock during the 180-day restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of the party to the trading plan or the Company;

- the entry into an agreement providing for the issuance by the Company of shares of common stock or any security convertible into or exercisable for shares of common stock in connection with joint ventures, commercial relationships or other strategic transactions, or the acquisition by the Company of any of its subsidiaries of the securities, business, property or other assets of another person or entity or pursuant to an employee benefit plan assumed by the Company in connection with such acquisition, and the issuance of any such securities pursuant to any such agreement; provided that the aggregate number of shares of common stock that the Company may sell or issue or agree to sell or issue shall not exceed 5% of the total number of shares of our common stock issued and outstanding immediately following the completion of this offering, and provided further that any such securities issued pursuant to such agreement shall be subject to substantially similar restrictions described in the immediately preceding paragraph, and the Company shall enter stop transfer instructions with the Company's transfer agent and registrar on such securities, which the Company agrees it will not waive or amend without the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated; or

- the filing of one or more registration statements on Form S-8 with respect to the issuance, vesting, exercise or settlement of options, restricted stock units or other equity awards granted or to be granted by the Company pursuant to any equity compensation plan described in this prospectus.

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

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news event relating to us occurs, or

- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock

above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

Pricing of the Offering

Prior to this offering, there has been no public market for our common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Directed Share Program

At our request, the underwriters have reserved up to shares, or %, of the common stock offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and certain other persons who are otherwise associated with us. Any reserved shares purchased by such person will be subject to the 180-day lock-up restriction described above. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with sales of the reserved shares.

Relationships

Some of the underwriters and their affiliates have engaged, and may in the future engage, in investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to customers that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This prospectus and any other material in relation to the shares described herein is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospective Directive ("qualified investors") that also (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, (ii) who fall within Article 49(2)(a) to (d) of the Order or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to purchase or otherwise acquire such shares will be engaged in only with, relevant persons. This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus or any of its contents.

Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in

Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the shares.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

LEGAL MATTERS

Our counsel, Sheppard, Mullin, Richter & Hampton LLP, Los Angeles, California, will pass on the validity of the shares of common stock offered by this prospectus. The underwriters have been represented by Latham & Watkins LLP, Los Angeles, California.

EXPERTS

The financial statements as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act that registers the shares of our common stock to be sold in this offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules filed as part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The reports and other information we file with the SEC can be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Copies of these materials can be obtained at prescribed rates from the SEC's Public Reference Room at such address. You may obtain information regarding the operation of the public reference room by calling 1-800-SEC-0330. The SEC also maintains a web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

Upon completion of this offering, we will become subject to the reporting and information requirements of the Exchange Act and, as a result, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference room and the web site of the SEC referred to above. We also maintain a website at http://www.legalzoom.com. Upon completion of this offering, you may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC, free of charge, at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained on, or that can be accessed through, our website shall not be deemed incorporated into and is not part of this prospectus or the registration statement of which it forms a part.

LEGALZOOM.COM, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2009, 2010 and 2011 and the Three Months Ended March 31, 2011 and 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of LegalZoom.com, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and redeemable convertible preferred stock and stockholders' deficit present fairly, in all material respects, the financial position of LegalZoom.com, Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for multiple deliverable revenue arrangements in 2010.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
April 5, 2012

LEGALZOOM.COM, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2010	December 31, 2011	March 31, 2012 (unaudited)	Pro Forma March 31, 2012 (unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$ 19,169	$ 27,108	$ 31,922	$ 31,922
Restricted cash	502	—	—	
Accounts receivable, net of allowance of $53, $214, $261 (unaudited) and $261 (unaudited), respectively	2,163	3,652	5,811	5,811
Prepaid expenses and other current assets	2,940	3,302	3,665	3,665
Deferred income taxes	—	6,498	6,395	6,395
Total current assets	24,774	40,560	47,793	47,793
Property and equipment, net	10,617	12,211	12,034	12,034
Deferred income taxes	—	430	430	430
Other assets	238	300	2,034	2,034
Total assets	$ 35,629	$ 53,501	$ 62,291	$ 62,291
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)				
Current liabilities:				
Accounts payable	$ 2,496	$ 1,738	$ 4,460	$ 4,460
Accrued expenses and other current liabilities	9,937	19,434	22,534	22,534
Capital lease obligations	19	202	58	58
Deferred revenue	18,227	21,502	24,801	24,801
Total current liabilities	30,679	42,876	51,853	51,853
Deferred revenue, net of current portion	6,979	3,277	2,436	2,436
Deferred rent	2,811	3,864	3,811	3,811
Capital lease obligations, net of current portion	15	—	—	—
Other liabilities	6,004	603	766	766
Total liabilities	46,488	50,620	58,866	58,866
Commitments and contingencies (Note 6)				
Series A redeemable convertible preferred stock, $0.001 par value; 7,628 shares authorized, issued and outstanding at December 31, 2010 and 2011 and March 31, 2012 (unaudited); no shares authorized, issued and outstanding pro forma (unaudited); liquidation preference of $57,064 at December 31, 2011 and March 31, 2012 (unaudited)	58,649	62,691	63,699	—
Stockholders' equity (deficit):				
Common stock, $0.001 par value; 66,180 shares authorized; 31,417, 31,780 and 32,011 shares issued; and 31,147, 31,510 and 31,741 (unaudited) shares outstanding at December 31, 2010 and 2011, and March 31, 2012 (unaudited); 54,625 shares outstanding pro forma (unaudited)	31	31	32	55
Treasury stock, at cost; 270 shares at December 31, 2010 and 2011 and March 31, 2012 (unaudited)	(519)	(519)	(519)	(519)
Additional paid-in capital	202	331	—	63,676
Accumulated deficit	(69,222)	(59,653)	(59,787)	(59,787)
Total stockholders' equity (deficit)	(69,508)	(59,810)	(60,274)	3,425
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$ 35,629	$ 53,501	$ 62,291	$ 62,291

See Notes to Consolidated Financial Statements.

LEGALZOOM.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011 (unaudited)	2012 (unaudited)
Revenues	$ 103,299	$ 120,771	$ 156,066	$ 38,288	$ 46,988
Costs and operating expenses:					
Cost of services	53,082	60,643	80,437	20,459	22,847
Sales and marketing	32,673	36,322	41,891	12,388	15,651
Technology and development	4,686	7,509	8,117	1,869	2,071
General and administrative	13,154	20,024	19,343	4,596	6,167
Total costs and operating expenses	103,595	124,498	149,788	39,312	46,736
Income (loss) from operations	(296)	(3,727)	6,278	(1,024)	252
Interest and other expense, net	(33)	(15)	(153)	(51)	(27)
Income (loss) before income taxes	(329)	(3,742)	6,125	(1,075)	225
Income tax (provision) benefit	(311)	(282)	5,998	103	(280)
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Accretion of redeemable convertible preferred stock	(4,035)	(4,038)	(4,042)	(997)	(1,008)
Net income attributable to participating securities	—	—	(3,407)	—	—
Net income (loss) attributable to common stockholders	$ (4,675)	$ (8,062)	$ 4,674	$ (1,969)	$ (1,063)
Net income (loss) per share attributable to common stockholders:					
Basic	$ (0.17)	$ (0.28)	$ 0.15	$ (0.06)	$ (0.03)
Diluted	$ (0.17)	$ (0.28)	$ 0.13	$ (0.06)	$ (0.03)
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders:					
Basic	28,051	29,040	31,388	31,248	31,633
Diluted	28,051	29,040	36,293	31,248	31,633
Pro forma net income (loss) per share (unaudited):					
Basic			$ 0.22		$ (0.00)
Diluted			$ 0.20		$ (0.00)
Pro forma weighted-average common shares outstanding (unaudited):					
Basic			54,272		54,517
Diluted			59,177		54,517

See Notes to Consolidated Financial Statements.

LEGALZOOM.COM, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands)

	Series A Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Notes Receivable from Stockholders	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance at December 31, 2008	7,628	$ 50,576	27,832	$ 28	$ —	$ (533)	$ (519)	$ (61,943)	$ (62,967)
Issuance of common stock upon exercise of stock options	—	—	849	1	263	—	—	—	264
Interest on notes receivable from stockholders	—	—	—	—	—	(21)	—	—	(21)
Stock-based compensation	—	—	—	—	1,157	—	—	—	1,157
Accretion of preferred stock	—	4,035	—	—	(1,420)	—	—	(2,615)	(4,035)
Net loss	—	—	—	—	—	—	—	(640)	(640)
Balance at December 31, 2009	7,628	$ 54,611	28,681	$ 29	$ —	$ (554)	$ (519)	$ (65,198)	$ (66,242)
Issuance of common stock upon exercise of stock options	—	—	2,466	2	2,881	—	—	—	2,883
Interest on notes receivable from stockholders	—	—	—	—	—	(22)	—	—	(22)
Reclassification of non-recourse note receivable from founding third-party consultant	—	—	—	—	39	(39)	—	—	—
Settlement of non-recourse note receivable from founding third-party consultant for services rendered	—	—	—	—	—	62	—	—	62
Repayment of notes receivable from stockholders	—	—	—	—	—	553	—	—	553
Stock-based compensation	—	—	—	—	1,320	—	—	—	1,320
Accretion of preferred stock	—	4,038	—	—	(4,038)	—	—	—	(4,038)
Net loss	—	—	—	—	—	—	—	(4,024)	(4,024)
Balance at December 31, 2010	7,628	$ 58,649	31,147	$ 31	$ 202	$ —	$ (519)	$ (69,222)	$ (69,508)
Issuance of common stock upon exercise of stock options	—	—	363	—	336	—	—	—	336
Stock-based compensation	—	—	—	—	950	—	—	—	950
Excess windfall tax benefits from stock-based compensation	—	—	—	—	331	—	—	—	331
Accretion of preferred stock	—	4,042	—	—	(1,488)	—	—	(2,554)	(4,042)
Net income	—	—	—	—	—	—	—	12,123	12,123
Balance at December 31, 2011	7,628	$ 62,691	31,510	$ 31	$ 331	$ —	$ (519)	$ (59,653)	$ (59,810)
Issuance of common stock upon exercise of stock options (unaudited)	—	—	231	1	263	—	—	—	264
Stock-based compensation (unaudited)	—	—	—	—	335	—	—	—	335
Accretion of preferred stock (unaudited)	—	1,008	—	—	(929)	—	—	(79)	(1,008)
Net loss (unaudited)	—	—	—	—	—	—	—	(55)	(55)
Balance at March 31, 2012 (unaudited)	7,628	$ 63,699	31,741	$ 32	$ —	$ —	$ (519)	$ (59,787)	$ (60,274)

See Notes to Consolidated Financial Statements.

LEGALZOOM.COM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011 (unaudited)	2012 (unaudited)
Cash flows from operating activities					
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2,937	3,509	4,562	1,002	1,244
Deferred income taxes	—	—	(6,928)	—	103
Stock-based compensation	1,137	1,308	944	266	332
Excess windfall tax benefits from stock-based compensation	—	—	(331)	—	—
Loss on disposal of property and equipment	30	280	94		—
Other	20	93	22	4	4
Changes in operating assets and liabilities:					
Accounts receivable	(301)	(834)	(1,489)	(2,353)	(2,159)
Prepaid expenses and other current assets	1,004	(543)	(289)	(412)	(371)
Other assets	6	(49)	(74)	3	4
Accounts payable	(946)	757	(227)	1,295	2,624
Accrued expenses and other liabilities	4,261	5,345	4,689	3,893	1,585
Deferred revenue	7,171	(4,867)	(427)	665	2,458
Deferred rent	—	513	1,053	296	(54)
Net cash provided by operating activities	14,679	1,488	13,722	3,687	5,715
Cash flows from investing activities					
Decrease (increase) in restricted cash	(501)	(1)	502	250	—
Proceeds from disposal of property and equipment	—	49	—	—	3
Purchase of property and equipment	(3,983)	(4,721)	(6,562)	(2,131)	(1,023)
Net cash used in investing activities	(4,484)	(4,673)	(6,060)	(1,881)	(1,020)
Cash flows from financing activities					
Repayment of capital lease obligations	(17)	(19)	(384)	(5)	(145)
Payment of deferred financing costs	—	(31)	(6)	—	—
Proceeds from repayment of notes receivable from stockholders	—	553	—	—	—
Excess windfall tax benefits from stock-based compensation	—	—	331	—	—
Proceeds from exercise of stock options	264	2,883	336	146	264
Net cash provided by financing activities	247	3,386	277	141	119
Net increase in cash and cash equivalents	10,442	201	7,939	1,947	4,814
Cash and cash equivalents, at beginning of the period	8,526	18,968	19,169	19,169	27,108
Cash and cash equivalents, at end of the period	$ 18,968	$ 19,169	$ 27,108	$ 21,116	$ 31,922
Supplemental cash flow data					
Cash paid during the year for:					
Interest	$ —	$ —	$ 15	$ 5	$ 11
Income taxes	1	110	754	190	126
Non-cash investing and financing activities					
Accretion of Series A redeemable convertible preferred stock	4,035	4,038	4,042	997	1,008
Stock-based compensation capitalized as software development costs	20	12	6	2	3
Purchase of property and equipment included in accounts payable and accrued expenses	324	1,180	386	1,333	431
Deferred offering costs included in accounts payable and accrued expenses	—	—	—	—	1,737
Acquisition of equipment under capital lease	—	—	491	—	—
Settlement of non-recourse note receivable	—	62	—	—	—
Tenant incentive for purchase of leasehold improvements	—	2,554	—	—	—

See Notes to Consolidated Financial Statements.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of the Business

LegalZoom.com, Inc. was initially formed as a California corporation in 1999 and reincorporated as a Delaware corporation in 2007. LegalZoom.com, Inc. and its wholly-owned subsidiaries (the "Company") conducts its operations from headquarters located in Glendale, California, and in Austin, Texas and San Francisco, California.

The Company is a provider of services that meet the legal needs of small businesses and consumers in the United States. The Company offers a broad portfolio of interactive legal documents through its online legal platform that customers can tailor to their specific needs. The Company also offers subscription services, including legal plans through which customers can be connected to an experienced attorney licensed in their jurisdiction, registered agent services and unlimited access to the Company's forms library.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements is set forth below.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, or GAAP, and include the operations of LegalZoom.com, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Stock-split

In July 2011, the Company effected a three-for-one stock split of its common stock and a proportional adjustment to the conversion ratio for Series A redeemable convertible preferred stock ("Series A" or "preferred stock"). All share, per-share and related information presented in these consolidated financial statements and accompanying footnotes have been retroactively adjusted, where applicable, to reflect the impact of the stock split including an adjustment to the preferred stock conversion ratio.

Unaudited Interim Financial Statements

The accompanying interim consolidated balance sheet as of March 31, 2012, the consolidated statements of operations and cash flows for the three months ended March 31, 2011 and 2012, the consolidated statement of stockholders' deficit for the three months ended March 31, 2012 and financial information disclosed in these notes to the consolidated financial statements related to the three months ended March 31, 2011 and 2012 are unaudited. These unaudited interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In the opinion of the Company's management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company's statement of financial position as of March 31, 2012 and its results of operations and its cash flows for the three months ended March 31, 2011 and 2012. The results for the three months ended March 31, 2012 are not necessarily indicative of the results expected for the full year.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Unaudited Pro Forma Balance Sheet and Pro Forma Net Income (Loss) Per Share

On January 31, 2012, the Company's board of directors approved the Company to prepare for the filing of an initial public offering of the Company's common stock. Immediately upon the closing of a qualifying initial public offering, all of the preferred stock outstanding will automatically convert into 22,884,000 shares of common stock. The unaudited pro forma balance sheet gives effect to the conversion of the preferred stock to stockholders' equity as of March 31, 2012. Unaudited pro forma basic and diluted net income (loss) per common share for the year ended December 31, 2011 and the three months ended March 31, 2012 has been computed to give effect to the conversion of the preferred stock into common stock, using the if-converted method, as though such conversion had occurred as of January 1, 2011.

The following table sets forth the computation of the Company's pro forma basic and diluted net income per share of common stock (in thousands, except for per share amounts):

	Year Ended December 31, 2011 (unaudited)	Three Months Ended March 31, 2012 (unaudited)
Net income (loss) attributable to common stockholders	$ 4,674	$ (1,063)
Pro forma adjustment to reverse accretion of preferred stock	4,042	1,008
Pro forma adjustment to reverse income attributable to preferred stockholders	3,407	—
Net income (loss) used in computing pro forma net income (loss) per share:	$ 12,123	$ (55)
Weighted average common shares outstanding, basic	31,388	31,633
Pro forma adjustment to reflect assumed conversion of redeemable convertible preferred stock	22,884	22,884
Weighted average common shares outstanding used in computing basic pro forma net income (loss) per share:	54,272	54,517
Effect of potentially dilutive securities—stock options	4,905	—
Weighted average common shares outstanding used in computing diluted pro forma net income (loss) per share:	59,177	54,517
Pro forma net income (loss) per share:		
Basic	$ 0.22	$ (0.00)
Diluted	$ 0.20	$ (0.00)

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates estimates which are subject to significant judgment including those related to sales allowances and credit reserves, the evaluation of revenue recognition criteria, including the determination of standalone value and estimates of the selling price of deliverables in the Company's revenue arrangements, useful lives associated with property and equipment, loss contingencies, valuation allowances related to deferred income taxes and assumptions used to value stock-based awards. Actual

results could differ materially from those estimates. The Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Comprehensive Income (Loss)

The Company does not have any components of other comprehensive income (loss) for any period presented, and accordingly, net income (loss) equals comprehensive income (loss).

Fair Value Measurements

The Company accounts for fair value measurements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"). ASC 820 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurement. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1	—	Quoted prices in active markets for identical assets and liabilities.
Level 2	—	Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	—	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. For the periods presented, the Company has no financial assets or liabilities recorded at fair value on a recurring basis.

The carrying amounts of cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities approximate fair values because of the short-term nature of these items.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company, at times, maintains cash balances at financial institutions in excess of amounts insured by United States government agencies. The Company places its cash and cash equivalents with high credit quality financial institutions.

Concentrations of credit risk with respect to revenues are limited due to a large, diverse customer base. No individual customer represented more than 1% of total revenues for the years ended December 31, 2009, 2010 and 2011 and for the three months ended March 31, 2011 and 2012 (unaudited).

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2010, December 31, 2011 and March 31, 2012 (unaudited), there were no individual customer account balances that comprised more than 10% of accounts receivable.

Cash and Cash Equivalents

Cash equivalents typically consist of highly liquid investments, including certificates of deposits, with maturities of three months or less when purchased. At December 31, 2010, December 31, 2011 and March 31, 2012, the Company's cash balances totaled $19.2 million, $27.1 million and $31.9 million (unaudited), respectively, and consist entirely of bank account deposits and hence there are no cash equivalents.

Restricted Cash

During 2009, the Company established a relationship with a financial institution for credit and debit card merchant processing and procurement credit card services. With the establishment of the credit and debit card merchant processing services, the Company was required to maintain $250,000 in an interest-bearing six-month certificate of deposit as collateral against debit card chargebacks or returned e-checks. At December 31, 2010, the certificate of deposit balance was $252,000 and was included in restricted cash. During 2011, the Company changed the financial institution providing merchant processing of credit cards and e-checks resulting in the removal of the requirement to maintain the certificate of deposit by the financial institution.

Similarly, for the procurement credit card services, the Company was required to maintain, in a non-interest bearing account, a balance of $250,000 equivalent to the credit limit on such procurement credit cards, which was included in restricted cash at December 31, 2010. In February 2011, the financial institution removed the requirement to maintain the $250,000 collateral against the available credit limit on the procurement credit cards. There are no restricted cash balances at December 31, 2011 and March 31, 2012 (unaudited).

Accounts Receivable and Related Allowances

The Company's accounts receivable balance primarily consists of amounts receivable from (i) the Company's credit and debit card merchant processor, (ii) customer receivables, and (iii) fees due from third-parties for services purchased by the Company's customers from such third-parties. The Company does not obtain collateral or other security related to accounts receivable. Merchant processor receivables, which do not bear interest, arise due to the time taken to clear transactions through external payment networks, which typically ranges between two to five business days, and are recorded net of processing fees. Customer receivables arise from the Company's three-pay plan where the customers have the option to pay the total amount due in three equal payments, with the first payment being due upon placement of the order and the remaining two payments being due 30 and 60 days after the first payment date. Accordingly, the customer receivable balances included in the consolidated balance sheets represent those second- and third-payments due to the Company for which services have been rendered, net of the related sales allowance for charge-back or credits. The sales allowance for three-pay plan receivables is determined based on the Company's best estimate of the amount of charge-backs or credits in its existing accounts receivable and is recorded against revenues as further described in Note 3.

The Company also maintains an allowance for doubtful accounts for its receivables from third-party service providers based on its historical collection experience and a review in each period of the status of the then-outstanding accounts receivables, with an emphasis on those that are over 90 days past due. Account balances are charged off against the allowance when the Company determines that it is probable the receivable will not be recovered. To date, the allowance for doubtful accounts has not been significant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, as shown in the table below. Maintenance and repairs are expensed as incurred whereas significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflected in the Company's results of operations.

	Useful Life (years)
Purchased and internally developed software	3
Furniture and office equipment	5
Computer hardware	3
Leasehold improvements	Shorter of lease term or useful life

Capitalized Software Costs

The Company capitalizes the costs associated with software developed or obtained for internal use when the preliminary project stage is completed and it is determined that the software or significant modification thereto, will provide significantly enhanced capabilities which will be used to perform the function intended. These capitalized costs include external direct cost of services procured in developing or obtaining internal use software and personnel and related benefits, including stock-based compensation for employees who are directly associated with the development of internal use software projects. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Post-implementation training and maintenance costs are expensed as incurred. The Company does not transfer ownership of, or lease its software to its customers or third-parties.

Costs related to development of internal use software that has not yet been placed in service are included in the accompanying consolidated balance sheets in software development costs in progress.

Long-lived Assets

The Company assesses the impairment of long-lived assets, which consist primarily of property and equipment, whenever events or changes in circumstances indicate that such assets might be impaired and the carrying value may not be recoverable. Events or changes in circumstances that may indicate that an asset is impaired include significant decreases in the market value of an asset, significant underperformance relative to expected historical or projected future results of operations, a change in the extent or manner in which an asset is utilized, significant declines in the estimated fair value of the overall Company for a sustained period, shifts in technology, loss of key management or personnel, changes in the Company's operating model or strategy and competitive forces.

If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the expected undiscounted future cash flows attributable to the asset are less than the carrying amount of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risk involved, quoted market prices or appraised values, depending on the nature of the assets. The Company has not recorded any impairment of its long-lived assets for any of the periods presented.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Operating and Capital Leases

The Company records rent expense for operating leases, some of which have escalating rent payments, over the term of the lease, on a straight-line basis over the lease term. The Company begins recognition of rent expense on the date of initial possession, which is generally when the Company enters the leased premises and begins to make improvements in preparation for its intended use. Some of the Company's lease arrangements provide for concessions by the landlords, including payments for leasehold improvements and rent-free periods. The Company accounts for the difference between the straight-line rent expense and rent paid as a deferred rent liability.

The Company leases equipment under capital lease arrangements. The assets and liabilities under capital lease are recorded at the lesser of present value of aggregate future minimum lease payments, including estimated bargain purchase options, or the fair value of the asset under lease. Assets under capital lease are amortized using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

The Company derives its revenues from the following sources:

(i) *Transaction Revenues*—Transaction revenues are primarily generated from the Company's legal document preparation services upon fulfillment of these services, as well as certain legal document preparation services that were bundled with one- and five-year document revision and vaulting services. Prior to the change in accounting guidance on how revenue recognition is applied to multiple deliverable arrangements that the Company adopted on January 1, 2010, the full value of these bundled services were required to be recognized as revenues ratably on a straight-line basis over the service period. Revenues are recognized upon fulfillment of services, predominantly when a completed set of documents is shipped to the customer. Transaction revenues are net of cancellations, promotional discounts, sales allowances, credit reserves and the value allocated to bundled free-trials for the Company's subscription-based services.

(ii) *Subscription Revenues*—Subscription revenues are generated primarily when customers enroll in subscriptions to the Company's legal plans, registered agent services or access to its forms library. The Company recognizes revenues from its subscriptions ratably on a straight-line basis over the subscription term as such services are rendered. Subscription terms range from a period of 30 days to two years. Subscription revenues include the value allocated to bundled free-trials for the Company's subscription services and are net of promotional discounts, cancellations, sales allowances, credit reserves and payments to legal plan attorneys.

(iii) *Other Revenues*—Other revenues consist primarily of fees earned from third-party providers for services provided to or leads generated for such providers through the Company's online legal platform. The Company typically earns these revenues on a cost-per-click or cost-per-action basis.

The Company recognizes revenues when four basic criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the fees are fixed or determinable and collectability is reasonably assured. The Company considers persuasive evidence of a sales arrangement to be the customer's placement of the order and acceptance of the Company's terms of service. For arrangements with third-party companies related to other revenues, the Company ensures a written contract is in place. The Company's customers generally pay for their orders and subscription services in advance by credit or debit card. The total fees, or the consideration, collected by the Company for its services include, as applicable, expedited services fees, government filing fees and shipping fees. The Company records the total consideration initially as deferred revenues that are then recognized as revenue when the Company meets all of the criteria for revenue recognition. Deferred revenues that the Company will recognize

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

during the succeeding 12 month period from the Company's balance sheet date is recorded as current deferred revenues, and the remaining portion is recorded as non-current at the balance sheet date. On a more limited basis, the Company may offer alternative payment methods to credit cards for certain services. These alternative payment methods include automated clearing house ("ACH") or payment by personal check or money order for registered agent renewals. In October 2010, the Company commenced offering its customers the ability to pay the fees owed to the Company on certain services in three equal monthly payments, or the three-pay plan. One-third of the fees due under the three-pay plan is charged to the customer's debit or credit card, on the date the order is placed, and the second and third payments are charged 30 and 60 days after the first payment date. Where full payment is not received in advance, revenue is only recognized if collectability is reasonably assured assuming all other revenue recognition criteria are met. The Company's online platform allows customers to prepare legal documents, schedule consultations with plan attorneys and subscribe to other related services. The Company's customers do not have the rights to the underlying software code of its online platform, accordingly, the Company's arrangements are outside the scope of software revenue recognition rules under ASC 985, *Software*.

For the Company's legal document preparation services, transaction revenues are recognized when the Company fulfills the service. For time-based, subscription services, such as legal plans, registered agent services or unlimited access to the Company's forms library, the Company recognizes subscription revenues ratably on a straight-line basis over the subscription term for those services, which ranges from a period of 30 days to two years.

Other revenues are recognized when the related performance-based criteria have been met. The Company assesses whether performance criteria have been met on a cost-per-click or cost-per-action basis and whether the fees are fixed or determinable based on a reconciliation of the performance criteria and the payment terms associated with the transaction. The reconciliation of the performance criteria generally includes a comparison of internally tracked performance data to the contractual performance obligation and, when available, to third-party or affiliate provided performance data. These arrangements do not include multiple deliverables.

A significant number of the Company's arrangements include multiple, bundled deliverables, such as the preparation of legal documents combined with related document revision, document storage, 30-day free trial of the Company's registered agent services or its legal plans. The Company therefore recognizes revenues for these arrangements in accordance with FASB ASC 605-25, *Revenue Recognition—Multiple-Element Arrangements* ("ASC 605-25"). ASC 605-25 was updated by Accounting Standards Update ("ASU") 2009-13, *Revenue Recognition (Topic 605)—Multiple-Deliverable Revenue Arrangements—a Consensus of the Emerging Issues Task Force* ("ASU 2009-13").

The Company elected to early adopt ASU 2009-13 on a prospective basis for all arrangements entered into or materially modified after January 1, 2010.

For multiple deliverable revenue arrangements, the Company first assesses whether each deliverable has value to the Company's customer on a standalone basis and performance is considered probable and substantially in its control. The Company's services can be sold both on a standalone basis and as part of multiple deliverable arrangements. Accordingly, substantially all of the Company's services have standalone value to its customer. Based on that standalone value of the deliverables, the Company allocates its revenues among the separate deliverables in the arrangement, including the bundled free trials, using the relative selling price method hierarchy established in ASU 2009-13. This hierarchy requires the selling price of each deliverable in a multiple deliverable revenue arrangement to be based on, in descending order: (i) vendor-specific objective evidence, or VSOE, (ii) third-party evidence of selling price, or TPE, or (iii) management's best estimated selling price, or BESP.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company establishes VSOE for a majority of its services based on the price the Company charges when the deliverable is sold separately. In determining VSOE, the Company requires that a substantial majority of the Company's selling prices for its services to fall within a reasonably narrow pricing range, and the Company then establishes VSOE based on the mid-point of the range for those services. This requires significant management judgment, including as to how the Company groups similar services, the time period analyzed for assessing transactions and the volume of similar transactions available to the Company in the relevant time period.

When the Company cannot establish VSOE, the Company applies its judgment with respect to whether the Company can establish TPE based on competitor prices for similar deliverables that are sold separately. The Company believes its strategy differs from that of its peers, and its services contain a significant level of differentiation such that comparable pricing of the Company's services cannot be obtained. The Company's competitors do not sell services similar to its services on a standalone basis, and the Company therefore is unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, the Company has been unable to establish selling price based on TPE.

When the Company cannot establish VSOE or TPE, the Company applies its judgment to determine BESP. The objective of BESP is to determine the price at which the Company would transact a sale if the service were sold on a stand-alone basis. The determination of BESP requires the Company to make significant estimates and judgments and the Company considers numerous factors in this determination, including the nature of the deliverables, market conditions and the Company's competitive landscape, internal costs and its pricing and discounting practices. The Company's determination of BESP is made through consultation with and formal approval by its senior management. The Company updates its estimates of both VSOE and BESP on an ongoing basis as events and as circumstances may require. Because the Company can establish VSOE for substantially all of its services, use of BESP estimate for revenue recognition is limited to document revision and document storage services.

The Company is unable to determine VSOE or TPE for document revision and document storage services, which the Company bundles with certain of its consumer services. Accordingly, as of January 1, 2010, the selling prices of these document revision and document storage services are determined based on BESP, and the Company recognizes revenues from these services based on the relative selling price of the deliverables in the arrangement. The Company's adoption of ASU 2009-13 resulted in the Company recognizing $4.7 million of transaction revenues in 2010 that the Company would not have otherwise recognized during that year.

Prior to January 1, 2010, the Company considered document revision and document storage services that the Company bundles with other consumer services to be a single unit of accounting and the total fees received from those arrangements were recognized as transaction revenues ratably on a straight-line basis over the service term. Prior to August 2009, the Company offered document revision and document storage services with a term of five years and, accordingly, the deferred revenues will be recognized as transaction revenues through August 2014. Beginning in August 2009, the Company sold these services only on a one year service term. At December 31, 2010, December 31, 2011 and March 31, 2012, the Company's non-current deferred revenues balances of $7.0 million, $3.3 million and $2.4 million (unaudited), respectively, included in the Company's consolidated balance sheets primarily consist of document revision and document storage services.

Sales Allowances

The Company's arrangements do not include contractual provisions for cancellations or terminations. As a business practice, the Company provides that if its customers are not fully satisfied with the services or support and they notify the Company within a limited period of time after the purchase, the Company

will attempt to resolve the matter, offer a credit that can be used for future services or provide a refund, excluding third-party fees. Revenues are recognized net of promotional discounts and estimated sales allowances and credit reserves related to credit or debit card charge-backs, sales credits and refunds. For completed services where the customers have elected the three-pay plan, the Company records a sales allowance for estimated charge backs, sales credits and collection losses for the second and third payment receivable amounts. The sales allowance is recorded against the customer receivables balance. For completed and paid services, the Company records sales and credit reserves based on its estimate of refunds or credits. The sales and credit reserves are included in accrued expenses and other current liabilities. The sales allowance and the sales and credit reserves are made at the time of revenue recognition based on the Company's historical experience, activity occurring after the balance sheet date and other factors. The Company has established a sufficient history of estimating refunds, charge backs, write offs and credits, given the large number of homogeneous transactions. The majority of the Company's allowances and reserves are known within the time period of its financial reporting cycle. The estimated provision for sales allowances and reserves has varied from actual results within ranges consistent with management's expectations. If actual sales allowances, credit reserves and promotional discounts are greater than estimated by management, revenues and operating results would be negatively impacted.

Principal Agent Considerations

The Company evaluates the criteria as prescribed by FASB ASC 605-45, *Principal Agent Considerations*, in order to determine whether the Company can recognize revenues gross as a principal or net as an agent. The Company records revenues on a gross basis when the Company is the primary obligor in the arrangement and therefore principally responsible for the fulfillment of the services. The determination of whether the Company is the principal or agent requires it to evaluate a number of indicators, including which party, as applicable, in the arrangement:

- is the primary obligor, or has primary fulfillment responsibility and obligation to perform the services being sold to the customer;
- has latitude in establishing the sales price;
- can make changes to or perform part of the service;
- has supplier selection; and
- has credit or collection risk.

When forming the Company's conclusion on whether the Company is the principal or agent in an arrangement and whether to present revenues gross or net, the Company weighs the above factors, and places more weight on the first factor, or primary obligor, followed by whether the Company has latitude in establishing the sales price and whether the Company performs part of the service.

In arrangements in which the Company is the primary obligor and the indicators are weighted towards the Company acting as a principal, the Company records as revenues the amounts the Company has billed to its customer, and the Company records the related costs the Company has incurred in fulfilling the Company's services. The Company is the primary obligor in substantially all of its legal document preparation and registered agent services.

In arrangements in which the Company is not the primary obligor and the indicators are more weighted towards the Company acting as the agent in the arrangement, the Company records revenues on a net basis, which is equal to the amount billed to its customer, net of the fee payable to the primary obligor, which is another third party that is primarily responsible for performing the services for the

customer. Because the Company is not a law firm and cannot provide legal advice, the participating independent law firms in the Company's legal plans have the primary service obligation to provide attorney consultations to the Company's customers, for which the Company pays the law firms a monthly fee. Therefore, the Company recognizes revenues net as an agent for subscriptions to the Company's legal plans. The Company also recognized revenues net as an agent for registered agent services prior to March 2010. Before March 2010, the Company contracted with third-party service providers to perform substantially all registered agent services on the Company's behalf and accordingly, the Company recorded the amount received from the customer net of the fee payable to the service provider.

Segments

The Company has one operating segment, providing legal document preparation and related subscription services. The Company's Chief Operating Decision Maker ("CODM"), the Chief Executive Officer, manages the Company's operations based on consolidated financial information for purposes of evaluating financial performance and allocating resources. The CODM reviews separate revenue information for its transaction and subscription services. All other financial information is reviewed by the CODM on a consolidated basis. All of the Company's principal operations, decision-making functions and assets are located in the United States. Assets and revenues generated outside of the United States are not material for any of the periods presented.

Revenues derived from the Company's transaction and subscription services are as follows (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2011	2011	2011 (unaudited)	2012 (unaudited)
Revenues by type:					
Transaction	$ 92,561	$ 105,491	$ 121,856	$ 31,568	$ 34,494
Subscription	4,966	10,889	27,878	4,772	10,001
Other	5,772	4,391	6,332	1,948	2,493
Total revenues	$ 103,299	$ 120,771	$ 156,066	$ 38,288	$ 46,988

Cost of Services

Cost of services include all costs of providing and fulfilling the Company's services. Cost of services primarily include government filing fees; costs of fulfillment, customer care and inbound sales personnel and related benefits, including stock-based compensation, and costs of independent contractors for document preparation; telecommunications and data center costs, including depreciation and amortization of network computers, equipment and internal use software; printing, shipping and courier charges; credit and debit card fees; allocated overhead; legal document kit expenses; and sales and use taxes. The Company defers direct and incremental costs primarily related to government filing fees incurred prior to the associated service meeting the criteria for revenue recognition. The deferred cost of services is recognized as cost of services in the same period in the related revenue is recognized. At December 31, 2010, December 31, 2011 and March 31, 2012, there were $0.9 million, $0.8 million and $1.2 million (unaudited), respectively, of deferred cost of service included in prepaid expenses and other current assets on the accompanying consolidated balance sheets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Sales and Marketing Expenses

Sales and marketing expenses are comprised of customer acquisition media, consisting primarily of search engine marketing, television and radio; compensation and related benefits, including stock-based compensation, for marketing and outbound sales personnel; media production; public relations and other promotional activities; general business development activities; and allocated overhead. Marketing and advertising costs to promote the Company's products and services are expensed in the period incurred. Media production costs are expensed the first time the advertisement is aired. Advertising expenses were $29.6 million, $32.6 million, and $36.4 million for the years ended December 31, 2009, 2010 and 2011, respectively, and $11.2 million (unaudited) and $13.4 million (unaudited) for the three months ended March 31, 2011 and 2012, respectively, are included in sales and marketing on the accompanying consolidated statements of operations.

Technology and Development Expenses

Technology and development expenses consist primarily of personnel costs and related benefits, including stock-based compensation, and expenses for outside consultants. These expenses include allocated overhead and costs incurred in the development, implementation, amortization and maintenance of internal use software, including our website, online legal platform and related infrastructure. Technology and development costs are expensed as incurred, except to the extent that such costs are associated with internal use of software or website development costs that qualify for capitalization as previously described under *Capitalized Software Costs*.

General and Administrative Expenses

The Company's general and administrative expenses relate primarily to compensation and related benefits, including stock-based compensation, for executive and corporate personnel; professional and consulting fees; allocated overhead; and legal loss contingencies.

Earnings Per Share Attributable to Common Stockholders

The Company applies the two-class method for calculating basic earnings per share. Under the two-class method, net income is reduced by accretion of preferred stock and the residual amount is allocated between common stock and other participating securities based on their participation rights. Participating securities are comprised of preferred stock which participate in dividends, if declared, by the Company. Basic earnings per share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding, net of unvested restricted stock subject to repurchase by the Company, if any, during the period. For periods in which the Company reported a net loss, the participating securities are not contractually obligated to share in the losses of the Company, and accordingly, no losses have been allocated to the participating securities. Diluted earnings per share is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding, adjusted for the effects of potentially dilutive common stock, which are comprised of stock options, using the treasury-stock method, and convertible preferred stock, using the if-converted method. Because the Company reported losses for the years ended December 31, 2009 and 2010, and for the three-month periods ended March 31, 2011 and 2012, all potentially dilutive common stock are antidilutive for those periods.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table shows the computation of basic and diluted earnings per share for the years ended December 31, 2009, 2010 and 2011, and the three months ended March 31, 2011 and 2012:

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
				(unaudited)	(unaudited)
	(In thousands, except per share amounts)				
Numerator					
Net income (loss)	$ (640)	$ (4,024)	$ 12,123	$ (972)	$ (55)
Accretion of preferred stock	(4,035)	(4,038)	(4,042)	(997)	(1,008)
Less amount attributable to participating securities	—	—	(3,407)	—	—
Net income (loss) attributable to common stockholders—basic and diluted	$ (4,675)	$ (8,062)	$ 4,674	$ (1,969)	$ (1,063)
Denominator					
Weighted average common stock—basic	28,051	29,040	31,388	31,248	31,633
Effect of potentially dilutive securities—stock options and restricted stock units	—	—	4,905	—	—
Weighted-average common stock—diluted	28,051	29,040	36,293	31,248	31,633
Earnings per share					
Basic	$ (0.17)	$ (0.28)	$ 0.15	$ (0.06)	$ (0.03)
Diluted	$ (0.17)	$ (0.28)	$ 0.13	$ (0.06)	$ (0.03)

Net income for the year ended December 31, 2011 has been allocated to the common stock and participating preferred stock based on their respective rights to share in dividends.

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net income (loss) per share attributable to common stockholders for years ended December 31, 2009, 2010 and 2011, and for the three months ended March 31, 2011 and 2012 (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011	2012
				(unaudited)	(unaudited)
Conversion of redeemable convertible preferred stock	22,884	22,884	22,884	22,884	22,884
Options to purchase common stock and restricted stock units	8,138	7,129	882	6,869	7,661
Total shares excluded from the calculation of diluted net income (loss) per share attributable to common stockholders	31,022	30,013	23,766	29,753	30,545

Stock-based Compensation

The Company recognizes compensation expense related to employee option grants and restricted stock units in accordance with FASB ASC 718, *Compensation—Stock Compensation* ("ASC 718").

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company estimates the fair value of employee stock-based payment awards on the grant-date and recognizes the resulting fair value, net of estimated forfeitures, over the requisite service period. The Company uses the Black-Scholes option pricing model for estimating the fair value of options granted under the Company's stock option plans. The fair value of restricted stock units is determined based on the value of the underlying common stock. The Company has elected to treat stock-based payment awards with graded vesting schedules and time-based service conditions as a single award and recognizes stock-based compensation on a straight-line basis, net of estimated forfeitures, over the requisite service period.

Compensation expense for non-employee stock-based awards is recognized in accordance with ASC 718 and FASB ASC 505-50, *Equity-Based Payments to Non-Employees* ("ASC 505-50"). Stock option awards issued to non-employees are accounted for at fair value using the Black-Scholes option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of services received. The Company records compensation expense based on the then-current fair values of the stock options at each financial reporting date. Compensation recorded during the service period is adjusted in subsequent periods for changes in the stock options' fair value until the earlier of the date at which the non-employee's performance is complete or a performance commitment is reached, which is generally when the stock option award vests. There were no grants of stock-based awards to non-employees for the years ended December 31, 2009 and 2010. In September 2011 and January 2012, the Company granted options to purchase 65,000 and 35,000 (unaudited) shares, respectively, of the Company's common stock to certain non-employees for advisory services. Compensation expense for non-employee grants is recorded on a straight-line basis in the consolidated statements of operations and was insignificant for the year ended December 31, 2011 and the three months ended March 31, 2012 (unaudited).

The Black-Scholes option pricing model requires the Company to make certain assumptions including the fair value of the underlying common stock, the expected term, the expected volatility, the risk-free interest rate and the dividend yield.

The fair value of the shares of common stock underlying the stock options has historically been determined by the Board of Directors. Because there has been no public market for the Company's common stock, the Board of Directors has determined the fair value of the common stock at the time of the grant of options and restricted stock units by considering a number of objective and subjective factors including valuation of comparable companies, sales of common stock to unrelated third parties, operating and financial performance and general and industry-specific economic outlook, amongst other factors. The fair value of the underlying common stock will be determined by the Board of Directors until such time as the Company's common stock is listed on an established stock exchange or national market system. The fair value was determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled *Valuation of Privately Held Company Equity Securities Issued As Compensation*.

The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. The expected term of options granted is calculated based upon actual historical exercise and post-vesting cancellations, adjusted for expected future exercise behavior.

Because the Company's common stock has no publicly traded history, the Company estimates the expected volatility of the awards from the historical volatility of selected public companies within the Internet and media industry with comparable characteristics to the Company, including similarity in size, lines of business, market capitalization, revenue and financial leverage. The Company determined the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

expected volatility assumption using the frequency of daily historical prices of comparable public company's common stock for a period equal to the expected term of the options. The Company periodically assesses the comparable companies and other relevant factors used to measure expected volatility for future stock option grants.

The risk-free interest rate assumption is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's employee stock options.

The dividend yield assumption is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The assumptions that were used to calculate the grant date fair value of the Company's employee and non-employee stock option grants for the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012 were as follows.

	Year Ended December 31,			Three Months Ended March 31, 2012 (unaudited)
	2009	2010	2011	
Risk-free interest rate	2.34%	2.35%	1.25%	1.22%
Expected life (years)	5.95	5.90	6.10	5.90
Dividend yield	—	—	—	—
Volatility	50%	45%	42%	42%

Stock-based compensation expense is recognized based on awards that are ultimately expected to vest, and as a result, the amount has been reduced by estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on the Company's historical experience and future expectations.

The determination of stock-based compensation is inherently uncertain and subjective and involves the application of valuation models and assumptions requiring the use of judgment. If the Company had made different assumptions, its stock-based compensation expense, and its net income (loss) for years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2011 and 2012, may have been significantly different.

Redeemable Convertible Preferred Stock

As the Series A is redeemable at the option of the holder or in the case of events outside the control of the Company, the Company has presented the preferred stock outside of stockholders' deficit in the mezzanine section of the December 31, 2010, December 31, 2011 and March 31, 2012 (unaudited) consolidated balance sheets.

The Company accretes the carrying value of the preferred stock to the redemption value over the period to the earliest redemption date using the effective interest method. Accretion is recorded as a charge against retained earnings, or in the absence of retained earnings by charges against additional paid-in capital until fully depleted, then ultimately against accumulated deficit.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company must also make judgments in evaluating

whether deferred tax assets will be recovered from future taxable income. To the extent that it believes that recovery is not likely, the Company establishes a valuation allowance. The carrying value of the Company's net deferred tax assets is based on whether it is more likely than not that the Company will generate sufficient future taxable income to realize the deferred tax assets. A valuation allowance is established for deferred tax assets which the Company does not believe meet the "more likely than not" criteria. The Company's judgments regarding future taxable income may change over time due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If the Company's assumptions and consequently its estimates change in the future, the valuation allowance may be increased or decreased, resulting in an increase or decrease, which may be material, in the income tax (provision) benefit and the related impact on the Company's reported net income (loss).

The Company adopted the provisions of FASB's guidance on *Accounting for Uncertainty in Income Taxes* on January 1, 2007. This guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for the accounting of a tax position taken or expected to be taken in a tax return. The guidance contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than likely of being realized upon and effectively settled. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax provision (benefit) in the accompanying consolidated statements of operations.

Recent Accounting Pronouncements

In 2011, the FASB issued new accounting guidance that amends some fair value measurement principles and disclosure requirements. The new guidance states that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of nonfinancial assets and prohibits the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. The adoption of this accounting guidance during the three months ended March 31, 2012 did not have any impact on the Company's consolidated financial statements.

In 2011, the FASB issued new disclosure guidance related to the presentation of the Statement of Comprehensive Income. This guidance eliminates the current option to report other comprehensive income and its components in the consolidated statement of stockholders' equity. The requirement to present reclassification adjustments out of accumulated other comprehensive income on the face of the consolidated statement of income has been deferred. The adoption of this accounting guidance during the three months ended March 31, 2012 did not have any impact on the Company's consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Supplemental Financial Statement Information

Accounts Receivable

Accounts receivable, net consisted of the following (in thousands):

	December 31, 2010	December 31, 2011	March 31, 2012 (unaudited)
Receivables from credit card merchant processors	$ 674	$ 1,376	$ 1,791
Receivables from three-pay customers, net of allowance	886	1,375	2,330
Receivables from third-party business partners	546	843	1,679
Other	57	58	11
Total accounts receivable, net	$ 2,163	$ 3,652	$ 5,811

The sales allowance activity for the three-pay plan receivables was as follows (in thousands):

	Balance at beginning of period	Reduction of revenues	Write offs, net of recoveries	Balance at end of period
December 31, 2009	$ —	$ —	$ —	$ —
December 31, 2010	—	53	—	53
December 31, 2011	53	1,180	(1,019)	214
March 31, 2012 (unaudited)	214	271	(224)	261

Accrued Expenses and Other Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31, 2010	December 31, 2011	March 31, 2012 (unaudited)
Accrued payroll and related expenses	$ 2,078	$ 5,164	$ 2,395
Accrued legal settlements	—	5,359	5,521
Accrued advertising	3,084	2,536	5,190
Accrued sales, use and business taxes	1,169	2,188	2,425
Sales and credit reserves	510	801	889
Accrued vendors	2,483	2,760	5,419
State income taxes payable	279	116	207
Other	334	510	488
Total accrued expenses and other current liabilities	$ 9,937	$ 19,434	$ 22,534

At December 31, 2010, the accrued legal settlement of $5.4 million was included in other long-term liabilities in the accompanying consolidated balance sheet (see Note 6).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The sales and credit reserves activity was as follows (in thousands):

	Balance at beginning of period	Decrease in revenues	Balance at end of period
December 31, 2009	$ 257	$ 27	$ 284
December 31, 2010	284	226	510
December 31, 2011	510	291	801
March 31, 2012 (unaudited)	801	88	889

Note 4. Property and Equipment

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

	December 31,		March 31,
	2010	2011	2012 (unaudited)
Purchased and internally developed software	$ 7,342	$ 9,354	$ 9,863
Furniture and office equipment	1,173	1,275	1,296
Computer hardware	6,387	9,057	9,385
Leasehold improvements	4,271	4,494	4,510
Software development in progress	162	914	1,083
	19,335	25,094	26,137
Less: accumulated depreciation and amortization	(8,718)	(12,883)	(14,103)
Property and equipment, net	$ 10,617	$ 12,211	$ 12,034

At December 31, 2010, December 31, 2011 and March 31, 2012 accumulated amortization in connection with internally developed and purchased software costs was $4.0 million, $6.1 million and $6.6 million (unaudited), respectively. For the years ended December 31, 2009, 2010 and 2011, and the three months ended March 31, 2011 and 2012, the Company recorded amortization expense of $1.2 million, $2.0 million, $2.1 million, $0.5 million (unaudited) and $0.5 million (unaudited), respectively, in connection with these costs.

Total depreciation and amortization expense recorded was allocated as follows on the accompanying consolidated statements of operations (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011 (unaudited)	2012 (unaudited)
Cost of services	$ 2,297	$ 2,557	$ 2,999	$ 672	$ 823
Selling and marketing	54	130	214	43	85
Technology and development	255	320	584	132	163
General and administrative	331	502	765	155	173
Total depreciation and amortization expense	$ 2,937	$ 3,509	$ 4,562	$ 1,002	$ 1,244

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 5. Line of Credit

On October 31, 2008, the Company entered into a revolving line of credit facility with a financial institution and was eligible to borrow up to $5 million (the "Line of Credit"). The Line of Credit agreement set limitations on the Company's ability to pay dividends and to incur additional credit obligations or indebtedness. On October 29, 2010, the Line of Credit was amended to increase the term of the credit agreement by two years and also increased the Company's ability to borrow funds from the financial institution from $5 million to $10 million.

The Line of Credit may be used to fund the general working capital requirements, if required, and any principal amounts drawn would be due up to 180 days from the date of borrowing. Borrowings under the Line of Credit are collateralized by substantially all assets of the Company. The Line of Credit expires on October 31, 2012.

The Line of Credit bears interest at a LIBOR- or prime-based interest rate, which the Company can select at the time of borrowing, plus an applicable margin. The applicable margin is dependent on the Company's Leverage Ratio, calculated contractually using amounts outstanding, if any, divided by a trailing twelve-month earnings of the Company, excluding interest, taxes, depreciation and amortization. For LIBOR- or prime-based advances, if the Leverage Ratio is less than or equal to 2:1, the applicable margin would be 3.5% or 1%, and if the Leverage Ratio exceeds 2:1, the applicable margin would be 5% or 2.5%, respectively.

Any LIBOR-based advances must be at least $500,000 and LIBOR rate cannot be less than 1% per annum, before the applicable margin. There are no minimum advance requirements under the prime-based borrowing and the interest rate, if elected, cannot be less than the sum of the LIBOR rate plus 2.5% per annum, before the applicable margin. At December 31, 2011, the 30-day, LIBOR-interest rate was 0.28% and the prime interest rate was 3.25%, subject to the minimums described above, as applicable.

The Company is obligated to pay an unused line fee equal to 0.20% per annum of the average unused portion of the Line of Credit, payable in quarterly installments on the last day of each quarter. Each quarterly installment is calculated based on the average unused portion of the Line of Credit during such fiscal quarter.

All direct financing costs incurred related to the Line of Credit have been deferred and are being amortized over the term of the Line of Credit using the interest method and such amounts are not material for any period presented.

The Line of Credit requires immediate repayment of amounts outstanding upon an event of default, as defined in the agreement, which includes events such as a payment default, a covenant default or the occurrence of a material adverse change, as defined in the agreement. At December 31, 2010, December 31, 2011 and March 31, 2012 (unaudited), the Company had no amounts outstanding or any letters of credit backed by the Line of Credit.

Note 6. Commitments and Contingencies

Operating and Capital Leases

The Company conducts its operations from leased facilities in various locations. At December 31, 2011, the Company had various non-cancellable operating and capital leases for office space and computer equipment, respectively which expire between August 2013 through January 2021.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Future minimum payments under operating and capital leases are as follows (in thousands):

	Operating Leases	Capital Leases
Years ending December 31,		
2012	$ 2,572	$ 205
2013	2,298	—
2014	1,878	—
2015	1,932	—
2016	1,828	—
Thereafter	6,748	—
Total minimum lease payments	$ 17,256	$ 205
Less amounts representing interest		(3)
Present value of net minimum lease payments		$ 202

The Company recorded rent expense of $1.6 million, $2.6 million, and $2.0 million for the years ended December 31, 2009, 2010 and 2011, and $0.5 million (unaudited) and $0.6 million (unaudited) for the three months ended March 31, 2011 and 2012, respectively.

Advertising, Media and Other Commitments

The Company uses a variety of mediums to advertise its services, including search engine marketing, television and radio. At December 31, 2011, the Company had non-cancellable minimum advertising and media commitments for future advertising spots of $18.1 million, substantially all of which will be paid during 2012. The Company also has a non-cancelable license agreement with a technology vendor which requires the Company to pay $1.5 million over a three-year period for utilization of the vendor's web-based application.

Legal Proceedings

The Company was named a defendant in two purported class action lawsuits filed in California state court on September 15, 2009 and May 27, 2010, alleging primarily that the Company failed to comply with the California Legal Document Assistant Act, engaged in unfair business practices and made misrepresentations in the Company's business operations (collectively, "Matter A"). Between them, the complaints sought to have all contracts between the Company and its customers in the prior four years declared void and demanded a return of all the revenues generated from these customers plus punitive damages, penalties and injunctive relief.

The Company denied and continues to deny all of the allegations and claims asserted in the lawsuits, including, but not limited to, any allegation that the plaintiffs have suffered any harm or damages. In June 2011, the Company, without admitting liability, and to avoid additional legal costs to defend these matters, agreed to a settlement agreement of the May 27, 2010 action to resolve the claims in both of these cases. ("Matter A Settlement") A fairness hearing was held on this matter on April 5, 2012, and the court issued an order granting final approval of the Matter A settlement on April 18, 2012. The plaintiff from the September 15, 2009 action has filed a notice of appeal of the court's denial of his motion to intervene. The plaintiff from the September 15, 2009 action and additional plaintiffs have filed notices of appeal of the court's order and judgment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Matter A Settlement includes a settlement class of all customers residing in the United States who purchased certain services from the Company from September 15, 2005 through June 16, 2011 ("Matter A class members"). The key terms of the settlement obligate the Company to pay plaintiff attorney fees and expenses not to exceed $2.2 million; in the states where the Company sells legal plans, for the Company to provide the class members who file a valid and timely claim, a sixty-day free subscription service to those legal plans (an "in-kind services award"); in the states where the Company does not sell legal plans, to pay the class members a cash award of up to $75 per claimant, the aggregate for this category not to exceed $150,000; in lieu of the in-kind services award, for class members who requested but did not receive a refund for the purchase price of the legal document prepared through the Company, and have not already successfully used the document for its intended purpose, the Company will provide a cash award of up to $100 per claimant, the aggregate for this category not to exceed $250,000. Third-party administrative costs of the settlement have been estimated to be approximately $250,000.

The Company accrued the estimated settlement of $2.9 million in the December 31, 2010 financial statements that had not been issued as of the date of the settlement agreement. The $2.9 million accrual, recorded in non-current liabilities as of December 31, 2010 because the payment of the amount was not expected to occur within twelve months of that date, is comprised of plaintiff legal fees and expenses of $2.2 million, the maximum $150,000 to class members who reside in states where the Company does not sell legal plans, an estimated liability of $250,000 for in-kind services awards, and $250,000 for administration costs.

The $2.9 million legal settlement accrual was also recorded as a reduction of revenues of $0.2 million and a charge to general and administrative expenses of $2.7 million in the accompanying consolidated statements of operations for the year ended December 31, 2010. The reduction of revenues represents estimated refunds to claimants of previously recorded sales amounts.

The Matter A deadline for class members to submit a valid claim to participate in the settlement was May 15, 2012. Based on the claims received by the settlement administrator through the May 15, 2012 submission deadline, the Company has not adjusted the $2.9 million estimated accrued legal settlement liability during the three months ended March 31, 2012. However, the settlement administrator continues to process late claims and/or corrections to incomplete claims, the finalization of which the Company believes will not significantly impact the amount accrued to settle this Matter A.

The Company expenses legal fees and costs for defending legal proceedings as incurred.

On December 17, 2009, a statewide class action lawsuit was filed against the Company in Missouri state court, alleging that we were engaged in the unauthorized practice of law and violated the Missouri Merchandising Practices Act ("Matter B"). The complaint was later amended on January 15, 2010 to add additional plaintiffs. The complaint sought damages of five years of fees charged to Missouri customers with the fees from the two years immediately preceding the complaint trebled and an injunction to enjoin the Company from continued operation in Missouri. The Company subsequently removed the case to federal court in Missouri.

The Company has denied and continues to deny all of the allegations and claims asserted in the lawsuit, including, but not limited to, any allegation that the plaintiffs have suffered any harm or damages. The Company does not admit liability, but agreed to settle the cases to avoid the ongoing cost, expense and time required to defend Matter B. In August 2011, the parties reached agreement on the material terms of a settlement ("Matter B Settlement"). The court held a fairness hearing on April 13, 2012 and issued a final approval order and dismissal with prejudice on April 30, 2012.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Matter B Settlement includes a settlement class of all customers residing in the State of Missouri who purchased services from the Company from December 18, 2004 through May 20, 2011 ("Matter B class members"). The key terms of the settlement obligate the Company to pay a maximum of $1.9 million to the plaintiffs' attorneys for their fees and expenses plus amounts to be paid to Matter B class members in cash, on a claims-made basis, to be administered by a Claims Administrator. Third-party administrative costs of the settlement have been estimated by the Company to be approximately $75,000.

The Company had accrued the estimated settlement of $2.5 million in the December 31, 2010 financial statements that had not been issued as of the date of the settlement agreement. The $2.5 million accrual, recorded in non-current liabilities as of December 31, 2010 because the payment of the amount was not expected to occur within twelve months of that date, is comprised of the capped plaintiffs' attorneys' fees and expenses of $1.9 million plus an estimated $0.6 million payment to the Matter B class members.

The $2.5 million legal settlement accrual was also recorded as a reduction of revenues of $0.6 million and a charge to general and administrative expenses of $1.9 million in the accompanying consolidated statements of operations for the year ended December 31, 2010. The reduction of revenues represents estimated cash refunds to Matter B claimants of previously recorded sales amounts.

The Matter B deadline for class members to submit a valid claim to participate in the settlement was May 14, 2012, and based on claims received by the settlement administrator through that date, the Company increased its accrued settlement liability by $0.2 million (unaudited) to $2.7 million (unaudited), which is included in accrued expenses and other current liabilities in the consolidated balance sheet as of March 31, 2012. The $0.2 million (unaudited) increase from the original estimate was recorded as a reduction of revenues during the three months ended March 31, 2012, representing cash refunds to Matter B claimants of previously recorded sales amounts. The settlement administrator continues to process late claims and/or corrections to incomplete claims, the finalization of which the Company believes will not significantly impact the amount accrued to settle this Matter B.

The maximum settlement for Matters A and B, assuming all eligible claimants made a valid claim, was estimated to be $16 million. As of December 31, 2011, the Company had reasonably estimated the collective range of aggregate probable losses for Matters A and B to be between approximately $5.4 million and $7 million and had accrued the low end of the range as no other amount within this range was a better estimate than any other amount.

Based on the claims received through the respective aforementioned claims submission deadlines and processed to date, the Company has reasonably estimated the collective aggregate probable losses for Matters A and B to be approximately $5.6 million (unaudited) which is included in accrued expenses and other liabilities as of March 31, 2012. The ultimate costs of these two settlements are dependent on a number of factors, including the resolution of any appeals of the approved settlements, and actual claims made by, and the resulting payments to, the class members. Any difference between the amount accrued and the ultimate cost of the settlements will be recognized as an additional or lower expense or revenue in the period in which the final settlement is approved and the claims made by the plaintiffs are finalized. There is at least a reasonable possibility that the Company may incur an additional loss in excess of the amount accrued at March 31, 2012. The Company is unable to estimate the amount of additional loss or range of additional loss, if any, relating to these Matters. If the actual payments for the settlements are materially higher than the amount estimated by the Company, this difference could have a material adverse effect on the Company's business, operating results, cash flows and financial condition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company has other pending matters described below.

On June 10, 2011, a purported *quo warranto* action was filed against the Company in Alabama state court by the DeKalb County Bar Association. The complaint generally alleges that the Company engages in the unauthorized practice of law in Alabama and requests injunctive relief, not damages. The Company has denied and continues to deny all of the allegations and claims asserted in the lawsuit, including, but not limited to, any allegation that the plaintiffs have suffered any harm or damages. The Company believes it has meritorious defenses to the claims and intends to vigorously defend this lawsuit. The Company is unable to predict the ultimate outcome of this matter. Since no monetary damages are being sought by plaintiff, the Company does not reasonably believe that it has incurred any financial loss and therefore has not recorded any loss in the accompanying consolidated financial statements at December 31, 2011, and March 31, 2012 (unaudited) for this matter.

On October 27, 2011, a purported statewide class action was filed against the Company in federal court in Ohio, alleging that the Company engages in the unauthorized practice of law and violates the Ohio Consumer Sales Practices Act through its transaction business. The complaint seeks disgorgement of revenue, among other remedies. The complaint does not state any dollar amounts being sought. The Company has denied and continues to deny all of the allegations and claims asserted in the lawsuit, including, but not limited to, any allegation that the plaintiffs have suffered any harm or damages. The Company believes it has meritorious defenses to the claims and intends to vigorously defend this lawsuit. The Company is unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, the Company has not recorded any loss or accrual in the accompanying consolidated financial statements at December 31, 2011, and March 31, 2012 (unaudited) for this matter as the amount of loss, if any, is not probable and estimable. The Company is unable to estimate the possible loss or a range of loss, if any, relating to this matter.

On January 25, 2012, a purported class action complaint was filed against the Company in Arkansas state court, generally alleging that the Company engages in unauthorized practice of law constituting violation of the Arkansas deceptive trade practices act and unjust enrichment. The complaint seeks a refund of all monies paid the Company and punitive damages, among other remedies. The complaint does not state any dollar amounts being sought. The Company has denied and continues to deny all of the allegations and claims asserted in the lawsuit, including, but not limited to, any allegation that the plaintiffs have suffered any harm or damages. The Company believes it has meritorious defenses to the claims and intends to vigorously defend this lawsuit. The Company is unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, the Company has not recorded any loss or accrual in the accompanying consolidated financial statements at December 31, 2011, and March 31, 2012 (unaudited) for this matter as the amount of loss, if any, is not probable and estimable. The Company is unable to estimate the possible loss or a range of loss, if any, relating to this matter.

On February 17, 2012, a complaint was filed against the Company in South Carolina state court, generally alleging that the Company engages in the unauthorized practice of law through its transaction model. The complaint requests declaratory relief, injunctive relief and disgorgement of revenues, among other measures. The complaint does not state any dollar amounts being sought. The Company has denied and continues to deny all of the allegations and claims asserted in the lawsuit, including, but not limited to, any allegation that the plaintiffs have suffered any harm or damages. The Company believes it has meritorious defenses to the claims and intends to vigorously defend this lawsuit. The Company is unable to predict the ultimate outcome of this matter. There is at least a reasonable possibility that a loss may have been incurred for this contingency, however, the Company has not recorded any loss or accrual in the accompanying consolidated financial statements at December 31, 2011, and March 31, 2012 (unaudited)

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for this matter as the amount of loss, if any, is not probable and estimable. The Company is unable to estimate the possible loss or a range of loss, if any, relating to this matter.

If the matters noted above are not resolved in the Company's favor, the losses arising from the results of litigation or settlements may have a material adverse effect on the Company's business, operating results, cash flows and financial condition.

The Company filed a complaint on September 30, 2011 in Raleigh, North Carolina against the North Carolina State Bar. The suit brought by the Company requests a declaration that LegalZoom.com Inc.'s self-help services are lawful and requiring the registration of the Company's subscription legal plans. The Company cannot predict the outcome of this matter.

The Company is involved in both active and inactive, state administrative inquiries relating to the unauthorized practice of law. Because these are inquiries and no claims have been alleged or asserted against the Company, the Company cannot predict the outcome of these inquiries or whether these matters will even turn into litigation or any outcome of such litigation.

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. Other than described above, the Company is not currently a party to any material legal proceedings, nor is the Company aware of any pending or threatened litigation that would have a material adverse effect on the Company's business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Employment Contracts

The Company has entered into employment contracts with certain employees and officers. All of the contracts are under the terms of at-will employment. However, under the provisions of the contracts, the Company may be required to incur severance obligations for matters relating to changes in control, as defined, and involuntary terminations. At December 31, 2011 and March 31, 2012, total potential severance obligations in connection with the termination of employment contracts approximated $1.6 million and $1.9 million (unaudited), respectively. The Company has an obligation to pay one of its named officers a cash bonus of $100,000 and accelerate vesting by one year of his then-unvested stock options that would have otherwise vested monthly during that same 12-month period upon the completion of an initial public offering.

Contingent Incentive

In February 2010, the Company received a cash incentive payment of $0.5 million from the State of Texas in connection with the Company's opening of its office in Austin, Texas. The cash incentive, among other things, requires the Company to hire a contractually determined number of eligible employees who reside and work in the state beginning in 2010 and annually thorough 2017 ("incentive period"). This incentive contract is subject to annual compliance audits by the State of Texas. Shortfalls in the number of required new hires, if any, may result in the State penalizing the Company over the incentive period and such penalties over the incentive period cannot in the aggregate exceed the original $0.5 million payment made by the State. Although the Company does not expect to pay back this amount entirely based on its expected hiring in the State, it is also unable to estimate how much of the incentive the Company will retain, if any, since the Company can potentially end up paying back the entire incentive payment over the incentive period if it is unable to meet and maintain contractual hiring requirements. Accordingly, the Company has recorded $0.4 million of the incentive payment as a noncurrent liability and $0.1 million as a current liability in the accompanying consolidated balance sheets at December 31, 2011 and March 31,

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2012 (unaudited) the current amount representing the estimated expected amount to be paid back to the state in the next twelve months.

Indemnifications

Indemnification provisions in our third-party service provider agreements provide that the Company will indemnify, hold harmless, and reimburse the indemnified parties on a case-by-case basis for losses suffered or incurred by the indemnified parties in connection with any claim by any third party as a result of the Company's website, advertising, marketing, payment processing, collection or customer service activities. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is undeterminable. The Company has never paid a claim, nor has the Company been sued in connection with these indemnification provisions. At December 31, 2011, and March 31, 2012 (unaudited), the Company has not accrued a liability for these guarantees, because the likelihood of incurring a payment obligation in connection with these guarantees is not probable.

Note 7. Redeemable Convertible Preferred Stock

On February 9, 2007, the Company issued 7,628,000 shares of Series A redeemable convertible preferred stock at $5.98471 per share for total gross proceeds of $45.7 million less direct issuance costs of $2.7 million. The Company used the proceeds of this issuance to redeem previously issued securities.

At December 31, 2011 and March 31, 2012 (unaudited), the Company is authorized to issue 66,180,000 and 7,628,000 shares of common stock and Series A, respectively. The Series A has the following rights and preferences:

Dividends

The holders of Series A are entitled to receive non-cumulative dividends when and if declared by the Board of Directors. There is no stated dividend rate on the Series A. The Company cannot declare any dividends on any shares of capital stock unless the holders of the Series A then outstanding first receive a dividend on each outstanding share of Series A in an amount at least equal to (i) in the case of a dividend on common stock or any class or series that is convertible into common stock, that dividend per share of Series A as would equal the product of (A) the dividend payable on each share of such class or series determined as if all such shares of such class or series had been converted into common stock and (B) the number of shares of common stock issuable upon conversion of a share of Series A or (ii) in the case of a dividend on any class or series that is not convertible into common stock, at a rate per share of Series A determined by dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock and multiplying such fraction by an amount equal to $5.98471 per share. For the years ended December 31, 2009, 2010 and 2011 and the three months ended March 31, 2012 (unaudited), no dividends have been declared.

Conversion

Each share of the Series A is convertible any time, at the option of the holder, into three shares of common stock. All shares of Series A will automatically convert upon the earlier of (i) immediately prior to the closing of the sale of shares of common stock to the public at a price of at least $6.00 per share, in a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 with at least $50 million of gross proceeds to the Company and with respect to which the common stock is listed for trading on either the New York Stock Exchange or the NASDAQ National

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Market or (ii) a date specified by the vote of the holders of at least a majority of the then outstanding shares of Series A.

Redemption

The holders of the Series A are entitled to request that the Company redeem their shares on or after February 9, 2014, which is the date of earliest possible redemption. If the Series A shareholders request redemption, the Company can deny such request. However, in such event, the Series A have certain rights to take control of the Company's Board of Directors and approve such redemption. The redemption amount at February 9, 2014 is an amount per share in cash equal to (i) $5.98471, plus (ii) $0.4788, per annum, accruing on a daily basis, or a total of $71.2 million.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, including a merger or consolidation, as defined, the holders of shares of Series A then outstanding are entitled to be paid out of the assets available for distribution to its shareholders before any payment will be made to the holders of common stock or any other class or series of stock ranking on liquidation junior to the Series A by reason of their ownership thereof, an amount per share of Series A equal to the Series A original issue price of $5.98471 multiplied by 1.25 (the "Base Liquidation Amount"), plus any dividends declared but unpaid thereon. If upon liquidation, dissolution, or winding up of the Company, the assets available for distribution to its shareholders are insufficient to pay the holders of shares of Series A the full aforesaid preferential amount to which they are entitled, the holders of shares of Series A will share ratably in any distribution of the remaining assets available for distribution in proportion to the respective amounts, which would otherwise be payable in respect of the shares of Series A held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

After the payment of all preferential amounts required to be paid to the holders of Series A, the remaining assets available for distribution to the Company's shareholders will be distributed among the holders of the shares of Series A and common stock, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to common stock immediately prior to such dissolution, liquidation or winding up of the Company; provided, however, that if and to the extent that the aggregate per share amount to be distributed to the holders of Series A would exceed the Series A original issue price of $5.98471 multiplied by two, the Base Liquidation Amount will be reduced on a dollar-for-dollar basis by an amount equal to such excess amount; provided that in no event will the Base Liquidation Amount be reduced below zero.

Voting

Each holder of outstanding shares of Series A is entitled to cast the number of votes equal to the number of whole shares of common stock into, which the shares of Series A held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter. Holders of Series A will vote together with the holders of common stock as a single class.

As long as there are 2,542,667 shares of Series A outstanding, the Company will not: Amend, alter or repeal any provision of the Restated Certificate of Incorporation or the Company's By-laws in a manner that adversely affects that rights, preferences, privileges and other restrictions of the Series A; increase or decrease the number of authorized shares of Series A; authorize or enter into any transaction or series of related transactions (i) for the sale, exclusive license or other disposition of a substantial portion of the assets of the Company, (ii) for the acquisition of any equity interests or all or substantially all of the assets

of another entity, including by merger, in each case, where the fair market value of the consideration paid or issued by the Company in connection with the transaction exceeds $5,000,000, (iii) for the merger, consolidation or other reorganization with or into another entity, (iv) for the voluntary dissolution or liquidation of the Company, or (iv) otherwise constituting a change of control, as defined; authorize, designate, issue or reclassify any equity security senior to or on parity with the Series A, with regard to redemption, liquidation preference, voting rights or dividends; Increase the size of the Board of Directors; pay or declare dividends on, make distributions with respect to, or repurchase any shares of capital stock of the Company; incur any aggregate indebtedness for borrowed money in excess of $5,000,000; increase the number of shares available for grant under the Company's 2000 Stock Option Plan or 2007 Stock Option Plan or authorize or establish any new plan or arrangement providing for the grant or issuance of shares of common stock, options or convertible securities to directors, employees or consultants of the Company; or Issue, or commit to issue, any additional shares of Series A.

Board of Directors

The holders of the Series A, exclusively and as a separate class, are entitled to elect two directors of the Company. The holders of the Series A and common stock, exclusively and as a separate class, are entitled to elect all remaining directors.

Reserve for Unissued Shares of Common Stock

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock plus shares granted and available for grant under the Company's stock option plan.

The amount of such shares of common stock reserved for these purposes at December 31, 2010, December 31, 2011 and March 31, 2012 (unaudited) is as follows (in thousands):

	December 31,		March 31,
	2010	2011	2012 (unaudited)
Common stock issued	31,417	31,780	32,011
Conversion of preferred stock—Series A	22,884	22,884	22,884
Outstanding stock options, including restricted stock units	7,129	7,402	7,661
Additional shares available for grant under the Company's 2010 Stock Option plan	174	924	434
Total	61,604	62,990	62,990

Note 8. Stock-based Compensation

The Company has issued stock options under its 2000 Stock Option Plan ("2000 Plan") and the 2007 Stock option Plan ("2007 Plan"), which was renamed as the 2010 Stock Option Plan (hereafter, the 2007 Plan is now referred as the 2010 Plan, and together with the 2000 Plan, the "Plans"). Since February 2007, the Company currently grants its stock options under the 2010 Plan exclusively. Under the 2000 Plan, employees, consultants, and directors have been granted options to purchase an aggregate of 7,163,700 shares of the Company's common stock, less any shares forfeited under the 2000 Plan. Under the 2010 Plan, employees, consultants, and directors may be granted options to purchase up to an aggregate of 10,042,039 shares of the Company's common stock. At December 31, 2011 and March 31, 2012 there were approximately 924,000 and 434,000 (unaudited) shares of common stock, respectively, available for grant

under the 2010 Plan. Under the terms of the Plans, both incentive and non-qualified stock options have been and may be granted with exercise prices not less than the fair value of the underlying common stock on the date of grant. Options granted pursuant to these plans vest over periods of up to four years and expire ten years from the grant date. If a 2000 Plan option expires, such as upon termination of employment, becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased shares will become available for future grant or sale under the 2000 Plan or the 2010 Plan. If a 2010 Plan option expires, such as after employment termination, becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased shares will become available for future grant or sale under the 2010 Plan. If the employee does not exercise vested 2000 Plan options within 30 days of termination, these options will expire and are not able to be issued as new grants under the 2000 Plan. If the employee does not exercise vested 2010 Plan options within 30 days of termination, these options will expire and revert back to the 2010 Plan's option pool. The Company's policy is to issue new common shares upon the exercise of stock options.

The exercise prices of all options granted under the Plans were based on the estimated fair market value of the Company's common stock as determined by the Board of Directors at the date of grant. The Company recorded stock-based compensation cost in the following categories on the accompanying consolidated statements of operations (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	2009	2010	2011	2011 (unaudited)	2012 (unaudited)
Cost of services	$ 200	$ 178	$ 155	$ 48	$ 39
Sales and marketing	124	46	56	15	33
Technology and development	114	155	133	40	40
General and administrative	699	929	600	163	220
Total	1,137	1,308	944	266	332
Amount capitalized to internal use software	20	12	6	2	3
Total stock-based compensation cost	$ 1,157	$ 1,320	$ 950	$ 268	$ 335

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Activity under the Plans was as follows for the year ended December 31, 2011 and the three months ended March 31, 2012 (in thousands, except weighted average exercise price and remaining contract life):

	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contract Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	7,054	$ 1.18	7.5	$ 11,469
Granted	882	5.47		
Exercised	(363)	0.92		
Cancelled/forfeited	(246)	1.16		
Outstanding at December 31, 2011	7,327	1.70	6.9	$ 29,566
Granted (unaudited)	505	6.84		
Exercised (unaudited)	(231)	1.12		
Cancelled/forfeited (unaudited)	(15)	3.47		
Outstanding at March 31, 2012 (unaudited)	7,586	$ 2.05	6.9	$ 37,927
Vested and expected to vest at December 31, 2011	7,172	$ 1.72	6.9	$ 28,830
Exercisable at December 31, 2011	4,123	$ 1.14	5.7	$ 18,948
Vested and expected to vest at March 31, 2012 (unaudited)	7,456	$ 2.03	6.9	$ 37,435
Exercisable at March 31, 2012 (unaudited)	4,425	$ 1.16	5.6	$ 26,096

The aggregate intrinsic values in the table above represents the difference, if any, between the estimated fair value per share of the Company's common stock and the option exercise prices, multiplied by the number of options at the respective balance sheet dates. The total intrinsic value of stock options exercised for the years ended December 31, 2009, 2010 and 2011, was $0.7 million, $1.3 million and $1.1 million, respectively, and for the three months ended March 31, 2011 and 2012 was $0.5 million (unaudited) and $1.1 million (unaudited), respectively. At December 31, 2011, total remaining stock-based compensation expense for unvested awards is $3.2 million, which is expected to be recognized over a weighted-average period of 3.2 years. At March 31, 2012, total remaining stock-based compensation expense for unvested award is $4.1 million (unaudited), which is expected to be recognized over a weighted-average period of 3.3 years.

The weighted-average grant-date fair value per share of options granted for the years ended December 31, 2009, 2010 and 2011 were $0.51, $0.83 and $2.28, respectively. The weighted-average grant-date fair value per share of options granted for the three months ended March 31, 2012 was $2.80 (unaudited). There were no stock option grants during the three months ended March 31, 2011. The weighted-average fair value per share of options vested for the years ended December 31, 2009, 2010, and 2011 were $0.66, $0.69 and $0.68, respectively, for a total fair value of $1.1 million for each of 2009 and 2010, and $0.8 million for 2011. The weighted-average fair value per share of options vested for the three months ended March 31, 2011 and 2012 were $0.62 (unaudited) and $0.67 (unaudited) for a total fair value of $0.4 million (unaudited) and $0.3 million (unaudited), respectively.

There was no tax benefit realized for the tax deductions from stock options exercised during the years ended December 31, 2009 and 2010 and for the three months ended March 31, 2011 and 2012 (unaudited).

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company realized $0.3 million of excess windfall tax benefits from stock option exercises during the year ended December 31, 2011.

The following table summarizes the Company's options granted during the year ended December 31, 2011 and the three months ended March 31, 2012:

Date	Number of Shares (in thousands)	Exercise Price and Fair Value Per Share of Common Stock
September 29, 2011	805	$ 5.47
December 20, 2011	77	$ 5.48
January 31, 2012 (unaudited)	85	$ 5.74
March 31, 2012 (unaudited)	420	$ 7.06

Restricted Stock Units

On April 20, 2010, the Company issued 75,000 restricted stock units to an executive employee with a grant date fair value of $1.40 per share. These restricted stock units vest on the earlier to occur of (i) the fifth anniversary from the issuance date, or (ii) the completion of a successful strategic event, which includes a financing event, a qualified initial public offering or an acquisition. For the years ended December 31, 2010 and 2011, and for the three months ended March 31, 2011 and 2012 (unaudited), compensation expense related to the restricted stock was insignificant.

Note 9. Income Taxes

During the three months ended March 31, 2011 and 2012, the Company recorded an income tax benefit (provision) of $0.1 million (unaudited) and ($0.3) million (unaudited), respectively.

For the three months ended March 31, 2011 and 2012, the Company's effective tax rate differs from the statutory rate primarily as a result of current state taxes, nondeductible items and changes in deferred income taxes due to the release of the valuation allowance in the fourth quarter of 2011.

The details of the income tax (provision) benefit by jurisdiction for the years ended December 31, 2009, 2010 and 2011 are as follows (in thousands):

	2009	2010	2011
Current			
Federal	$ (61)	$ 65	$ (313)
State	(250)	(347)	(617)
Total current	(311)	(282)	(930)
Deferred			
Federal	—	—	4,818
State	—	—	2,110
Total deferred	—	—	6,928
Total income tax (provision) benefit	$ (311)	$ (282)	$ 5,998

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Income tax (provision) benefit for the years ended December 31, 2009, 2010 and 2011 differed from the amounts computed by applying the U.S. federal income tax rate of 34% to pretax income (loss) as a result of the following (in thousands):

	2009	2010	2011
Income tax (provision) benefit at statutory rate	$ 112	$ 1,272	$ (2,082)
State income taxes	259	(550)	(372)
Research and development credits	743	247	247
Change in valuation allowance	(753)	6	8,604
Stock-based compensation expense	(113)	(911)	(21)
Unrecognized tax benefits	(674)	(175)	(176)
Other	115	(171)	(202)
Total income tax (provision) benefit	$ (311)	$ (282)	$ 5,998

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities consisted of the following at December 31, 2010 and 2011 (in thousands):

	2010	2011
Deferred tax assets:		
Deferred revenue	$ 4,395	$ 2,695
Accrued expenses	2,419	3,463
Accrued legal settlement	2,031	2,029
Stock-based compensation	515	805
Net operating loss carryforwards	1,803	705
Tax credit carryforwards	1,846	2,081
Capital loss carryforwards	411	411
	13,420	12,189
Valuation allowance	(9,015)	(411)
Net deferred tax assets	4,405	11,778
Deferred tax liabilities:		
Depreciation and amortization	(3,451)	(3,878)
State taxes	(954)	(972)
Net deferred tax liabilities	(4,405)	(4,850)
Net deferred tax assets and liabilities	$ —	$ 6,928

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Deferred tax assets are recorded on the consolidated balance sheets at December 31, 2010 and 2011 as follows (in thousands):

	2010	2011
Deferred tax assets—current	$ 3,174	$ 6,735
Valuation allowance—current	(3,174)	(237)
Net deferred tax assets—current	—	6,498
Deferred tax assets—noncurrent	5,841	604
Valuation allowance—noncurrent	(5,841)	(174)
Net deferred tax assets—noncurrent	$ —	$ 430

Valuation Allowance

The Company recorded a full valuation allowance against its net deferred tax assets at December 31, 2010. In determining the need for a valuation allowance, management reviewed all available evidence pursuant to the requirements of ASC 740. The determination of recording or releasing tax valuation allowances is made, in part, pursuant to an assessment performed by management regarding the likelihood that the Company will generate sufficient future taxable income against which benefits of the deferred tax assets may or may not be realized. This assessment requires management to exercise significant judgment and make estimates with respect to the Company's ability to generate revenue, operating income and taxable income in future periods. Amongst other factors, management must make assumptions regarding overall current and projected business and legal document and ancillary services' industry conditions, operating efficiencies, the Company's ability to timely and effectively adapt to technological change, fully and successfully resolve outstanding legal matters, and the competitive environment which may impact the Company's ability to generate taxable income and, in turn, realize the value of the deferred tax assets. Significant cumulative operating losses in 2010 and prior years and economic uncertainties in the market made the Company's ability to project future taxable income uncertain and volatile at December 31, 2010. Based upon management's assessment of all available evidence, including the Company's history of recent and cumulative losses, the Company concluded as of December 31, 2010, that it was not more likely than not that its net deferred tax assets would be realized.

In 2011, the Company became profitable due to the significant increase in its revenues and a continuous increase in demand for its services and was able to utilize a substantial amount of its federal net operating loss carryforwards. Based upon the current trend of operating results and Company forecasts, the Company believes it is more likely than not that it will realize the benefits of the deferred tax assets. The majority of the Company's 2011 income from operations was earned in the second half of the year resulting in the Company's achievement of three-year cumulative income before income taxes by the fourth quarter of 2011. Accordingly, during the fourth quarter of 2011, the Company released its valuation allowance against deferred tax assets based on the weight of positive evidence that existed at December 31, 2011, except for the allowance of $0.4 million relating to the deferred tax asset for a capital loss carryforward which is expected to expire unused in 2012.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The activity in the valuation allowance for the years ended December 31, 2009, 2010 and 2011 was as follows (in thousands):

	Balance at beginning of period	Increase / (decrease)	Balance at end of period
December 31, 2009	$ 8,268	$ 753	$ 9,021
December 31, 2010	9,021	(6)	9,015
December 31, 2011	9,015	(8,604)	411

Other Income Tax Disclosures

At December 31, 2011, the Company had federal and state net operating loss carryforwards of approximately $1.1 million and $8.9 million, respectively. The federal and state net operating loss carryforwards will begin to expire in the years ending December 31, 2028 and 2017, respectively. At December 31, 2011, the Company also had federal and state tax credit carryforwards of $1.6 million and $1.4 million, respectively. The federal tax credit carryforwards will expire beginning in the year ending December 31, 2021 and the state tax credits carry forward indefinitely. The Company has a capital loss carryforward of $1 million at December 31, 2011 which will expire in 2012. Utilization of the net operating loss carryforwards may be subject to an annual limitation based on changes in ownership, as defined by Section 382 of the Internal Revenue Code of 1986.

During 2011, the Company realized excess windfall tax benefits of $0.3 million from stock option exercises. These benefits reduced income taxes payable and were recorded as an increase to additional paid-in capital in the accompanying consolidated balance sheets as of December 31, 2011. In accordance with the reporting requirements under ASC 718, the Company did not include $0.5 million excess windfall tax benefits resulting from stock option exercises as components of the Company's gross deferred tax assets and corresponding valuation allowance disclosures, as tax attributes related to those windfall tax benefits should not be recognized until they result in a reduction of taxes payable. The tax effected amount of gross unrealized net operating loss carryforwards excluded under ASC 718 was $0.5 million at December 31, 2011. When realized, those excess windfall tax benefits are credited to additional paid-in capital.

As of December 31, 2010 and 2011, the Company had approximately $1.0 million and $1.2 million of unrecognized tax benefits, respectively, which if recognized, would affect the effective income tax rate.

The following table summarizes the changes in unrecognized tax benefits (in thousands):

	Gross Unrealized Tax Benefits
Balance at December 31, 2008	$ 616
Additions for tax positions related to the current year	196
Balance at December 31, 2009	812
Additions for tax positions related to the current year	201
Balance at December 31, 2010	1,013
Additions for tax positions related to the current year	201
Balance at December 31, 2011	$ 1,214

During all years presented the Company recognized interest and penalties related to unrecognized tax benefits within the provision for income taxes on the consolidated statements of operations. There were no

significant changes in unrecognized tax benefits during the three months ended March 31, 2012. The amount of interest and penalties accrued as of December 31, 2010, December 31, 2011 and March 31, 2012 (unaudited) are insignificant. The balance of the unrecognized tax benefits reduce tax attributes that have not yet been utilized on the Company's tax return.

The Company files income tax returns in the U.S. federal jurisdiction, state of California and other state jurisdictions.

The years ended December 31, 2009 through 2010 remain open to examination by the Internal Revenue Service while the tax years ended December 31, 2007 through 2010 remain open to examination by the California Franchise Tax Board. The Company was under audit during 2010 by the Internal Revenue Service for the 2008 tax year, and the audit was closed during 2011 with a no change letter issued to the Company by the Internal Revenue Service. The Company was under audit by the California Franchise Tax Board in fiscal 2009, which was withdrawn during the year ended December 31, 2010. All net operating loss carryforwards generated from 2005 and income tax credit carryforwards generated to date are subject to adjustment for federal and state purposes. The Company does not anticipate that the unrecognized tax benefits will significantly decrease within the next twelve months.

Note 10. Related Party Transactions

A consultant who is a stockholder of the Company (the "Consultant"), provides legal and public relation consultancy services to the Company. The Company expensed consultancy fees of $188,000, $250,000 and $125,000 for the years ended December 31, 2009, 2010 and 2011, respectively, to the Consultant. In 2010, the Consultant provided services of $62,000 in settlement of a promissory note due from the Consultant which is included in the 2010 expense. The consultancy services agreement expired December 31, 2011, and fees paid during the three months ended March 31, 2011 (unaudited) were insignificant.

During the years ended December 31, 2010 and 2011, the Company paid $315,000 and $195,000, respectively, in legal fees to a law firm in which one of the Company's co-founder and stockholder is also a partner. Such fees paid to this law firm for 2009 were insignificant. During the three months ended March 31, 2012 and 2011 (unaudited) such fees were insignificant.

The Company utilizes a credit card to make purchases for ordinary operating requirements and the underlying obligations incurred by the Company for these charges are guaranteed by the personal assets of one of the Company's co-founders. The Company also receives certain benefits from incurring these expenditures on this card including airline miles and cash reward points offered by the credit card's financial institution.

Note 11. 401(k) Savings Plan

The Company has a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the plan are made at the discretion of the Board of Directors. The Company made contributions of $464,000, $613,000 and $744,000 to the 401(k) plan during the years ended December 31, 2009, 2010 and 2011, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 12. Subsequent Events

In connection with the issuance of the consolidated financial statements for the year ended December 31, 2011, the Company evaluated subsequent events through April 5, 2012, the date the consolidated financial statements were issued. In connection with the issuance of the interim consolidated financial statements for the three months ended March 31, 2012, the Company evaluated subsequent events through June 4, 2012.

Our online legal platform enables us to deliver services at scale with a compelling combination of quality, customer care and value.

SMALL BUSINESS SERVICES

LLC Formation
Incorporation
Trademark
DBA/Fictitious Business Name
Copyright
Non-Profit Corporation
Provisional Application for Patent

CONSUMER SERVICES

Last Will and Testament
Power of Attorney
Living Will
Living Trust
Uncontested Divorce
Name Change

SUBSCRIPTION SERVICES

Business Legal Plan
Personal Legal Plan
Registered Agent Services

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. All amounts are estimated except the SEC registration fee and the FINRA filing fee. All the expenses below will be paid by the Registrant.

Item	Amount
SEC registration fee	$ 13,752
FINRA filing fee	12,500
Initial NYSE listing fee	*
Legal fees and expenses	*
Accounting fees and expenses	*
Printing and engraving expenses	*
Transfer agent and registrar fees and expenses	*
Blue Sky fees and expenses	*
Miscellaneous fees and expenses	*
Total	$ *

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act.

Our amended and restated certificate of incorporation to be in effect upon the completion of this offering provides for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our amended and restated bylaws to be in effect upon the completion of this offering provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law.

In addition, we have entered into indemnification agreements with our directors and officers containing provisions which are in some respects broader than the specific indemnification provisions contained in the Delaware General Corporation Law. The indemnification agreements require us, among other things, to indemnify our directors against certain liabilities that may arise by reason of their status or service as directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the Registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

Item 15. Recent Sales of Unregistered Securities

Since March 31, 2009, we have made the following sales of unregistered securities (after giving effect to a 3-for-1 stock split effected in July 2011):

Plan-related Issuances

1. From March 31, 2009 through March 31, 2012, we issued to our directors, officers, employees, consultants and other service providers an aggregate of 999,491 shares of our common stock at per share purchase prices ranging from $0.017 to $1.193 pursuant to exercises of options under our 2000 Stock Option Plan.

2. From March 31, 2009 through March 31, 2012, we granted to our directors, officers, employees, consultants and other service providers options to purchase 4,483,300 shares of our common stock with per share exercise prices ranging from $0.763 to $7.06 under our 2010 Stock Incentive Plan.

3. From March 31, 2009 through March 31, 2012, we issued to our directors, officers, employees, consultants and other service providers an aggregate of 2,891,620 shares of our common stock at per share prices ranging from $0.763 to $1.497 pursuant to exercises of options under our 2010 Stock Incentive Plan.

4. From March 31, 2009 through March 31, 2012, we granted an officer 75,000 restricted stock units to be settled into shares of our common stock under our 2010 Stock Incentive Plan.

Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with the Registrant, to information about the Registrant. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statements

(a) Exhibits

Exhibit Number	Description of Exhibit
1.1*	Form of Underwriting Agreement.
3.1#	Restated Certificate of Incorporation of LegalZoom.com, Inc., as currently in effect.
3.2#	Form of Amended and Restated Certificate of Incorporation of LegalZoom.com, Inc. to be in effect upon completion of the offering.
3.3#	Bylaws of LegalZoom.com, Inc., as currently in effect.
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4.2#	Investors' Rights Agreement.
5.1*	Opinion of Sheppard, Mullin, Richter & Hampton LLP.
10.1+#	2000 Stock Option Plan, as amended, and forms of award agreements.
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10.5+#	Employment Agreement, by and between LegalZoom.com, Inc. and Chas Rampenthal.
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10.7+#	Board Member Offer Letter, by and between LegalZoom.com and Nehemia Zucker.
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10.31+	Board Member Offer Letter and Consent, by and between LegalZoom.com, Inc. and Daniel Cooperman.
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99.3#	Consent of United Sample, Inc.

* To be filed by amendment.

\+ Indicates a management contract or compensatory plan.

\# Previously filed.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or notes thereto.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted as to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus as filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) That, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities:

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, we have duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on July 2, 2012.

LegalZoom.com, Inc.

By: /s/ JOHN SUH

John Suh
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN SUH John Suh	Chief Executive Officer and Director (principal executive officer)	July 2, 2012
/s/ FRED KRUPICA Fred Krupica	Chief Financial Officer (principal financial officer and principal accounting officer)	July 2, 2012
* Brian Liu	Chairman	July 2, 2012
* Susan Decker	Director	July 2, 2012
* Alan Spoon	Director	July 2, 2012
* Jason Trevisan	Director	July 2, 2012
* Nehemia Zucker	Director	July 2, 2012

*By: /s/ FRED KRUPICA

Fred Krupica
Attorney-in-fact

EXHIBIT INDEX

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* To be filed by amendment.

\+ Indicates a management contract or compensatory plan.

\# Previously filed.

Exhibit 3.4

[FORM OF]

AMENDED AND RESTATED BYLAWS OF

LEGALZOOM.COM, INC.

(a Delaware corporation)

TABLE OF CONTENTS

[FORM OF]
AMENDED AND RESTATED
BYLAWS OF
LEGALZOOM.COM, INC.

(as amended and restated on ***[_____]*** 2012 and
effective as of the closing of the corporation's initial public offering)

ARTICLE I - CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The registered office of LegalZoom.com, Inc. (the "Corporation") shall be fixed in the Corporation's certificate of incorporation, as the same may be amended from time to time.

1.2 OTHER OFFICES.

The Corporation's board of directors (the "Board") may at any time establish other offices at any place or places. The Board may change any office from one location to another or eliminate any office or offices.

ARTICLE II - MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

(i) Meetings of the stockholders shall be held at any place within or outside of the State of Delaware as determined by the Board, and if no such determination is made, at such place as may be determined by the chairperson of the Board. If no location is so determined, the meeting shall be held at the principal executive office of the Corporation. Notwithstanding the foregoing, the Board may, in its sole discretion, determine that an annual meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 2.1(ii).

(ii) If authorized by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication: (a) participate in a meeting of stockholders; and (b) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication; provided that (1) the Corporation implements reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (2) the Corporation implements reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (3) if any stockholder

or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action is maintained by the Corporation.

2.2 ANNUAL MEETING.

The Board shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and other proper business properly brought before the meeting in accordance with Section 2.4 of this ARTICLE II may be transacted.

2.3 SPECIAL MEETING.

Special meetings of the stockholders may be called, for any purpose or purposes, by (i) the Board, (ii) the chairperson of the Board, or (iii) the chief executive officer of the Corporation or, in the absence of such chief executive officer, the president of the Corporation. Special meetings of the stockholders may not be called by any other person or persons. The Board may cancel, postpone or reschedule any previously scheduled special meeting of the stockholders at any time, and from time to time, before or after notice for such meeting has been provided to the stockholders.

No business may be transacted at a special meeting of the stockholders other than the business specified in such notice to stockholders. Nothing contained in this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

2.4 ADVANCE NOTICE PROCEDURES FOR BUSINESS BROUGHT BEFORE A MEETING

(i) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) brought before the meeting by the Corporation and specified in the notice of meeting given by or at the direction of the Board, (b) brought before the meeting by or at the direction of the Board or any committee thereof or (c) otherwise properly brought before the meeting by a stockholder who (1) was a stockholder of record of the Corporation (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 2.4 and at the time of the meeting, (2) is entitled to vote at the meeting and (3) has complied with this Section 2.4 as to such business. Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"), and included in the notice of meeting given by or at the direction of the Board, the foregoing clause (c) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting. Stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders, and the only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to

ARTICLE II, Section 2.3. Stockholders seeking to nominate persons for election to the Board must comply with Section 2.5 and this Section 2.4 shall not be applicable to nominations except as expressly provided in Section 2.5.

(ii) Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (a) provide Timely Notice (as defined below) thereof in writing and in proper form to the secretary of the Corporation and (b) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.4, and any such proposed business must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not earlier than the 120th and not later than the 90th day prior to such annual meeting or, if later, the 10th day following the day on which public disclosure of the date of such annual meeting was first made (such notice within such time periods, "Timely Notice"). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(iii) To be in proper form for purposes of this Section 2.4, a stockholder's notice to the secretary of the Corporation shall set forth:

(a) As to each Proposing Person (as defined below), (1) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records), (2) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future, (3) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business, and (4) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve the business proposal and/or (B) otherwise to solicit proxies or votes from stockholders in support of such business proposal (the disclosures to be made pursuant to the foregoing clauses (1) through (4) are referred to as "Stockholder Information");

(b) As to each Proposing Person, (1) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to give such Proposing Person economic risk similar to ownership of shares of any class or series of the

Corporation, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the Corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the Corporation ("Synthetic Equity Interests"), which Synthetic Equity Interests shall be disclosed without regard to whether (A) the derivative, swap or other transactions convey any voting rights in such shares to such Proposing Person, (B) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (C) such Proposing Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions, (2) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to vote any shares of any class or series of the Corporation, (3) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Proposing Person, the purpose or effect of which is to mitigate

loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proposing Person with respect to the shares of any class or series of the Corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the Corporation ("Short Interests"), (4) any rights to dividends on the shares of any class or series of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (5) any performance related fees (other than an asset based fee) that such Proposing Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the Corporation, or any Synthetic Equity Interests or Short Interests, if any, (6) (A) if such Proposing Person is not a natural person, the identity of the natural person or persons associated with such Proposing Person responsible for the formulation of and decision to propose the business to be brought before the meeting (such person or persons, the "Responsible Person"), the manner in which such Responsible Person was selected, any fiduciary duties owed by such Responsible Person to the equity holders or other beneficiaries of such Proposing Person, the qualifications and background of such Responsible Person and any material interests or relationships of such Responsible Person that are not shared generally by any other record or beneficial holder of the shares of any class or series of the Corporation and that reasonably could have influenced the decision of such Proposing Person to propose such business to be brought before the meeting, and (B) if such Proposing Person is a natural person, the qualifications and background of such natural person and any material interests or relationships of such natural person that are not shared generally by any other record or beneficial

holder of the shares of any class or series of the Corporation and that reasonably could have influenced the decision of such Proposing Person to propose such business to be brought before the meeting, (7) any significant equity interests or any Synthetic Equity Interests or Short Interests in any principal competitor of the Corporation held by such Proposing Persons, (8) any direct or indirect interest of such Proposing Person in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (9) any pending or threatened litigation in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (10) any material transaction occurring during the prior 12 months between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand, (11) a summary of any material discussions regarding the business proposed to be brought before the meeting (A) between or among any of the Proposing Persons or (B) between or among any Proposing Person and any other record or beneficial holder of the shares of any class or series of the Corporation (including their names) and (12) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (1) through (12) are referred to as "Disclosable Interests"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a beneficial owner; and

(c) As to each item of business that the stockholder proposes to bring before the annual meeting, (1) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (2) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the Corporation, the language of the proposed amendment) and (3) a reasonably detailed description of all agreements, arrangements and understandings between or among any of the Proposing Persons or between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder.

(iv) For purposes of this Section 2.4, the term "Proposing Person" shall mean (a) the stockholder providing the notice of business proposed to be brought before an annual meeting, (b) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is

made, (c) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act for the purposes of these bylaws) of such stockholder or beneficial owner and (d) any other person with whom such stockholder or beneficial owner (or any of their respective affiliates or associates) is Acting in Concert (as defined below).

(v) A person shall be deemed to be "Acting in Concert" with another person for purposes of these bylaws if such person knowingly acts (whether or not pursuant to an express agreement, arrangement or understanding) in concert with, or towards a common goal relating to the management, governance or control of the Corporation in parallel with, such other person where (a) each person is conscious of the other person's conduct or intent and this awareness is an element in their decision-making processes, and (b) at least one additional factor suggests that such persons intend to act in concert or in parallel, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions, or making or soliciting invitations to act in concert or in parallel; provided, that a person shall not be deemed to be Acting in Concert with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a proxy or consent solicitation statement filed on Schedule 14A. A person Acting in Concert with another person shall be deemed to be Acting in Concert with any third party who is also Acting in Concert with such other person.

(vi) A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.4 shall be true and correct as of the record date for notice of the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the secretary of the Corporation at the principal executive offices of the Corporation not later than 5 business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of the record date for notice), and not later than 8 business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof).

(vii) Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with this Section 2.4. The chairperson of the meeting shall have the power and duty to, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this Section 2.4, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 2.4, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present the proposed business, such

proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.4, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the annual meeting and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at that annual meeting.

(viii) This Section 2.4 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made pursuant to Rule 14a-8 under the Exchange Act. In addition to the requirements of this Section 2.4 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.4 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(ix) For purposes of these bylaws, "public disclosure" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(x) Notwithstanding the foregoing provisions of this Section 2.4, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.4; provided however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any other business to be considered pursuant to this Section 2.4 (including clause (c) of Section 2.4(i)), and compliance with clause (c) of Section 2.4(i) shall be the exclusive means for a stockholder to make nominations or submit other business (other than, as provided in the third sentence of 2.4(i), business brought properly under and in compliance with Rule 14a-8 of the Exchange Act, as may be amended from time to time). Nothing in this Section 2.4 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to applicable rules and regulations promulgated under the Exchange Act.

2.5 ADVANCE NOTICE PROCEDURES FOR NOMINATIONS OF DIRECTORS.

(i) Subject to Section 3.2, nominations of any person for election to the Board at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (a) pursuant to the Corporation's notice of meeting (or any supplement thereto), (b) by or at the direction of the Board, including by any committee or persons appointed by the Board, or (c) by a stockholder who (1) was a stockholder of record of the Corporation (and, with respect to

any beneficial owner, if different, on whose behalf such nomination is proposed to be made, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (2) is entitled to vote at the meeting and upon such election and (3) has complied with this Section 2.5 as to such nomination. The foregoing clause (c) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board to be considered by the stockholders at an annual meeting or special meeting.

(ii) Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board at an annual meeting, the stockholder must (a) provide Timely Notice (as defined in Section 2.4(ii)) thereof in writing and in proper form to the secretary of the Corporation and (b) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board at a special meeting, the stockholder must (1) provide timely notice thereof in writing and in proper form to the secretary of the Corporation at the principal executive offices of the Corporation and (2) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.5. To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the 120th day prior to such special meeting and not later than the 90th day prior to such special meeting or, if later, the 10th day following the day on which public disclosure (as defined in Section 2.4(ix)) of the date of such special meeting was first made. In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(iii) Notwithstanding anything in Section 2.5(ii) to the contrary, in the event that the number of directors to be elected to the Board at the annual meeting is increased effective after the time period for which nominations would otherwise be due under Section 2.5(ii) and there is no public announcement by the Corporation naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 2.5 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public disclosure is first made by the Corporation.

(iv) To be in proper form for purposes of this Section 2.5, a stockholder's notice to the secretary of the Corporation shall set forth:

(a) As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 2.4(iii) (a) except that for purposes of this Section 2.5, the term "Nominating Person" shall be substituted for the term

"Proposing Person" and "nomination" shall be substituted for the term "business" in all places it appears in Section 2.4(iii)(a));

(b) As to each Nominating Person, any Disclosable Interests (as defined in Section 2.4(iii)(b), except that for purposes of this Section 2.5 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 2.4(iii)(b) and the disclosure in clause (12) of Section 2.4(iii)(b) shall be made with respect to the election of directors at the meeting);

(c) As to each person whom a Nominating Person proposes to nominate for election as a director, (1) all information with respect to such proposed nominee that would be required to be set forth in a stockholder's notice pursuant to this Section 2.5 if such proposed nominee were a Nominating Person, (2) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (3) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Nominating Person, on the one hand, and each proposed nominee, his or her respective affiliates and associates and any other persons with whom such proposed nominee (or any of his or her respective affiliates and associates) is Acting in Concert (as defined in Section 2.4(v)), on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (1) through (3) are referred to as "Nominee Information"), and (4) a completed and signed questionnaire, representation and agreement as provided in Section 2.5(viii); and

(d) The Corporation may require any proposed nominee to furnish such other information (1) as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation in accordance with the Corporation's corporate governance guidelines, as the same may be in effect from time to time, or (2) that could be material to a reasonable stockholder's understanding of the independence or lack of independence of such proposed nominee.

(v) For purposes of this Section 2.5, the term "Nominating Person" shall mean (a) the stockholder providing the notice of the nomination proposed to be made at the meeting, (b) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, (c) any affiliate or associate of such stockholder or beneficial owner and (d) any other person

with whom such stockholder or such beneficial owner (or any of their respective affiliates or associates) is Acting in Concert.

(vi) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for notice of the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the secretary of the Corporation at the principal executive offices of the Corporation not later than 5 business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of the record date for notice), and not later than 8 business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof).

(vii) Notwithstanding anything in these bylaws to the contrary, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with this Section 2.5. The chairperson at the meeting shall have the power and duty, if the facts warrant, determine that a nomination was not properly made in accordance with this Section 2.5, and if he or she should so determine, he or she shall so declare such determination to the meeting and the defective nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.5, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting of stockholders to present the nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.5, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at that meeting.

(viii) To be eligible to be a nominee for election as a director of the Corporation, the proposed nominee must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 2.5) to the secretary of the Corporation at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such proposed nominee (which questionnaire shall be provided by the secretary of the Corporation upon written request) and a written representation and agreement (in form provided by the secretary of the Corporation upon written request) that such proposed nominee (a) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or

question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation and (c) in such proposed nominee's individual capacity and on behalf of the stockholder (or the beneficial owner, if different) on whose behalf the nomination is made, would be in compliance, if elected as a director of the Corporation, and will comply with applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation.

(ix) Notwithstanding the foregoing provisions of this Section 2.5, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.5; provided however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations to be considered pursuant to this Section 2.5 (including clause (c) of Section 2.5(i)), and compliance with clause (c) of Section 2.5(i) shall be the exclusive means for a stockholder to make nominations.

2.6 NOTICE OF STOCKHOLDERS' MEETINGS.

Unless otherwise provided by law, the certificate of incorporation or these bylaws, the notice of any meeting of stockholders shall be sent or otherwise given in accordance with either Section 2.7 or Section 7.1 not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at the meeting as of the record date for determining the stockholders entitled to notice of the meeting. The notice shall specify the place, if any, date and hour of the meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.7 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.

Notice of any meeting of stockholders shall be deemed given:

(i) if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the Corporation's records; or

(ii) if electronically transmitted as provided in Section 7.1.

An affidavit of the secretary or an assistant secretary of the Corporation or of the transfer agent or any other agent of the Corporation that the notice has been given by mail or by

a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.8 QUORUM.

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. Where a separate vote by a class or series or classes or series is required, a majority of the outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise provided by law, the certificate of incorporation or these bylaws.

2.9 ADJOURNED MEETING; NOTICE.

Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these bylaws by the chairperson of the meeting or, in the absence of such person, by any officer of the Corporation entitled to preside at or to act as secretary of such meeting, or by the holders of a majority of the shares of stock present or represented at the meeting and entitled to vote, although less than a quorum. When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the Delaware General Corporation Law ("DGCL") and Section 2.13, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.10 CONDUCT OF BUSINESS.

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business. The chairperson of any meeting of stockholders shall be designated by the Board. In the absence of such designation, meetings of stockholders shall be presided over by the chairperson of the Board, if any, or the chief executive officer of the Corporation (in the absence of the chairperson of the Board) or the president of the Corporation (in the absence of the chairperson of the Board and the chief executive officer of the Corporation), or in their absence, any other executive officer of the Corporation. The secretary of the Corporation shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting. Unless otherwise approved by the chairperson of the meeting, attendance at a meeting of stockholders is restricted to stockholders

of record for that meeting, persons authorized in accordance with Section 2.14 to act by proxy, and officers of the Corporation. The Board may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board, the chairperson of the meeting shall also conduct the meeting in an orderly manner, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. Without limiting the foregoing, the chairperson of the meeting may (i) restrict attendance at any time to bona fide stockholders of record for that meeting and their proxies and other persons in attendance at the invitation of the presiding officer or Board, (ii) restrict use of audio or video recording devices at the meeting, and (iii) impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the chairperson shall have the power to have such person removed from the meeting.

2.11 VOTING.

(a) The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.13, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

(b) Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder that has voting power upon the matter in question.

(c) Directors shall be elected by a plurality of the voting power of all the then outstanding shares of voting stock of the Corporation entitled to vote on the election of directors (the "Voting Stock") that are present in person or represented by proxy at the meeting. All other elections and matters presented to the stockholders at a meeting at which a quorum is present shall, unless otherwise provided by the certificate of incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the Corporation, or applicable law or pursuant to any regulation applicable to the Corporation or its securities, be decided by the affirmative vote of a majority of the Voting Power that are present in person or represented by proxy at the meeting.

2.12 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Subject to the rights of the holders of the shares of any series of preferred stock or any other class of stock or series thereof then outstanding that have been expressly granted the right to take action by written consent, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

2.13 RECORD DATE.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

(b) If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

2.14 PROXIES.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth, or is submitted with information from which it can be determined that, the telegram, cablegram, or other means of electronic transmission was authorized by the person.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to the foregoing paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

2.15 LIST OF STOCKHOLDERS ENTITLED TO VOTE.

The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; provided, however, if the record date for

determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the 10th day before the meeting date. The stockholder list shall be arranged in alphabetical order and show the address of each stockholder and the number of shares registered in the name of each stockholder. The Corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the Corporation's principal executive office. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.16 INSPECTORS OF ELECTION.

Before any meeting of stockholders, the Board may, and if required by law, shall, appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one or three. If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed and designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspector or inspectors' count of all votes and ballots. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspector or inspectors may consider such information as is permitted by applicable law. If there are three inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

ARTICLE III - DIRECTORS

3.1 POWERS.

Subject to the provisions of the DGCL and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or

by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board. In the event of a vacancy in the Board, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

3.2 CLASSIFICATION OF DIRECTORS

The Board shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board. The initial division of the Board into classes shall be made by the decision of the affirmative vote of a majority of the entire Board in existence immediately prior to the consummation of the Corporation's initial public offering. The term of the initial Class I directors shall terminate on the date of the first annual meeting to occur after the Corporation's initial public offering; the term of the initial Class II directors shall terminate on the date of the second annual meeting to occur after the Corporation's initial public offering; and the term of the initial Class III directors shall terminate on the date of the third annual meeting to occur after the Corporation's initial public offering. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional directors of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. Except as provided in this Section 3.2, a director shall hold office for a three-year term until the annual meeting for the year in which his or her term expires or until his or her successor shall be elected and shall qualify, subject however, to prior death, resignation, retirement, disqualification or removal from office.

3.3 NUMBER OF DIRECTORS.

Subject to the rights of any series of preferred stock then outstanding to elect additional directors under specified circumstances, and unless the certificate of incorporation fixes the number of directors, the number of directors which shall constitute the whole Board initially shall be eight (8), and, thereafter shall be fixed exclusively by one or more resolutions adopted from time to time by the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.4 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS.

Except as provided in Section 3.5, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

3.5 RESIGNATION AND VACANCIES.

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation; provided, however, that if such notice is given by electronic

transmission, such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the director. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. Acceptance of such resignation shall not be necessary to make it effective. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Subject to the rights of the holders of any series of preferred stock then outstanding, any vacancies on the Board resulting from death, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board, and not by the stockholders. Any director

elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

3.6 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.7 REGULAR MEETINGS.

Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of stockholders.

3.8 SPECIAL MEETINGS; NOTICE.

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the chief executive officer of the Corporation, the president of the Corporation, the secretary of the Corporation or a majority of the authorized number of directors, at such times and places as he or she or they shall designate.

Notice of the time and place of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile; or

(iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the Corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24-hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. The notice need not specify the place of the meeting (if the meeting is to be held at the Corporation's principal executive office) nor the purpose of the meeting.

3.9 QUORUM.

At all meetings of the Board, a majority of the authorized number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board or at a meeting of a committee which authorizes a particular contract or transaction.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent thereto in writing or by electronic transmission and

the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.11 FEES AND COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board shall have the authority to fix the compensation of directors. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

3.12 REMOVAL OF DIRECTORS.

Any director or the entire Board may be removed from office by the stockholders at any annual or special meeting of stockholders of the Corporation, the notice of which shall state that the removal of a director or directors is among the purposes of the meeting, but only for cause and only by the affirmative vote of the holders of not less than 80% of the shares of stock entitled to vote generally in the election of directors.

ARTICLE IV- COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) amend, after, change or repeal any bylaw of the Corporation.

4.2 COMMITTEE MINUTES.

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.6 (place of meetings; meetings by telephone);

(ii) Section 3.7 (regular meetings);

(iii) Section 3.8 (special meeting; notice);

(iv) Section 3.9 (quorum);

(v) Section 3.10 (action without a meeting), and

(vi) Section 6.13 (waiver of notice),

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. *However*:

(i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the Board; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee.

The Board may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

4.4 SUBCOMMITTEES

Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the Board designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE V- OFFICERS

5.1 OFFICERS.

The officers of the Corporation shall be a chief executive officer, president and a secretary. The Corporation may also have, at the discretion of the Board, a chairperson of the Board, a vice chairperson of the Board, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

The Board shall appoint the officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3, subject to the rights, if any,

of an officer under any contract of employment. No stockholder shall be entitled to appoint any officers.

5.3 SUBORDINATE OFFICERS.

The Board may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the Corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine. No stockholder shall be entitled to appoint any such officers or agents.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board. No stockholder shall be entitled to remove any officer.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

Any vacancy occurring in any office of the Corporation shall be filled only by the Board or as provided in Section 5.2. No stockholder shall be entitled to appoint any officers.

5.6 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairperson of the Board, the president, any vice president, the treasurer, the secretary or assistant secretary of the Corporation, or any other person authorized by the Board or the president or a vice president, is authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS.

All officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

ARTICLE VI - GENERAL MATTERS

6.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

6.2 ISSUANCE OF STOCK.

Subject to the provisions of the certificate of incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any unissued balance of the authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board in such manner, for such consideration and on such terms as the Board may determine.

6.3 STOCK CERTIFICATES; PARTLY PAID SHARES.

The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairperson or vice-chairperson of the Board, or the president or a vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The Corporation shall not have power to issue a certificate in bearer form.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.4 SPECIAL DESIGNATION ON CERTIFICATES.

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of

such powers, designations, preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such powers, designations, preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this Section 6.4 or Sections 156, 202(a) or 218(a) of the DGCL or with respect to this Section 6.4 a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

6.5 LOST CERTIFICATES.

Except as provided in this Section 6.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.6 CONSTRUCTION; DEFINITIONS; TIME PERIODS.

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person. In applying any provision of these bylaws which requires that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act

shall be excluded, and the day of the event shall be included. Unless otherwise specified, all references to article and section in these bylaws are to articles and sections of these bylaws.

6.7 DIVIDENDS.

The Board, subject to any restrictions contained in either the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the Corporation's capital stock. Dividends may be paid in cash, in property or in shares of the Corporation's capital stock, subject to the provisions of the certificate of incorporation.

The Board may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

6.8 FISCAL YEAR.

The fiscal year of the Corporation shall be fixed by resolution of the Board and may be changed by the Board.

6.9 SEAL.

The Corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The Corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

6.10 TRANSFER OF STOCK.

Shares of the Corporation shall be transferable in the manner prescribed by law and in these bylaws. Shares of stock of the Corporation shall be transferred on the books of the Corporation only by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the Corporation of the certificate or certificates representing such shares endorsed by the appropriate person or persons (or by delivery of duly executed instructions with respect to uncertificated shares), with such evidence of the authenticity of such endorsement or execution, transfer, authorization and other matters as the Corporation may reasonably require, and accompanied by all necessary stock transfer stamps. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing the names of the persons from and to whom it was transferred.

6.11 STOCK TRANSFER AGREEMENTS.

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.12 REGISTERED STOCKHOLDERS.

The Corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

6.13 WAIVER OF NOTICE.

Whenever notice is required to be given to stockholders, directors or other persons under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders or the Board need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

6.14 NOTICE TO STOCKHOLDERS SHARING AN ADDRESS

Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

6.15 NOTICE TO PERSON WITH WHOM COMMUNICATION IS UNLAWFUL

Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom

communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

6.16 EVIDENCE OF AUTHORITY.

A certificate by the secretary, an assistant secretary, or a temporary secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall as to all persons who rely on the certificate in good faith be conclusive evidence of such action.

6.17 CERTIFICATE OF INCORPORATION.

All references in these bylaws to the certificate of incorporation shall be deemed to refer to the Amended and Restated Certificate of Incorporation of the Corporation, as amended and in effect from time to time, including the terms of any certificate of designations of any series of preferred stock of the Corporation.

6.18 RELIANCE UPON BOOKS, REPORTS AND RECORDS.

To the fullest extent permitted by law, each director, each member of any committee designated by the Board, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation as provided by law, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

ARTICLE VII - NOTICE BY ELECTRONIC TRANSMISSION

7.1 NOTICE BY ELECTRONIC TRANSMISSION.

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the Corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed revoked if:

(i) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(iii) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(iv) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(v) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(vi) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the Corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

7.2 DEFINITION OF ELECTRONIC TRANSMISSION.

An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

ARTICLE VIII - INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

8.1 RIGHT TO INDEMNIFICATION.

(a) Each person who was or is made a party, or is threatened to be made a party, to any actual, threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative or any predecessor of the Corporation, by reason of the fact that (i) he or she is or was a director or executive officer (as such term is defined in Section 16 of the Exchange Act) of the Corporation or (ii) he or she is or was serving at the request of the Board or an executive officer (as such term is defined in Section 16 of the Exchange Act) of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (each person referred to in the preceding clause (i) or (ii), hereinafter an "indemnitee"), shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, or by other applicable law as then in effect, against all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) actually and reasonably incurred or suffered by such indemnitee in connection therewith. The right to indemnification provided by this ARTICLE

VIII shall apply whether or not the basis of such proceeding is alleged action in an official capacity as such director or officer or in any other capacity while serving as such director, officer, employee or agent. Notwithstanding anything in this Section 8.1 to the contrary, except as provided in Section 8.3 with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Corporation.

(b) Each person who was or is made a party, or is threatened to be made a party, to any actual, threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative or any predecessor of the Corporation, by reason of the fact that (i) he or she is or was a non-executive officer, employee or agent of the Corporation or (ii) he or she is or was serving at the request of the Board or an executive officer (as such term is defined in Section 16 of the Exchange Act) of the Corporation as an officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, may be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, or by other applicable law as then in effect, against all expense, liability, and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith.

8.2 ADVANCEMENT OF EXPENSES.

The right to indemnification conferred in Section 8.1, shall include the right to have the expenses incurred in defending or preparing for any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses") paid by the Corporation; provided, however, that if the DGCL requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is to be rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking containing such terms and conditions, including the requirement of security, as the Board deems appropriate (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this ARTICLE VIII or otherwise. The Corporation shall not be obligated to advance fees and expenses to an employee or agent in connection with a proceeding instituted by the Corporation against such person.

8.3 RIGHT OF INDEMNITEE TO BRING SUIT.

If a claim under Section 8.1 or 8.2 is not paid in full by the Corporation within 60 calendar days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses under Section 8.2, in which case the applicable period shall be 30 calendar days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If the indemnitee is successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of

expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this ARTICLE VIII or otherwise shall be on the Corporation.

8.4 NONEXCLUSIVITY RIGHTS.

(i) The rights to indemnification and to the advancement of expenses conferred in this ARTICLE VIII shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provisions of the certificate of incorporation, bylaw, agreement, vote of stockholders or disinterested directors, or otherwise.

(ii) The Corporation may maintain insurance, at its expense, to protect itself and any past or present director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL. The Corporation may enter into contracts with any indemnitee in furtherance of the provisions of this ARTICLE VIII and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this ARTICLE VIII.

(iii) The Corporation may without reference to Sections 8.1 through 8.4(i) and (ii) hereof, pay the expenses, including attorneys' fees, incurred by any director, officer, employee or agent of the Corporation who is subpoenaed, interviewed or deposed as a witness or otherwise incurs expenses in connection with any civil, arbitration, criminal or administrative proceeding or governmental or internal investigation to which the Corporation is a party, target, or potentially a party or target, or

of any such individual who appears as a witness at any trial, proceeding or hearing to which the Corporation is a party, if the Corporation determines that such payments will benefit the Corporation and if, at the time such expenses are incurred by such individual and paid by the Corporation, such individual is not a party, and is not threatened to be made a party, to such proceeding or investigation.

8.5 INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION.

The Corporation may grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent permitted by law. The Corporation may, by action of the Board, authorize one or more officers to grant rights for indemnification or the advancement of expenses to employees and agents of the Corporation on such terms and conditions as such officers deem appropriate.

8.6 NATURE OF RIGHTS.

The rights conferred upon indemnitees in this ARTICLE VIII shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer or trustee and shall inure to the benefit of the indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this ARTICLE VIII that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE IX- AMENDMENTS

These bylaws may be altered, amended or repealed only as provided in the certificate of incorporation.

LEGALZOOM.COM, INC.

CERTIFICATE OF AMENDMENT AND RESTATEMENT OF BYLAWS

The undersigned hereby certifies that he is the duly elected, qualified, and acting Secretary of LegalZoom.com, Inc., a Delaware corporation, and that the foregoing bylaws were amended and restated on ***[_____]***, 2012 by the corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this ___ day of _____, 2012.

Chas Rampenthal
Secretary

[Signature Page to Amended and Restated Bylaws]

Exhibit 10.28

GLENDALE CITY CENTER
GLENDALE, CALIFORNIA

OFFICE LEASE

LEGACY PARTNERS II GLENDALE N BRAND, LLC,
a Delaware limited liability company

as Landlord,

and

LEGALZOOM.COM, INC.,
a Delaware corporation

as Tenant

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SUMMARY OF BASIC LEASE INFORMATION

This Summary of Basic Lease Information ("**Summary**") is hereby incorporated into and made a part of the attached Office Lease. Each reference in the Office Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Office Lease, the terms of the Office Lease shall prevail. Any capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Office Lease.

TERMS OF LEASE (References are to the Office Lease)		**DESCRIPTION**
1.	Date:	August 26, 2010
2.	Landlord:	LEGACY PARTNERS II GLENDALE N BRAND, LLC, a Delaware limited liability company
3.	Address of Landlord (Section 24.19):	LEGACY PARTNERS II GLENDALE N BRAND, LLC c/o Legacy Partners Commercial, Inc. 4000 E. Third Avenue, Suite 600 Foster City, California 94404

Attention: Executive Vice President

and

LEGACY PARTNERS II GLENDALE N BRAND, LLC
101 North Brand Boulevard, Suite 1230
Glendale, California 91203
Attention: Property Manager

4. Tenant: LEGALZOOM.COM, INC., a Delaware corporation

5. Address of Tenant (Section 24.19): LEGALZOOM.COM, INC.
7083 Hollywood Blvd., Suite 180
Los Angeles, California 90028
Attention: Legal Department
(Prior to Lease Commencement Date)

and

LEGALZOOM.COM, INC.
101 North Brand Boulevard, Suite 1100
Glendale, California 91203
Attention: Legal Department
(After Lease Commencement Date)

6. Premises (Article 1):

6.1 Premises: A total of 49,008 rentable and 45,681 usable square feet consisting of (i) 24,688 rentable and 23,012 usable square feet located on the entire tenth (10th) floor, designated as Suite 1000, and (ii) 24,320 rentable and 22,669 usable square feet of space located on the entire eleventh (11th) floor of the Building (as defined below), designated as Suite 1100, as set forth in Exhibit A attached hereto.

6.2 Building: The Premises are located in that certain building (sometimes referred to herein as the **"Building"**) whose address is 101 North Brand Boulevard, Glendale, California 91203.

7. Term (Article 2):

7.1 Lease Term: One hundred twenty (120) months.

7.2 Delivery Date: The date of mutual execution and delivery of the Lease.

7.2 Lease Commencement Date: The date that is one hundred fifty (150) days following the Delivery Date, but in no event earlier than January 1, 2011.

7.3 Lease Expiration Date: The last day of the one hundred twentieth (120th) month following the Lease Commencement Date.

7.4 Amendment to Lease: Landlord and Tenant may confirm the Lease Commencement Date and Lease Expiration Date in an Amendment to Lease (Exhibit C) to be executed pursuant to Article 2 of the Office Lease.

8. Base Rent (Article 3):

Months	Annual Base Rent	Monthly Installment of Base Rent	Monthly Rental Rate per Rentable Square Foot
1* — 12	$ 1,323,216.00	$ 110,268.00	$ 2.25
13 — 24	$ 1,364,382.70	$ 113,698.56	$ 2.32
25 — 36	$ 1,405,549.40	$ 117,129.12	$ 2.39
37 — 48	$ 1,446,716.10	$ 120,559.68	$ 2.46
49 — 60	$ 1,487.882.80	$ 123,990.24	$ 2.53
61 — 72	$ 1,534,930.50	$ 127,910.88	$ 2.61
73 — 84	$ 1,581,978.20	$ 131,831.52	$ 2.69
85 — 96	$ 1,629,025.90	$ 135,752.16	$ 2.77

97 — 108	$ 1,676,073.60	$ 139,672.80	$ 2.85
109 — 120	$ 1,729,002.20	$ 144,083.52	$ 2.94

*Base Rent for the second (2nd) through eleventh (11th) full months of the initial Lease Term shall be abated pursuant to the terms of Section 3.2 of this Lease.

9. Additional Rent (Article 4):

9.1 Expense Base Year: Calendar Year 2011.

9.2 Tax Expense Base Year: Calendar Year 2011.

9.3 Utilities Base Year: Calendar Year 2011.

9.4 Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs: 14.09% (49,008 rentable square feet within the Premises/347,867 rentable square feet of office space within the Building).

10. Security Deposit (Article 20): $99,096.75, subject and pursuant to Article 20 of the Lease.

11. Parking (Article 23): Tenant shall have the obligation to purchase three (3) parking passes for unreserved parking spaces for every 1,000 rentable square feet of the Premises, for a total of one hundred forty-seven (147) parking passes for unreserved parking spaces (the **"Must Take Parking Passes**").

Tenant shall have the right, but not the obligation, to purchase an additional one (1) parking pass for unreserved parking spaces for every 1,000 rentable square feet of the Premises, for a total of forty-nine (49) additional parking passes for unreserved parking spaces (the **"Optional Parking Passes"**).

Tenant shall have the right, but not the obligation, to convert up to ten percent (10%) of its parking passes for unreserved parking spaces to parking passes for reserved parking spaces (the **"Reserved Parking Passes"**).

12. Brokers (Section 24.25): CB Richard Ellis, Inc. (Patrick Church and Anneke Greco) representing Landlord, and Jones Lang LaSalle Brokerage, Inc. (Michael L. McRoskey, Frank Scott, Tony Morales and Gary Horwitz) representing Tenant.

13. Reserved Area (Section 1.4): Space located on the ninth (9th) floor of the Building as set forth in Exhibit F attached to the Lease.

14. Extension Options (Extension Options Rider): Tenant shall have two (2) options to extend the Lease Term for an additional period of five (5) years each, pursuant to and in accordance with the terms and conditions of the Extension Options Rider attached to the Lease.

OFFICE LEASE

This Office Lease, which includes the preceding Summary and the exhibits attached hereto and incorporated herein by this reference (the Office Lease, the Summary and the exhibits to be known sometimes collectively hereafter as the "**Lease**"), dated as of the date set forth in Section 1 of the Summary, is made by and between **LEGACY PARTNERS II GLENDALE N BRAND, LLC**, a Delaware limited liability company ("**Landlord**"), and **LEGALZOOM.COM, INC**., a Delaware corporation ("**Tenant**").

ARTICLE 1

REAL PROPERTY, BUILDING AND PREMISES

1.1 Real Property, Building and Premises. Upon and subject to the terms, covenants and conditions hereinafter set forth in this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the premises set forth in Section 6.1 of the Summary (the "**Premises**"), which Premises are part of the building commonly known as Glendale City Center (the "**Building**") and the project including the Building (collectively, the "**Project**"). Subject to Landlord's reasonable regulations, restrictions and guidelines, Tenant may also use the electrical and telephone rooms and the area below the concrete ceiling and above the concrete floor of the Premises and behind the walls of the Premises, including the right, in connection with construction of the Tenant Improvements pursuant to the Work Letter (including Landlord's approval of the Final Working Drawings), to core drill between the tenth (10th) and eleventh (11th) floors of the Building (and such other floors upon which Tenant leases from Landlord more than fifty percent (50%) of the usable square footage located thereon), to install and service wire, conduit and cable that serve Tenant's equipment in the Premises in accordance with, and subject to, the other terms and provisions of this Lease and Landlord's rights hereunder with respect to such areas. The outline of the floor plan of the Premises is set forth in Exhibit A attached hereto. The Building, the Building's parking facilities (the "**Parking Facilities**"), any outside plaza areas, land and other improvements surrounding the Building which are reasonably designated from time to time by Landlord as common areas appurtenant to or servicing the Building, and the land upon which any of the foregoing are situated, are herein sometimes collectively referred to as the "**Real Property**". Tenant is hereby granted the right to the nonexclusive use of the common corridors and hallways, stairwells, elevators, restrooms and other public or common areas located within the Building, and the non-exclusive use of the areas located on the Real

Property designated by Landlord from time to time as common areas for the Building (the "**Common Areas**"); provided, however, that (i) the manner in which such public and Common Areas are maintained and operated shall be at the sole discretion of Landlord, (ii) the use thereof shall be subject to such reasonable, non-discriminatory rules, regulations and restrictions as Landlord may make from time to time, which rules and regulations shall not be unreasonably or discriminatorily modified or enforced in a manner which shall materially interfere with the conduct of Tenant's Permitted Use from the Premises or Tenant's use of or access to the Premises or the Parking Facilities, and (iii) Tenant may not go on the roof of the Building without Landlord's prior consent (which may be withheld in Landlord's sole and absolute discretion) and without otherwise being accompanied by a representative of Landlord. Notwithstanding anything to the contrary contained in this Lease, Landlord shall maintain and operate the Project, the Building and all the Common Areas in a manner materially consistent with that of other first-class, high-rise office buildings in the Tri-City market area (i.e., the Glendale/Burbank/Pasadena, California area), which are comparable in terms of size, age, quality of construction, appearance, and quality of common area improvements (the "**Comparable Buildings**"). Except when and where Tenant's right of access is specifically excluded as the result of (i) an emergency, (ii) a requirement by Applicable Laws, or (iii) a specific provision set forth in this Lease, Tenant shall have the right of access to the Premises, the Building, the Common Areas and the Parking Facilities twenty-four (24) hours per day, seven (7) days per week during the "Lease Term", as that term is defined in Section 2.1 of this Lease. Landlord reserves the right, in its reasonable discretion, from time to time to use any of the Common Areas, and the roof, risers and conduits of the Building for telecommunications and/or any other purposes, and to do any of the following: (1) make any changes, additions, improvements, repairs and/or replacements in or to the Real Property or any portion or elements thereof, including, without limitation, expanding or decreasing the size of any Common Areas and other elements thereof; (2) close temporarily any of the Common Areas while engaged in making repairs, improvements or alterations to the Real Property; and (3) perform such other

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acts and make such other changes with respect to the Real Property as Landlord may, in the exercise of good faith business judgment, deem to be appropriate; provided, however, that no such additions to the Project, closures or changes to the Real Property shall increase Tenant's obligations (including, without limitation, Tenant's monetary obligations with respect to Tenant's Share of Operating Expenses, Tax Expenses or Utilities Costs) or materially decrease Tenant's rights under this Lease; provided further, however, Landlord shall take all commercially reasonable efforts necessary to minimize material interference with Tenant's use of the Premises and business operations therein during any such additions to the Project, closures or changes to the Real Property.

1.2 Condition of Premises. Except as expressly set forth in this Lease and in the Work Letter attached hereto as Exhibit B, Landlord shall not be obligated to provide or pay for any improvement, remodeling or refurbishment work or services related to the improvement, remodeling or refurbishment of the Premises. Except as expressly set forth in this Lease and in the Work Letter attached hereto as Exhibit B, Tenant shall accept the Premises in its "**AS IS**" condition on the Lease Commencement Date.

1.3 Rentable and Usable Square Feet. For purposes of this Lease, the parties hereto stipulate that the rentable square feet for the Premises and Building shall be as set forth in Sections 6.1 and 9.4 of the Summary, as calculated by Landlord pursuant to the Standard Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-1996 ("**BOMA**"), as modified by Landlord pursuant to Landlord's standard rentable area measurements for the Project. For purposes hereof, the "rentable square feet" of any ROFO Space (as hereinafter defined in Section 1.4) shall be calculated by Landlord pursuant to the BOMA standards set forth above.

1.4 Right of First Offer. During the initial Lease Term, Tenant and any Affiliate Assignee (as defined in Article 14 below) shall have the ongoing right of first offer (the "**ROFO Right**") with respect to Reserved Area set forth in Section 13 of the Summary (the "**ROFO Space**"), under the same terms and conditions hereof, except that the rental rate and any improvement allowance with respect to the ROFO Space shall be the rate specified in the applicable ROFO Notice (referenced below); provided, however, that if Tenant exercises the ROFO Right pursuant to this Section 1.4 within the first (1st) twelve (12) months of the initial Lease Term, the rental rate for the ROFO Space shall be the same rental rate for the Premises, as set forth in Section 8 of the Summary, and the Expense Base Year, Tax Expense Base Year and Utilities Base Year shall be the same as the Premises (Calendar Year 2011). Notwithstanding the foregoing (i) the lease term for Tenant's lease of the ROFO Space pursuant to Tenant's exercise of the ROFO Right shall commence only following the expiration or earlier termination of (A) any existing lease pertaining to the ROFO Space as of the date hereof (the **"Existing Leases"**) and (B) if the ROFO Space is vacant as of the date of this Lease, the first lease pertaining to the ROFO Space entered into by Landlord after the date of this Lease (collectively, the "**Superior Leases**"), including any renewal or extension of any such existing or future lease, whether or not such renewal or extension is pursuant to an express written provision in such lease, and regardless of whether any such renewal or extension is consummated pursuant to a lease amendment or a new lease, and (ii) such ROFO Right shall be subordinate and secondary to all rights of expansion, first refusal, first offer or similar rights granted to (X) the tenants of the Superior Leases and (Y) any rights of other tenants of the Real Property (the rights described in items (i) and (ii), above to be known collectively as "**Superior Rights**"). Attached hereto as Exhibit I is a list of Superior Right holders as of the date hereof. Tenant's ROFO Right shall be on the terms and conditions set forth in this Section 1.4. It is further understood and agreed that the term for Tenant's lease of any ROFO Space leased by Tenant shall be coterminous with Tenant's lease of the Premises; provided, however, in no event shall Tenant lease the ROFO Space for a period of less than thirty-six (36) months, unless otherwise agreed by Landlord (and Tenant shall not have the right to exercise the ROFO Right unless the term of Tenant's lease of the ROFO Space will be at least three (3) years based on the remaining Term of this Lease as reasonably determined by Landlord).

1.4.1 Procedure for Offer. From time to time during the initial Lease Term, Landlord shall deliver to Tenant written notice (the "**ROFO Notice**") if the ROFO Space will become or is expected to become available for lease to third parties (or when any ROFO Space previously offered to and declined by Tenant remains available for lease to third-parties nine (9) consecutive months following Tenant's decline thereof), where no Superior Right holder wishes to lease such space. Pursuant to such ROFO Notice, Landlord shall offer to lease to Tenant the then available ROFO Space. The ROFO Notice shall describe the space so offered to Tenant

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(including the rentable square feet thereof as determined pursuant to Section 1.3 above) and shall set forth all of Landlord's proposed terms and conditions (including the proposed material terms (e.g., Base Rent and increase thereto, if any, Additional Rent, free rent, improvement allowance, parking concessions (including free parking (if any)), build-out period and similar items) applicable to Tenant's lease of such space (collectively, the "**ROFO Terms**").

1.4.2 Procedure for Acceptance. If Tenant wishes to exercise Tenant's ROFO Right with respect to the space described in the ROFO Notice, then within five (5) business days after delivery of the ROFO Notice to Tenant, Tenant shall deliver notice to Landlord (the "**ROFO Exercise Notice**") irrevocably exercising its ROFO with respect to the entire space described in the ROFO Notice and on the ROFO Terms contained therein. If Tenant does not exercise its ROFO Right within the five (5) business day period (on all of the ROFO Terms), then for a period of nine (9) months thereafter, Landlord shall be free to lease the space described in the ROFO Notice to anyone to whom Landlord desires on any terms Landlord desires and Tenant's ROFO Right shall thereupon automatically terminate with respect to such space; provided, however, that if Landlord intends to enter into a lease upon ROFO Terms which are, in the aggregate, materially more favorable to a prospective third (3rd) party tenant than those ROFO Terms proposed by Landlord in the ROFO Notice to Tenant, then Landlord shall first deliver written notice to Tenant ("**Second Chance Notice**") providing Tenant with the opportunity to lease the ROFO Space on such more favorable ROFO Terms. Tenant's failure to elect to lease the ROFO Space upon such more favorable ROFO Terms by written notice to Landlord within three (3) business days after

Tenant's receipt of such Second Chance Notice from Landlord shall be deemed to constitute Tenant's election not to lease such space upon such more favorable ROFO Terms, in which case Landlord shall be entitled to lease such space to any third (3rd) party on terms not materially more favorable to the third (3rd) party than those set forth in the Second Chance Notice. For purposes hereof, ROFO Terms shall be materially more favorable to a third party if such ROFO Terms reflect a net effective rental rate less than ninety-five percent (95%) of the net effective rental rate (taking into account the economic terms comprising the ROFO Terms) for such ROFO Space as those proposed by Landlord in the ROFO Notice (or subsequent Second Chance Notice, if applicable) to Tenant. Notwithstanding anything to the contrary contained herein, Tenant must elect to exercise its ROFO Right, if at all, with respect to all of the space comprising the ROFO Space offered by Landlord to Tenant in a ROFO Notice at any particular time, and Tenant may not elect to lease only a portion thereof or object to any of the ROFO Terms; provided, however, if Landlord desires to lease less than such entire ROFO Space offered to Tenant, Tenant shall first have a further right to lease such smaller ROFO Space pursuant to an additional ROFO Notice and upon the terms set forth in this Section 1.4. Within fifteen (15) days of Tenant's delivery of its notice electing to lease the ROFO Space on the ROFO Terms in accordance with the terms of this Section 1.4, and as a condition to such exercise of Tenant's ROFO Right, Tenant shall deliver to Landlord a non-refundable deposit as set forth in the applicable ROFO Notice, which shall be credited towards the first (1st) month's base rent and security deposit for the ROFO Space equal to the last month's Base Rent for such ROFO Space.

1.4.3 Construction of ROFO Space. Tenant shall take the ROFO Space in its "**AS-IS**" condition (unless otherwise provided in the ROFO Notice as part of the ROFO Terms), and Tenant shall be entitled to construct improvements in the ROFO Space at Tenant's expense, in accordance with and subject to the provisions of Article 8 of this Lease. If Tenant exercises the ROFO Right within the first (1st) twelve (12) months of the initial Lease Term, Landlord shall build to suit the ROFO Space, with Landlord's contribution not to exceed the prorated Tenant Improvement Allowance for the Premises as set forth in the Work Letter, but in no event shall Tenant be entitled to convert any allowance or contribution by Landlord in connection with the ROFO Space to free rent.

1.4.4 Lease of ROFO Space. If Tenant timely exercises Tenant's right to lease the ROFO Space as set forth herein, Landlord and Tenant shall execute an amendment adding such ROFO Space to this Lease upon the ROFO Terms set forth in Landlord's ROFO Notice and upon the same non-economic terms and conditions as applicable to the original Premises. Tenant shall commence payment of Rent for the ROFO Space and the lease term of the ROFO Space shall be as provided in the ROFO Terms. The lease term for the ROFO Space shall, unless otherwise provided in the ROFO Notice as part of the ROFO Terms, expire coterminously with Tenant's lease of the original Premises.

1.4.5 No Defaults. The rights contained in this Section 1.4 shall be personal to the original Tenant executing this Lease (the "**Original Tenant**") and any Affiliate Assignee (as defined in Article 14 below), and may only be exercised by the Original Tenant or such Affiliate Assignee (and not any other assignee, sublessee or other transferee of the Original Tenant's interest in this Lease) if the Original Tenant and all Affiliates collectively occupy no less than seventy-five percent (75%) of the entire Premises then being leased by Tenant as of the date of Tenant's exercise of its ROFO Right. In addition, at Landlord's option and in addition to Landlord's other remedies set forth in this Lease, at law and/or in equity, Tenant shall not have the right to lease the ROFO Space as provided in this Section 1.4 if, as of the date of the ROFO Notice, or, at Landlord's option, as of the scheduled date of delivery of such ROFO Space to Tenant, if Tenant is in monetary and/or material default under this Lease beyond the expiration of all applicable notice and cure periods. For purposes of this Lease, Tenant shall be in "material" default under this Lease if such default affects the Building structure or materially adversely affects the Systems or Equipment (as defined in Section 4.2.5 below). Further, Tenant's right to exercise the ROFO Right shall terminate in the event Tenant exercises either the First Termination Right (as defined in Section 2.2.1 below), or the Second Termination Right (as defined in Section 2.2.2 below).

ARTICLE 2

LEASE TERM

2.1 Lease Term. The terms and provisions of this Lease shall be effective as of the date of this Lease except for the provisions of this Lease relating to the payment of Rent. The term of this Lease (the "**Lease Term**") shall be as set forth in Section 7.1 of the Summary and shall commence on the date (the "**Lease Commencement Date**") set forth in Section 7.2 of the Summary (subject, however, to the terms of the Work Letter), and shall terminate on the date (the "**Lease Expiration Date**") set forth in Section 7.3 of the Summary, unless this Lease is sooner terminated as hereinafter provided. For purposes of this Lease, the term "Lease Year" shall mean each consecutive twelve (12) month period during the Lease Term, provided that the last Lease Year shall end on the Lease Expiration Date. Landlord shall make possession of the Premises available to Tenant no later than ten (10) business days after the date of the full execution and delivery of this Lease by Landlord and Tenant and upon Tenant's satisfaction of its obligations in Section 10.3.6 regarding delivery of certificates of insurance and Tenant's payment of the first month's Base Rent and the Security Deposit (collectively, the "**Delivery Conditions**"). In the event the Delivery Conditions are satisfied but Landlord does not make possession of the Premises available to Tenant on or before the expiration of such ten (10) business day period, then Tenant shall have the right to terminate this Lease by providing Landlord with written notice of such termination at anytime prior to Landlord making possession of the Premises available to Tenant with such termination to be effective upon Landlord's receipt of such termination notice. Upon such termination of this Lease, Landlord shall return the Security Deposit and any pre-paid Base Rent to Tenant and the parties shall be released from all obligations under this Lease except for those obligations which expressly survive the expiration or sooner termination of this Lease. Upon the occurrence of the Lease Commencement Date set forth in Section 7.2 of the Summary, within a reasonable period of time after the date Tenant takes possession of the Premises, Landlord shall deliver to Tenant an amendment to lease in the form attached hereto as Exhibit C, setting forth the Lease Commencement Date and the Lease Expiration Date, and Tenant shall execute and return such amendment to Landlord within ten (10) business days after Tenant's receipt thereof (provided that if said notice is not factually correct, then Tenant shall make such changes as are necessary to make the notice factually correct and shall thereafter execute and return such notice to Landlord within such ten (10) business day period).

2.2 Early Termination Rights.

2.2.1 First Termination Right. Tenant shall have the one (1) time right (the "**First Termination Right**") to terminate and cancel this Lease with respect to all or any of the suites (the total of which comprise approximately 9,150 rentable square feet) on the tenth (10th) floor of the Building more particularly identified on Exhibit A-1 attached hereto (the "**First Terminated Space**"), effective as of the date (the "**First Termination Date**") designated by Tenant in the First Termination Notice, which shall be at anytime between the twenty-fourth (24th) and thirty-sixth (36th) full months of the initial Lease Term and which First Termination Date shall be at least nine (9) months following Tenant's delivery of the First Termination

Notice, subject to and in accordance with the terms of this Section 2.2.1. Notwithstanding anything above to the contrary, the actual space which will comprise the First Terminated Space shall be terminated (by such one-time right) in the following space order: "A," "C," "B," and "D" as depicted on Exhibit A-1. Tenant's exercise of the First Termination Right is contingent upon (i) Tenant's delivery to Landlord on or before the date which is nine (9) months prior to the First

Termination Date, written notice of Tenant's exercise of such right (the "**First Termination Notice**"), and (ii) Tenant's payment to Landlord of a flat fee in the amount of One Hundred Thirty-Five Thousand Dollars ($135,000.00) (the "**First Termination Consideration**"). If Tenant properly exercises the First Termination Option set forth in this Section 2.2.1 in strict accordance with the terms hereof, this Lease shall expire at midnight on the First Termination Date with respect to the First Terminated Space only, and Tenant shall be required to surrender the First Terminated Space to Landlord on or prior to the First Termination Date in accordance with the applicable provisions of this Lease. In addition, Tenant, at Tenant's sole cost and expense, shall be required to redemise the Premises, construct a Building-standard corridor (including entry doors) to provide access between the First Terminated Space and the elevator lobby and bathrooms on such floor of the Building pursuant to plans approved by Landlord and otherwise in accordance with Article 8 of this Lease; provided, however, Landlord shall be responsible, at its sole cost and expense (and not as an Operating Expense) for completing any other alterations required for the First Terminated Space to be in a leasable, Building-standard condition. The First Termination Right set forth in this Section 2.2.1 is personal to the Original Tenant or any Affiliate Assignee, and may only be executed by the Original Tenant or such Affiliate Assignee if the Tenant is not in monetary and/or material default under this Lease beyond the expiration of all applicable notice and cure periods as of the date Tenant delivers the First Termination Notice or as of the First Termination Date.

2.2.2 Second Termination Right. Tenant shall have the one (1) time right (the "**Second Termination Right**") to terminate and cancel this Lease with respect to that portion of the Premises not terminated pursuant to Section 2.2.1 above (the "**Second Terminated Space**"), effective as of the date (the "**Second Termination Date**") which is the last day of the sixty- eighth (68th) month anniversary of the Lease Commencement Date. Tenant's exercise of the Second Termination Right is contingent upon (i) Tenant's delivery to Landlord on or before the date which is nine (9) months prior to the Second Termination Date, written notice of Tenant's exercise of such right (the "**Second Termination Notice**"), (ii) Tenant's payment to Landlord of the Second Termination Consideration (as defined below), and (iii) Tenant's payment of the monthly installments of Base Rent due and payable hereunder for the first sixty-eight (68) months of the Lease Term. As used herein, the "**Second Termination Consideration**" shall mean an amount equal to the sum of: (A) the unamortized portion of the brokerage commissions (including, but not limited to, leasing bonuses paid to brokers), the Abated Base Rent (as defined in Section 3.2 below) and the Parking Discount (as defined in Article 23 below) in connection with this Lease (as well as any brokerage commissions, free rent, parking and other concessions in connection with any ROFO Space leased by Tenant pursuant to Section 1.4 above); plus (B) the unamortized portion of the costs of Landlord's work (if any) in the Premises and the Tenant Improvement Allowance paid or incurred by Landlord pursuant to the Work Letter; and (C) the unamortized portion of the costs of the tenant improvements and tenant improvement allowance, if any paid or incurred by Landlord for any ROFO Space leased by Tenant pursuant to Section 1.4 above. The brokerage commissions, costs of Landlord's work (if any), and Tenant Improvement Allowance, Abated Base Rent and the Parking Discount with respect to the Premises leased by Tenant shall all be amortized on a straight-line basis over the scheduled initial ten (10) year Lease Term, together with interest at the rate of eight percent (8%) per annum, and the unamortized portion thereof shall be determined based upon the unexpired portion of such initial ten (10) year Lease Term as of the Second Termination Date. The unamortized portion of the costs of any brokerage commissions and tenant improvement costs/allowance, if any, paid for or provided by Landlord to Tenant for any ROFO Space leased by Tenant pursuant to Section 1.4 shall be amortized on a straight-line basis over the scheduled initial term of the lease of the ROFO Space, together with interest at the rate of eight percent (8%) per annum, and the unamortized portion thereof shall be determined based upon the unexpired portion of such initial lease term for such ROFO Space as of the Second Termination Date. If Tenant properly exercises the Second Termination Right set forth in this Section 2.2.2 in strict accordance with the terms hereof, this Lease shall expire at midnight on the Second Termination Date, and Tenant shall be required to surrender the Premises to Landlord on or prior to the Second Termination Date in accordance with the applicable provisions of this Lease. The Second Termination Right set forth in this Section 2.2.2 is personal to the Original Tenant or any

Affiliate Assignee, and may only be executed by the Original Tenant or such Affiliate Assignee if the Tenant is not in monetary and/or material default under this Lease beyond the expiration of all applicable notice and cure periods as of the date Tenant delivers the Second Termination Notice or as of the Second Termination Date.

2.3 Early Occupancy. If Substantial Completion of the Tenant Improvements (as such terms are defined in the Work Letter attached hereto as Exhibit B) occurs prior to the Lease Commencement Date, then following Substantial Completion of the Tenant Improvements and continuing until the Lease Commencement Date (the "**Early Occupancy Period**"), and so long as Landlord has received insurance certificates evidencing that Tenant is carrying the insurance required to be carried by Tenant pursuant to the terms of Article 10 below, Tenant shall have the right to access and occupy the Premises during the Early Occupancy Period; provided, however, that during such Early Occupancy Period and subject to the terms of the Work Letter, all of the terms and conditions of this Lease shall apply, including, without limitation, Tenant's obligation to pay to Landlord all sums and charges required to be paid by Tenant under this Lease, including, without limitation, charges for additional services provided to the Premises so occupied pursuant to Sections 6.1.2 and 6.2 of this Lease. Subject to the foregoing, during such Early Occupancy Period, Tenant shall not be obligated to pay Base Rent for the Premises and/or Tenant's Share of Operating Expenses, Tax Expenses or Utilities Costs (as such terms are defined below in Article 4 below) in accordance with the terms of this Lease, until the occurrence of the Lease Commencement Date (and no such Base Rent or such other charges shall accrue during such Early Occupancy Period).

ARTICLE 3

BASE RENT

3.1 Base Rent. Tenant shall pay, without notice or demand, except as otherwise set forth herein, to Landlord or Landlord's agent at the management office of the Project, or at such other place as Landlord may from time to time designate in writing, in currency or a check for currency which, at the time of payment, is legal tender for private or public debts in the United States of America, base rent ("**Base Rent**") as set forth in Section 8 of the Summary, payable in equal monthly installments as set forth in Section 8 of the Summary in advance on or before the first (1st) day of each and every month during the Lease Term, without any setoff or deduction whatsoever (except as specifically set forth in this Lease). The Base Rent for the first (1st) full month of the Lease Term shall be paid at the time of Tenant's execution of this Lease. If any rental payment date (including the Lease Commencement Date) falls on a day of the month other than the first day of such month or if any rental payment is for a period which is shorter than one (1) month, then the rental for any such fractional month shall be a proportionate amount of a full calendar month's rental based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

3.2 Rent Abatement. Notwithstanding anything to the contrary contained herein and provided that Tenant faithfully performs all of the terms and conditions of this Lease, and no default by Tenant occurs hereunder (beyond all applicable notice and cure periods), Landlord hereby agrees that Tenant shall not be required to pay the monthly installments of Base Rent for the second (2nd) through eleventh (11th) full months of the initial Lease Term (the "**Abatement Period**"), with the abated Base Rent to be equal to One Million One Hundred Two Thousand Six Hundred Eighty Dollars ($1,102,680.00) in the aggregate (the "**Abated Base Rent**"). During the Abatement Period, Tenant shall still be responsible for the payment of all of its other monetary obligations under this Lease. In the event of a default by Tenant under the terms of this Lease that results in termination of this Lease in accordance with the provisions of Article 19 hereof, then as a part of the recovery set forth in Article 19 of this Lease, Landlord shall be entitled to the recovery of the unamortized (on a straight-line basis during the initial Lease Term) Abated Base Rent that was abated under the provisions of this Article 3.

ARTICLE 4

ADDITIONAL RENT

4.1 Additional Rent. In addition to paying the Base Rent specified in Article 3 of this Lease, Tenant shall pay as additional rent the sum of the following: (i) Tenant's Share (as such term is defined below) of the annual Operating Expenses (as such term is defined below) which are in excess of the amount of Operating Expenses applicable to the Expense Base Year (as such term is defined below); plus (ii) Tenant's Share of the annual Tax Expenses (as such term is defined below) which are in excess of the amount of Tax Expenses applicable to the Tax Expense Base Year (as such term is defined below); plus (iii) Tenant's Share of the annual Utilities Costs (as such term is defined below) which are in excess of the amount of Utilities Costs applicable to the Utilities Base Year (as such term is defined below). Such additional rent, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease (including, without limitation, pursuant to Article 6), shall be hereinafter collectively referred to as the "**Additional Rent**`". The Base Rent and Additional Rent are herein collectively referred to as the "**Rent**". All amounts due under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner, time and place as the Base Rent. Without limitation on other obligations of Landlord and Tenant which shall survive the expiration of the Lease Term, the obligations of Tenant to pay the Additional Rent provided for in this Article 4 shall survive the expiration of the Lease Term.

4.2 Definitions. As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "**Calendar Year**" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

4.2.2 "**Expense Base Year**" shall mean the year set forth in Section 9.1 of the Summary.

4.2.3 "**Expense Year**" shall mean each Calendar Year, provided that Landlord, upon notice to Tenant, may change the Expense Year from time to time to any other twelve (12) consecutive-month period, and, in the event of any such change, Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be equitably adjusted for any Expense Year involved in any such change to ensure that such change does not increase Tenant's obligations hereunder.

4.2.4 "**Operating Expenses**" shall mean all expenses, costs and amounts of every kind and nature which Landlord shall pay during any Expense Year because of or in connection with the ownership, management, maintenance, repair, replacement, restoration or operation of the Real Property, all as determined in accordance with sound real estate management practices consistently applied, including, without limitation, any amounts paid for: (i) the cost of operating, maintaining, repairing, renovating and managing the utility systems, mechanical systems, sanitary and storm drainage systems, any elevator systems and all other "Systems and Equipment" (as defined in Section 4.2.5 of this Lease), and the cost of supplies and equipment and maintenance and service contracts in connection therewith; (ii) the cost of licenses, certificates, permits and inspections, and the cost of contesting the validity or applicability of any governmental enactments which may affect Operating Expenses, and the costs incurred in connection with implementation of a governmentally mandated transportation system management program or similar program; (iii) the cost of insurance carried by Landlord, in such amounts as Landlord may reasonably determine or as may be required by any mortgagees or the lessor of any underlying or ground lease affecting the Real Property; (iv) the cost of landscaping, relamping, supplies, tools, equipment and materials, and all fees, charges and other costs (including reasonable consulting fees, legal fees and accounting fees) incurred in connection with the management, operation, repair and maintenance of the Real Property, subject to item (xi) below; (v) the cost of parking area repair, restoration, and maintenance; (vi) any equipment rental agreements or management agreements (including the cost of any management fee (not to exceed management fees charged by first-class management companies unaffiliated with Landlord in Comparable Buildings) and the fair rental value of any office space provided thereunder); (vii) subject to Section 4.2.4(f) below, wages, salaries and other compensation and benefits of all persons engaged in the operation, management, maintenance or security of the Real Property, and employer's Social Security taxes, unemployment taxes or

insurance, and any other taxes which may be levied on such wages, salaries, compensation and benefits; (viii) payments under any easement, license, operating agreement, declaration, restrictive covenant, underlying or ground lease (excluding rent), or instrument pertaining to the sharing of costs by the Real Property; (ix) the cost of janitorial service, alarm and security service, if any, window cleaning, trash removal, replacement of wall and floor coverings, ceiling tiles and fixtures in lobbies, corridors, restrooms and other common or public areas or facilities, maintenance and replacement of curbs and walkways, repair to roofs and re-roofing, provided that any capital costs incurred by Landlord with respect to the replacement of such systems and equipment shall be amortized as forth in items (x) and (xi), below; (x) amortization (including interest on the unamortized cost at a rate equal to the floating commercial loan rate announced from time to time by Bank of America, a national banking association, or its successor, as its prime rate the "**Amortization Interest Rate**") of the cost of acquiring or the rental expense of personal property used in the maintenance, operation and repair of the Real Property to the extent such acquisition costs, prior to amortization, are materially consistent with the costs incurred for such items by landlords of Comparable Buildings, given the scope, size and nature of the Project; and (xi) the cost of capital repairs, replacements or other improvements or other costs incurred in connection with the Project (A) which are intended to reduce current or future Operating Expenses to the extent of cost savings reasonably anticipated by Landlord (based upon reasonable supporting documentation) at the time of such expenditure to be incurred in connection therewith, or (B) that are required under any governmental law or regulation, except for capital repairs, replacements or other improvements to remedy a condition existing prior to the Lease Commencement Date which an applicable governmental authority, if it had knowledge of such condition prior to the Lease Commencement Date and if such condition was not subject to a variance or a grandfathered/grandmothered code waiver exception, would have then required to be remedied pursuant to then-current Applicable Laws, in their form existing as of the Lease Commencement Date; provided, however, that any such permitted capital expenditure shall be amortized (with interest at the Amortization Interest Rate) over its reasonable useful life in accordance with generally accepted commercial office building accounting practices. Any of the services which may be included in the computation of the Operating Expenses of the Building may be performed by divisions, subsidiaries or affiliates of Landlord, provided that the contracts for the performance of such services shall be competitive with similar contracts and transactions with unaffiliated entities for the performance of such services in Comparable Buildings. If Landlord is not furnishing any particular work or service (the cost of which, if performed by Landlord, would be included in Operating Expenses) to a tenant who has undertaken to perform such work or service in lieu of the performance thereof by Landlord, Operating Expenses shall be deemed to be increased by an amount equal to the additional Operating Expenses which would reasonably have been incurred during such period by Landlord if it had at its own expense furnished such work or service to such tenant. If the Building is less than ninety-five percent (95%) occupied during all or a portion of any Expense Year (including the Expense Base Year) with all tenants paying one hundred percent (100%) of all rental due and owing, Landlord shall make an appropriate adjustment to the variable components of Operating Expenses for such year or applicable portion thereof, employing sound accounting and management principles, consistently applied, to determine the amount of Operating Expenses that would have been paid had the Building been ninety-five percent (95%) occupied; and the amount so determined shall be deemed to have been the amount of Operating Expenses for such year, or applicable portion thereof. Landlord shall (i) not make a profit by charging items

to Operating Expenses that are otherwise also charged separately to others and (ii) Landlord shall not collect Operating Expenses from Tenant and all other tenants/occupants in the Building in an amount in excess of what Landlord incurred for the items included in Operating Expenses. Any refunds or discounts actually received by Landlord for any category of Operating Expenses shall reduce Operating Expenses in the applicable Expense Year (pertaining to such category of Operating Expenses).

If other than as a result of any legal, governmental or lender requirements or other occurrence(s) beyond the reasonable control of Landlord, following the 2011 Calendar Year any new category of operating expense is added to Operating Expenses, and/or the scope of any previously existing category of expense is materially increased, then during such time as the costs relating to such new category and/or materially increased scope are included in the Building's expenses, the calculation of the Expense Base Year Operating Expenses shall be increased to reflect such Operating Expenses as would have been incurred had such new category item been included in the 2011 Calendar Year and/or had such materially increased scope been applicable during the 2011 Calendar Year, as applicable, giving due consideration to

what the costs for such new category and/or materially increased scope item(s) would have been in the 2011 Calendar Year.

Landlord shall have the right, from time to time, in its reasonable discretion, to equitably and consistently allocate some or all of the Operating Expenses (and/or Tax Expenses and Utilities Costs) among different tenants of the Project or to include additional buildings in the Real Property for purposes of determining Operating Expenses (and/or Tax Expenses and Utilities Costs) and/or the provision of various services and amenities thereto (the "**Cost Pools**"). Such Cost Pools may include, without limitation, the office space tenants and retail space tenants of the Building and/or any such additional buildings.

Notwithstanding anything to the contrary set forth in this Article 4, when calculating Operating Expenses for the Expense Base Year, Operating Expenses shall exclude market-wide labor-rate increases due to extraordinary circumstances, including, but not limited to, boycotts and strikes; provided however, that at such time as any such particular cost increases or costs continue to be included in Operating Expenses during subsequent Expense Years, such particular cost increases or costs shall be included in the Expense Base Year calculation of Operating Expenses.

Notwithstanding the foregoing, Operating Expenses shall not, however, include:

(i) costs, including legal fees, space planners' fees, advertising and promotional expenses (except as otherwise set forth above), and brokerage fees incurred in connection with the original construction or development, or original or future leasing of the Project, and costs, including permit, license and inspection costs , incurred with respect to the installation of tenant improvements made for new tenants initially occupying space in the Project after the Lease Commencement Date or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project (excluding, however, such costs relating to any common areas of the Project or parking facilities);

(ii) except as set forth in items (x) and (xi) above, depreciation, interest and principal payments on mortgages and other debt costs, if any, penalties and interest, costs of capital repairs and alterations, and costs of capital improvements and equipment;

(iii) costs for which the Landlord is reimbursed by any tenant or occupant of the Project or by insurance by its carrier or any tenant's carrier or by anyone else, and electric power costs for which any tenant directly contracts with the local public service company;

(iv) any bad debt loss, rent loss, or reserves for bad debts or rent loss;

(v) costs associated with the operation of the business of the partnership or entity which constitutes the Landlord, as the same are distinguished from the costs of operation of the Project (which shall specifically include, but not be limited to, accounting costs associated with the operation of the Project). Costs associated with the operation of the business of the partnership or entity which constitutes the Landlord include costs of partnership accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of the Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of the Landlord's interest in the Project, and costs incurred in connection with any disputes between Landlord and its employees, between Landlord and Project management, or between Landlord and other tenants or occupants;

(vi) the wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the Project vis-à-vis time spent on matters unrelated to operating and managing the Project; provided, that in no event shall Operating Expenses for purposes of this Lease include wages and/or benefits attributable to personnel above the level of Property manager or Property engineer;

(vii) amount paid as ground rental for the Project by the Landlord;

(viii) except for a Project management fee (as described in subsection (xii), above), overhead and profit increment paid to the Landlord or to subsidiaries or affiliates of the Landlord for services in or in connection the Project to the extent the same exceeds the costs such services rendered by qualified, first-class unaffiliated third parties on a competitive basis;

(ix) any compensation paid to clerks, attendants or other persons in commercial concessions operated by the Landlord (which shall specifically exclude the Parking Facilities), provided that any compensation paid to any concierge at the Project shall be includable as an Operating Expense;

(x) rentals and other related expenses incurred in leasing air conditioning systems, elevators or other equipment which if purchased the cost of which would be excluded from Operating Expenses as a capital cost, except equipment not affixed to the Project which is used in providing janitorial or similar services and, further excepting from this exclusion such equipment rented or leased to remedy or ameliorate an emergency condition in the Project;

(xi) all items and services for which Tenant or any other tenant in the Project reimburses Landlord or which Landlord provides selectively to one or more tenants (other than Tenant) without reimbursement;

(xii) any costs expressly excluded from Operating Expenses elsewhere in this Lease;

(xiii) rent for any office space occupied by Project management personnel to the extent the size or rental rate of such office space exceeds the size or fair market rental value of office space occupied by management personnel of Comparable Buildings, with adjustment where appropriate for the size of the applicable project;

(xiv) costs arising from the gross negligence or willful misconduct of Landlord or its agents, employees, vendors, contractors, or providers of materials or services;

(xv) fines, penalties, and interest on delinquent payments and principal payments (but interest shall be specifically included as provided for in items (x) and (xi), above, and interest included on real property taxes as part of a bonded assessment included in real property taxes shall be included in "Tax Expenses", as that term is defined in Section 4.2.7, below);

(xvi) costs incurred due to the violation by Landlord of the terms and conditions of any underlying documents pertaining to the Building or Project;

(xvii) costs for extra or after-hours HVAC, utilities or services which are provided to Tenant and/or any occupant of the Building and as to which Tenant or such other occupants are separately charged and the applicable amounts are paid by Tenant or such other occupants;

(xviii) Landlord's general corporate overhead and general administrative expenses;

(xix) costs incurred to comply with "Applicable Laws", as that term is defined in Article 21 of this Lease, relating to the removal of hazardous material (as defined under Applicable Laws) which was in existence in the Building or on the Project prior to the Lease Commencement Date, and was of such a nature that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material, in the state, and under the conditions that it then existed in the Building or on the Project, would have then required the removal of such hazardous material or other remedial or containment action with respect thereto; and costs incurred with respect to hazardous material, which hazardous material is brought into the Building or onto the Project after the date hereof by Landlord or anyone other Tenant and is of such a nature, at that time, that a federal, state or municipal governmental authority, if it had then had knowledge of the presence of such hazardous material, in the state, and under the conditions, that it then exists in the Building or on the Project, would have then required the removal, remediation or other action with respect thereto;

(xx) any reserves retained by Landlord;

(xxi) insurance deductibles in excess of customary deductible amounts carried by landlords of the Comparable Buildings; in connection with any insurance deductible amounts included in Operating Expenses as a result of an earthquake which are for items otherwise classified as capital items, such amounts shall be amortized into Operating Expenses at the cost and over the term set forth in Section 4.2.4(xi) above;

(xxii) late charges, penalties, liquidated damages, and interest;

(xxiii) costs, other than those incurred in ordinary maintenance and repair, for sculpture, paintings, fountains or other objects of art;

(xxiv) legal fees and costs, settlements, judgments or awards paid or incurred because of disputes between Landlord and Tenant, Landlord and other tenants or prospective occupants or prospective tenants/occupants or providers of goods and services to the Project;

(xxv) advertising and promotional expenses and costs of signs in or on the Building identifying the owner of the Building or other tenants' signs;

(xxvi) costs due to violations of the CC&Rs or to create any future CC&Rs (as opposed to payments under any future CC&Rs otherwise includable as an Operating Expense hereunder);

(xxvii) to the extent applicable, electric power costs or other utility costs for which any tenant directly contracts with the local public service company (but Landlord shall have the right to "gross up" as if the floor was vacant);

(xxviii) any entertainment, dining or travel expenses for any purpose (except to the extent costs for similar items were included in the Expense Base Year);

(xxix) costs of specialty clubs and services;

(xxx) costs arising from any voluntary special assessment on the Building or the Project by any transit district authority or any other governmental entity having the authority to impose such voluntary assessment, unless such costs are included in the Base Year;

(xxxi) any "validated" parking for any entity;

(xxxii) costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Building or the Project; and

(xxxiii) fees payable by Landlord for management of the Project in excess of three percent (3%) of Landlord's gross rental revenues, adjusted and grossed up to reflect a one hundred percent (100%) occupancy of the Project with all tenants paying rent, including base rent, pass-throughs, and parking fees (but excluding the cost of after-hours services or utilities) from the Project for any calendar year or portion thereof. Landlord acknowledges and agrees that the management fee for the Project during the Expense Base Year will be three percent (3%) of Landlord's gross rental revenues calculated as provided above.

4.2.5 "**Systems and Equipment**" shall mean any plant, machinery, transformers, duct work, cable, wires, and other equipment, facilities, and systems designed to supply heat, ventilation, air conditioning and humidity or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment which serve the Building and/or any other building in the Project in whole or in part.

4.2.6 "**Tax Expense Base Year**" shall mean the year set forth in Section 9.2 of the Summary.

4.2.7 "**Tax Expenses**" shall mean all federal, state, county, or local governmental or municipal taxes, fees, assessments, charges or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit assessments, fees and taxes, child care subsidies, fees and/or assessments, job training subsidies, fees and/or assessments, open space fees and/or assessments, housing subsidies and/or housing fund fees or assessments, public art fees and/or assessments, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus, systems and equipment, appurtenances, furniture and other personal property used in connection with the Real Property), which Landlord shall pay during any Expense Year because of or in connection with the ownership, leasing and operation of the Real Property or Landlord's interest therein. For purposes of this Lease, Tax Expenses shall be calculated as if the tenant improvements in the Building were fully constructed and the Real Property, the Building and all tenant improvements in the Building were fully assessed for real estate tax purposes, and accordingly, during the portion of any Expense Year or Tax Expense Base Year, Tax Expenses shall be deemed to be increased appropriately.

4.2.7.1 Tax Expenses shall include, without limitation:

(i) Any tax on Landlord's rent, right to rent or other income from the Real Property or as against Landlord's business of leasing any of the Real Property;

(ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("**Proposition 13**") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies, and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease;

(iii) Any assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises, or any portion thereof;

(iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises; and

(v) Any reasonable expenses incurred by Landlord in attempting to protest, reduce or minimize Tax Expenses, if Landlord has a reasonable expectation of achieving a reduction in excess of the expenses incurred, shall be included in Tax Expenses in the Expense Year such expenses are incurred (excluding, however, those costs and expenses incurred by Landlord in securing any Proposition 8 reduction as set forth in Section 4.2.7.4 below).

4.2.7.2 Except as set forth in Section 4.2.7.4, below, refunds of Tax Expenses shall be credited against Tax Expenses and refunded to Tenant regardless of when received, based on the Expense Year to which the refund is applicable, provided that in no event shall the amount to be refunded to Tenant for any such Expense Year exceed the total amount paid by Tenant as Additional Rent under this Article 4 for such Expense Year. All special assessments which may be paid in installments shall be paid by Landlord in the maximum number of installments permitted by law and not included in Tax Expenses except in the year in which the assessment is actually paid.

4.2.7.3 Notwithstanding anything to the contrary contained in this Section 4.2.7, there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and

state net income taxes, and other taxes to the extent applicable to Landlord's net income (as opposed to rents, receipts or income attributable to operations at the Real Property), (ii) any items included as Operating Expenses or Utilities Costs, (iii) any items paid by Tenant under Section 4.4 of this Lease, (iv) tax penalties, interest or late charges, (v) any Tax Increase excluded from Tax Expenses pursuant to Section 4.2.7.4 below, and (vi) any amounts charged directly to Tenant or other tenants, including pursuant to Section 4.4.

4.2.7.4 Proposition 13 Protection.

(i) If one or more sales, financings or changes in ownership of the Building and/or the Project is consummated or improvements are made to the Building and/or Project, and as a result thereof, and to the extent that in connection therewith, the Building and/or Project is reassessed (the **"Reassessment"**) for real estate tax purposes by the appropriate governmental authority pursuant to the terms of Proposition 13 occurs during the three (3) year period commencing on the Lease Commencement Date (the **"Protection Period"**), then the amount of any "Tax Increase" (defined below) resulting solely from such Reassessment shall be excluded from Tax Expenses. After the Protection Period, Tenant's Share of any Tax Increase resulting from a Reassessment after the Protection Period shall be amortized over a two (2) year period after the Reassessment with fifty percent (50%) of Tenant's Share of such Tax Increase payable by Tenant over the first (1st) such year and the remaining fifty percent (50%) payable by Tenant over the second (2nd) such year.

(a) **"Tax Increase"** means that portion of the Tax Expenses, as calculated immediately following the Reassessment which is attributable solely to the Reassessment, and will not include any portion of the Tax Expenses, as calculated immediately following the Reassessment, which is attributable to either:

i. the value of the Building or Project as of the Lease Commencement Date (whether or not the Project is fully assessed as of the Lease Commencement Date);

ii. assessments that are unrelated to a Change in Ownership of the Building, Project or any portion of either of the foregoing; or

iii. the annual inflationary increase of real estate taxes permitted under the R&T Code (limited as of the date of this Lease to two percent (2%) per annum), excluding the annual inflationary increase on the Tax Increase immediately following the Reassessment.

(b) **"Proposition 13 Protection Amount"** means Tenant's Share of the aggregate Tax Increase excluded from Tax Expenses under this subparagraph.

(ii) If, in connection with a pending or anticipated sale of the Building and/or the Project by Landlord, the occurrence of a Reassessment is reasonably foreseeable by Landlord and the Proposition 13 Protection Amount attributable to such Reassessment can be reasonably quantified or estimated for each Lease Year commencing with the Lease Year in which the Reassessment will occur, the terms of this Section shall apply to each such Reassessment. By notice given by Landlord to Tenant during the Protection Period, Landlord may purchase the Proposition 13 Protection Amount from Tenant for an amount relating to the applicable Reassessment (the **"Applicable Reassessment"**), within a reasonable period of time prior to the pending or anticipated sale of the Building and/or the Project by Landlord, by paying to Tenant an amount equal to the "Proposition 13 Purchase Price," as that term is defined below, provided that the right of any successor of Landlord to exercise its right of repurchase hereunder shall not apply to any Reassessment which results from the event pursuant to which such successor of Landlord became the landlord under this Lease. As used herein, **"Proposition 13 Purchase Price"** shall mean the present value of the Proposition 13 Protection Amount remaining from the date of payment of such amount by Landlord through the remainder of the Protection Period, assuming that the Proposition 13 Protection Amount for an Expense Year would have been paid by Tenant in equal monthly installments during each such Expense Year, and discounting by eight and one-half percent (8½%) per annum. Upon payment of the Proposition 13 Purchase Price, the provisions of this Section 4.2.7.4 will not apply to any Tax Increase attributable to the Reassessment. Landlord may exercise its rights under this

Section 4.2.7.4(ii) before receipt of the actual reassessment, and may reasonably estimate the amount of the reassessment and pay the Proposition 13 Purchase Price based such assessment upon the estimate. When the actual amount of the reassessment becomes known, if Landlord has underestimated the Proposition 13 Purchase Price, then upon notice by Landlord to Tenant, Tenant's Rent next due will be credited with the amount of such underestimation, and if Landlord overestimates the Proposition 13 Purchase Price, then upon notice by Landlord to Tenant, Rent next coming due under this Lease will be increased by the amount of the overestimation.

4.2.7.5 Proposition 8 Adjustments. Notwithstanding anything to the contrary set forth in this Lease (but expressly subject to the terms of Section 4.2.7.4 above), the amount of Tax Expenses for the Expense Base Year and any Expense Year shall be calculated based on a fully occupied Project without taking into account any decreases in real estate taxes obtained under Proposition 8, and, therefore, the Tax Expenses in the Expense Base Year and/or an Expense Year may be greater than those actually incurred by Landlord, but shall, nonetheless, be the Tax Expenses under this Lease for purposes of calculating Operating Expenses for the Project; provided that (a) any costs and expenses incurred by Landlord in securing any Proposition 8 reduction shall not be included in Project Expenses for purposes of this Lease, and (b) tax refunds under Proposition 8 shall not be deducted from Tax Expenses or otherwise credited to Tenant, but rather shall be the sole property of Landlord. This Section 4.2.7.5 is not intended in any way to affect the inclusion in Tax Expenses of the statutory two percent (2%) annual increase in Tax Expenses (as such statutory increase may be modified by subsequent legislation).

4.2.8 **"Tenant's Share"** shall mean the percentage set forth in Section 9.4 of the Summary. Tenant's Share was calculated by dividing the number of rentable square feet of the Premises by the total rentable square feet in the Building (as set forth in Section 9.4 of the Summary), and stating such amount as a percentage. If Tenant's Share is adjusted as a result of an increase or decrease in the size of the Premises, as to the Expense Year in which such adjustment occurs, Tenant's Share for such year shall be determined on the basis of the number of days during such Expense Year that each such Tenant's Share was in effect.

4.2.9 **"Utilities Base Year"** shall mean the year set forth in Section 9.3 of the Summary.

4.2.10 **"Utilities Costs"** shall mean all actual charges for utilities for the Building and the Project which Landlord shall pay during any Expense Year, including, but not limited to, the costs of water, sewer and electricity, and the costs of HVAC (including, unless paid by Tenant pursuant to Section 6.1.2 below, the cost of electricity to operate the HVAC air handlers) and other utilities as well as related fees, assessments and surcharges (but excluding those charges for which tenants directly reimburse Landlord or otherwise pay directly to the utility company). Utilities Costs shall be calculated assuming the Building is at least ninety-five percent (95%) occupied during all or any portion of an Expense Year (including the Utilities Base Year). If, during all or any part of any Expense Year, Landlord shall not provide any utilities (the cost of which, if provided by Landlord, would be included in Utilities Costs) to a tenant (including Tenant) who has undertaken to provide the same instead of Landlord, Utilities Costs shall be deemed to be increased by an amount equal to the additional Utilities Costs which would reasonably have been incurred during such period by Landlord if Landlord had at its own expense provided such utilities to such tenant. Utilities Costs shall include any costs of utilities which are allocated to the Real Property under any declaration, restrictive covenant, or other instrument pertaining to the sharing of costs by the Real Property or any portion thereof, including any covenants, conditions or restrictions now or hereafter recorded against or affecting the Real Property. For purposes of determining Utilities Costs incurred for the Utilities Base Year, Utilities Costs for the Utilities Base Year shall exclude any one time special charges, costs or fees or extraordinary charges or costs incurred in the Utilities Base Year only, including those attributable to boycotts, embargoes, strikes or other shortages of services or fuel; provided, however, at such time as any particular cost increases or costs continue to be included in Utilities Costs during subsequent Expense Years, such particular cost increase or costs shall be included in the Utilities Base Year calculation of Utilities Costs.

4.3 Calculation and Payment of Additional Rent.

4.3.1 Calculation of Excess. If for any Expense Year ending or commencing within the Lease Term, (i) Tenant's Share of Operating Expenses for such Expense Year exceeds

Tenant's Share of Operating Expenses for the Expense Base Year and/or (ii) Tenant's Share of Tax Expenses for such Expense Year exceeds Tenant's Share of Tax Expenses for the Tax Expense Base Year, and/or (iii) Tenant's Share of Utilities Costs for such Expense Year exceeds Tenant's Share of Utilities Costs for the Utilities Base Year, then Tenant shall pay to Landlord, in the manner set forth in Section 4.3.2, below, and as Additional Rent, an amount equal to such excess (the **"Excess"**).

4.3.2 Statement of Actual Operating Expenses, Tax Expenses and Utilities Costs and Payment by Tenant. Landlord shall use commercially reasonable efforts to give to Tenant on or before the thirtieth (30th) day of May following the end of each Expense Year, a statement (the **"Statement"**) which

shall state on a line item by line item basis, the Operating Expenses, Tax Expenses and Utilities Costs incurred or accrued for such preceding Expense Year (including the Expense Base Year, Tax Expense Base Year and Utilities Base Year), and which shall indicate the amount, if any, of any Excess or overpayment by Tenant. Upon receipt of the Statement for each Expense Year ending during the Lease Term, if an Excess is present, Tenant shall pay, within thirty (30) days following demand by Landlord, the full amount of the Excess for such Expense Year, less the amounts, if any, paid during such Expense Year as "Estimated Excess," as that term is defined in Section 4.3.3 of this Lease, and if Tenant has paid more as Estimated Excess than the actual Excess (an **"Overage"**), Tenant shall, at Landlord's option, receive a credit in the amount of the Overage against the Rent next coming due under the Lease, or Landlord shall pay the amount of the Overage to Tenant within thirty (30) days following Landlord's calculation thereof. Notwithstanding anything to the contrary in this Lease, in the event this Lease has terminated or there is insufficient Rent due and payable by Tenant for Landlord to credit such Overage then Landlord shall pay the Overage to Tenant within thirty (30) days following Landlord's calculation thereof. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice Landlord from enforcing its rights under this Article 4. Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Share of the Operating Expenses, Tax Expenses and Utilities Costs for the Expense Year in which this Lease terminates, if an Excess is present, Tenant shall pay to Landlord an amount as calculated pursuant to the provisions of Section 4.3.1 of this Lease within thirty (30) days of Tenant's receipt of an invoice therefore from Landlord, and if an Overage is present, Landlord shall refund the amount of the Overage to Tenant within thirty (30) days following Landlord's determination. Notwithstanding the foregoing, Tenant shall not be responsible for Tenant's Share of any Operating Expenses, Tax Expenses or Utilities Costs attributable to any Expense Year which are first billed to Tenant more than two (2) Calendar Years after the expiration or any earlier termination of the applicable Expense Year or the Lease Expiration Date, provided that in any event Tenant shall be responsible for Tenant's Share of any Operating Expenses, Tax Expenses or Utilities Costs levied by any governmental authority or by any public utility companies at any time following the applicable Expense Year or the Lease Expiration Date which are attributable to any Expense Year (provided that Landlord delivers Tenant a bill for such amounts within two (2) years following Landlord's receipt of the bill therefor). The provisions of this Section 4.3.2 shall survive the expiration or earlier termination of the Lease Term.

4.3.3 Statement of Estimated Operating Expenses, Tax Expenses and Utilities Costs. In addition, Landlord shall use commercially reasonable efforts to give Tenant on or before the thirtieth (30th) day of May a yearly expense estimate statement (the **"Estimate Statement"** which shall set forth, on a line item by line item basis, Landlord's reasonable and good faith estimate (the **"Estimate"**) of what the total amount of Operating Expenses, Tax Expenses and Utilities Costs for the then-current Expense Year shall be and the estimated Excess (the **"Estimated Excess"**) as calculated by comparing (i) Tenant's Share of Operating Expenses, which shall be based upon the Estimate, to Tenant's Share of Operating Expenses for the Expense Base Year, (ii) Tenant's Share Tax Expenses, which shall be based upon the Estimate, to Tenant's Share of Tax Expenses for the Tax Expense Base Year, and (iii) Tenant's Share of Utilities Costs, which shall be based upon the Estimate, to Tenant's Share of Utilities Costs for the Utilities Base Year. The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Excess under this Article 4. If pursuant to the Estimate Statement an Estimated Excess is calculated for the then-current Expense Year, Tenant shall pay, within thirty (30) days after receipt of the Estimate Statement, a fraction of the Estimated Excess for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.3.3). Such fraction shall have as its numerator the number of months which have elapsed in such

current Expense Year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Excess set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.3.4 Cap on Controllable Expenses. Notwithstanding anything to the contrary contained in this Article 4, the aggregate "Controllable Expenses" (as hereinafter defined) included in Operating Expenses in any Expense Year after the Expense Base Year shall not increase by more than five percent (5%) on an annual, cumulative and compounded basis, over the actual aggregate Controllable Expenses included in Operating Expenses for any preceding Expense Year (including the Expense Base Year), but with no such limit on the amount of Controllable Expenses which may be included in the Operating Expenses incurred during the Expense Base Year. For purposes of this Section 4.3.4, **"Controllable Expenses"** shall mean all Operating Expenses except: (i) insurance carried by Landlord with respect to the Real Property and/or the operation thereof; (ii) costs of capital expenditures which constitute Operating Expenses under Section 4.2.4(xi)(B) above; and (ii) wages, salaries and other compensation and benefits paid to Landlord's employees, agents or contractors engaged in the operation, management, maintenance (including, but not limited to, janitorial and cleaning services) or security of the Building or Real Property, to the extent such wages, salaries and other compensation subject to collective bargaining agreements or government mandated requirements including, but not limited to, prevailing wage laws and similar requirements. The provisions of this Section 4.3.4 do not apply to Tax Expenses or Utilities Costs.

4.4 Taxes and Other Charges for Which Tenant Is Directly Responsible. Tenant shall reimburse Landlord within thirty (30) days of demand for any and all taxes or assessments required to be paid by Landlord (except to the extent included in Tax Expenses by Landlord), excluding state, local and federal personal or corporate income taxes measured by the net income of Landlord from all sources and estate and inheritance taxes, whether or not now customary or within the contemplation of the parties hereto, when:

4.4.1 said taxes are measured by or reasonably attributable to the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or by the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, to the extent the cost or value of such leasehold improvements exceeds the cost or value of a building standard build-out as reasonably determined by Landlord regardless of whether title to such improvements shall be vested in Tenant or Landlord (to the extent that Landlord enforces the terms of this Section 4.4.1 against Tenant, then Landlord shall not include in Tax Expenses, taxes assessed against any other tenant improvements in the Project to the extent such taxes relate to the value of such tenant improvements in excess of the "building standard");

4.4.2 said taxes are assessed upon or with respect to the possession, leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion of the Real Property (including the Parking Facilities); or

4.4.3 said taxes are assessed upon this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises.

4.5 Late Charges. If any installment of Rent or any other sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days following the date that such amount is due, then Tenant shall pay to Landlord a late charge equal to five percent (5%) of the amount due plus any attorneys' fees incurred by Landlord by reason of Tenant's failure to pay Rent and/or other charges when due hereunder. The late charge shall be deemed Additional Rent and the right to require it shall be in addition to all of Landlord's other rights and remedies hereunder, at law and/or in equity and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In addition to the late charge described above, any Rent or other amounts owing hereunder which are not paid by the date that they are past due shall thereafter bear interest until paid at a rate (the **"Interest Rate"**) equal to the lesser of (i) the "Prime Rate" or "Reference Rate" announced from time to time by the Bank of America (or such reasonable comparable national banking institution as selected by Landlord in the event Bank of America ceases to exist or publish a Prime Rate or Reference Rate), plus two percent (2%), or (ii) the highest rate permitted by Applicable Law; provided, however, that no late charge shall be payable for the first late payment of Rent in any twelve (12) month period

during the Lease Term unless such amount is not paid by Tenant within five (5) business days after Tenant's receipt of Landlord's written notice to Tenant of such failure to pay.

4.6 Landlord's Books and Records. Within twenty-four (24) months after receipt of a Statement by Tenant and three (3) years from the Expense Base Year, Tax Expense Base Year and/or Utilities Base Year, if Tenant disputes the amount of Additional Rent set forth in the Statement, an independent accountant or third party lease audit firm designated and paid for by Tenant (which accountant or lease audit firm is not working on a contingency fee basis), or an employee of Tenant, may, after reasonable notice to Landlord and at reasonable times during business hours and accompanied by a representative of Landlord, inspect Landlord's records with respect to the Statement at Landlord's offices, provided that Tenant is not then in monetary default under this Lease beyond any applicable notice and cure period and Tenant has paid all amounts required to be paid under the applicable Estimate Statement and Statement, as the case may be. In connection with such inspection, Tenant and Tenant's agents must agree in advance to follow Landlord's reasonable rules and procedures regarding inspections of Landlord's records, and shall execute a commercially reasonable confidentiality agreement regarding such inspection. Tenant's failure to provide written notice to Landlord that Tenant wishes to dispute and audit (as provided above) the amount of Additional Rent set forth in any Statement within twenty-four (24) months after receipt of a Statement by Tenant and three (3) years from the Expense Base Year, Tax Expense Base Year and Utilities Base Year shall be deemed to be Tenant's approval of such Statement and Tenant, thereafter, waives the right or ability to dispute the amounts set forth in such Statement. In no event shall the payment by Tenant of any Operating Expense, Tax Expense or Utility Cost payment, or any amount on account thereof, preclude Tenant from exercising its rights under this Section 4.6. If after such inspection, Tenant still disputes such Additional Rent, a determination as to the proper amount shall be made, at Tenant's expense, by an independent accountant (the **"Accountant"**) mutually selected by Landlord and Tenant; provided that if such determination by the Accountant proves that Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs were overstated by more than five percent (5%), then the cost of Tenant's accountant and the cost of the Accountant and the cost of such determination shall be paid for by Landlord. If Landlord and Tenant cannot mutually agree as to the identity of the Accountant within thirty (30) days after Tenant notifies Landlord that Tenant desires an audit to be performed, then the Accountant shall be a nationally recognized accounting firm selected by Tenant, which is not paid on a contingency basis and who has not been engaged by Tenant in the twenty-four (24) month period preceding the Review Period. If such audit reveals that Landlord has over-charged Tenant, then within twenty (20) days after the results of such audit are made available to Landlord, Landlord shall reimburse to Tenant the amount of such over-charge. If the audit reveals that the Tenant was under-charged, then within twenty (20) days after the results of such audit are made available to Tenant, Tenant shall reimburse to Landlord the amount of such under-charge. Unless a court of competent jurisdiction determines that Landlord committed fraud in its calculation of Operating Expenses, Tax Expenses or Utilities Costs, Tenant hereby acknowledges that Tenant's sole right to inspect Landlord's books and records and to contest the amount of Operating Expenses, Tax Expenses and Utilities Costs payable by Tenant shall be as set forth in this Section 4.6, and Tenant hereby waives any and all other rights pursuant to Applicable Laws to inspect such books and records and/or to contest the amount of Operating Expenses, Tax Expenses and Utilities Costs payable by Tenant. This provision shall survive the termination of this Lease to allow the parties to enforce their respective rights hereunder.

ARTICLE 5

USE OF PREMISES

Tenant shall use the Premises solely for general office purposes consistent with the character of the Building, and Tenant shall not use or permit the Premises to be used for any other purpose or purposes whatsoever. Tenant further covenants and agrees that it shall not use, or suffer or permit any person or persons to use, the Premises or any part thereof for any use or purpose contrary to the provisions of Exhibit D, attached hereto, or in violation of the laws of the United States of America, the State of California, or the ordinances, regulations or requirements of the local municipal or county governing body or other lawful authorities having jurisdiction over the Real Property. Tenant shall comply with all recorded covenants, conditions, and restrictions (**"CC&Rs"**), and the provisions of all ground or underlying leases, now affecting the Real Property; provided, however, that any amendments to any existing CC&Rs or any new CC&Rs encumbering the Real Property after the date hereof shall not (and if they do, then

Tenant shall not be obligated to comply with the same) do not materially and adversely (i) affect Tenant's use of the Premises for the Permitted Use or use of or access to the Premises or the Parking Facilities, (ii) materially, adversely affect Tenant's rights under this Lease, (iii) increase Tenant's obligations under this Lease, and (iv) materially decrease Tenant's rights under this Lease. Tenant shall not use or allow another person or entity to use any part of the Premises for the storage, use, treatment, manufacture or sale of "Hazardous Material", as that term is defined below; provided, however, Landlord agrees that Tenant may use and store Hazardous Materials within the Premises that are considered general office products so long as Tenant uses such products in compliance with Applicable Laws. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the state in which the Real Property is located or the United States Government. Landlord confirms that it has received no written notice of the existence of any violation of Applicable Laws governing Hazardous Material existing at the Real Property as of the date of this Lease and no such Hazardous Materials will exist in the Premises or Building as of the Delivery Date. To the extent it is determined that Hazardous Material exists at the Real Property as of the Lease Commencement Date in violation of laws governing Hazardous Material, and such violation does not arise out of any acts or omissions of Tenant, its agents, employees or contractors, Landlord shall promptly take such action as is necessary to comply with such laws at no cost to Tenant. If, following the Lease Commencement Date, the Real Property becomes contaminated with Hazardous Material in violation of laws governing Hazardous Material, and such violation does not arise out of any acts or omissions of Tenant, its agents, employees or contractors, Landlord shall promptly take such action as is necessary to comply with such laws, or if the violation of laws governing Hazardous Material arises out of the acts or negligence of third parties, Landlord shall exercise commercially reasonable efforts to cause such third parties to take such action as is necessary to comply with such laws.

ARTICLE 6

SERVICES AND UTILITIES

6.1 Standard Tenant Services. Landlord shall provide the following services on all days and at all times during the Lease Term, unless otherwise stated below.

6.1.1 Subject to reasonable changes implemented by Landlord and to all governmental rules, regulations and guidelines applicable thereto, Landlord shall provide heating and air conditioning (**"HVAC"**) when necessary for normal comfort for normal office use in the Premises and in a manner substantially consistent with that provided by other landlords of Comparable Buildings such that temperatures in the Premises are in no event more or less than 72 degrees (72°) Fahrenheit +/- a variation that is consistent with the temperatures maintained in Comparable Buildings, from Monday through Friday, during the

period from 8:00 a.m. to 6:00 p.m., and during the period from 9:00 a.m. to 1:00 p.m. on Saturday (the **"Building Hours"**), except for the date of observation of New Year's Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and other locally or nationally recognized holidays as designated by Landlord and which are observed by a majority of Comparable Buildings (collectively, the **"Holidays"**); provided, however, that HVAC service on Saturdays (9:00 a.m. to 1:00 p.m.) shall only be provided if Tenant provides Landlord with prior notice (which may be oral or written) no later than Noon on Friday requesting such Saturday HVAC service; provided, however, that Landlord will use good faith efforts to provide such Saturday HVAC if Tenant's notice is provided after Noon on Friday but before 5 p.m. on Friday (but Landlord shall not be liable for failure to provide such Saturday HVAC on account of such late notice).

6.1.2 Landlord shall provide adequate electrical wiring and facilities and power for normal general office provided that the connected electrical load of the incidental use equipment and lighting fixtures do not exceed an average of five (5) watts per usable square foot per floor of the Premises during Building Hours (exclusive of electricity for HVAC), calculated on an annual basis.

6.1.3 As part of Operating Expenses or Utilities Costs (as determined by Landlord), Landlord shall replace lamps, starters and ballasts for Building standard lighting fixtures within the Premises. Tenant shall bear the cost of replacement of lamps, starters and ballasts for non-Building standard lighting fixtures within the Premises.

6.1.4 Landlord shall provide city water from the regular Building outlets for drinking, lavatory and toilet purposes and for typical office kitchens within the Premises.

6.1.5 Landlord shall, in a manner consistent with Comparable Buildings, provide janitorial services five (5) days per week, except the date of observation of the Holidays, in and about the Premises and window washing services pursuant to the specifications attached hereto as Exhibit G and incorporated herein by this reference. Landlord shall also no less than twice/day, wipe down counters in the restrooms serving the Premises, empty trash in the restrooms serving the Premises and replenish paper products in the restrooms serving the Premises. Notwithstanding anything to the contrary in Exhibit G attached hereto, the quality of all services to be provided set forth on Exhibit G shall be provided in a manner consistent with Comparable Buildings.

6.1.6 Landlord shall provide nonexclusive automatic passenger elevator service at all times.

6.1.7 Landlord shall provide nonexclusive freight elevator service subject to reasonable non-discriminatory scheduling by Landlord.

6.1.8 Landlord shall provide access control services in the Building materially similar to that provided at Comparable Buildings, including the provision of twenty four (24) hours per day, seven (7) days per week, on site Project access control equipment, personnel, procedures and/or systems. Notwithstanding the foregoing, Landlord shall in no case be liable for personal injury or property damage for any error with regard to the admission to or exclusion from the Building or project of any person. Subject to guard availability and at Tenant's sole cost and expense, Landlord's security guards shall, upon Tenant's request, accompany any employee or visitor of Tenant from the Building to the Parking Facilities after sundown.

6.2 Overstandard Tenant Use. Tenant shall not, without Landlord's prior written consent (which consent shall not be unreasonably withheld), use excessive heat-generating machines, machines other than normal fractional horsepower office machines, or equipment or lighting other than typical task lighting and building standard lights in the Premises, which may adversely affect the temperature otherwise maintained by the air conditioning system or increase the water normally furnished for the Premises by Landlord pursuant to the terms of Section 6.1 of this Lease. If such consent is given, Landlord shall have the right to install supplementary air conditioning units or other facilities in the Premises, including supplementary or additional metering devices, and the cost thereof, including the cost of installation, operation and maintenance, increased wear and tear on existing equipment and other similar charges, shall be paid by Tenant to Landlord as Additional Rent upon billing by Landlord. If Tenant uses water in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, or if Tenant's consumption of electricity shall exceed five (5) watts connected load per square foot of usable area of the Premises (exclusive of electricity for HVAC), calculated on an annual basis for the hours described in Section 6.1.1 above, Tenant shall pay to Landlord, within thirty (30) days after billing and as additional rent, the actual cost of such excess consumption, the actual cost of the installation, operation, and maintenance of equipment which is installed in order to measure and supply such excess consumption, and the actual cost (as defined below) of the increased wear and tear on existing equipment caused by such excess consumption. If Tenant uses water or electricity in excess of that supplied by Landlord pursuant to Section 6.1 of this Lease, Tenant shall pay to Landlord, within thirty (30) days following billing, the actual cost of such excess consumption, the actual cost of the installation, operation, and maintenance of equipment which is installed in order to supply such excess consumption, the actual cost of the increased wear and tear on existing equipment caused by such excess consumption, and the actual cost of installing, testing and maintaining the metering devices. If Tenant desires to use heat, ventilation or air conditioning during hours other than those for which Landlord is obligated to supply such utilities pursuant to the terms of Section 6.1 of this Lease, Tenant shall give Landlord such prior notice, as Landlord shall from time to time reasonably establish as appropriate, of Tenant's desired use, and Landlord shall supply such heat, ventilation or air conditioning to Tenant at an hourly rate of Sixty-Eight Dollars ($68.00) per floor, which rate shall be subject to increase but only to the extent that Landlord's "actual cost" of providing such after-hours utilities to Tenant shall increase (which shall be treated as Additional Rent); provided, however, that the first (1st) thirteen (13) hours of after-hours HVAC each month shall be at no additional cost to Tenant. For purposes of this Lease, "actual cost" shall mean the actual cost incurred by Landlord, as reasonably determined by Landlord, without charge for profit, overhead or administration,

provided that, notwithstanding the foregoing, any amount actually charged by any unrelated third party to Landlord for the supply of such utilities shall be deemed Landlord's "actual cost". Tenant shall pay such cost within thirty (30) days after billing, as Additional Rent.

6.3 Interruption of Use. Tenant agrees that Landlord shall not be liable for damages, by abatement of Rent (except as otherwise provided herein) or otherwise, for failure to furnish or delay in furnishing any service (including telephone and telecommunication services), or for any diminution in the quality or quantity thereof, when such failure or delay or diminution is occasioned, in whole or in part, by repairs, replacements, or improvements (and Landlord agrees to use commercially reasonable efforts to minimize interference with Tenant's business in the Premises in connection with the performance of any non-emergency work), by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Real Property after reasonable effort to do so, by any accident or casualty whatsoever, by act or default of Tenant or other parties; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises (subject, however, to Landlord's covenant of quiet enjoyment) or relieve Tenant from paying Rent (except as otherwise provided herein) or performing any of its obligations under this Lease; provided, however, that Landlord shall use commercially reasonable and diligent efforts to restore such service to the extent the restoration of the same is not the obligation of Tenant, the utility company or other third party. Furthermore, but subject to Section 10.1 below, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or

interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection with or incidental to a failure to furnish any of the services or utilities as set forth in this Article 6.

6.4 Additional Services. Tenant shall at Tenant's sole cost and expense provide any additional services which may be required by Tenant, including, without limitation, lamp replacement for non-Building standard lighting fixtures within the Premises, additional janitorial service, and additional repairs and maintenance; provided, however, that Landlord shall have the right, but not the obligation, to provide locksmithing service to Tenant and Tenant shall pay to Landlord, Landlord's actual cost as set forth herein. To the extent requested by Tenant, Landlord shall provide any such additional services, repairs and maintenance, provided that Tenant shall pay to Landlord upon billing, the sum of all actual costs to Landlord of such additional services plus an administration fee not to exceed five percent (5%) of such costs. Charges for any utilities or services for which Tenant is required to pay from time to time hereunder, shall be deemed Additional Rent hereunder and shall be billed on a monthly basis.

6.5 Abatement of Rent. In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, as a result of (i) any repair, maintenance or alteration performed by Landlord, or which Landlord failed to perform, after the Lease Commencement Date and required by this Lease, which substantially interferes with Tenant's use of or ingress to or egress from the Building, Project, or Premises or the Parking Facilities; (ii) any failure to provide services, utilities or ingress to and egress from the Building, Project, or Premises as required by this Lease; or (iii) the presence of Hazardous Materials (not brought on the Premises by Tenant or Tenant Parties) in violation of Applicable Laws which poses a material health risk to the environment or the Premises (any such set of circumstances as set forth in items (i) through (iii), above, to be known as an **"Abatement Event"**), then Tenant shall give Landlord Notice (as defined in Section 24.19 below) of such Abatement Event, and if such Abatement Event continues for five (5) consecutive business days (including Saturday) after Landlord's receipt of any such Notice, or occurs for ten (10) non-consecutive business days in a twelve (12) month period (provided Landlord is sent a Notice pursuant to Section 24.19 of this Lease of each of such Abatement Event) (in either of such events, the **"Eligibility Period"**), then the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs and charges for Tenant's parking passes (to the extent not utilized by Tenant) shall be abated or reduced, as the case may be, after the expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises, or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use (**"Unusable Area"**), bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, the Unusable Area for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from

effectively conducting its business therein, the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs and charges for Tenant's parking passes (to the extent not utilized by Tenant) for the entire Premises shall be abated for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. If Tenant's right to abatement occurs during a free rent period which arises after the Lease Commencement Date, Tenant's free rent period shall be extended for the number of days that the abatement period overlapped the free rent period (**"Overlap Period"**). Landlord shall have the right to extend the Lease Expiration Date for a period of time equal to the Overlap Period if Landlord sends a notice to Tenant of such election within ten (10) days following the end of the extended free rent period. Such right to abate Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs and charges for Tenant's parking passes (to the extent not utilized by Tenant) shall be Tenant's sole and exclusive remedy at law or in equity for an Abatement Event; provided, however, (a) nothing in this Section 6.5, shall impair Tenant's rights under Section 19.7, below, and (b) if Landlord has not cured such Abatement Event within two hundred seventy (270) days after receipt of notice from Tenant (or, in the event that the Premises or the Building are rendered inaccessible to Tenant by a casualty or act of Landlord, two hundred seventy (270) days following the date of Landlord's actual knowledge of the occurrence of the Abatement Event), Tenant shall have the right to terminate this Lease during the first ten (10) business days of each calendar month following the end of such 270-day period until such time as Landlord has cured the Abatement Event, which right may be exercised only by delivery of thirty (30) days' notice to Landlord (the **"Abatement Event Termination Notice"**) during such ten (10) business-day period, and shall be effective as of a date set forth in the Abatement Event Termination Notice (the **"Abatement Event Termination Date"**), which Abatement Event Termination Date shall not be less than thirty (30) days, and not more than six (6) months, following the delivery of the Abatement Event Termination notice. Notwithstanding anything contained in this Section 6.5 to the contrary, Tenant's Abatement Event Termination Notice shall be null and void (but only in connection with the first notice sent by Tenant with respect to each separate Abatement Event) if Landlord cures such Abatement Event within such thirty (30) day period following receipt of the Abatement Event Termination Notice. To the extent Tenant is entitled to abatement because of an event covered by Articles 11 or 12 of this Lease, then the Eligibility Period shall not be applicable.

6.6 Tenant's Security System. Subject to the terms of this Lease (including the Work Letter and/or Article 8 hereof, as applicable), Tenant may, at its own expense, install its own security system (**"Tenant's Security System"**) in the Premises. Tenant may coordinate the Tenant's Security System to provide that the Building's system and the Tenant's Security System will operate on the same type of key card, so that Tenant's employees are able to use a single card for both systems, but shall not otherwise integrate Tenant's Security System with the Building systems. Tenant shall be solely responsible, at Tenant's sole cost and expense, for the monitoring and operation of Tenant's Security System. Upon the expiration or earlier termination of this Lease, Tenant shall leave Tenant's Security System, in the Premises, and Tenant's Security System shall become a part of the Premises and belong to Landlord and shall be surrendered with the Premises upon the expiration or earlier termination of this Lease.

6.7 Tenant HVAC System. Tenant shall have the right, at its sole cost and expense, to install supplemental HVAC systems within the Premises for the purpose of providing supplemental air-conditioning to the Premises (**"Tenant HVAC System"**) in accordance with the terms of Article 8 below and this Section 6.7. Tenant shall have no right to utilize any space outside the Premises for the Tenant HVAC System (the space below the concrete ceiling and above the drop ceiling shall be considered a part of the Premises for purposes of this Section 6.7 and Tenant may utilize such area so long as Tenant's use thereof does not interfere with the Base, Shell & Core including any base building equipment). All aspects of the Tenant HVAC System shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed, unless the Building structure and/or the Building systems will be adversely affected, in which event Landlord's approval may be withheld in Landlord's sole and absolute discretion. If required for such purpose, Tenant may connect into the Building's chilled water system, if and to the extent that (i) Tenant's use of chilled water pursuant to this Section 6.7 will not materially, adversely affect the chilled water system or the use thereof by

other tenants of the Building, as determined by Landlord in Landlord's reasonable discretion, and (ii) such connection is otherwise approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, unless such connection adversely affects the Building structure and/or the Building systems, in which event Landlord's approval may be withheld in Landlord's sole and absolute discretion. If Tenant connects into the Building's chilled water system

pursuant to the terms of the foregoing sentence, then Tenant shall install, at Tenant's expense, a meter to measure Tenant's use of chilled water, and Tenant shall reimburse Landlord for Tenant's use of chilled water at the actual cost therefor. Tenant shall be permitted, at Tenant's sole cost and expense, to access 277/480 volts of electricity from the existing bus duct riser in connection with the Tenant HVAC System. In connection with the foregoing, Tenant shall, at Tenant's sole cost and expense, separately meter the electricity utilized by the Tenant HVAC System, and Tenant shall reimburse Landlord for the actual cost therefor. Tenant shall be solely responsible, at Tenant's sole cost and expense, for the monitoring, operation, maintenance, repair, and replacement of the Tenant HVAC System, and in no event shall the Tenant HVAC System interfere with Landlord's operation of the Building. Any reimbursements owing by Tenant to Landlord pursuant to this Section 6.7 shall be payable by Tenant within thirty (30) days of Tenant's receipt of an invoice therefor. Tenant shall leave the Tenant HVAC System in the Premises, and surrender the same to Landlord upon the expiration or earlier termination of this Lease, and such system shall become a part of the realty and Tenant shall thereafter have no further rights with respect thereto.

6.8 Property Manager. Landlord shall provide a commercially reasonable system pursuant to which Tenant, in the event of any emergency, may promptly contact the Project manager and Project engineer or their equivalent twenty-four (24) hours per day, seven (7) days per week (whether or not within business hours).

6.9 Fiber Optic. Subject to the terms of this Lease (including Article 8 below), and subject to Tenant obtaining Landlord's consent, which shall not be unreasonably withheld or delayed, Tenant shall have the right, at Tenant's sole cost and expense, to bring to the Building such fiber optic cabling as Tenant shall desire. Landlord shall reasonably cooperate with Tenant, at Tenant's sole cost and expense, in connection with Tenant's securing access to the fiber optic cabling of Tenant's choice.

6.10 Internet Service. Tenant shall have the right to contract with any internet service provider desired by Tenant, at Tenant's sole cost and expense.

6.11 Loading Dock. At no additional cost, Tenant shall have the non-exclusive right to use the loading dock serving the Building so long as Tenant's use thereof does not interfere with Landlord's operation of the Building or the use of such loading dock by other tenants, service providers and vendors for the Building.

6.12 Emergency Generator. Upon Tenant's written request, Landlord will use good faith efforts to accommodate Tenant installing an emergency generator in the Project; provided, however, that the exact location, specifications, operational standards, use, installation and removal of such generator (if any) shall be subject to Landlord's commercially reasonable requirements regarding the same.

ARTICLE 7

REPAIRS

7.1 Tenant's Repairs. Subject to Landlord's repair obligations in Sections 7.2 and 11.1 below, Tenant shall, at Tenant's own expense, keep the non-structural, interior portions of the Premises, including all improvements, fixtures and furnishings, in good order, repair and condition at all times during the Lease Term (but such obligation shall not extend to the Building Structure and the Building Systems, except pursuant to the BS/BS Exception (as all such terms are defined in Section 7.2, below)). In addition, except as provided as part of Landlord's repair obligation set forth above or elsewhere in this Lease, Tenant shall, at Tenant's own expense, but under the supervision and subject to the prior approval of Landlord, and within any reasonable period of time specified by Landlord, pursuant to the terms of this Lease, including, without limitation, Article 8 hereof, promptly and adequately repair all damage to the Premises and replace or repair all damaged, broken, or worn fixtures and appurtenances, except for damage caused by ordinary wear and tear or beyond the reasonable control of Tenant (but such obligation

shall not extend to the Building Structure and the Building Systems, except pursuant to the BS/BS Exception); provided however, that, at Landlord's option, but only if Tenant fails to make such repairs and replacements, Landlord may, but need not, make such repairs and replacements within thirty (30) days after notice thereof from Landlord (or such sooner period in the case of an emergency), and Tenant shall pay Landlord the cost thereof, sufficient to reimburse Landlord for all the actual costs thereof, as well as a percentage of the actual costs thereof (to be uniformly established for the Building, but in no event to exceed five percent (5%)) sufficient to reimburse Landlord for all overhead, general conditions, fees and other costs or expenses arising from Landlord's involvement with such repairs and replacements, to the extent not duplicative of Operating Expenses or Utilities Costs and to the extent the work is not performed by people whose salaries are paid out of Operating Expenses or Utilities Costs, forthwith upon being billed for same.

7.2 Landlord's Repairs. Anything contained in Section 7.1 above to the contrary notwithstanding, and subject to Articles 11 and 12 of this Lease, Landlord shall maintain and keep in good repair and condition at all times during the Lease Term, in a manner substantially consistent with the maintenance and operations standards employed by landlords of Comparable Buildings, the exterior walls, foundation and roof of the Building, the Common Areas, the structural portions of the Building, including the floor/ceiling slabs, roof, curtain wall, exterior glass and mullions, columns, beams, shafts (including elevator shafts), stairs, parking areas, stairwells (excluding internal stairwells), escalators, elevator cabs, plazas, pavement, sidewalks, curbs, entrances, landscaping, art work, sculptures, men's and women's public washrooms, Building mechanical, electrical and telephone closets, and all common and public areas (collectively, **"Building Structure"**) and the base building mechanical, electrical, life safety, plumbing, sprinkler systems and HVAC systems and other building systems and equipment which were not constructed by, and are not for the exclusive use of, Tenant or Tenant Parties (collectively, the **"Building Systems"**). Notwithstanding anything in this Lease to the contrary, Tenant shall be required to repair the Building Structure and/or the Building Systems to the extent required because of (i) Tenant's use of the Premises for other than other than normal and customary business office operations, or (ii) the negligence or willful misconduct of Tenant or the Tenant Parties, unless and to the extent such damage is covered by insurance carried or required to be carried by Landlord pursuant to Article 10 and to which the waiver of subrogation is applicable (such obligation to the extent applicable to Tenant as qualified and conditioned will hereinafter be defined as the **"BS/BS Exception"**). Landlord may, but shall not be required to, enter the Premises (but except during emergencies, Landlord may not enter "Secured Areas," as that term is defined in Article 22 of this Lease) at all reasonable times to make such repairs, alterations, improvements or additions to the Premises or to the Project or to any equipment located in the Project as Landlord shall desire or deem necessary or as Landlord may be required to do by Applicable Laws; provided, however, except for emergencies, any such entry into the Premises by Landlord shall be performed in a manner so as to minimize any material or adverse affect upon Tenant's use of, or ingress or egress to, the Premises. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code; or under any similar law, statute, or ordinance now or hereafter in effect.

ARTICLE 8

ADDITIONS AND ALTERATIONS

8.1 Landlord's Consent to Alterations. Tenant shall have the right, without Landlord's consent, but upon three (3) business days prior written notice to Landlord, to make strictly cosmetic, non-structural additions and alterations to the Premises that do not (i) involve the expenditure of more than Five

Dollars ($5.00) per rentable square foot of the Premises occupied by Tenant at the time of such alteration in the aggregate in any twelve (12) month period during the Lease Term, (ii) affect the exterior appearance of the Building or any areas outside the Premises, (iii) affect or impact in any way the Building Structure or Building Systems, or (iv) require the issuance of a building permit (collectively, **"Non-Consent Alterations"**). Tenant shall also have the right without prior notice at any time to install phone, computer and telecommunications lines and cabling that do not affect the Building Systems and are located entirely within the Premises. Except in connection with Non-Consent Alterations, Tenant may not make any improvements, alterations, additions or changes to the Premises (collectively, the **"Alterations"**) without first procuring the prior written consent of Landlord to the plans, specifications and working drawings for such Alterations, which consent shall be requested by Tenant not less than ten (10) business days prior to the commencement thereof,

and which consent shall not be unreasonably withheld or conditioned by Landlord unless a Design Problem exists and shall be granted or denied by Landlord within ten (10) business days. A **"Design Problem"** is defined as, and will be deemed to exist if such Alteration will (a) affect the exterior appearance of the Building; (b) adversely affect the Building Structure; (c) adversely affect the Building Systems; (d) unreasonably interfere with any other occupant's normal and customary office operation; or (e) fail to comply with Applicable Laws. Notwithstanding the foregoing, the installation by Tenant of a Wi-Fi Network shall be governed by the terms of Section 8.3 below. If Tenant orders such Alterations from Landlord, Tenant shall pay for all overhead, general conditions, fees and other costs and expenses of the Alterations, and in connection with Alterations which will cost in excess of One Hundred Thousand Dollars ($100,000.00), Tenant shall pay to Landlord a Landlord supervision fee of two and one-half percent (2.5%) of the hard costs of the Alterations. If Tenant shall itself make the Alterations, Tenant shall pay for all overhead, general conditions, fees and other costs and expenses of the Alterations, and shall pay to Landlord a supervision fee of two and one-half percent (2 ½ %) of the hard cost of any Alterations which will cost in excess of One Hundred Thousand Dollars ($100,000.00). The construction of the initial improvements to the Premises shall be governed by the terms of the Work Letter and not the terms of this Article 8.

8.2 Manner of Construction. Landlord may impose, as a condition of its consent to any and all Alterations or repairs of the Premises or about the Premises, such requirements as Landlord in its reasonable discretion consistent with landlords of Comparable Buildings may deem desirable, including, but not limited to, the requirement that (i) Tenant utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen selected by Tenant and reasonably approved by Landlord, (ii) subject to the terms of Section 8.4 below, upon Landlord's request given at the time of any required consent, Tenant shall, at Tenant's expense, remove such Alterations upon the expiration or any early termination of the Lease Term, and (iii) all Alterations are of equal or greater quality as compared to the lesser of (A) the Building's standards established by Landlord and (B) the then existing improvements located in the applicable portion of the Premises. Tenant shall construct such Alterations and perform such repairs in conformance with any and all Applicable Laws and pursuant to a valid building permit (if applicable), issued by the City of Glendale, all in conformance with Landlord's reasonable non-discriminatory written construction rules and regulations. Landlord's approval of the plans, specifications and working drawings for Tenant's Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the Premises shall at all times be a complete unit except during the period of work. In the event Tenant performs any Alterations in the Premises which require or give rise to governmentally required changes to the **"Base Building,"** as that term is defined below, then Landlord shall, at Tenant's expense based on actual cost, make such changes to the Base Building. The "Base Building" shall include the Base, Shell & Core, the Building Structure and the Building Systems (including the core restrooms) on the floor or floors on which the Premises are located. In performing the work of any such Alterations, Tenant shall have the work performed in such manner so as not to obstruct access to the Project or any portion thereof, by any other tenant of the Project, and so as not to obstruct the business of Landlord or other tenants in the Project. If Tenant makes any Alterations, Tenant agrees to carry "Builder's All Risk" insurance in an amount approved by Landlord covering the construction of such Alterations, and such other insurance as Landlord may reasonably require, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 of this Lease immediately upon completion thereof. In addition, Landlord may, in its discretion, require Tenant to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord, in an amount sufficient to ensure the lien free completion of Alterations costing in excess of Twenty-Five Thousand Dollars ($25,000.00) and naming Landlord as a co-obligee; provided, however, that the requirements of such lien and completion bond shall not be applicable to the Original Tenant or any Affiliate. In addition to Tenant's obligations under Article 9 of this Lease, upon completion of any Alterations, at Landlord's request, Tenant agrees to prepare and Landlord shall execute if factually correct, and Tenant shall cause a Notice of Completion to be recorded in the office of the Recorder of the County of Los Angeles in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, (ii) deliver to the management office of the Real Property a reproducible copy of the "as built" drawings of the Alterations, and (iii) deliver to Landlord evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials.

8.3 Wi-Fi Network. Without limiting the generality of the foregoing, in the event Tenant desires to install wireless intranet, Internet or any data or communications network ("Wi- Fi Network") in the Premises for the use by Tenant and its employees, then the same shall be subject to the provisions of this Section 8.3 (in addition to the other provisions of this Article 8). In the event Landlord consents to Tenant's installation of such Wi-Fi Network, which consent shall not be unreasonably withheld, Tenant shall, in accordance with Section 8.4 below, remove the Wi-Fi Network from the Premises prior to the termination of the Lease. Tenant shall use the Wi-Fi Network so as not to cause any interference to other tenants in the Building or to other tenants at the Project or with any other tenant's communication equipment, and not to damage the Building or Project or interfere with the normal operation of the Building or Project and Tenant hereby agrees to indemnify, defend and hold Landlord harmless from and against any and all claims, costs, damages, expenses and liabilities (including attorneys' fees) arising out of Tenant's failure to comply with the provisions of this Section 8.3, except to the extent same is caused by the negligence or willful misconduct of Landlord and which is not covered by the insurance carried by Tenant under this Lease (or which would not be covered by the insurance required to be carried by Tenant under this Lease). Should any interference occur, Tenant shall take all necessary steps as soon as reasonably possible and no later than five (5) business days following such occurrence to correct such interference. If such interference continues after such five (5) business day period, Tenant shall immediately cease operating such Wi-Fi Network until such interference is corrected or remedied to Landlord's reasonable satisfaction. Tenant acknowledges that Landlord has granted and/or may grant telecommunication rights to other tenants and occupants of the Building and to telecommunication service providers and in no event shall Landlord be liable to Tenant for any interference of the same with such Wi-Fi Network; provided, however, Landlord shall use commercially reasonable efforts to cause such other networks to cure their interference. Landlord makes no representation that the Wi-Fi Network will be able to receive or transmit communication signals without interference or disturbance. Tenant shall (i) be solely responsible for any damage caused as a result of the Wi-Fi Network, (ii) promptly pay any tax, license or permit fees charged pursuant to any laws or regulations in connection with the installation, maintenance or use of the Wi-Fi Network and comply with all precautions and safeguards recommended by all governmental authorities, (iii) pay for all necessary repairs, replacements to or maintenance of the Wi-Fi Network, and (iv) be responsible for any modifications, additions or repairs to Building systems or infrastructure which are required by reason of the installation or operation of Tenant's Wi-Fi Network. Should Landlord be required to retain professionals to research any interference issues that may arise and to confirm Tenant's compliance with the terms of this Section 8.3, Landlord shall retain such professionals at commercially reasonable rates, and Tenant shall reimburse Landlord as Additional Rent within thirty (30) days following submission to Tenant of an invoice from Landlord, which costs shall not exceed $500 per year (except in the event of a default by Tenant hereunder). This reimbursement obligation is independent of any rights or remedies Landlord may have in the event of a breach of default by Tenant under this Lease.

8.4 Landlord's Property. All Alterations, improvements, fixtures and/or equipment which may be installed or placed in or about the Premises, and all signs installed in, on or about the Premises, from time to time, shall be at the sole cost of Tenant (except as otherwise set forth herein) and shall be and become the property of Landlord, except that Tenant may remove any Alterations, improvements, fixtures and/or equipment which Tenant can substantiate to Landlord have not been paid for with any improvement allowance funds provided to Tenant by Landlord, provided Tenant repairs any damage to the Premises and Building caused by such removal and returns the affected portion of the Premises the condition existing prior to Tenant's installation of the subject Alteration, improvement, fixture and/or equipment. Furthermore, Landlord, at the time of Landlord's consent, may require that Tenant remove any improvement (including the Tenant Improvements) or Alteration upon the expiration or early termination of the Lease Term, and repair any damage to the Premises and Building caused by such removal. Notwithstanding the foregoing, Landlord and Tenant hereby acknowledge and agree that (x) upon the expiration or earlier termination of the Lease Term, Tenant shall not be required to remove or restore any improvements or alterations existing in the Premises as of the date of this Lease (unless the same are subsequently altered, modified or replaced by Tenant, in which event the terms of this Section 8.4 shall apply with respect to Tenant's removal and/or restoration obligations relating thereto) and any Alterations or Non-Consent Alterations that constitute normal and customary office improvements, (y) Landlord shall make such designation, if at all, concurrently with Landlord's approval (if applicable) of the subject subsequent Alteration or improvement or systems and equipment, and (z) in no event shall Tenant have any obligation to remove or restore

any improvements or alterations existing in the Premises as of the last day of the fifth (5th) year of the initial Lease Term. Whether an improvement or alteration is a normal and customary office improvement for purposes of this Section 8.4 shall be determined based upon what are generally considered normal and customary office improvements by landlords of Comparable Buildings. To be considered a non-normal and customary office improvement for purposes of this Section 8.4, the cost to remove such item must be higher than the cost to remove typical office improvements. Examples of improvements and alterations that the parties agree are not normal and customary office improvements are vaults, raised floors, and any showers or bathrooms not including Building core bathrooms. If Tenant fails to complete any required removal and/or to repair any damage caused by the removal of any Tenant Improvements and/or Alterations, Landlord may do so and may charge the actual cost thereof to Tenant, and Tenant shall pay such cost to Landlord as Additional Rent within thirty (30) days of being billed for the same.

ARTICLE 9

COVENANT AGAINST LIENS

Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon the Real Property, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only. Landlord shall have the right at all times to post and keep posted on the Premises any notice which it deems necessary for protection from such liens. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Real Property, the Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or the Premises, and, in case of any such lien attaching or notice of any lien, Tenant covenants and agrees to cause it to be immediately released and removed of record. Notwithstanding anything to the contrary set forth in this Lease, if any such lien is not released and removed or bonded over within fifteen (15) business days following the date notice of such lien is delivered by Landlord to Tenant, Landlord, at its sole option, may immediately take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Landlord in connection with such lien shall be deemed Additional Rent under this Lease and shall be due and payable by Tenant within thirty (30) days following demand therefor.

ARTICLE 10

INDEMNIFICATION AND INSURANCE

10.1 Indemnification and Waiver. Except to the extent caused by the negligence or willful misconduct of any Landlord Party (as defined below) and subject to the waiver of subrogation, Tenant hereby assumes all risk of damage to property and injury to persons, in, on, or about the Premises from any cause whatsoever and agrees that, to the extent not prohibited by Applicable Laws, Landlord, and its partners and subpartners, and their respective officers, agents, property managers, servants, employees, and independent contractors (collectively, **"Landlord Parties"**) shall not be liable for, and are hereby released from any responsibility for, any damage to property or injury to persons or resulting from the loss of use thereof, which damage or injury is sustained by Tenant or by other persons claiming through Tenant, except for damage to property which Landlord insures or is required to insure pursuant to the terms and conditions of this Lease and except for injury to persons outside of the Premises to the extent caused by the negligence or willful misconduct of the Landlord Parties. Tenant shall indemnify, defend, protect, and hold harmless the Landlord Parties from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) (collectively, **"Claims"**), except to the extent arising from the negligence or willful misconduct of the Landlord Parties, incurred in connection with or arising from any cause in, on or about the Premises (including, without limitation, Tenant's installation, placement and removal of Alterations, improvements, fixtures and/or equipment in, on or about the Premises), and any negligence or willful misconduct of Tenant or of any person claiming by, through or under Tenant, or of the contractors, agents, servants, employees, licensees or invitees of Tenant (collectively, **"Tenant Parties"**) or any such person, in, on or about the Premises, the Building and Real Property; provided, however, that the terms of the foregoing indemnity shall not apply to the negligence or willful misconduct of Landlord or Landlord Parties. Landlord hereby

indemnifies, defends, protects and holds Tenant and Tenant Parties harmless from any such Claims and from Claims to the extent resulting from a breach of the terms of this Lease by Landlord; provided further that because Landlord is required to maintain insurance on the Building and the Project and Tenant compensates Landlord for such insurance as part of Tenant's Share of Operating Expenses and because of the existence of waivers of subrogation or other waivers set forth in this Section 10.1 and in Section 10.3.7 of this Lease, Landlord hereby indemnifies, defends, protects and holds Tenant harmless from any Claim to any property to the extent such Claim is covered by such insurance (or would have been covered if Landlord had carried the insurance required hereunder), even if resulting from the negligent acts, omissions, or willful misconduct of the Tenant Parties. Similarly, since Tenant must carry insurance pursuant to this Article 10 to cover its personal property within the Premises, the Tenant Improvements, and the Alterations, Tenant hereby indemnifies and holds Landlord harmless from any Claim to any property within the Premises, to the extent such Claim is covered by such insurance (or would have been covered if Tenant had carried the insurance required hereunder), even if resulting from the negligent acts, omissions or willful misconduct of the Landlord Parties. Further, Tenant's agreement to indemnify Landlord and Landlord's agreement to indemnify Tenant pursuant to this Section 10.1 are not intended and shall not relieve any insurance carrier of its obligations under policies required to be carried by Tenant or Landlord pursuant to the provisions of this Lease, to the extent such policies cover the matters subject to each party's

indemnification obligations. Should Landlord or Tenant be named as a defendant in connection with a Claim which the subject party is to be indemnified by the other party pursuant to the terms hereof, the indemnifying party shall pay the indemnified party's actual and reasonable costs and expenses incurred in such suit, including without limitation, its actual professional fees such as reasonable appraisers', accountants' and attorneys' fees. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination. Notwithstanding anything in this Lease to the contrary, nothing in this Lease shall impose any obligations upon Landlord or Tenant to be responsible or liable for, and each hereby releases the other from all liability for, consequential damages, other than those consequential damages incurred by Landlord in connection with a holdover of the Premises by Tenant after the expiration or earlier termination of this Lease or incurred by Landlord in connection with any repair, physical construction or improvement work performed by or on behalf of Tenant in the Project.

10.2 Landlord's Insurance; Tenant's Compliance with Landlord's Fire and Casualty Insurance. In a manner substantially consistent with the practices of landlords of Comparable Buildings, Landlord shall carry commercial general liability insurance with respect to the Building during the Lease Term, and shall further carry commercial property insurance and shall insure the Building and the Project during the Lease Term (for the full replacement value to the extent consistent with the practices of landlords of the Comparable Buildings) against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage and special extended coverage. Such coverage shall be in such amounts, from such companies, and on such other terms and conditions, as Landlord may from time to time reasonably determine. Additionally, at the option of Landlord, such insurance coverage may include the risks of earthquakes and/or flood damage, terrorist acts and additional hazards, a rental loss endorsement and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Building or the ground or underlying lessors of the Building, or any portion thereof. Notwithstanding the foregoing provisions of this Section 10.2, the coverage and amounts of insurance carried by Landlord in connection with the Building shall, at a minimum, be comparable to the coverage and amounts of insurance which are carried by reasonably prudent landlords of Comparable Buildings (provided that in no event shall Landlord be required to carry earthquake insurance), including Worker's Compensation and Employer's Liability coverage as required by Applicable Laws. Tenant shall, at Tenant's expense, comply as to the Premises with all commercially reasonable insurance company requirements pertaining to the use of the Premises. If Tenant's conduct or use of the Premises (other than for the permitted use) causes any increase in the premium for such insurance policies, then Tenant shall reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body.

10.3 Tenant's Insurance. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage (including loss of use thereof) arising out of Tenant's operations and contractual liabilities (covering the performance by Tenant of its indemnity agreements and containing a cross liability endorsement or severability of interest clause acceptable to Landlord) for limits of liability not less than:

Bodily Injury and Property Damage Liability	$5,000,000 each occurrence $5,000,000 annual aggregate
Personal Injury Liability	$5,000,000 each occurrence $5,000,000 annual aggregate 0% Insured's participation

Landlord and Tenant acknowledge that Tenant shall have the right to cover its insurance requirements set forth in Sections 10.3.1 and 10.3.5 with a combination of auto liability, general liability and umbrella insurance coverages, provided that the amounts (based upon the general liability policy and the allocations of the umbrella policy) and other conditions required to be satisfied by the terms of this Article 10 are satisfied by such coverages.

10.3.2 Physical Damage Insurance covering (i) all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the Tenant Improvements, including any Tenant Improvements which Landlord permits to be installed above the ceiling of the Premises or below the floor of the Premises, and (iii) all other improvements, alterations and additions to the Premises, including any improvements, alterations or additions installed at Tenant's request above the ceiling of the Premises or below the floor of the Premises. Such insurance shall be written on an "all-risks" "physical loss or damage" basis, for the full replacement cost value (subject to reasonable deductible amounts) new without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and shall include coverage for damage or other loss caused by fire or other peril including, but not limited to, vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes and explosion. Tenant shall have the right to maintain the insurance required hereunder through a "blanket policy" of insurance, provided the aggregate limits of insurance coverage required to be in effect for the Premises pursuant to the terms hereof shall not be reduced as a result of claims made against other premises or property of Tenant covered under such policy, and such blanket policy shall comply with the terms hereof.

10.3.3 Workers' compensation insurance as required by law.

10.3.4 Loss of income, business interruption and extra expense insurance in such amounts as will reimburse Tenant for direct and indirect loss of earnings attributable to all perils commonly insured against by prudent tenants or attributable to prevention of loss of access to the Premises or to the Building as a result of such perils; provided, however, that Tenant shall have the right to elect not to maintain the types and amounts of insurance as set forth in this Section 10.3.4. In the event Tenant shall elect not to so maintain the types and amounts of insurance as set forth in this Section 10.3.4, then Tenant shall be deemed to have fully self-insured such losses and shall have no right, under any circumstances, to seek recourse against Landlord or Landlord's insurance coverage for any losses incurred by Tenant.

10.3.5 Tenant shall carry commercial automobile liability insurance having a combined single limit of not less than One Million Dollars ($1,000,000.00) per occurrence and insuring Tenant against liability for claims arising out of ownership, maintenance or use of any owned, hired or non-owned automobiles.

10.3.6 The minimum limits of policies of insurance required of Tenant under this Lease shall in no event limit the liability of Tenant under this Lease. Such insurance shall: (i) name Landlord, and any other party it reasonably so specifies, as an additional insured; (ii) specifically cover the liability assumed by Tenant under this Lease, including, but not limited to, Tenant's obligations under Section 10.1 of this Lease to the extent commercially reasonably available; (iii) be issued by an insurance company having a rating of not less than A-VIII in

Best's Insurance Guide or which is otherwise acceptable to Landlord and licensed to do business in the state in which the Real Property is located; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and is non-contributing with any insurance requirement of Tenant; and (v) provide that the insurer shall endeavor to provide ten (10) days' prior written notice to Landlord and any mortgagee or ground or underlying lessor of Landlord if said insurance shall be canceled or coverage changed below that which is required under this Lease. Tenant shall deliver certificates evidencing said policies to Landlord on or before the date Landlord delivers possession of the Premises to Tenant (and as a condition to Landlord's delivery of the Premises to Tenant) and at least five (5) days before the expiration dates thereof. In addition to the foregoing, Tenant shall deliver certificates evidencing said policies to Landlord at least ten (10) days after receipt by Tenant of written notice that its insurance policy or coverage thereunder is being cancelled due to the non-payment by Tenant of the premium on the types and amounts of insurance required to be maintained by Tenant under Section 10.3 of this Lease. If Tenant shall fail to procure such insurance, or to deliver such certificates, within such time periods, Landlord may, at its option, in addition to all of its other rights and remedies under this Lease, and without regard to any notice and cure periods set forth in Section 19.1 but upon five (5) business days notice to Tenant, procure such policies for the account of Tenant, and the cost thereof shall be paid to Landlord as Additional Rent within thirty (30) days after delivery of bills therefor.

10.3.7 Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by their respective insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor. If either party fails to carry the amounts and types of insurance required to be carried by it pursuant to this Article 10, in addition to any remedies the other party may have under this Lease, such failure shall be deemed to be a covenant and agreement by such party to self-insure with respect to the type and amount of insurance which such party so failed to carry, with full waiver of subrogation with respect thereto (provided that nothing contained herein shall be construed as granting Landlord or Tenant the right to self insure the obligations set forth in this Article 10).

ARTICLE 11

DAMAGE AND DESTRUCTION

11.1 Repair of Damage to Premises by Landlord. To the extent that Landlord does not already have actual knowledge of the same, Tenant shall promptly notify Landlord of any damage to the Premises resulting from fire or any other casualty. If the Premises, Project or any Common Areas serving or providing access to the Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the base, shell, and core of the Project and such Common Areas. Such restoration shall be to substantially the same condition of the base, shell, and core of the Project and Common Areas prior to the casualty, except for modifications required by zoning and building codes and other laws or by the holder of a mortgage on the Building or Real Property, or the lessor of a ground or underlying lease with respect to the Real Property and/or the Building, or any other modifications to the Common Areas deemed desirable by Landlord, which are consistent with the character of the Project, provided access to the Premises, Parking Facilities and any Common Areas serving the Premises shall not be materially impaired. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises, upon notice (the **"Landlord's Repair Notice"**) to Tenant from Landlord, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under Section 10.3.2(ii) and (iii) of this Lease, and Landlord shall repair any injury or damage to the tenant improvements and alterations installed in the Premises and shall return such tenant improvements and alterations to their original condition; provided that if the cost of such repair by Landlord (based on competitive pricing without any profit mark-up or supervision fees to Landlord or its Affiliates) exceeds the amount

of insurance proceeds received by Landlord from Tenant's insurance carrier, as assigned by Tenant, the excess cost of such repairs shall be paid by Tenant to Landlord on a progress payment basis during Landlord's repair of the damage. Tenant's insurance proceeds shall be disbursed for all costs and expenses incurred by Landlord in connection with the repair of any such damage to the Tenant Improvements and Alterations pursuant to a disbursement procedure mutually approved by Landlord and Tenant As long as the Tenant Improvements and other alterations, improvements and additions in the Premises are rebuilt, Tenant shall be entitled to retain any portion of the proceeds of the insurance described in Sections 10.3.2 (ii) and (iii) in excess of the cost of such restoration. Notwithstanding anything to the contrary herein, in no event shall Landlord be obligated to repair or restore any specialized or dedicated equipment serving Tenant, such as any cabling, wiring, supplemental utility system, telephone system or wireless/Wi-Fi Network. Landlord shall use commercially reasonable efforts to minimize any such inconvenience, annoyance or interference to Tenant resulting from Landlord's repair of any damage pursuant to this Section 11.1. Whether or not Landlord delivers a Landlord Repair Notice, prior to the commencement of construction, if this Lease does not terminate pursuant to Section 11.2 below or for any other reason, Tenant shall, prior to the commencement of construction, submit to Landlord, for Landlord's review and approval, all plans, specifications and working drawings relating thereto, and Landlord shall select the non-affiliated independent third-party contractors to perform such improvement work. Landlord shall not be liable for any inconvenience or annoyance to Tenant or the Tenant Parties, or injury to Tenant's business resulting in any way from such damage or the repair thereof; provided however, that if such fire or other casualty shall have damaged the Premises or Common Areas necessary for Tenant to reasonably conduct Tenant's Permitted Use, and the Premises (or a portion thereof) are not occupied by Tenant as a result thereof, then during the time and to the extent the Premises are unfit for the Permitted Use, the Rent shall be abated (including, in the event that Tenant performs such repairs, abatement during a commercially reasonable period of build-out time and a weekend to move-in) in proportion to the ratio that the amount of rentable square feet of the Premises which is unfit for the Permitted Use bears to the total rentable square feet of the Premises; provided, further, if the Premises is damaged such that the remaining portion thereof is not sufficient to allow Tenant to conduct its business operations from such remaining portion and Tenant does not conduct its business operations therefrom, Landlord shall allow Tenant a total abatement of Rent during the time and to the extent the Premises are unfit for occupancy for the Permitted Use, and not occupied by Tenant as a result of the subject damage (including, in the event that Tenant performs such repairs, abatement during a commercially reasonable period of build-out time and a weekend to move-in). In the event that Landlord shall not deliver the Landlord Repair Notice, Tenant's right to rent abatement pursuant to the preceding sentence shall terminate as of the date Tenant should have completed repairs to the Premises assuming Tenant used reasonable due diligence in connection therewith.

11.2 Landlord's Option to Repair. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises, the Building and/or any other portion of the Real Property and instead terminate this Lease by notifying Tenant in writing of such termination within sixty (60) days after the date of damage, such notice to include a termination date giving Tenant ninety (90) days to vacate the Premises, but Landlord may so elect only if the (a) Building or Project shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, (b) Landlord elects to terminate the leases of all other tenants of the Project similarly affected by the damage and destruction and (c) one or more of the following conditions is present: (i) repairs cannot reasonably be completed within one hundred eighty (180) days of the date of damage (when such repairs are made without the payment of overtime or other premiums); (ii) the holder of any mortgage on the Real Property or ground or underlying lessor with respect to the Real Property and/or the Building shall

require that the insurance proceeds or any portion thereof be used to retire the mortgage debt, or shall terminate the ground or underlying lease, as the case may be; or (iii) the damage is not fully covered, except for deductible amounts, by Landlord's insurance policies (or by the insurance Landlord is required to carry under this Lease); provided, however, that if Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and the repairs cannot, in the reasonable opinion of a licensed architect or contractor reasonably selected by Landlord, be completed within one hundred eighty (180) days after the date of the damage or destruction (which period shall be subject to extension for up to sixty (60) days as a result of an event of Force Majeure), Tenant may, within thirty (30) days following Landlord's election to rebuild and/or restore the Premises, Building and/or Project, elect to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be

less than thirty (30) days nor more than ninety (90) days after the date such notice is given by Tenant. Furthermore, if neither Landlord nor Tenant has terminated this Lease, and the repairs are not actually completed within two hundred forty (240) days following the date of the damage (which period shall be subject to extension as a result of any Force Majeure), Tenant shall have the right to terminate this Lease during the first five (5) business days of each calendar month following the end of such period until such time as the repairs are complete, by notice to Landlord (the **"Damage Termination Notice"**), effective as of a date set forth in the Damage Termination Notice (the **"Damage Termination Date"**), which Damage Termination Date shall not be less than ten (10) business days nor more than ninety (90) days following the end of each such month. At any time, from time to time, after the date occurring sixty (60) days after the date of the damage, Tenant may request that Landlord provide Tenant with an estimate from the architect or contractor described above setting forth such architect's or contractor's reasonable opinion of the date of completion of the repairs and Landlord shall respond to such request within ten (10) business days. In the event that the Premises or the Building is destroyed or damaged to any substantial extent during the last twelve (12) months of the Lease Term (excluding unexercised Extension Options, as hereinafter defined in the Extension Options Rider attached to this Lease) and, in the reasonable judgment of Landlord, the damage or destruction to the Premises or Building cannot be repaired by the date which occurs fifty percent (50%) of the way through the then remaining Lease Term, then notwithstanding anything contained in this Article 11, either Landlord or Tenant shall have the option to terminate this Lease by giving written notice to the other party of the exercise of such option within thirty (30) days after such damage or destruction, in which event this Lease shall cease and terminate one hundred twenty (120) days after the date of such notice, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of damage, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term. Upon any such termination of this Lease pursuant to this Section 11.2, Tenant shall pay the Base Rent and Additional Rent, properly apportioned up to such date of termination, and both parties hereto shall thereafter be freed and discharged of all further obligations hereunder, except as provided for in provisions of this Lease which by their terms survive the expiration or earlier termination of the Lease Term.

11.3 Waiver of Statutory Provisions. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or any other portion of the Real Property, and any statute or regulation of the state in which the Real Property is located, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or any other portion of the Real Property.

ARTICLE 12

CONDEMNATION

12.1 Permanent Taking. If the whole or any material part (i.e., more than twenty-five percent (25%)) of the Premises, Building or Real Property shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any material part of the Premises, Building or Real Property, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, Landlord shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking, condemnation, reconfiguration, vacation, deed or other instrument; provided, however, that (i) Landlord shall only have the right to terminate this Lease as provided herein if Landlord terminates the leases of all tenants in the Building similarly affected by the taking, and (ii) to the extent that the Premises are not adversely affected by such taking and Landlord continues to operate the Building as an office building, Landlord shall not terminate this Lease. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, or if access to the Premises is substantially impaired, or if Tenant cannot conduct its business operations in substantially the same manner such business operations were conducted prior to such taking while still retaining substantially

the same material rights and benefits it bargained to receive under this Lease, Tenant shall have the option to terminate this Lease upon ninety (90) days' notice, provided such notice is given no later than one hundred eighty (180) days after the date of such taking. Landlord shall be entitled to receive the entire award or payment in connection therewith, except that Tenant shall have the right to file any separate claim available to Tenant for any taking of Tenant's personal property and fixtures belonging to Tenant and removable by Tenant upon expiration of the Lease Term pursuant to the terms of this Lease, and for moving expenses, so long as such claim is payable separately to Tenant or is otherwise separately identifiable. All Rent shall be apportioned as of the date of such termination, or the date of such taking, whichever shall first occur. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be proportionately abated. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of the California Code of Civil Procedure.

12.2 Temporary Taking. Notwithstanding anything to the contrary contained in this Article 12, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and eighty (180) days or less, then this Lease shall not terminate but the Base Rent and Tenant's Share of Operating Expenses, Tax Expenses and Utilities Costs shall be abated for the period of such taking in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises; provided, further, that in such event, if a portion of the Premises is taken such that the remaining portion thereof is not sufficient to allow Tenant to conduct its business operations from such remaining portion and Tenant does not conduct its business operations therefrom, Landlord shall allow Tenant a total abatement of Rent during the time and to the extent the Premises are taken, and not occupied by Tenant as a result thereof. Tenant's abatement period shall continue until Tenant has been given reasonably sufficient time, and reasonably sufficient access to the Premises, the parking facilities and/or the Building, to install its property, furniture, fixtures, and equipment to the extent the same shall have been removed and/or damaged as a result of such eminent domain taking and to move in over one (1) weekend. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

ARTICLE 13

COVENANT OF QUIET ENJOYMENT

Landlord covenants that Tenant, on paying the Rent, charges for services and other payments herein reserved and on keeping, observing and performing all the other terms, covenants, conditions, provisions and agreements herein contained on the part of Tenant to be kept, observed and performed within all applicable notice and cure periods, shall, during the Lease Term, peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied.

ARTICLE 14

ASSIGNMENT AND SUBLETTING

14.1 Transfers. Tenant shall not, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or conditioned, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment, or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or permit the occupancy or use of the Premises by any persons other than Tenant, its employees and contractors (all of the foregoing are hereinafter sometimes referred to collectively as **"Transfers"** and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a **"Transferee"**). If Tenant shall desire Landlord's consent to any Transfer, Tenant shall notify Landlord in writing, which notice (the **"Transfer Notice"**) shall include (i) the proposed effective date of the Transfer, which shall not be less than ten (10) business days, (ii) a description of the portion of the Premises to be transferred (the **"Subject Space"**), (iii) all of the terms of the proposed Transfer, the name and address of the proposed Transferee, and a copy of all existing and/or proposed documentation pertaining to the proposed Transfer (but not any documentation related solely to the sale of Tenant's business), including all existing operative

documents to be executed to evidence such Transfer or the agreements incidental or related to such Transfer, (iv) current financial statements of the proposed Transferee certified by an officer, partner or owner thereof, and (v) such other information as Landlord may reasonably require. Landlord shall approve or disapprove of the proposed Transfer in accordance with Section 14.2, below, within fifteen (15) business days (the **"Review Period"**) after Landlord's receipt of the applicable Transfer Notice. In the event that Landlord fails to notify Tenant in writing of such approval or disapproval within such Review Period, Tenant shall provide Landlord with a second (2nd) Transfer Notice and in the event Landlord fails to notify Tenant in writing of such approval or disapproval within five (5) business days of the receipt by Landlord of the second (2nd) Transfer Notice, Landlord shall be deemed to have approved such Transfer. Any Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect. Each time Tenant requests Landlord's consent to a proposed Transfer, whether or not Landlord shall grant consent, within thirty (30) days after written request by Landlord, as Additional Rent hereunder, Tenant shall reimburse Landlord for its review and processing fees, as well as reasonable legal fees incurred by Landlord in connection with Tenant's proposed Transfer, not to exceed Two Thousand Five Hundred Dollars ($2,500.00) in the aggregate per Transfer in the ordinary course of business.

14.2 Landlord's Consent. Landlord shall not unreasonably withhold or condition its consent to any proposed Transfer of the Subject Space to the Transferee on the terms specified in the Transfer Notice. The parties hereby agree that it shall be reasonable under this Lease and under any Applicable Law for Landlord to withhold consent to any proposed Transfer where one or more of the following apply, without limitation as to other reasonable grounds for withholding consent:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is not consistent with the quality of the Building or Real Property as reflected by the then-existing tenants of the Project with respect to comparable space;

14.2.2 The Transferee intends to use the Subject Space for purposes which are not permitted under this Lease;

14.2.3 The Transferee is either a governmental agency or instrumentality thereof (i) which is that of a foreign country, (ii) which is of a character or reputation, is engaged in a business, or is of, or is associated with, a political orientation or faction, which is inconsistent with the quality of the Project, or which would otherwise reasonably offend a landlord of a comparable building located in the vicinity of the Project, (iii) which is capable of exercising the power of eminent domain or condemnation, or (iv) which would significantly increase the human traffic in, or the security threat to, the Premises, the Building, and/or the Project;

14.2.4 The Transfer will result in more than a reasonable and safe number of occupants per floor within the Subject Space;

14.2.5 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken pursuant to the Transfer on the date consent is requested; or

14.2.6 The proposed Transfer would cause Landlord to be in violation of another lease or agreement to which Landlord is a party, or would give an occupant of the Building or Real Property a right to cancel its lease, provided that upon written request from Tenant, Landlord shall provide notice of the nature of all such applicable rights.

14.2.7 Either the proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, the proposed Transferee, (i) occupies space in the Project except for a proposed Transferee, or any person or entity which directly or indirectly, controls, is controlled by, or is under common control with, a proposed Transferee which occupies space in the Project that is contiguous to the Premises at the time of the request for consent (whether on the same floor or a contiguous floor by floor basis), or (ii) is negotiating with Landlord to lease space in the Project at such time (as evidenced by an exchange of letters in the last four (4) months), and Landlord has comparable space in the Project available to lease to such Transferee.

If Landlord consents to any Transfer pursuant to the terms of this Section 14.2 (and does not exercise any recapture rights Landlord may have under Section 14.4 of this Lease), Tenant may within nine (9) months after Landlord's consent, but not later than the expiration of said nine-month period, enter into such Transfer of the Premises or portion thereof, upon substantially the same terms and conditions as are set forth in the Transfer Notice furnished by Tenant to Landlord pursuant to Section 14.1 of this Lease, provided that if there are any changes in the terms and conditions from those specified in the Transfer Notice (i) such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, or (ii) which would cause the proposed

Transfer to be more materially favorable to the Transferee than the terms set forth in Tenant's original Transfer Notice, Tenant shall again submit the Transfer to Landlord for its approval and other action under this Article 14 (including Landlord's right of recapture, if any, under Section 14.4 of this Lease).

14.3 Transfer Premium. If Landlord consents to a Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord fifty percent (50%) of any "Transfer Premium," as that term is defined in this Section 14.3, actually received by Tenant from such Transferee. **"Transfer Premium"** shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer (as opposed to the sale of Tenant's business) in excess of the Rent and Additional Rent payable by Tenant under this Lease on a per rentable square foot basis if less than all of the Premises is transferred, after deducting the reasonable expenses incurred by Tenant for (i) any changes, alterations and improvements to the Premises in connection with the Transfer, (ii) any brokerage commissions in connection with the Transfer (iii) any free rent reasonably provided to the Transferee, (iv) any marketing fees in connection with the Transfer, (iv) any key money, bonus money or other cash consideration paid by Tenant to Transferee for furniture, fixtures, equipment and/or similar items; (v) any attorney fees or fees paid to Landlord actually incurred by Tenant in connection with such Transfer; (vi) any lease takeover incurred by Tenant in connection with the Transfer; (vii) out-of-pocket costs of advertising the space subject to the Transfer, and (viii) any improvement allowance or other economic concessions (space planning allowance, moving expenses, etc.) paid by Tenant to Transferee in connection with such Transfer. "Transfer Premium" shall also include, but not be limited to, key money and bonus money paid by Transferee to Tenant in connection with such Transfer (as opposed to the sale of Tenant's business), and any payment in excess of fair market value for services rendered by Tenant to Transferee or for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer. The determination of the amount of Landlord's applicable share of the Transfer Premium shall be made on a monthly basis as rent or other consideration is received by Tenant under the Transfer. Notwithstanding anything contained herein to the contrary, under no circumstances shall Landlord be paid any Transfer Premium until Tenant has recovered all applicable Tenant's Subleasing Costs for each applicable Transferred Space, it being understood that if in any year the gross revenues, less the deductions set forth and included in Tenant's Subleasing Costs, are less than any and all costs actually paid in assigning or subletting the affected space (collectively **"Transaction Costs"**), the amount of the excess Transaction Costs shall be carried over to the next year and then deducted from net revenues with the procedure repeated until a Transfer Premium is achieved.

14.4 Landlord's Option as to Subject Space. Notwithstanding anything to the contrary contained in this Article 14, in the event Tenant contemplates a Transfer of all or a portion of the Premises consisting of forty percent (40%) or more of the then Premises, Tenant shall give Landlord notice (the **"Intention to Transfer Notice"**) of such contemplated Transfer (whether or not the contemplated Transferee or the terms of such contemplated Transfer have been determined). The Intention to Transfer Notice shall specify the portion of and amount of rentable square feet of the Premises which Tenant intends to Transfer (the **"Contemplated Transfer Space"**), the contemplated date of commencement of the Contemplated Transfer (the **"Contemplated Effective Date"**) and the contemplated length of the term of such contemplated Transfer, and shall specify that such Intention to Transfer Notice is delivered to Landlord pursuant to this Section 14.4 in order to allow Landlord to elect to recapture the Contemplated Transfer Space for the term set forth in the Intention to Transfer Notice. Thereafter, Landlord shall have the option, by giving written notice (the "**Recapture Notice**") to Tenant within fifteen (15) business days after receipt of any Intention to Transfer Notice, to recapture the Contemplated Transfer Space for the term set forth in the Intention to Transfer Notice. Such recapture shall cancel and terminate this Lease with respect to such Contemplated Transfer Space as of the Contemplated Effective Date until the last day of the term of the contemplated

Transfer as set forth in the Intention to Transfer Notice. However, if Landlord delivers a Recapture Notice to Tenant, Tenant may, within five (5) business days after Tenant's receipt of the Recapture Notice, deliver written notice to Landlord indicating that Tenant is rescinding its request for consent to the proposed Transfer, in which case such Transfer shall not be consummated and this Lease shall remain in full force and effect as to the portion of the Premises that was the subject of the Transfer. Tenant's failure to so notify Landlord in writing within said five (5) business day period shall be deemed to constitute Tenant's election to allow the Recapture Notice to be effective. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, the Rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon request of either party, the parties shall execute written confirmation of the same; and Landlord shall (a) install, on a commercially reasonable basis, any corridor and/or demising wall, at Landlord's expense, which is required as a result of the termination of the Lease with respect to less than the entire Premises (provided that, in the event of a recapture by Landlord for less than the remainder of the Lease Term, Landlord shall restore the Premises to the condition existing prior to such construction prior to delivering the Contemplated Transfer Space that Landlord recaptured back to Tenant), (b) balance the HVAC on the floor containing the Premises, and (c) perform any electrical or plumbing work necessary to separate the portion of the Premises that is terminated from the remainder of the Premises (provided that, in the event of a recapture by Landlord for less than the remainder of the Term, Landlord shall restore the Premises to the condition existing prior to such construction prior to delivering the Contemplated Transfer Space that Landlord recaptured back to Tenant). If Landlord declines, or fails to elect in a timely manner, to recapture such Contemplated Transfer Space under this Section 14.4, then, subject to the other terms of this Article 14, for a period of nine (9) months (the **"Nine Month Period"**) commencing on the last day of such fifteen (15) business day period, Landlord shall not have any right to recapture the Contemplated Transfer Space with respect to any Transfer made during the Nine Month Period, provided that any such Transfer is substantially on the terms set forth in the Intention to Transfer Notice, and provided further that any such Transfer shall be subject to the remaining terms of this Article 14. If such a Transfer is not so consummated within the Nine Month Period (or if a Transfer is so consummated, then upon the expiration of the term of any Transfer of such Contemplated Transfer Space consummated within such Nine Month Period), Tenant shall again be required to submit a new Intention to Transfer Notice to Landlord with respect any contemplated Transfer, as provided above in this Section 14.4.

14.5 Effect of Transfer. If Landlord consents to a Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer in form reasonably acceptable to Landlord, and (iv) no Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant or any guarantor of the Lease from liability under this Lease. Landlord or its authorized representatives shall have the right at all reasonable times to audit the books, records and papers of Tenant relating to any Transfer, and shall have the right to make copies thereof. If the Transfer Premium respecting any Transfer shall be found understated, Tenant shall, within thirty (30) days after demand, pay the deficiency and, if understated by more than four percent (4%), Tenant shall pay Landlord's costs of such audit.

14.6 Additional Transfers. For purposes of this Lease, the term "Transfer" shall also include (i) if Tenant is a partnership or a limited liability company, the withdrawal or change, voluntary, involuntary or by operation of law, of fifty percent (50%) or more of the partners or members, or transfer of fifty percent (50%) or more of partnership or membership interests, within a twelve (12) month period, or the dissolution of the partnership without immediate reconstitution thereof, and (ii) if Tenant is a closely held corporation (i.e., whose stock is not publicly held and not traded through an exchange or over the counter), (A) the dissolution, merger, consolidation or other reorganization of Tenant, (B) the sale or other transfer of more than an aggregate of fifty percent (50%) of the voting shares of Tenant (other than to immediate family members by reason of gift or death), within a twelve (12) month period, or (C) the sale, mortgage, hypothecation or pledge of more than an aggregate of fifty percent (50%) of the value of the unencumbered assets of Tenant within a twelve (12) month period.

14.7 Non-Transfers. Notwithstanding anything to the contrary contained in this Article 14, neither (i) an assignment or subletting of all or a portion of the Premises to (A) an entity which is controlled by, controls or is under common control with Tenant or an Affiliate of Tenant or (B) a purchaser of all or substantially all of the assets or a majority of stock or membership interests of Tenant or of an entity which is controlled by, controls or is under common control with Tenant or an Affiliate of Tenant through a purchase, merger, consolidation or reorganization of Tenant by or with another entity (whether such acquisition takes the form of an asset sale, a stock sale or a combination thereof), nor (ii) transfer, by operation of law or otherwise, in connection with the merger, consolidation or other reorganization of Tenant or of an entity which is controlled by, controls or is under common control with Tenant or an Affiliate of Tenant, shall be subject to Landlord's consent pursuant to this Article 14, the payment of a Transfer Premium, Landlord's recapture right or deemed a Transfer under this Article 14 (hereinafter, such entities, purchasers, and parties shall be referred to collectively or individually as an **"Affiliate"**); provided, however, no sublease or assignment to an Affiliate shall release the Tenant named herein from any liability under this Lease. In addition to the foregoing any sale or transfer of the stock of Tenant's parent company shall not be subject to Landlord's consent pursuant to the Article 14, the payment of a Transfer Premium or Landlord's recapture right. Tenant shall immediately notify Landlord of any such assignment, purchase, transfer, sublease, action or use. For purposes of this Lease, "control" shall mean the ownership of more than fifty percent (50%) of the outstanding equity securities of an entity, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty percent (50%) of the voting interest in any entity. An Affiliate that is an assignee of Original Tenant's entire interest in this Lease may be referred to herein as an **"Affiliate Assignee."**

Notwithstanding anything to the contrary contained in this Article 14, Tenant may, with written notice to Landlord but without Landlord's consent, sublease, license or allow the use of a portion of the Premises to an entity that is (a) funded by Tenant or an Affiliate in connection with Tenant's or the Affiliate's business, or (b) engaged in a business transaction with Tenant or an Affiliate that requires Tenant or the Affiliate to provide office space, provided that the following conditions are all met: (i) Tenant must certify in writing to Landlord that the party that is subleasing, licensing or otherwise using the space is not paying rent in excess of the rent Tenant is paying under this Lease; (ii) such party and its agents, employees, licensees and invitees must either carry the insurance Tenant is required to carry under this Lease or Tenant's insurance must provide the coverage to such party as though such party were the primary insured under Tenant's insurance policy; (iii) no demising wall shall be installed with respect thereto; and (iv) that portion of the Premises subject to such sublease, license or use shall not exceed ten thousand (10,000) rentable square feet on a cumulative basis.

ARTICLE 15

SURRENDER; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 Surrender of Premises No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger, and at the option of Landlord shall operate as an assignment to Landlord of all subleases or subtenancies affecting the Premises.

15.2 Removal of Tenant Property by Tenant. Notwithstanding anything to the contrary contained herein, all articles of personal property and all business and trade fixtures, machinery and equipment, furniture and movable partitions owned by Tenant or installed by Tenant at its expense in the Premises, which items are not a part of the Tenant Improvements installed in the Premises, shall remain the property of Tenant, and may be removed by Tenant at any time during the Lease Term. Further, in connection therewith, Landlord agrees to execute any reasonable waivers or lien releases in connection with Tenant's lease of any such articles of personal property and all business and trade fixtures, machinery and equipment, furniture and movable partitions. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease,

Tenant shall, subject to the provisions of this Article 15, quit and surrender possession of the Premises to Landlord in as good order and condition as when Tenant took possession and as thereafter improved by Landlord and/or Tenant, reasonable wear and tear and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of furniture, equipment, free-standing cabinet work, moveable partitions and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises and similar articles of any other person claiming under Tenant. In connection with any removal/restoration requirements, Tenant shall repair at its own expense all damage to the Premises and Building resulting from any such removal. Notwithstanding anything to the contrary in this Lease, Tenant shall not be required under any circumstance (including, without limitation, in the event that this Lease terminates prior to the Lease Expiration Date because of a default by Tenant hereunder or in the event Tenant exercises its Second Termination Right in Section 2.2.2 hereof) to remove Tenant's HVAC system and any cabling, wiring or conduit (including any such cabling or wiring associated with the Wi-Fi Network, if any) which may have been placed at the Real Property or within the Building by or on behalf of Tenant; provided, however, upon the expiration or sooner termination of this Lease, Tenant shall, at Tenant's sole cost and expense, be required to remove any non-general office type Tenant Improvements and Alterations (and repair any damage caused by such removal) identified by Landlord in accordance with Section 8.4 above. Landlord and Tenant acknowledge and agree that nothing in this Section 15.2 shall prohibit Tenant from removing any furniture, equipment, free-standing cabinet work and other articles of personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, at any time throughout the Lease Term (provided that Tenant repairs any damage resulting therefrom).

ARTICLE 16

HOLDING OVER

If Tenant holds over after the expiration of the Lease Term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Base Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to- month tenancy shall be subject to every other term, covenant and agreement contained herein. Landlord hereby expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

ARTICLE 17

ESTOPPEL CERTIFICATES

Within ten (10) business days following a request in writing by Landlord or Tenant, Tenant or Landlord, as the case may be, shall execute, acknowledge and deliver to the requesting party (the **"Requesting Party"**) an estoppel certificate, which, as submitted by the Requesting Party, shall be substantially in the form of Exhibit E attached hereto, as modified appropriately if Tenant is the Requesting Party (or such other commercially reasonable form as may be required by any prospective mortgagee or purchaser of the Project, or any portion thereof, or any assignee), indicating therein any exceptions thereto that may exist at that time, and shall also contain any other information reasonably requested by the Requesting Party or Landlord's mortgagee or prospective mortgagee or Tenant's Transferee, as the case may be. Any such certificate may be relied upon by any prospective mortgagee or purchaser of all or any portion of the Project or any buyer, assignee or lender of Tenant. Failure of either Landlord or Tenant to timely execute and deliver such estoppel certificate within an additional five (5) business days following such party's receipt of a notice from the Requesting Party that such estoppel certificate

has not been timely executed and returned (within the above referenced ten (10) business day period) shall constitute an acknowledgment by such party that statements included in the estoppel certificate are true and correct, without exception. In addition, Landlord and Tenant shall be liable to the Requesting Party, and shall indemnify the Requesting Party from and against any loss, cost, damage or expense, incidental, consequential, or otherwise, including attorneys' fees, arising or accruing directly or indirectly, from any failure of Landlord or Tenant to execute or deliver to the Requesting Party any such estoppel certificate.

ARTICLE 18

SUBORDINATION

This Lease is subject and subordinate to all present and future ground or underlying leases of the Real Property and to the lien of any mortgages or trust deeds, now or hereafter in force against the Real Property, if any, and to any modifications or replacements thereof, and to all advances made thereunder; provided, however, a condition precedent to the subordination of this Lease to be subordinated to any particular future ground or underlying lease of the Building or the Project or to the lien of any mortgage or trust deed, first encumbering the Building or the Project following the date of this Lease and to any renewals, extensions, modifications, consolidations and replacements thereof, is that Landlord shall obtain for the benefit of Tenant a commercially reasonable subordination, non-disturbance and attornment agreement from the lessor or lender of such future instrument. Such commercially reasonable non-disturbance agreement(s), shall include the obligation of any such ground lessor, mortgage holder or deed of trust holder to recognize Tenant's rights specifically set forth in this Lease to offset certain amounts against Rent due hereunder and Landlord's obligations to comply with the provisions of this Lease, or to otherwise receive certain credits against Rent as expressly set forth herein. The holders of such mortgages or trust deeds, or the lessors under such ground lease or underlying leases, may also elect in writing that this Lease be superior thereto, and such election will be binding upon Tenant. Subject to Tenant's receipt of the non-disturbance agreement(s) described above, Tenant covenants and agrees in the event any proceedings are brought for the foreclosure of any such mortgage or deed in lieu thereof (or if any ground lease is terminated), to attorn to the lienholder or purchaser or any successors thereto upon any such foreclosure sale or deed in lieu thereof (or to the ground lessor), if so reasonably requested to do so by such purchaser or lienholder or ground lessor, and to recognize such purchaser or lienholder or ground lessor as the lessor under this Lease, provided such lienholder or purchaser or ground lessor shall agree to accept this Lease and not disturb Tenant's occupancy, so long as Tenant timely pays the rent and observes and performs the terms, covenants and conditions of this Lease to be observed and performed by Tenant within all applicable notice and cure periods. Tenant covenants and agrees to execute and deliver, within ten (10) business days of request and without charge therefor, such further commercially reasonable instruments as may be reasonably requested to evidence the subordination or superiority of this Lease to the lien of any such ground leases, mortgages or deeds of trust as referenced herein. Tenant waives the provisions of any current or future statute, rule or law which may give or purport to give Tenant any right or election to terminate or otherwise adversely affect this Lease and the obligations of the Tenant hereunder in the event of any foreclosure proceeding or sale. Tenant hereby acknowledges that as of the date on which Landlord and Tenant execute this Lease there is a deed of trust encumbering, and in force against, the Real Property in favor of Prudential Real Estate Investors ("**Current Lender**"). Simultaneously with Tenant's execution of this Lease, Tenant shall sign, notarize and deliver a subordination, non-disturbance and attornment agreement substantially in the form of Exhibit H attached hereto, which agreement shall thereafter by executed by Tenant, Current Lender and Landlord and then recorded against the Real Property.

ARTICLE 19

TENANT'S DEFAULTS; LANDLORD'S REMEDIES

19.1 Events of Default by Tenant. The occurrence of any of the following shall constitute a default of this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, when due unless such failure is cured within five (5) business days after Tenant's receipt of notice that said amounts are past due; or

19.1.2 Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 or any similar or successor law; and provided further that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30) day period, Tenant shall not be deemed to be in default if it diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default.

19.2 Landlord's Remedies Upon Default. Upon the occurrence of any such default by Tenant after the expiration of any applicable notice and cure period, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and, subject to the express terms hereof, nonexclusive, without any notice or demand whatsoever (except as expressly set forth herein).

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor; and Landlord may recover from Tenant the following:

(i) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(ii) The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, as allowed under Applicable Laws; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "Rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the Interest Rate set forth in Section 4.5 of this Lease. As used in Section 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 In the event this Lease has not been terminated, Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.2.3 If Tenant shall fail to perform any obligation under this Lease, and such failure shall continue in excess of the time allowed under Section 19.1.2, above, unless a specific time period is otherwise stated in this Lease, and such failure to perform poses a material risk of injury or harm to persons or damage to or loss of property, Landlord may, but shall not be obligated to, make any such payment or perform or otherwise cure any such obligation,

provision, covenant or condition on Tenant's part to be observed or performed (and may enter the Premises for such purposes). In the event of Tenant's failure to perform any of its obligations or covenants under this Lease, and such failure to perform poses a material risk of injury or harm to persons or damage to or loss of property, then Landlord shall have the right to cure or otherwise perform such covenant or obligation at any time after such failure to perform by Tenant, whether or not any such notice or cure period set forth in Section 19.1 above has expired. Any such actions undertaken by Landlord pursuant to the foregoing provisions of this Section 19.2.3 shall not be deemed a waiver of Landlord's rights and remedies as a result of Tenant's failure to perform and shall not release Tenant from any of its obligations under this Lease. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, as Additional Rent, within thirty (30) days after delivery by Landlord to Tenant of statements therefor: (i) sums equal to expenditures reasonably made and obligations incurred by Landlord in connection with Landlord's performance or cure of any of Tenant's obligations pursuant to the provisions of Section 19.2.3 above; and (ii) sums equal to all expenditures made and obligations incurred by Landlord in collecting or attempting to collect the Rent or in enforcing or attempting to enforce any rights of Landlord under this Lease or pursuant to law, including, without limitation, all legal fees and other amounts so expended. Tenant's obligations under this Section 19.2.3 shall survive the expiration or sooner termination of the Lease Term.

19.3 Intentionally Omitted.

19.4 Sublessees of Tenant. If Landlord elects to terminate this Lease on account of any default by Tenant, as set forth in this Article 19, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.5 Waiver of Default. No waiver by Landlord or Tenant of any violation or breach by the other party of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach by such party of the same or any other of the terms, provisions, and covenants herein contained. Forbearance by Landlord or Tenant in enforcement of one or more of the remedies herein provided upon a default by the other party shall not be deemed or construed to constitute a waiver of such default. The acceptance of any Rent hereunder by Landlord following the occurrence of any default, whether or not known to Landlord, shall not be deemed a waiver of any such default, except only a default in the payment of the Rent so accepted.

19.6 Efforts to Relet. For the purposes of this Article 19, Tenant's right to possession shall not be deemed to have been terminated by efforts of Landlord to relet the Premises, by its acts of maintenance or preservation with respect to the Premises, or by appointment of a receiver to protect Landlord's interests hereunder. The foregoing enumeration is not exhaustive, but merely illustrative of acts which may be performed by Landlord without terminating Tenant's right to possession.

19.7 Default by Landlord. Landlord shall not be deemed to be in default in the performance of any obligation required by it under this Lease, or under any agreement executed in connection herewith, unless and until it has failed to perform such obligation within thirty (30) days after receipt of written notice by Tenant to Landlord, specifying wherein Landlord has failed to perform such obligation; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecute the same to completion. Nothing in this Article 19 shall be interpreted to mean that Tenant shall have the right to terminate this Lease or that Tenant is excused from paying any Rent due hereunder.

ARTICLE 20

SECURITY DEPOSIT

Concurrent with Tenant's execution of this Lease, Tenant shall deposit with Landlord a security deposit (the "**Security Deposit**") in the amount set forth in Section 10 of the Summary. The Security Deposit shall be held by Landlord as security for the faithful performance by Tenant of all the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the Lease Term. If Tenant defaults with respect to any provisions of this Lease (beyond all applicable notice and cure periods), including, but not limited to, the provisions relating to the payment of Rent, Landlord may, but shall not be required to, use, apply or retain all or any part of the Security Deposit for the payment of any Rent or any other sum in default, or for the payment of any amount that Landlord may spend or become obligated to spend by reason of Tenant's default, or to compensate Landlord for any other loss or damage that Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount, and Tenant's failure to do so shall be a default under this Lease. If Tenant shall fully and faithfully perform every provision of this Lease to be performed by it, the Security Deposit, or any balance thereof, shall be returned to Tenant, or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within sixty (60) days following the expiration of the Lease Term. Tenant shall not be entitled to any interest on the Security Deposit. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, and all other provisions of law, now or hereafter in force, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. Notwithstanding the foregoing contained in this Article 20, so long as Tenant is not then in default hereunder (the **"Reduction Condition"**), the original amount of the Security Deposit shall be applied to Base Rent coming due under this Lease on the first (1st) day of the thirty-seventh (37th) month of the initial Lease Term. It is understood and agreed that, if the original amount of the Security Deposit is applied as set forth above, there shall be no further reduction or application of any remaining portion (if any) of the Security Deposit for the remainder of the Lease Term.

ARTICLE 21

COMPLIANCE WITH LAW

Tenant shall not do anything or suffer anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated (collectively, **"Applicable Laws"**). At its sole cost and expense, Tenant shall promptly comply with all such Applicable Laws to the extent they relate to (i) Tenant's use of the Premises for other than general office purposes, (ii) the Alterations, or improvements in the Premises, or (iii) the base building, but, as to the base building, only to the extent such obligations are triggered by Tenant's Alterations, or the Tenant Improvements or use of the Premises for non-general office use. In addition, Tenant shall fully comply with all present or future governmentally mandated programs intended to manage parking, transportation or traffic in and around the Real Property, and in connection therewith, Tenant shall take responsible action for the transportation planning and management of all employees located at the Premises by working directly with Landlord, any governmental transportation management organization or any other transportation-related committees or entities. The judgment of any court or competent jurisdiction or the admission of Tenant or Landlord in any judicial action, regardless of whether the other party to this Lease is a party thereto, that Tenant or Landlord, respectively, has violated any said governmental measures, shall be conclusive of that fact as between Landlord and Tenant. Landlord shall comply with all Applicable Laws relating to the base building, provided that compliance with such Applicable Laws is not the responsibility of Tenant under this Lease (including the terms of this Article 21), and provided further that Landlord's failure to comply therewith would prohibit Tenant from obtaining or maintaining a certificate of occupancy for the Premises, or would unreasonably and materially affect the safety of Tenant's employees or create a significant health

hazard for Tenant's employees or otherwise materially interfere with Tenant's Permitted Use and enjoyment of the Premises and the Parking Facilities.

ARTICLE 22

ENTRY BY LANDLORD

Landlord reserves the right at all reasonable times and upon not less than forty-eight (48) hours prior written notice to Tenant (except in the case of an emergency, in which case prior notice shall not be required) to enter the Premises to: (i) inspect them; (ii) show the Premises to prospective purchasers, mortgagees or tenants (for tenants, only during the last six (6) months of the Lease Term), or to the ground or underlying lessors; (iii) to post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building if necessary to comply with current building codes or other Applicable Laws, or for structural alterations, repairs or improvements to the Building. Notwithstanding anything to the contrary contained in this Article 22, Landlord may enter the Premises at any time, without notice to Tenant, (A) in emergency situations and/or (B) to perform janitorial or other recurring services required of Landlord pursuant to this Lease. Any such entries shall be without the abatement of Rent, except as otherwise provided in this Lease, and shall include the right to take such reasonable steps as required to accomplish the stated purposes; provided, however, except for emergencies, Landlord shall use commercially reasonable efforts to perform any such entry in an expeditious manner so as to minimize interference with Tenant's use of the Premises. Landlord shall use commercially reasonable efforts to schedule entries into the Premises under this Article 22 with Tenant (except entries under items (A) and (B) set forth above, and/or in the event of emergency) so that Tenant, at Tenant's option, may provide a representative to accompany Landlord (but Landlord shall not have any obligation to wait for such Tenant representative to the extent the same is not reasonably available). Even in an emergency situation, Landlord shall use commercially reasonable efforts to minimize disruption to Tenant's business operations. Except as otherwise provided in the Lease, Tenant hereby waives any claims for damages or for any injuries or inconvenience to or interference with Tenant's business, lost profits, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to enter without notice and use any means that Landlord may deem proper to open the doors in and to the Premises; provided, however, that Landlord shall, subject to Section 10.1 of this Lease and to the extent that such damage is not covered by insurance required to be carried by Tenant under this Lease or caused by any governmental agencies, repair any damage to the Premises caused by any such emergency entry into the Premises by Landlord. Any entry into the Premises in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. In addition, notwithstanding anything to the contrary set forth in this Article 22, Tenant may designate certain areas of the Premises as "**Secured Areas**" should Tenant require such areas for the purpose of securing certain valuable property. In connection with the foregoing, Landlord shall not enter such Secured Areas except in the event of an emergency. Landlord need not clean any area designated by Tenant as a Secured Area and shall only maintain or repair such Secured Area to the extent (i) such repair or maintenance is required in order to maintain and repair the Building; (ii) required by Applicable Laws, or (iii) in response to specific requests by Tenant and in accordance with a schedule reasonably designated by Tenant, subject to Landlords' reasonable approval.

ARTICLE 23

TENANT PARKING

23.1 Tenant Parking Passes. Tenant shall purchase throughout the Lease Term the number of monthly Must-Take Parking Passes set forth in Section 11 of the Summary, located in those portions of the Parking Facilities as may be designated by Landlord from time to time. In addition, Tenant shall have the right, from time to time, but not the obligation, to rent from Landlord, commencing on the Lease Commencement Date, up to the amount of Optional Parking Passes set forth in Section 11 of the Summary, on a monthly basis throughout the Lease Term, located in those portions of the Parking Facilities as may be designated by Landlord from time to time; provided, however, Tenant may increase or decrease the number of Optional

Parking Passes rented by Tenant upon not less than thirty (30) days written notice to Landlord. Tenant shall pay to Landlord for the use of all such parking passes (but only including those Optional Parking Passes that Tenant has elected to take, from time to time, as provided above), on a monthly basis, the prevailing rate charged from time to time by Landlord or Landlord's parking operator for parking passes in the Parking Facilities where such parking passes are located. As of the date hereof, the prevailing rate for reserved parking passes is One Hundred Ten Dollars ($110.00) per reserved parking pass per month and the prevailing rate for unreserved parking passes is Seventy-Five Dollars ($75.00) per unreserved parking pass per month; provided, however, that during the first thirty-three (33) months of the initial Lease Term, Tenant shall receive a discount of Fifty Dollars ($50.00) for each unreserved parking pass and Seventy Dollars ($70.00) for each reserved parking pass (the **"Parking Discount"**), with Landlord's then prevailing rate for reserved and unreserved parking passes to be reduced by the applicable Parking Discount during such thirty-three (33) month period; provided further, however, by notice to Tenant, Landlord shall have the right to purchase the value of Parking Discount from Tenant for an amount equal to the present value of the Parking Discount, discounted by eight and one-half percent (8.5%) per annum. In such event, the Parking Discount shall no longer be available to Tenant.

23.2 Parking Procedures. Tenant's continued right to use the parking passes is conditioned upon Tenant abiding by all reasonable, non-discriminatory rules and regulations which are prescribed from time to time for the orderly operation and use of the Parking Facilities and upon Tenant's cooperation in seeing that Tenant's employees and visitors also comply with such rules and regulations. In addition, Landlord may assign any parking spaces and/or make all or a portion of such spaces reserved or institute an attendant-assisted tandem parking program and/or valet parking program if Landlord determines in its sole discretion that such is necessary or desirable for orderly and efficient parking. Landlord specifically reserves the right, from time to time, to change the size, configuration, design, layout, location and all other aspects of the Parking Facilities (provided that Tenant's parking rights are not reduced or materially changed as a result thereof and so long as Tenant's obligations are not materially or unreasonably increased as a result thereof and such change(s) do not create a material safety risk for Tenant), and Tenant acknowledges and agrees that Landlord, from time to time, may, without incurring any liability to Tenant and without any abatement of Rent under this Lease (except as provided in Section 6.5 of this Lease), from time to time, close-off or restrict access to the Parking Facilities, or temporarily relocate Tenant's parking spaces to other parking structures and/or surface parking areas within a reasonable distance from the Parking Facilities, for purposes of permitting or facilitating any such construction, alteration or improvements or to accommodate or facilitate renovation, alteration, construction or other modification of other improvements or structures located on the Real Property, provided that any such closures, restrictions or relocations are required by Applicable Laws or are reasonably necessary on a temporary basis or otherwise do not materially adversely affect Tenant's rights under this Lease. Landlord shall use commercially reasonable efforts to cause any such work to be conducted in a manner which minimizes any inconvenience to the Tenant Parties and to provide alternative parking (if necessary), at no additional cost to Tenant. Landlord may delegate its responsibilities hereunder to a parking operator in which case such parking operator shall have all the rights of control attributed hereby to Landlord. The parking rates charged by Landlord for Tenant's parking passes shall be exclusive of any parking tax or other charges imposed by governmental authorities in connection with the use of such parking, which taxes and/or charges shall be paid directly by Tenant or the parking users, or, if directly imposed against Landlord, Tenant shall reimburse Landlord for all such taxes and/or charges within thirty (30) days after Tenant's receipt of the invoice from Landlord. The parking passes provided to Tenant pursuant to this Article 23 are provided solely for use by Tenant's own personnel and such passes may not be transferred, assigned, subleased or otherwise alienated by Tenant without Landlord's prior approval, except on a pro rata basis in connection with an assignment or subletting of the Premises permitted or approved in accordance with the terms of Article 14 of this Lease. Tenant may validate visitor parking by such method or methods as the Landlord may reasonably establish, at the validation rate from time to time generally applicable to visitor parking.

23.3 Reserved Parking Rights. Tenant shall also have the right to convert up to ten percent (10%) of its Must Take Parking Passes and Optional Parking Passes into Reserved Parking Passes upon not less than thirty (30) days written notice to Landlord; provided, however, Tenant may, from time to time, reconvert Reserved Parking Passes into Must Take Parking Passes and Optional Parking Passes upon not less than thirty (30) days written notice to

Landlord. Reserved parking spaces rented by Tenant shall be (i) for single, non-tandem spaces where Tenant can park and retain the keys to the vehicle, and (ii) identified with a Building standard reserved parking sign. Notwithstanding anything above to the contrary, Landlord shall have the right to designate the location of Tenant's reserved parking spaces (attributable to Tenant's Reserved Parking Passes) in the Parking Facilities and Landlord shall also have the right to relocate all or any portion of the same from time to time during the Lease Term. All costs incurred by Landlord to designate any of Tenant's reserved parking spaces and/or to designate any reserved parking area shall be at Tenant's sole cost and expense.

ARTICLE 24

MISCELLANEOUS PROVISIONS

24.1 Terms; Captions. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

24.2 Binding Effect. Subject to all other provisions of this Lease, each of the covenants, conditions and provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

24.3 No Waiver. No waiver of any provision of this Lease shall be implied by any failure of a party to enforce any remedy on account of the violation of such provision, even if such violation shall continue or be repeated subsequently, any waiver by a party of any provision of this Lease may only be in writing, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Lease Term or affect any notice given Tenant prior to the receipt of such monies, it being agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any Rent due, and the payment of said Rent shall not waive or affect said notice, suit or judgment. Tenant's payment of any Rent hereunder shall not

constitute a waiver by Tenant of any breach or default by Landlord under this Lease nor shall Landlord's payment of monies due Tenant hereunder constitute a waiver by Landlord of any breach or default by Tenant under this Lease.

24.4 Modification of Lease. Should any current or prospective mortgagee or ground lessor for the Real Property require a modification or modifications of this Lease, which modification or modifications will not cause an increased cost or expense to Tenant or in any other way materially and adversely change the rights and obligations of Tenant hereunder, then and in such event, Tenant agrees that this Lease may be so modified and agrees to execute whatever commercially reasonable documents are required therefor and deliver the same to Landlord within ten (10) business days following the request therefor. Landlord shall reimburse to Tenant the actual, documented and reasonable attorneys' fees incurred by Tenant in reviewing such documents, not to exceed Two Thousand Dollars ($2,000.00). Should Landlord or any such current or prospective mortgagee or ground lessor require execution of a short form of Lease for recording, containing, among other customary provisions, the names of the parties, a description of the Premises and the Lease Term, Tenant agrees to execute such short form of Lease and to deliver the same to Landlord within ten (10) business days following the request therefor, the recordation of which shall be at the sole cost and expense of Landlord.

24.5 Transfer of Landlord's Interest. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Real Property, the Building and/or in this Lease, and Tenant agrees that in the event of any such transfer (to the extent such obligations are assumed by the transferee), Landlord shall automatically be released from all liability under this Lease not accrued as of the date of the transfer and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder after the date of transfer and such transferee shall be deemed to have fully assumed and be liable for all obligations of this

Lease to be performed by Landlord and Tenant shall attorn to such transferee. Without limiting the generality of the foregoing, it is acknowledged and agreed that the liability of Landlord under this Lease is limited to its actual period of ownership of title to the Building. The liability of any transferee of Landlord shall be limited to the interest of such transferee in the Real Property or Building (including all rental, insurance and condemnation proceeds therefrom); provided, any such transferee shall be obligated to comply with all of Landlord's obligations under the Work Letter including, without limitation, payment of the Tenant Improvement Allowance. Tenant further acknowledges that Landlord may assign its interest in this Lease to a mortgage lender as additional security and agrees that such an assignment shall not release Landlord from its obligations hereunder and that Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

24.6 Prohibition Against Recording. Except as provided in Section 24.4 of this Lease, neither this Lease, nor any memorandum, affidavit or other writing with respect thereto, shall be recorded by Tenant or by anyone acting through, under or on behalf of Tenant.

24.7 Landlord's Title; Air Rights. Landlord's title is and always shall be paramount to the title of Tenant. Nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease; provided, however, Landlord shall be prohibited from placing any so-called "super graphic" signs on the exterior of the Building.

24.8 Tenant's Signs.

24.8.1 Interior Signs. Provided all signs are in keeping with the quality, design and style of the Building and Project, Tenant, if the Premises comprise an entire floor of the Building, at its sole cost and expense, may install identification signage anywhere in the Premises including in the elevator lobby of the Premises, provided that such signs must not be visible from the exterior of the Building, and only Tenant signs visible from the exterior of the Building shall be subject to Landlord's approval (which approval shall not be unreasonably withheld). If other tenants occupy space on the floor on which the Premises is located, Tenant shall be entitled, at its sole cost and expense, to (i) one (1) identification sign on or near the entry doors of the Premises, and (ii) one (1) identification or directional sign, as reasonably designated by Landlord, in the elevator lobby on the floor on which the Premises are located. Any such signs on a multi-tenant floor shall be installed by a signage contractor reasonably designated by Landlord. The location, quality, design, style, lighting and size of such signs on a multi-tenant floor shall be consistent with the Landlord's Building standard signage program and shall be subject to Landlord's prior written approval, in its reasonable discretion. Upon the expiration or earlier termination of this Lease, Tenant shall be responsible, at its sole cost and expense, for the removal of such signage and the repair of all damage to the Building caused by such removal. Except for such identification signs, Tenant may not install any signs on the exterior or roof of the Building or the Common Areas. Any signs, window coverings, or blinds (even if the same are located behind the Landlord approved window coverings for the Building), or other items visible from the exterior of the Building are subject to the prior approval of Landlord, in its reasonable discretion.

24.8.2 Monument Signage. Tenant shall have the non-exclusive right, subject to the approval from all applicable governmental and quasi-governmental entities, and subject to all applicable governmental and quasi-governmental laws, rules, regulations and codes, to install one (1) sign (**"Tenant's Name Sign"**) containing the name "LegalZoom" on one (1) side on the top position on the monument sign serving the Building (the **"Monument Sign"**). The design, size, specifications, graphics, materials, manner of affixing, exact location, colors and lighting (if applicable) of Tenant's Name Sign shall be (i) consistent with the quality and appearance of the Project, (ii) subject to the approval of all applicable governmental and quasi-governmental authorities, and subject to all applicable governmental and quasi-governmental laws, rules, regulations and codes, and (iii) subject to Landlord's approval (which shall not be unreasonably withheld, conditioned or delayed). Landlord shall install Tenant's Name Sign on the Monument Sign at Tenant's sole cost and expense. In addition, Tenant shall be responsible for all other costs attributable to the fabrication maintenance, repair and removal of Tenant's Name Sign. The Name Sign right granted to Tenant under this Section 24.8.2 are personal to the Original Tenant and any Affiliate Assignee and may not be exercised or used by or assigned to any other person or entity. In addition, Original Tenant or such Affiliate Assignee shall no longer have any right

to Tenant's Name Sign if at any time during the Term the Original Tenant or Affiliate Assignee does not lease and occupy at least one (1) entire floor of the Premises then leased by Tenant hereunder. Upon the expiration or sooner termination of this Lease, or upon the earlier termination of Tenant's signage rights under this Section 24.8.2, Landlord shall have the right to permanently remove Tenant's Name Sign and to repair all damage to the Monument Sign resulting from such removal and Tenant shall reimburse Landlord for the actual, reasonable, out-of-pocket costs thereof.

24.9 Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant, it being expressly understood and agreed that neither the method of computation of Rent nor any act of the parties hereto shall be deemed to create any relationship between Landlord and Tenant other than the relationship of landlord and tenant.

24.10 Application of Payments. Landlord shall have the right to apply payments received from Tenant pursuant to this Lease, regardless of Tenant's designation of such payments, to satisfy any obligations of Tenant hereunder, in such order and amounts as Landlord, in its sole discretion, may elect.

24.11 Time of Essence. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Whenever in this Lease a payment is required to be made by one party to the other, but a specific date for payment is not set forth or a specific number of days within which payment is to be made is not set forth, or the words "immediately", "promptly", and/or "on demand", or their equivalent, are used to specify when such payment is due, then such payment shall be due thirty (30) days after the date that the party which is entitled to such payment sends notice to the other party demanding such payment.

24.12 Partial Invalidity. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

24.13 No Warranty. In executing and delivering this Lease, Tenant has not relied on any representation, including, but not limited to, any representation whatsoever as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the Exhibits attached hereto.

24.14 Landlord Exculpation. It is expressly understood and agreed that notwithstanding anything in this Lease to the contrary, and notwithstanding any Applicable Law to the contrary, the liability of Landlord and the Landlord Parties hereunder (including any successor landlord) and any recourse by Tenant against Landlord or the Landlord Parties shall be limited solely and exclusively to an amount which is equal to the ownership interest of Landlord in the Building (together with any rental, condemnation or insurance proceeds received by Landlord or the Landlord Parties in connection with the Project, Building or Premises), and neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant.

24.15 Entire Agreement. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. This Lease and any side letter or separate agreement executed by Landlord and Tenant in connection with this Lease and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, and none of the terms, covenants, conditions or provisions of this

Lease can be modified, deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are no other representations or warranties between the parties, and all reliance with respect to representations is based totally upon the representations and agreements contained in this Lease.

24.16 Right to Lease. Landlord reserves the absolute right to effect such other tenancies in the Building or other portions of the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Real Property, so long as those tenancies within the Building are consistent with a first-class office building. Tenant does not rely on the fact, nor does Landlord represent, that any specific tenant or type or number of tenants shall, during the Lease Term, occupy any space in the Building or Real Property.

24.17 Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant pursuant to this Lease and except with respect to Landlord's monetary obligations to Tenant (collectively, the **"Force Majeure"**), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

24.18 Intentionally Omitted.

24.19 Notices. All notices, demands, statements or communications (collectively, "**Notices**") given or required to be given by either party to the other hereunder shall be in writing, shall be sent by United States certified or registered mail, postage prepaid, return receipt requested, delivered by reputable overnight courier service, or delivered personally (i) to Tenant at the appropriate address set forth in Section 5 of the Summary, or to such other place as Tenant may from time to time designate in a Notice to Landlord; or (ii) to Landlord at the addresses set forth in Section 3 of the Summary, or to such other firm or to such other place as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given (a) if by personal delivery, on the date it is personally delivered or such personal delivery is rejected, (b) if by certified or registered mail, the date set forth on the receipt for such certified or registered mail for delivery or rejection, or (c) if by overnight courier service, the date the overnight courier delivery is made or attempted to be made. If Tenant is notified of the identity and address of Landlord's mortgagee or ground or underlying lessor, Tenant shall give to such mortgagee or ground or underlying lessor written notice of any default by Landlord under the terms of this Lease by registered or certified mail, and such mortgagee or ground or underlying lessor shall be given a reasonable opportunity to cure such default prior to Tenant's exercising any remedy available to Tenant to terminate this Lease.

24.20 Joint and Several. If there is more than one Tenant, the obligations imposed upon Tenant under this Lease shall be joint and several.

24.21 Authority. If Tenant is a corporation, trust or partnership, Tenant hereby represents and warrants that Tenant is a duly formed and existing entity qualified to do business in California and that Tenant has full right and authority to execute and deliver this Lease and that each person signing on behalf of Tenant is authorized to do so. In such event, Tenant shall, within ten (10) business days after Landlord's written request, deliver to Landlord satisfactory evidence of such authority and, if a corporation, also deliver to Landlord satisfactory evidence of (i) good standing in Tenant's state of incorporation and (ii) qualification to do business in California

24.22 Jury Trial; Attorneys' Fees. IF EITHER PARTY COMMENCES LITIGATION AGAINST THE OTHER FOR THE SPECIFIC PERFORMANCE OF THIS LEASE, FOR DAMAGES FOR THE BREACH HEREOF OR OTHERWISE FOR ENFORCEMENT OF ANY REMEDY

HEREUNDER, THE PARTIES HERETO AGREE TO AND HEREBY DO WAIVE ANY RIGHT TO A TRIAL BY JURY. In the event of any such commencement of litigation or any other proceeding, the prevailing party shall be entitled to recover from the other

party such costs and reasonable attorneys' fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

24.23 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California without regard to choice of law principles.

24.24 Submission of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant, and Landlord's lender holding a lien with respect to the Building has approved this Lease and the terms and conditions hereof.

24.25 Brokers. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers or agents specified in Section 12 of the Summary (the **"Brokers"**), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Landlord shall pay the brokerage commissions owing to the Brokers in connection with this Lease, pursuant to the terms of a separate written agreement between Landlord and the Brokers. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Brokers.

24.26 Independent Covenants. This Lease shall be construed as though the covenants herein between Landlord and Tenant are independent and not dependent and Tenant hereby expressly waives the benefit of any statute to the contrary and agrees that if Landlord fails to perform its obligations set forth herein, Tenant shall not, except as expressly provided in this Lease, be entitled to make any repairs or perform any acts hereunder at Landlord's expense or to any setoff of the Rent or other amounts owing hereunder against Landlord, except as otherwise provided herein; provided, however, that the foregoing shall in no way impair the right of Tenant to commence a separate action against Landlord for any violation by Landlord of the provisions hereof so long as notice is first given to Landlord and any holder of a mortgage or deed of trust covering the Building, Real Property or any portion thereof, of whose address Tenant has theretofore been notified, and an opportunity is granted to Landlord and such holder to correct such violations as provided above.

24.27 Building Name and Signage. Landlord shall have the right at any time to change the name of the Building and Real Property and to install, affix and maintain any and all signs on the exterior and on the interior of the Building and any portion of the Real Property as Landlord may, in Landlord's sole discretion, desire. Tenant shall not use the names of the Buildings or Real Property or use pictures or illustrations of the Building or Real Property in advertising or other publicity, without the prior written consent of Landlord.

24.28 Building Directory. At Landlord's initial cost, Landlord shall include Tenant's name and location in the Building on one (1) line on the Building directory; provided, however, that any Landlord approved changes to such signage shall be at Tenant's sole cost and expense. Landlord acknowledges and agrees that all such identifying entries on the Building directory shall not be personal to the Original Tenant and shall be provided by Landlord, subject to the terms hereof, to any Transferee of Tenant permitted under Article 14 of this Lease.

24.29 Confidentiality. Landlord and Tenant acknowledge that the content of this Lease and any related documents are confidential information. Landlord and Tenant shall keep such confidential information strictly confidential and, except as required by a subpoena or to comply with Applicable Laws, shall not disclose such confidential information to any person or entity other than Landlord's and Tenant's respective financial, legal, and space planning consultants, assignees and purchasers, and any Transferee.

24.30 Landlord's Construction. It is specifically understood and agreed that Landlord has no obligation and has made no promises to alter, remodel, improve, renovate, repair or decorate the Premises, Building, Real Property, or any part thereof and that no representations or warranties respecting the condition of the Premises, the Building or the Real Property have been

made by Landlord to Tenant, except as specifically set forth in this Lease and the Work Letter. However, Tenant acknowledges that Landlord may from time to time, at Landlord's sole option, renovate, improve, alter, or modify (collectively, the "**Renovations**") the Building and/or Real Property (other than the Premises), including without limitation the Building Parking Facilities, Common Areas, systems and equipment, roof, and structural portions of the same, which Renovations may include, without limitation, (i) modifying the Common Areas and tenant spaces to comply with Applicable Laws and regulations, including regulations relating to the physically disabled, seismic conditions, and building safety and security, and (ii) installing new carpeting, lighting, and wall coverings in the Building Common Areas, and in connection with such Renovations, Landlord may, among other things, erect scaffolding or other necessary structures in the Building, limit or eliminate access to portions of the Real Property, including portions of the Common Areas, or perform work in the Building and/or Real Property, which work may create noise, dust or leave debris in the Building and/or Real Property. Tenant hereby agrees that such Renovations and Landlord's actions in connection with such Renovations shall in no way constitute a constructive eviction of Tenant nor entitle Tenant to any abatement of Rent, except as otherwise provided herein. Landlord shall have no responsibility or for any reason be liable to Tenant for any direct or indirect injury to or interference with Tenant's business arising from the Renovations, nor shall Tenant be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises (except as otherwise provided herein) or of Tenant's personal property or improvements resulting from the Renovations or Landlord's actions in connection with such Renovations, or for any inconvenience or annoyance occasioned by such Renovations or Landlord's actions in connection with such Renovations; provided, however, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use of, and access to, the Premises and the Parking Facilities servicing the same, in connection with any Renovations undertaken by Landlord.

24.31 Intentionally Omitted.

24.32 Failure to Fund Landlord Obligations. If Landlord fails to (i) timely fund any amount due to Tenant under this Lease, including, without limitation, any monthly payment of the Tenant Improvement Allowance within the time periods set forth in the Work Letter, or (ii) pay the brokerage commission payable by Landlord with respect to this Lease in accordance with the terms and conditions of a separate written brokerage agreement executed by Landlord, Tenant shall be entitled to deliver to Landlord written notice (**"Payment Notice"**) of such failure to pay. Each Payment Notice shall include a reasonably

particularized breakdown of all the amounts Tenant contends are owed. If Landlord objects to any amounts set forth in a Payment Notice, Landlord shall identify the specific line items it objects to and shall provide the reasonable basis for such objection(s). If Landlord fails to fulfill any such payment obligation within five (5) business days after Landlord's receipt of the Payment Notice from Tenant and if Landlord fails to deliver written notice to Tenant within such five (5) business day period explaining Landlord's reasons that any amounts described in Tenant's Payment Notice are not due and payable by Landlord (**"Refusal Notice"**), Tenant shall be entitled to fund the entire amount which is the subject of the Payment Notice (or, if Landlord timely sent a Refusal Notice, only those amounts to which Landlord did not object) itself and to offset such amount(s), together with interest at the Interest Rate from the last day of such 5-business day period until the actual date of offset, against Tenant's obligations to pay Rent. If Landlord delivers a Refusal Notice, and if Landlord and Tenant are not able to agree on the amounts to be so paid by Landlord, if any, within ten (10) business days after Tenant's receipt of a Refusal Notice, Landlord or Tenant may elect to have such dispute resolved by expedited binding arbitration before a retired judge of the Superior Court of the State of California under the auspices of JAMS (or any successor to such organization, or if there is no such successor, then to a comparable organization mutually agreed upon by Landlord and Tenant) in Los Angeles, California, according to the then rules of commercial arbitration of such organization. JAMS shall be instructed to complete the arbitration within ten (10) business days. If such dispute is so submitted to arbitration, Tenant shall not be permitted any such offset against Base Rent unless and until the arbitration proceedings are concluded in Tenant's favor and Landlord fails to pay to Tenant the amounts paid by Tenant which the arbitration panel determined shall have been disbursed by Landlord. If the dispute is resolved in favor of Tenant in such arbitration proceeding and Landlord fails to pay to Tenant the amounts paid by Tenant (which the arbitration panel determined should have been paid by Landlord) within thirty (30) days of the arbitration panel's notice of decision, then Tenant shall be entitled to offset against the Rent payable under the Lease such undisbursed amount so paid by Tenant and which the arbitration

panel determined should have been disbursed by Landlord, together with interest thereon, at the Interest Rate, from the date Landlord was obligated to pay such amount (based upon the date Tenant first accurately notified Landlord that such amount should have been paid to Tenant) through and including the earlier of (1) the date Landlord reimburses Tenant for such amount, and (2) the date that Tenant deducts from Rent such amount.

24.33 Good Faith. Except (i) for matters for which there is a standard of consent or discretion specifically set forth in this Lease; (ii) matters which could have an adverse effect on the Building structure or the Building Systems, or which could affect the exterior appearance of the Building, or (iii) matters covered by Article 4 (Additional Rent), Article 10 (Insurance), or Article 19 (Defaults; Remedies) of this Lease (collectively, the **"Excepted Matters"**), any time the consent of Landlord or Tenant is required under this Lease (including, without limitation, the exhibits attached to the Lease), such consent shall not be unreasonably withheld or delayed, and, except with regard to the Excepted Matters, whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish Rules and Regulations or make an allocation or other determination, Landlord and Tenant shall act reasonably and in good faith.

24.34 Survival of Provisions Upon Termination of Lease. Any term, covenant or condition of this Lease which requires the performance of obligations or forbearance of an act by either party hereto after the termination of this Lease shall survive such termination of this Lease. Such survival shall be to the extent reasonably necessary to fulfill the intent thereof, or if specified, to the extent of such specification, as same is reasonably necessary to perform the obligations and/or forbearance of an act set forth in such term, covenant or condition. Notwithstanding the foregoing in the event a specific term, covenant or condition is expressly provided for in such a clear fashion as to indicate that such performance of an obligation or forbearance of an act is no longer required, then the specific shall govern over this general provision of this Lease.

24.35 Financial Statements. In connection with a proposed refinancing or sale of the Building and provided that Tenant's financial statements are not publicly available, Landlord may request that Tenant provide Landlord, no more than once per twelve (12) month period and within ten (10) business days of a request therefor, with a current financial statement for Tenant dated no earlier than one (1) year prior to such request, certified as accurate by Tenant. Such statement shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant; provided, however, any such statement shall be provided only to the extent it exists, in the form that it exists and its delivery shall be conditioned upon Landlord (and any proposed lender or purchaser to which such statement will be delivered) executing and delivering to Tenant a commercially reasonable confidentiality agreement prior to any disclosure of such financial statement or information; provided, further, Tenant shall not have to disclose any statement or information whose disclosure is prohibited by Applicable Laws to which Tenant is subject (as reasonably determined by Tenant).

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

"Landlord":

LEGACY PARTNERS II GLENDALE N BRAND, LLC,
a Delaware limited liability company,
Owner

By: LEGACY PARTNERS COMMERCIAL, L.P.,
a California limited partnership,
as Property Manager and Agent for Owner

By: LEGACY PARTNERS COMMERCIAL, INC.,
General partner

By: /s/ Paul Meyer

Its: Paul Meyer
Chief Financial Officer
BL DRE# 01464134

"Tenant":

LEGALZOOM.COM, INC.,

a Delaware corporation

By: /s/ Frank Monestere

Name: Frank Monestere

Its: President & COO

By /s/ Chas Rampenthal

Name: Chas Rampenthal

Its: Secretary

*** If Tenant is a CORPORATION, the authorized officers must sign on behalf of the corporation and indicate the capacity in which they are signing. The Lease must be executed by the president or vice president and the secretary or assistant secretary, unless the bylaws or a resolution of the board of directors shall otherwise provide, in which event, the bylaws or a certified copy of the resolution, as the case may be, must be attached to this Lease.

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (this "Sublease"), dated as of the 7th day of December, 2009, by and between MARSH USA INC., a Texas corporation with a usual place of business at 10900 Stonelake Boulevard, Suite 325, Austin, Texas 78759 ("Sublandlord") and LEGALZOOM.COM, INC., a Delaware corporation with a usual place of business at 7083 Hollywood Boulevard, Suite 180, Los Angeles, California 90028 ("Subtenant").

W I T N E S S E T H:

WHEREAS, by that certain Commercial Office Lease Agreement dated June 16, 2003 by and between Bank One Corporation, predecessor-in-interest to Principal Life Insurance Company as landlord (hereinafter, the "Over landlord") and Sublandlord, as amended by that certain First Amendment dated April 28, 2004, and as future amended by that certain Second Amendment dated May 31, 2007 (hereinafter collectively referred to as the "Overlease") for certain premises located at 10900 Stonelake Boulevard, Austin, Texas 78759 (the "Building"), which premises are more particularly described in the Overlease (hereinafter the "Leased Premises"); and

WHEREAS, Subtenant desires to sublet a portion of the Leased Premises from Sublandlord upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Sublandlord and Subtenant hereto agree as follows:

1. Defined Terms. Unless otherwise specifically stated herein, all initially capitalized terms not defined herein shall have the same meaning respectively assigned to them in the Overlease.

2. Subleased Premises and Term. Sublandlord hereby subleases to Subtenant, and Subtenant hereby subleases from Sublandlord the premises shown on Exhibit A attached hereto and made a part hereof for all purposes containing approximately 24,820 rentable square feet (the "Subleased Premises") for a term commencing the earlier of (i) Subtenant's conduct of business in the Subleased Premises, or (ii) thirty (30) days following full execution and delivery of this Sublease (the "Commencement Date") and ending August 30, 2013 (the "Expiration Date") unless the term is earlier cancelled or terminated in accordance with the terms of this Sublease (the "Term"). Sublandlord and Subtenant shall execute a memorandum setting forth the actual Commencement Date of the Term in substantially the form attached hereto as Exhibit D.

3. Rent. Subtenant shall pay to Sublandlord as Basic Rent $446,760.00 per annum ($37,320.00 monthly based on $18.00 per rentable square foot per annum) beginning on the Commencement Date until the Expiration Date and shall pay all other charges such as after hour HVAC within thirty (30) days after Subtenant's receipt of an invoice therefore. Until further notice, rent payments shall be sent to:

Marsh USA Inc. Austin
75 Remittance Drive, Suite #1726
Chicago, IL 60675-1726.

Notwithstanding anything in this Sublease to the contrary, so long as Subtenant is not in material default under this Sublease beyond any applicable notice and cure periods, Subtenant shall be

entitled to an abatement of Rent for the first five (5) consecutive full calendar months of the Term, beginning on the Commencement Date and ending on the last day of the 5th full calendar month of the Term. The total amount of Rent abated shall equal One Hundred Eighty Six Thousand One Hundred Fifty Dollars ($186,150.00) (the "Abated Rent").

4. Security Deposit. Subtenant has deposited with Sublandlord the sum of One Hundred Forty Eight Thousand Nine Hundred Twenty and No/100 Dollars ($148,920.00) as a security deposit (the "Security Deposit"). The Security Deposit shall not bear interest. The Security Deposit shall be held by Sublandlord as security for the faithful performance by Subtenant of all the terms, covenants and conditions of this Sublease to be kept and performed by Subtenant. The Security Deposit may be applied by Sublandlord to cure any material default by Subtenant hereunder and, in such event, Subtenant shall immediately, upon demand by Sublandlord, deposit with Sublandlord the amount necessary to restore the Security Deposit to its original amount; provided, however, that so long as (i) Subtenant has not defaulted hereunder beyond any applicable notice and cure periods during the twelve (12) month period immediately following the Commencement Date, then Sublandlord shall reduce the Security Deposit and return the sum of Seventy Four Thousand Four Hundred Sixty and No/100 Dollars ($74,460.00) to Subtenant within fifteen (15) days of the completion of the twelve (12) month period immediately following the Commencement Date. Following such date, Sublandlord shall continue to hold a Security Deposit equal to Seventy Four Thousand Four Hundred Sixty and No/100 Dollars ($74,460.00) throughout the remainder of the Term. Sublandlord shall return any unapplied portion of the Security Deposit to Subtenant within fifteen (15) calendar days after the later to occur of either of the following: (i) the Expiration Date or (ii) the date Subtenant surrenders the Subleased Premises to Sublandlord.

5. Use. Subtenant shall use and occupy the Subleased Premises for general office and call center use, including uses incidental thereto and for no other purpose. Subtenant's use and enjoyment of the Subleased Premises shall at all times be in compliance with this Sublease, the Overlease and all applicable laws.

6. Provisions of Overlease. Sublandlord represents that it has delivered a true and complete copy of the Overlease and all Exhibits and Amendments to Subtenant, a copy of which is attached hereto as Exhibit B and made a part hereof for all purposes. Subtenant acknowledges that it has reviewed the terms of the Overlease. Subtenant hereby assumes all of the responsibilities and obligations on the part of the Sublandlord to be performed under the Overlease with respect to the entire Subleased Premises, except to the extent otherwise expressly provided in this Sublease or by their nature or purpose are inapplicable or inappropriate to the subleasing of the Subleased Premises pursuant to this Sublease. All of the terms, provisions, covenants and conditions contained in the Overlease, and such rights and obligations as are contained in the Overlease, are hereby imposed upon the respective parties hereto, the Sublandlord being substituted for the Overlandlord in the Overlease, with the Sublandlord having all of the rights, remedies and powers of the Overlandlord as set forth in the Overlease, and the Subtenant being substituted for the Tenant in the Overlease, with the Subtenant having all the rights, obligations and duties of the Tenant as set forth in the Overlease. It is expressly understood and agreed, however, that neither party shall be bound by any warranties and representations made by the Overlandlord or Tenant in the Overlease, nor, subject to paragraphs 7 and 9 hereof, shall Sublandlord be obligated to perform any of the terms, covenants, conditions and agreements in the Overlease required to be performed by the Overlandlord; and Subtenant agrees to look solely to the Overlandlord for the

performance of the same. Subtenant further covenants and agrees not to violate any of the terms and provisions of the Overlease applicable to the Subleased Premises. Subtenant shall be bound by all of the restrictions and limitations placed upon the Sublandlord as Tenant under the Overlease, as if the Subtenant were the tenant thereunder, except as otherwise specifically provided herein.

The delineation of particular obligations of Subtenant contained herein shall in no event be construed to limit any of the obligations of Subtenant pursuant to the provisions of this paragraph 5. In the event the Overlease is terminated pursuant to its terms for any reason other than the default of the Sublandlord as the Tenant thereunder, this Sublease shall automatically cease and terminate as of the date upon which the Overlease is so terminated. In the event the Overlease is terminated pursuant to its terms for any reason other than the default of the Sublandlord as the Tenant thereunder, this Sublease shall automatically cease and terminate as of the date upon which the Overlease is so terminated.

The following paragraphs of the Overlease do not apply herein except as necessary to interpret the paragraphs of the Overlease that do apply: Basic Lease Information, 1.1-1.3; 2.2; 2.5; the right of termination in 11.1; 13.4; 24.12; Rider One; Exhibits A-1, B, G, H, I, J and K; First Amendment; Second Amendment (other than to reflect the renewal of the Overlease and OFAC Compliance provision). Under Section 9 of the Overlease, the insurance which requires the naming of Overlandlord shall name Sublandlord as well. For purposes of incorporating Section 2.3, the Expense Stops will be the same used in the Overlease. During the Term, at Subtenant's sole cost and expense and no more than one (1) time in a calendar year, Subtenant shall have the right to review all records supporting the Annual Cost Statement provided by Overlandlord to Sublandlord.

For avoidance of doubt, and without limitation, the abatement in Rent referenced in Section 8.4, Section 11 and Section 16 of the Overlease shall also be applicable to Subtenant and this Sublease but only if Sublandlord receives the abatement from Overlandlord.

Without limiting Overlandlord's rights under Section 6.4 of the Overlease, Sublandlord will designate, at the time Sublandlord reviews Subtenant's construction plans, if any, which alterations made by Subtenant and approved by Sublandlord, will be required to be removed from the Subleased Premises at the expiration and /or termination of the Sublease. For avoidance of doubt, Subtenant shall not be required to remove any improvements or alterations which existed in the Subleased Premises as of the Commencement Date including, but not limited to, any cabling, telecommunication or security system.. Overlandlord's right to require restoration will be as set forth in the Overlease.

7. Sublandlord Not Liable for Acts of Overlandlord. Sublandlord shall not be liable for any of the obligations, duties, responsibilities or liabilities of the Overlandlord under the Overlease or for the failure of any delay by the Overlandlord to perform or discharge the same. Sublandlord shall not be obligated upon or to take any action by reason of any matter relating to the operation or maintenance, repair, replacement or restoration of the Subleased Premises or of any facilities or services thereof. Sublandlord will enforce the Overlease against Overlandlord at Subtenant's request and, if the cause of the enforcement action is of common interest to Subtenant and Sublandlord, Subtenant will pay its pro rata share of the expenses of enforcement incurred by Sublandlord. Without limiting the generality of the foregoing, if the cause of the enforcement action is of no interest or benefit to Sublandlord, Subtenant may enforce the Overlease in Sublandlord's name at Subtenant's exclusive cost by counsel reasonably acceptable to Sublandlord.

8. Condition of Subleased Premises. Except as set forth herein, neither Sublandlord nor Sublandlord's agents have made any representations or promises with respect to the Subleased premises or Subleased Premises or the equipment and improvements therein situated or the physical condition thereof. Subtenant accepts the Subleased Premises in "as is" conditions on the date hereof subject to further reasonable wear and tear and their being left broom clean.

9. Sublandlord's Services. Subtenant shall receive from Overlandlord pursuant to the provisions of the Overlease services to or for the benefit of the Subleased Premises which are to be provided under the Overlease without additional charger or rental and Sublandlord shall cooperate with

Subtenant in obtaining such services at Subtenant's expense. In accordance with paragraph 6 and 7 hereof and subject to the performance by Sublandlord of its obligations thereunder, Subtenant agrees to look solely to the Overlandlord for the rendition of such services or for any other services provided in this Sublease and Sublandlord shall not be liable to Subtenant for any loss, damage or expense resulting from any failure of the Overlandlord to furnish such services unless due to the acts of misconduct on the part of the Sublandlord as tenant under the Overlease.

10. Subtenant to Perform Certain Obligations. Notwithstanding anything contained in the Overlease or in this Sublease, Subtenant agrees that it shall be responsible to perform all repairs and maintenance to the Subleased Premises, as required of Sublandlord under the Overlease, except any repairs or maintenance caused by the act or omission of Sublandlord or the Overlandlord and their respective employees, agents, contractors or clients.

11. Holding Over. Except to the extent Sublandlord is relieved of liability by Overlandlord, if Subtenant shall retain possession of the Subleased Premises or any part thereof after the termination of this Sublease, Subtenant shall equitable contribute to all damages sustained by Sublandlord under the Overlease which are expressly agreed to include the claims of the Overlandlord against Sublandlord arising from Sublandlord's consequent failure to the extent due to Subtenant's holdover to surrender the entire Leased Premises. The provisions of this paragraph shall not operate as a waiver by Sublandlord of any right of re-entry hereinabove provided.

12. Performance of Overlease. Unless the breach or default is caused by the acts or omissions of Subtenant, Sublandlord covenants and agrees that it will not breach any of the terms, covenants, or conditions of the Overlease and will not cause or permit any default or termination (other than under Articles 11 or 16) under the Overlease, and Sublandlord shall take all action necessary for the continuance in full force and effect of the Overlease. Sublandlord further covenants and agrees not to modify, amend or waive any of the terms, covenants or conditions of the Overlease which would affect any of the Subtenant's rights and benefits or obligations under the Overlease with respect to the Subleased Premises.

13. Notices. Any notice to be given hereunder by either party shall be in writing and shall be deemed given upon delivery by a recognized courier service (i.e., Federal Express or UPS). Notice given by the courier service shall be deemed give upon receipt. Furthermore, Sublandlord shall forward to Subtenant within 48 hours of receipt any notices it receives from Overlandlord that pertains to defaults, change of ownership, services, or any other information that could affect Subtenant and/or the Subleased Premises. Notice given to the parties shall be sent to the following addresses:

Sublandlord: Marsh USA Inc.
10900 Stonelake Boulevard, Suite 200

Austin, Texas 78759

With a copy to: Marsh & McLennan Real Estate Advisors Inc.
Waterfront Corporate Center
121 River Street
Hoboken, New Jersey 07030

Subtenant: LegalZoom.com, Inc.
Attention: General Counsel
7083 Hollywood Boulevard, Suite 180
Los Angeles, California 90028

With a copy to: LegalZoom.com, Inc.
10900 Stonelake Boulevard, Suite 325
Austin, Texas 78759
Attn: Mike Wilson, Vice President of Operations

14. Possession. Upon receipt of Overlandlord's consent to this Sublease and delivery of the Security Deposit and insurance certificate required hereunder, Subtenant will be given complete access to the Subleased Premises on all the terms and conditions of this Sublease for the purpose of preparing the Subleased Premises for Subtenant's occupancy including, but not limited to, installing telecommunications, computer cabling, Subtenant improvements, alterations and any other equipment.

15. Parking. Sublandlord, during the Term, conveys and transfers to Subtenant 141 spaces of its parking space rights under the Overlease (based on 5.67 parking spaces per 1,000 rentable square feet subleased by Subtenant). All parking shall be provided to Subtenant at no cost during the Term.

16. Indemnification. Each party agrees to defend with counsel reasonably approved by the other party, hold harmless and indemnify the other party from all claims of liability for injury, loss, accident or damage to any person or porperty and from any claims, actions, proceedings and expenses and costs in connection therewith (including, without limitation, reasonable attorneys' fees and expenses) arising from the omission, fault, wrongful act, negligence or other misconduct of the other party and persons for whose conduct the other party is legally responsible occurring on or about the Building and the Subleased Premises, or either.

Subtenant further indemnifies and agrees to hold harmless Sublandlord against any and all claims, loss and damage, including without limitation reasonable attorneys' fees and expenses, which may at any time be asserted by Overlandlord against Sublandlord for failure of Sublandlord to perform any of the covenants, agreements, terms, provisions of conditions contained in the Overlease, which, by reason of the provisions of this Sublease, Subtenant is obligated to perform and which Subtenant has failed to perform (other than any such failure caused by Sublandlord).

Sublandlord agrees to defend with counsel reasonably approved by Subtenant, hold harmless and indemnify Subtenant from any claim, expense, loss and damage, including without limitation reasonable attorneys' fees and expenses which may at any time be incurred by, suffered by or asserted against Subtenant by reason of Sublandlord's breach of the Overlease (other than breaches caused by Subtenant) or the Sublease or by reason of the acts or omissions in or about the Building of those persons for whom Sublandlord is legally responsible (other than Subtenant).

17. Brokerage. Each party represents and warrants that it dealt with no broker other than Transwestern and Jones Lang LaSalle in this transaction and will indemnify the other party from any loss incurred because this representation and warranty is untrue. Sublandlord will pay said brokers under a separate agreement.

18. Furniture. Subtenant may use the furniture and equipment currently located in the Subleased Premises and listed in Exhibit C and will surrender the same with the Subleased Premises in the condition and configuration received, further reasonable wear and tear excepted. Subtenant shall not remove the furniture listed in Exhibit C from the Subleased Premises during the Term without the prior written consent of Sublandlord, which consent shall not be unreasonably withheld but may be conditioned on the original configuration being re-established on or before the expirations of this Sublease or any earlier termination or cancellation at Subtenant's expense. Sublandlord will leave all telecom wiring in place and attached to the existing punch downs/racks and patch panels and will leave its

supplemental HVAC in the server room in working order for Subtenant's use. All these items will be left "as is" with no warranty.

19. Quiet Enjoyment. Sublandlord covenants that subject to Subtenant's payment of the Basic Rent and observing and performing all terms, covenants and conditions on Subtenant's part to be observed and performed hereunder, Subtenant shall peacefully and quietly hold and enjoy the Subleased Premises without molestation from Sublandlord or anyone claiming under Sublandlord.

20. Approval. This Sublease is subject to the approval of the Overlandlord. If such approval is not delivered by December 31, 2009, then, at any time thereafter before such approval is delivered, Subtenant may cancel this Sublease on notice to Sublandlord in which event Sublandlord will immediately return the Security Deposit to Subtenant.

21. First Refusal. If at any time during the Term, Sublandlord proposes to accept a bona-fide offer to sublease the remaining space on the third floor of the Building ("Expansion Premises") to an unrelated third party, Sublandlord will notify Subtenant of the terms of the bona-fide offer and Subtenant will then have four (4) business days to notify Sublandlord whether Subtenant will commit to the same terms. If Subtenant declines and Sublandlord does not thereafter sublease to said third party on substantially the same terms as those offered to Subtenant, Sublandlord will offer the revised bona-fide offer to Subtenant to Subtenant for acceptance as aforesaid.

If, at any time within the first year of the Term, Sublandlord has not accepted a bona-fide offer to sublease from a third party, then during the first year of the Term, Subtenant shall have the right of first offer on the Expansion Premises on the same terms and conditions contained in this Sublease but with

the Abated Rent, Security Deposit and cancellation fee apportioned to the ratio of the Term to the term for the Expansion Premises with no early entry period and the Expansion Space shall be incorporated into this Sublease by amendment.

22. Cancellation. Subtenant may cancel this Sublease effective November 30, 2012 upon written notice on or before July 1, 2012, and the concurrent delivery of a cancellation fee of One Hundred Sixty-Four Thousand One Hundred Thirty-One and No/100 Dollars ($ 164,131.00).

23. Signage. Subtenant shall have the right to install suite and standard directory signage at Subtenant's expense with Overlandlord's consent. Subtenant shall have the right to include its logo and name in its signage, consistent with typical signage in the Building.

24. Economic Incentives. Sublandlord shall reasonably and promptly cooperate with Subtenant, upon Subtenant's request and at Subtenant's expense, in its application for any municipal incentives or similar benefits for which Subtenant may apply. Until such time that Subtenant has received written approval of all incentives, Subtenant requires that no press or public statements, releases or comments be made regarding Subtenant and/or this Sublease transaction without the prior written approval from Subtenant. Sublandlord's covenants in this Section 25 are a material inducement for Subtenant to enter into this Sublease.

25. No Partnership. Sublandlord shall not in any way or for any purpose be deemed a partner, joint venture or member of any joint enterprise with Subtenant.

26. No Poaching. Subtenant will not knowingly hire any employees who were employed by Sublandlord in the Building in the three months prior to their being hired by Subtenant. Subtenant will pay Sublandlord $5,000 per employee hired by Subtenant in breach of this covenant, this being agreed as liquidated damages.

27. Entire Instrument. This Sublease and the exhibits and addendum attached set forth the entire agreement between the parties. Except as specifically set forth herein, there are no agreements, representations or warranties as to any matter. Any prior conversations or writings are merged herein, superseded hereby and extinguished, including, without limitation, any letters of intent written by or on behalf of Sublandlord or Subtenant. No person has the power or authority to bind the parties to any agreement not set forth herein. No subsequent amendment to this Sublease shall be binding upon Sublandlord or Subtenant unless in writing and signed by Sublandlord and Subtenant. If any provision contained in an exhibit or addendum is inconsistent with the body of this Sublease, the provision contained in said exhibit or addendum shall supersede the provision in the body of the Sublease. The captions appearing herein are inserted only as a matter of convenience and are not intended to define, limit, construe or describe the scope or intent of any paragraph, nor in any other way to affect this Sublease.

28. Attorneys' Fees. Should any party hereto institute any action or proceeding in court, including in any bankruptcy proceeding, to enforce or seek an interpretation of any provision hereof or for damages by reason of an alleged breach of any provision of this Sublease, the prevailing party shall be entitled to recover from the losing party or parties its reasonable attorneys' fees and expenses, including, without limitation, the costs of services of paralegals, legal assistants, legal secretaries and expert witnesses, and costs of litigation, investigation and appeal incurred by the prevailing party in such action or proceeding. The prevailing party shall remain entitled to recover the above attorneys' fees in the event the losing party or parties should become the subject of an order for relief under Title 11 of the United States Bankruptcy Code, or any successor statute or any other applicable statute.

29. Successors. This Sublease shall be binding upon and shall inure to the benefit of the parties hereto and their permitted successors and assigns.

30. Interpretation. The laws of the State of Texas shall govern the validity, construction and effect of this Sublease. Wherever the context so requires, the singular number shall include the plural, the plural shall refer to the singular, and the neuter gender shall include the masculine and feminine genders. In the event that any provision of this Sublease shall be adjudicated by a court of competent jurisdiction to be void, illegal, invalid or unenforceable, the remaining terms and provisions of this Sublease shall not be affected thereby, and each of such remaining terms and provisions of this Sublease shall be valid and enforceable to the fullest extent permitted by law and shall in no way be impaired thereby. If suit is initiated against any party hereto for any cause or matter arising from or in connection with any rights or obligations of the parties under this Sublease, the sole jurisdiction and venue for such action shall be Travis County, Texas or the nearest federal district court. The parties hereto acknowledge and agree that each has been given the opportunity to independently review this Sublease with legal counsel, and/or has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Since all parties have participated in the negotiation and drafting of this Sublease, in the event of an ambiguity in or dispute regarding the interpretation of same, the interpretation of this Sublease shall not be resolved by any rule of interpretation providing for interpretation against the party who causes the uncertainty to exist or against the draftsman.

31. Waiver Of Trial By Jury. SUBLANDLORD AND SUBTENANT DESIRE AND INTEND THAT ANY DISPUTES ARISING SOLELY BETWEEN THEM WITH RESPECT TO OR IN CONNECTION WITH THIS SUBLEASE BE SUBJECT TO EXPEDITIOUS RESOLUTION IN A COURT TRIAL WITHOUT A JURY. THEREFORE, TO THE MAXIMUM EXTENT PERMITTED BY LAW, SUBLANDLORD AND SUBTENANT EACH HEREBY WAIVE THE RIGHT TO TRIAL BY JURY OF ANY CAUSE OF ACTION, CLAIM, COUNTERCLAIM OR CROSS-COMPLAINT IN ANY ACTION, PROCEEDING OR OTHER HEARING BROUGHT BY EITHER SUBLANDLORD AGAINST SUBTENANT OR SUBTENANT AGAINST SUBLANDLORD ON ANY MATTER

WHATSOEVER ARISING OUT OF, OR IN ANY WAY CONNECTED WITH, THIS SUBLEASE, THE RELATIONSHIP OF SUBLANDLORD AND SUBTENANT, SUBTENANTS USE OR OCCUPANCY OF THE SUBLEASED PREMISES OR ANY CLAIM OF INJURY OR DAMAGE, OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY LAW, STATUTE, OR REGULATION, EMERGENCY OR OTHERWISE, NOW OR HEREAFTER IN EFFECT. THIS PROVISION DOES NOT APPLY TO ACTIONS, PROCEEDINGS OR HEARINGS INVOLVING OTHER PARTIES WHO HAVE NOT SO WAIVED.

32. Separate Counterparts. This Sublease may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall together constitute and be one and the same instrument.

33. Non-Waiver. The waiver by either part of any default in the performance by the other of any covenant contained herein shall not be construed to be a waiver of any preceding or subsequent default of the same or any other covenant contained herein.

34. Sublandlord's Default. In the event of a default by Sublandlord, Sublandlord shall commence promptly to cure, and diligently pursue to cure, such default immediately upon receipt of written notice from Subtenant specifying the nature of such default, and in any event such cure shall commence within ten (10) days from the date Subtenant delivers written notice of an alleged breach, and Sublandlord shall complete such cure within a commercially reasonable period of time. In the event Sublandlord does not cure a default within a commercially reasonable period of time, Subtenant may seek any remedy available at law or in equity.

35. Assignment. Subtenant may assign all or a portion of the Subleased Premises provided such assignment complies with Section 15.6 of the Overlease.

IN WITNESS WHEREOF, Sublandlord and Subtenant have caused this Sublease to be executed and delivered the date first above written.

MARSH USA INC.,
A Texas corporation

By: /s/ Randy Dillon

By: _____

LEGALZOOM.COM, INC.,
A Delaware corporation

By: /s/ Frank Monestere
Name: Frank Monestere
Title: President

EXHIBIT B
Overlease

Exhibit B

Exhibit "B"

June 16, 2003

COMMERCIAL OFFICE LEASE AGREEMENT

Bank One Corporation, a Delaware corporation, LANDLORD

AND

Marsh USA Inc., a Texas corporation, TENANT

TABLE OF CONTENTS

LIST OF DEFINED TERMS

BASIC LEASE INFORMATION

Effective Date:	June 9, 2003		
Tenant:	Marsh USA Inc., a Texas corporation		
Tenant's Address:	10900 Stonelake Boulevard, Suite 300 Austin, Texas, 78759		
Tenant's Contact:	Sean O'Donoghue	Telephone:	(212) 345-8676
Landlord:	Bank One Corporation, a Delaware corporation		
Landlord's Address: c/o	Bank One Real Estate 20 S. Clark Street, 17th Floor Chicago, Illinois 60603		
With copy to:	Bank One Law Department 1111 Polaris Parkway, Suite 4P Columbus, Ohio 43240 Attn: Mr. Thomas M. Hennessey		
Landlord's Contact:	Mike Weinberg		
Payments:	All Rent payments shall be sent to Landlord in care of ("**Property Manager**") at the address below, or such place as Landlord may designate from time to time. Payment Address: Bank One Real Estate 1111 Polaris Parkway, Suite 1J Columbus, Ohio 43240 Attn: Lease Administration		
Building:	(the "**Building**") located in Austin, Travis County, Texas, comprising 165,435 deemed net rentable square feet located on the real property (the "**Land**") as described in Exhibit "A" attached to this lease.		
Premises	59,152 deemed net rentable square feet located on the third floor of the Building as outlined on the plan attached to this Lease as Exhibit "A-1" and whose street address is 10900 Stonelake Boulevard, Austin, Texas.		
Original Term	Commencing upon the Commencement Date and ending at 5:00 p.m. on the last day of the Sixtieth (60th) full calendar month thereafter, (the "**Expiration Date**) subject to adjustment and earlier termination as provided in the Lease.		
Commencement Date	Sixty (60) days following the Execution Date of this Lease or such later date resulting from Landlord Delay.		
Expiration Date	5:00 PM on the last day of the Sixtieth (60th) full calendar month following the Commencement Date.		
Security Deposit	$ NONE		
Rent	Basic Rent, Tenant's Proportionate Share of Electrical Costs, Tenant's share of Excess, and all other sums that Tenant may owe to Landlord under the Lease.		
Expense Stops:	Real Property Taxes:	Greater of $2.25 per rentable square foot of Premises or the tax for 2003 as finally determined.	
	Utilities:	$2.40 per rentable square foot of Premises	
	Common Area Expenses:	2003 Base Year	
Initial Basic Rent:	$ 83,798.67 per month, which is based on an annual Basic Rent of $17.00 per rentable square foot.		

Permitted Use:	General office and call/service center use, including use incidental thereto, and for no other purpose without Landlord's prior written consent. No retail sales may be made from the Premises.
Tenant's Proportionate Share:	35.76%, which is the percentage obtained by dividing: (a) the 59,152 deemed net rentable square feet in the Premises by (b) the deemed net rentable square feet in the Building.
Guarantor:	Marsh USA Inc., a Delaware corporation

The foregoing Basic Lease Information is incorporated into and made a part of this Lease identified above. If any conflict exists between any Basic Lease Information and the Lease, then the Lease shall control.

TENANT

MARSH USA INC., A TEXAS CORPORATION

Name: /s/ Stephen R. Skeeter
Printed Name: Mr. Stephen R. Skeeter
Title: Managing Director

LANDLORD:

BANK ONE CORPORATION
a Delaware corporation

Name: /s/ Roy C. Keller
Printed Name: Roy C. Keller
Title: Senior Vice President

Name:
Printed Name:
Title:

LEASE AGREEMENT

This Lease Agreement (this "Lease") is entered into by BANK ONE CORPORATION, A DELAWARE CORPORATION ("Landlord"), and MARSH USA INC., A TEXAS CORPORATION, a ("Tenant").

1. **PREMISES, TERM, INITIAL IMPROVEMENTS, ACCEPTANCE OF PREMISES.**

1.1 Premises. Landlord leases to Tenant, and Tenant leases from Landlord, the space depicted on the floor plan attached as Exhibit A-1 (the "Premises"), subject to the terms and conditions in this Lease. The Premises are part of the 165,435 square foot building (the "**Building**") located on the real property described on Exhibit A (the "**Land**"). All references to "Building" shall individually and collectively refer to all buildings and the Parking Area (defined below) on the Land, now and during the lease Term (defined below), unless the context otherwise requires. Landlord and Tenant hereby agree that, the rentable square footage contained in the Premises is deemed to be 59,152 net rentable square feet and the rentable square footage of the Building is deemed to be net rentable square feet and Tenant's "**Proportionate Share**" of the Building is 35.76%. "**Common Areas**" will mean all areas, space, facilities, and equipment (whether or not located within the Building) made available by Landlord for the common and joint use of Landlord, Tenant, and others designated by Landlord using or occupying space in the Building or on the Land to the extent that the Common Areas are not expressly made a part of the Premises, and are made available for the use of all tenants in the Building. Landlord hereby grants Tenant a non-exclusive right to use the Common Areas during the lease Term in common with others designed by Landlord, subject to the terms and conditions of this Lease, including, without limitation, the restrictions on intended use and the Rules and Regulations (defined below).

1.2 Term. The lease term shall be sixty (60) months, beginning sixty (60) days following the Execution Date of the Lease (the "**Commencement Date**"), and ending at 5:00 PM on the last day of the Sixtieth (60^{th}) full calendar month thereafter (the "**Expiration Date**"), the original term of the Lease ("**Original Term**".) The Original Term, together with any renewals and extensions, shall be referred to collectively as the lease "**Term**." If the Commencement Date is not the first day of a calendar month, then the Term shall end sixty months after the first day of the first full calendar month of the Term. Following Substantial Completion (defined in Exhibit B), Landlord and Tenant shall execute an instrument specifying the Commencement Date and the Expiration Date of the Original Term.

1.3 Initial Improvements. If an Exhibit B is attached to this Lease, Tenant shall construct in the Premises the improvements (the "**Initial Improvements**" as defined in Exhibit B) described on the plans and specifications referenced on Exhibit B.

1.4 Tenant's Acceptance of Premises. By occupying the Premises, Tenant accepts the Premises in its **"AS-IS, WHERE IS"** condition as of the date of Tenant's occupancy, subject to all lights, restrooms, HVAC systems, and base building electrical (i.e. the "**Building Systems**") being in good working order and condition, and completion of punch-lists, if any relating to the Initial Improvements, if an Exhibit B is attached. If an Exhibit B is not attached, then Tenant accepts the Premises in its "**AS-IS, WHERE IS"** condition as of the date of Tenant's occupancy, and Landlord shall have no obligation to perform or pay for any repair or other work, other than as set forth in this Lease.

2. **RENT AND SECURITY DEPOSIT.**

2.1 Rent; No Right of Offset. The Basic Rent, the Additional Rent and all other payments and reimbursements required to be made by Tenant under this Lease, including any sums due under the attached Exhibit B, shall constitute "**Rent**." Tenant shall make each payment of the following items of Rent when due, without prior notice, demand, deduction or offset.

2.2 Basic Rent.

Tenant shall pay to Landlord "**Basic Rent**" equal to the following amounts for the following periods of time:

Time Period				Monthly Basic Rent	
Month 1	through	Month 60	Annual Rate of $17.00 PSF	$	83,798.67

The first monthly installment of Basic Rent, plus the other monthly charges set forth in Section 2.3, shall be due upon Lease Commencement. Monthly installments of Basic Rent shall then be due on the first day of each calendar month following the Commencement Date. If the Term begins on a day other than the first day of a month or ends on a day other than the last day of a month, the Basic Rent and Additional Rent for each partial month shall be prorated.

2.3 Additional Rent. On the same day that Basic Rent is due, Tenant shall pay as "**Additional Rent"** its Proportionate Share of Excess (defined below).

2.3.1 Operating Expenses.

2.3.1.1 Tenant shall pay an amount (per each rentable square foot in the Premises) equal to the excess ("**Excess**") from time to time of actual Operating Expenses per rentable square foot in the Building over the respective expense stops for Real Property Taxes, Utilities, and Common Area Expenses (collectively the "**Expense Stops**") as defined hereafter:

Real Property Taxes:	Greater of $2.25 per rentable square foot or the actual taxes for 2003 as finally determined.
Utilities:	$2.40 per rentable square foot
Common Area Expenses:	Actual Common Area Expenses in calendar year 2003

Landlord may collect such amount in a lump sum, to be due within 30 days after Landlord furnishes to Tenant the Annual Cost Statement. Alternatively, Landlord may make a good faith estimate of the Excess to be due by Tenant for any calendar year or part thereof during the Term, and, unless Landlord delivers to Tenant a revision of the estimated Excess, Tenant shall pay to Landlord, on the Commencement Date and on the first day of each calendar month thereafter, an amount equal to the estimated Excess for such calendar year or part thereof divided by the number of months in such calendar year during the Term. From time to time during any calendar year, Landlord may estimate and re-estimate the Excess to be due by Tenant for that calendar year and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Excess payable by Tenant shall be appropriately adjusted in accordance with the estimations so that, by the end of the calendar year in question, Tenant shall have paid all of the Excess as estimated by Landlord. Any amounts paid based on such an estimate shall be subject to adjustment pursuant to Section 2.3.1.4 of this Lease when actual Operating Expenses are available for each year.

2.3.1.2 Operating Expenses Inclusions. Operating Expenses shall include all expenses and disbursements of every kind which Landlord reasonably incurs, pays or becomes obligated to pay in connection with the ownership, operation and maintenance of the Building and Land including, but not limited to, the following: (1) Taxes (defined below) and the cost of any tax consultant employed to assist Landlord in determining the fair tax valuation of the Building and Land; (2) the costs of all utilities other than the cost of utilities actually reimbursed to Landlord by Building's tenants; (3) the cost of insurance; (4) the cost of repairs, replacement, and general maintenance of the Building, (5) cost of service or maintenance contracts with independent contractors for the operation, maintenance, repair, and/or replacement or security of the Building [including without limitation window cleaning, elevator maintenance, landscape maintenance and replacement, and security service (if provided)]; (6) the cost of dues, assessments, and other charges applicable to the Land payable to any property or community owner association under restrictive covenants or deed restrictions to which the Premises are subject; (7) the annual cost of all capital improvements made to the Building and/or the Land which, although capital in nature, can reasonably be expected to reduce normal operating costs of the Building (but only to the extent of savings realized), as well as alterations, additions, and improvements made by Landlord to comply with Law (defined below) first coming into effect after the date hereof, as amortized over the useful economic life of such improvements as determined by Landlord in its reasonable discretion (without regard to the period over which such improvements may be depreciated or amortized for Federal income tax purposes); (8) all supplies and materials used in the operation, managements, maintenance, replacements, repair and security of the Building; and (9) wages and salaries (including management fees) of all employees engaged in the operation, repair, replacement, maintenance and security of the Building, including taxes, insurance, and benefits relating thereto. Items (3) through (9) above being further defined herein as "**Common Area Expenses**").

2.3.1.3 Operating Expense Exclusions. Operating Expenses shall not include the following (1) any loan costs for interest, principal amortization, or other payments on loans to Landlord; (2) leasing commissions, advertising expenses and all other marketing expenses; (3) legal expenses other than those incurred for the general benefit of the Building's tenants; (4) allowances, concessions, and other costs of renovating or otherwise improving space for occupants of the Building or vacant space in the Building; (5) income taxes imposed on or measured by the income of Landlord from the operation of the Building; (6) costs incurred in connection with the original construction of the Building or for correcting defects or inadequacy in the construction of the Building; (7) for depreciation of the Building; (8) for capital improvements made to the Building, other than capital improvements described in 2.3.1.2 above and except for items which, though capital for accounting purposes, are properly considered maintenance and repair items, such as painting of Common Areas, replacement of carpet in elevator lobbies, and the like provided their useful lives are five years or less; (9) for repair, replacements and general maintenance that should be paid by proceeds of insurance or by Tenant or other third parties, and alterations attributable solely to tenants of the Building other than Tenant; (10) rents due under ground leases; (11) any bad debt loss, rent loss or reserves for bad debt or rent loss; (12) the expense of services provided to other tenants in the Building which are not provided to Tenant on a rent inclusive basis hereunder; (13) costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building, costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management, or fees or costs paid in connection with disputes with other tenants; (14) any damage or loss resulting from any casualty which the Landlord covenanted to insure against; (15) management fees in excess of three percent (3%) of gross revenue of the Building, (16) salaries to Manager or Landlord above the position of property manager, (17) charitable contributions; (18) costs to install, repair or remove signs at or near the top of the Building that include the name of a tenant of the Building; and (19) any other reasonable expenses which, in accordance with GAAP, would not normally be treated as Operating Costs by landlords of Class A Buildings, such as costs for artwork in excess of

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$5,000 annually, dining clubs, restaurants and helicopter pads (other than for emergency use) which the parties agree are not normal Operating Expenses; (20) costs for which Landlord is reimbursed; (21) unrecovered expenses directly resulting from the negligence of the Landlord, its agents, servants or employees; (22) the wages of any employee who does not devote substantially all of his time to the Building or to other Landlord buildings, but only such allocation or amount in proportion to the extent such employees devotes time to the Building (allocations of the time of pooled employees are permitted); (23) fines, penalties, and interest thereon; (24) any costs whatsoever incurred in connection with the ownership, management and operating of a garage or parking area which does not supply free parking to tenant and its invitees; (25) costs of running the Building office and salaries of persons above the one person (or more than one person in the event such persons are allocated between other buildings of Landlord) who directly supervises labor in construction and maintenance; (26) any costs or expenses which are more than two (2) fiscal years old; (27) any costs or expenses that are incurred directly or indirectly with respect to Landlord's indemnity obligations under this lease; (28) any costs or expenses that are incurred to make any of Landlord's representations or warranties under this lease true and correct; (29) costs attributable to leasable area located in the lobby of the Building to the extent that the use (e.g., restaurant use) of such space by a tenant imposes a burden on Building services, including cleaning, that is materially greater than those base building services provided to other tenants in the Building; (30) except as specifically provided above in Sections 2.3.1.2 and 2.3.1.3, capital items which shall be deemed to be any item having an expected useful life in excess of three years. If a capital item is leased by Landlord, rather than purchased, the decision by Landlord to lease the item in question shall not serve to increase the Tenant's proportionate share of operating expenses beyond that which would have applied had the item in question been purchased.

2.3.1.4 Operating Expense Calculation and Annual Cost Statements. Within a reasonable time after the end of each calendar year and the Expiration Date, Landlord shall prepare and deliver to Tenant an Annual Cost Statement showing Tenant's actual Excess of Operating Expenses for the applicable calendar year, provided that with respect to the calendar year in which the Expiration Date occurs, (1) that the calendar year shall be deemed to have commenced on January 1 of that year and ended on the Expiration Date (the "**Final Calendar Year**") and (2) Landlord shall have the right to estimate the actual Excess allocable to the Final Calendar Year. Unless Tenant makes written exception to any item within thirty (30) days after Landlord furnishes its Annual Cost Statement of Tenant's Excess, the Annual Cost Statement shall be considered as final and accepted by Tenant. If Tenant's total monthly payments of Tenant's Excess for the applicable calendar year are more than Tenant's actual Excess, then Landlord shall retain the excess and credit the amount against Tenant's future Excess payments. With respect to the Final Calendar Year, Landlord shall pay to Tenant the amount of all excess payments, less any additional amounts then owed to Landlord. If Tenant's total monthly payments of Tenant's Excess for any year are less than Tenant's actual Excess for that year, Tenant shall pay the difference to Landlord within ten (10) days after Landlord's request for payment. There shall be no duplication of costs for reimbursements in calculating Operating Expenses.

2.3.1.5 Grossed-Up Operating Expenses. If during any year the Building is less than ninety-five percent (95%) occupied, then, for purposes of calculating Operating Expenses for that year, the amount of Operating Expenses that fluctuates with Building occupancy shall be "grossed-up" to the amount which, in Landlord's reasonable estimation, it would have been had the Building been ninety-five percent (95%) occupied for that entire year. Grossed-up expenses shall include by definition janitorial costs and supplies, utilities, HVAC repairs and maintenance, and variable management fees. Grossed up expenses shall not include fixed expenses such as landscaping and Real Property Taxes.

2.3.1.6 Cap on Controllable Common Area Expenses. Tenant shall not be responsible for the Excess relating to the annual year-over-year growth of Common Area Expenses that are under the reasonable control by Landlord. As defined herein, those controllable expenses are all Common Area Expenses, with the exception of insurance and a variable management fee not to exceed three percent (3.0%).

2.4 Late Fee. If any Rent or other payment required of Tenant under this Lease is not paid when due, Landlord may charge Tenant, and Tenant shall pay upon demand a fee equal to two percent (2.0%) of the delinquent payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency; provided however, that Landlord shall give written notice of such delinquency to Tenant with opportunity to cure within a ten (10) day period after the date of such notice without such late charge, provided Landlord shall not be obligate to furnish Tenant with more than one (1) written notice of a delinquency and opportunity to cure each calendar year during the Term of the Lease. All such fees shall be Additional Rent.

2.5 Initial Monthly Rent. The amounts of the initial monthly Basic Rent and Additional Rent for Tenant's Proportionate Share of Operating Expenses and Taxes are as follows:

Basic Rent (Section 2.2)	$	83,798.67
Excess Taxes (Defined below)	$	0.00
Excess Utilities	$	0.00
Excess Common Area Expenses	$	0.00
Total initial monthly payment	$	83,798.67

2.6 Security Deposit. Intentionally Deleted.

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3. TAXES

3.1 Real Property Taxes. The term **"Taxes"** shall include all taxes, assessments and governmental charges that accrue against the Land and the Building, whether federal, state, county, or municipal, and whether imposed by taxing or management districts or authorities presently existing or hereafter created. Landlord shall pay the Taxes, and Tenant shall pay Landlord for Tenant's Proportionate Share of the Taxes. If, during the Term, there is levied, assessed or imposed on Landlord a capital levy or other tax directly on the Rent; or a franchise tax, assessment, levy or charge measured by or based upon the Rent; then all such taxes, assessments, levies or charges, or any part so measured or based, shall be included within the term "Taxes." Taxes does not include obligations incurred to procure the right to build the Building such as transit fees or any tax not imposed exclusively on the ownership or operation of interests in real property as opposed to commercial enterprises generally.

3.2 Personal Property Taxes. Tenant shall before delinquency pay all taxes and assessments levied or assessed against any personal property, trade fixtures or alterations placed in or about the Premises; and upon Landlord's request, deliver to it receipts from the applicable taxing authority or other evidence acceptable to Landlord to verify that the taxes have been paid. If any such taxes are levied or assessed against Landlord or its property, and (1) Landlord pays them or (2) the assessed value of Landlord's property is increased and Landlord pays the increased taxes, then Tenant shall pay to Landlord the amount of all such taxes within ten (10) days after Landlord's request for payment. All such amounts shall bear interest from the date paid by Landlord to the applicable taxing authority until reimbursed by Tenant at the rate set forth in Section 24.13.

4. LANDLORD'S MAINTENANCE AND REPAIR OBLIGATIONS.

In addition to those obligations set forth hereafter in Section 8 Services and Utilities. Landlord's maintenance obligations shall be to maintain the Building as a first class office building, but Landlord shall not be obligated to maintain or repair Tenant's fixtures, alterations, additions, partitions, improvements, equipment, trade fixtures, inventory and personal property.

5. TENANT'S MAINTENANCE AND REPAIR OBLIGATIONS

5.1 Tenant's Maintenance of the Premises. Tenant shall maintain the Premises in a clean, safe, operable, attractive condition and shall not permit or allow to remain any waste or damage to any portion of the Premises. Subject to Section 10, Tenant shall repair or replace, subject to Landlord's direction and supervision any damage to the Building caused by Tenant or Tenant Party. All repairs and replacements performed by or on behalf of Tenant shall be performed in a good and workmanlike manner acceptable in all respects to Landlord, and in accordance with Landlord's standards applicable to alterations or improvements performed by Tenant. Tenant shall repair and pay for any damage caused by any failure by Tenant to perform obligations under this Lease. Tenant and any Tenant Party shall not do anything that would inhibit or prevent other tenants' use and enjoyment of the Common Areas.

5.2 Landlord's Optional Performance of Tenant's Obligations. In the event Tenant fails to maintain the Premises as required in this Section 5, and following Landlord's delivery of written notice to Tenant describing with reasonable detail the nature of such failure, Tenant shall have thirty (30) days to remedy such failure to maintain. Thereafter, Landlord has the right, but not the obligation, to perform or provide any maintenance, repairs or replacements to be performed by Tenant under this Section 5 and to provide any utility service required to be provided under Section 8 below, upon notice to Tenant. Should Landlord elect to do so, Tenant shall reimburse Landlord for all expenses and costs incurred by Landlord in performing Tenant's obligations plus an additional five percent (5%) of such amount to compensate Landlord for the overhead and administrative costs relating to the performance of all such obligations. All such amounts owing pursuant to this Section 5 shall be deemed Rent under this Lease, which Tenant shall pay Landlord within ten (10) days after Landlord's request for payment.

6. **ALTERATIONS BY TENANT.**

6.1 No Tenant Alterations. Tenant shall not make any changes, modifications, alterations, additions or improvements to the Premises, or install any heat or cold generating equipment, or other equipment, machinery or devices in the Premises or any other part of the Building without the prior written consent of Landlord (except for cosmetic and light wall portioning and minor rewiring, provided no building permit is required by the City of Austin).

6.2 Requirements for Landlord's Written Consent. Landlord shall not be required to notify Tenant of whether it consents to any alterations until it has received plans and specifications which are sufficiently detailed to allow construction of the work depicted in them to be performed in a good and workmanlike manner, and Landlord has had a reasonable opportunity to review them. Without in any way limiting Landlord's rights to refuse its consent to Tenant's proposed alterations, if Landlord consents in writing to Tenant's proposed alterations, then Landlord's consent shall be conditioned without limitation on all of the following: (1) Landlord's reasonable approval of the contractor or person making the alterations and approving each contractor's insurance coverage provided in connection with the alterations and their installation, (2) Landlord's supervision of their installation, (3) Landlord's approval of final and complete plans and specifications for the alterations and their installation, (4) the appropriate governmental agency, if any, having final and complete plans and specifications for such work, and (5) Landlord's determination of whether any changes, modifications, alterations, additions or improvements to the Premises, or installations of any equipment or machinery would do any of the following: (i) adversely affect structural or load bearing portions of the Premises or the Building, (ii) result in a material increase of electrical usage above the normal type of amount of electrical current to be provided by Landlord, (iii) result in an above-standard increase of Tenant's use of heating or air conditioning, (iv) impact mechanical, electrical or plumbing systems in the Premises or the Building, (v) affect areas of the Premises that can be viewed from Common Areas, (vi) require greater or more difficult cleaning work, such as kitchens, reproduction rooms, or interior glass partitions, etc., or (vii) violate any

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provision in Section 13 of this Lease or Exhibit B, attached hereto. If the alterations will affect the Building structure, HVAC System, or mechanical, electrical, or plumbing systems, then the plans and specifications must be prepared by a licensed engineer reasonably acceptable to Landlord. Landlord's approval of any plans and specifications shall not be a representation that the plans or the work depicted in them will comply with any applicable Law (defined below) or be adequate for any purpose, but shall merely be Landlord's consent to Tenant's installation of the alterations. Tenant shall bear the risk of complying with Title III of the Americans with Disabilities Act of 1990, the Texas Elimination of Architectural Barriers Act, and all rules, regulations and guidelines promulgated under either of such acts, as amended from time to time (the **"Disabilities Acts"**) within the Premises, and Landlord shall bear the risk of complying with the Disabilities Acts in the Common Areas of the Building other than compliance that is necessitated by the use of the Premises for other than the Permitted Use (which risk and responsibility shall be borne solely by Tenant). Landlord shall have the right, but not the obligation, to periodically inspect the work in the Premises and may require changes in the method or quality of the work. If Landlord's consent is granted, any such changes, modifications, alternations, additions, improvements or installations shall be made at Tenant's sole cost and expense.

6.3 Tenant's Obligations. Landlord represents that to the best of its actual knowledge, that the "as-built" plans of the Premises in CADD form delivered to Tenant prior to the Execution Date are materially correct. Upon completion of any alteration requiring approval under this Lease, Tenant shall deliver to Landlord accurate, up to date reproducible "as-built" plans. If Tenant has not delivered to Landlord the as-built drawings within thirty (30) days of completion of the alterations, Landlord may contract for production of as-built drawings at Tenant's sole cost and expense by providing Tenant five (5) days written notice of Landlord's intent to contract for such drawings. Tenant shall reimburse Landlord for such costs within ten (10) days of Landlord's request for payment. All work performed by Tenant in the Premises, including work relating to the alterations or their repair, shall be performed in a good and workmanlike manner in accordance with Law (defined below) and with Landlord's and Landlord's insurance carriers' specifications and requirements.

6.4 Ownership of Alterations. Upon the Expiration Date or earlier termination of this Lease, Tenant shall return the Premises to Landlord clean and in the condition existing at the time Tenant took possession of the Premises, except for: (1) ordinary wear and tear, (2) damage that Landlord has the obligation to repair under the terms of this Lease, (3) all changes, modifications, alterations, additions or improvements that Tenant does not have the obligation to remove under the terms of this Section 6.4, and (4) damage by casualty. Except as provided below, all changes, modifications, alterations, additions or improvements and property at the Premises (including wall to wall carpeting, paneling or other wall covering and any other surface material attached to or affixed to the floor, wall or ceiling of the Premises) will remain in and be surrendered with the Premises upon the Expiration Date or earlier termination of this Lease, and Tenant waives all rights to any payment, reimbursement or compensation for the property that must remain at the Premises in accordance with this subsection. Tenant must, however, remove from the Premises prior to the Expiration Date or earlier termination of this Lease any changes, modifications, alterations, additions or improvements that Landlord has designated for removal at the time of Landlord's written approval of such changes, modifications, alterations, additions or improvements. Notwithstanding, the parties agree that Landlord may not designate for the removal items typically found in other first class office buildings, unless such items adversely impact the cost of subsequent reuse or re-tenanting (such as raised computer floors, full kitchens, supplemental HVAC units, etc.). Tenant shall not be required to remove from the Premises any of the changes, modifications, alterations, additions or improvements which are constructed in the Premises with the Construction Plans (as defined in Exhibit "B") or those that do not require Landlord's approval. Tenant must promptly repair any damage to the Premises caused by its removal of personal property, changes, modifications, alterations, additions or improvements, and leave a surface ready to receive a new finish.

6.5 Trade Fixtures. Tenant may erect shelves, bins, machinery and trade fixtures provided that such items (1) do not alter the basic character of the Premises or the Building; (2) do not overload or damage the same; and (3) may be removed without damage to the Premises. Unless Landlord specifies in writing otherwise, all alterations, additions, and improvements shall be Landlord's property when installed in the Premises.

7. **SIGNS**

7.1 Premises' Exterior. Tenant shall not without Landlord's prior written consent (1) make any changes to the exterior of the Premises or the Building, (2) install any exterior lights, decorations, balloons, flags, pennants, banners or paintings, (3) erect or install any signs, windows, blinds, draperies, window treatments, bars, security installations, or door lettering, decals, window or glass-front stickers, placards, decorations or advertising media of any type that is visible from the exterior of the Premises.

7.2 Requirements for Landlord's Written Consent. Landlord shall not be required to notify Tenant in writing of whether it consents to any sign until Landlord (1) has received detailed, to-scale drawings specifying the design, material composition, color scheme, and method of installation, and (2) has had a

reasonable opportunity to review them. Notwithstanding the foregoing, Landlord shall provide its consent in its sole discretion.

8. **SERVICES AND UTILITIES**.

8.1 Services. Landlord shall use all reasonable efforts to furnish to Tenant: (i) water (hot and cold) at those points of supply provided for general use of tenants of the Building; (ii) heated and refrigerated air conditioning as appropriate, in accordance with Exhibit E hereto; (iii) janitorial service (including trash removal), in accordance with Exhibit F attached hereto and incorporated herein, to the Premises on Business Days other than Holidays for Building-standard installations (Landlord reserves the right to bill Tenant separately, at cost, for extra janitorial service required for non-standard installations) and such window washing as may from time

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to time in Landlord's judgment be reasonably required; (iv) elevators for ingress and egress to the floor on which the Premises are located, in common with other tenants, provided that Landlord may reasonably limit the number of elevators to be in operation at times other than during customary Business Hours and on Holidays; (v) replacement of Building-standard light bulbs and fluorescent tubes, provided that Landlord's standard charge for such bulbs and tubes shall be paid by Tenant; and (vi) electrical current during normal Business Hours other than for computers, electronic data processing equipment, special lighting, equipment that requires more than 110 volts, or other equipment whose electrical energy consumption exceeds normal office usage (110/208 volt 3-phase capable of providing up to 8.5 watts per rentable square foot for Tenant's total power requirements to each floor (i.e. receptacles, lighting, HVAC, etc.)), and (v) contract or salaried surveillance personnel on site during Normal Business Hours (as defined below). Landlord shall maintain the Common Areas of the Building in reasonably good order and condition. If Tenant desires any of the services specified in this subparagraph at any time other than times herein designated, such services shall be supplied to Tenant upon the written request of Tenant delivered to Landlord before 3:00 p.m. on the same Business Day, and Tenant shall pay to Landlord the actual cost of such services, without mark-up, within ten days after Landlord has delivered to Tenant an invoice therefor. Landlord's current hourly charge for after-hours service is $35.00 per air handler, subject to change by Landlord. **"Business Days"** means Monday through Friday (except for Holidays); **"Normal Business Hours"** means 7:00 a.m. to 6:00 p.m. on Business Days and 8:00 a.m. to 1:00 p.m. on Saturday (other than Holidays); and **"Holidays"** means New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

8.2 Excess Utility Use. Landlord shall use reasonable efforts to furnish electrical current for computers, electronic data processing equipment, special lighting, equipment that requires more than 110 volts, or other equipment whose electrical energy consumption exceeds normal office usage through the then-existing feeders and risers serving the Building and the Premises, and Tenant shall pay to Landlord the cost of such service within ten (10) days after Landlord has delivered to Tenant an invoice therefor. Landlord may determine the amount of such additional consumption and potential consumption by either or both: (i) a survey of standard or average tenant usage of electricity in the Building performed by a reputable consultant selected by Landlord and paid for by Tenant; or (ii) a separate meter in the Premises installed, maintained, and read by Landlord, at Tenant's expense. Tenant shall not install any electrical equipment requiring special wiring or requiring voltage in excess of 110 volts or otherwise exceeding capacity of the feeders or lines to the Building or the risers or wiring installation of the Building or the Premises unless approved in advance by Landlord. The use of electricity in the Premises shall not exceed the capacity of existing feeders and risers to or wiring in the Premises. Any risers or wiring required to meet tenant's excess electrical requirements shall upon Tenant's written request, be installed by Landlord, at Tenant's cost, if, in Landlord's sole and absolute judgment, the same are necessary and shall not cause permanent damage or injury to the Building or the Premises, cause or create a dangerous or hazardous condition, entail excessive or unreasonable alterations, repairs, or expenses, or interfere with or disturb other tenants of the building. If Tenant uses machines or equipment (other than general office machines, excluding computers and electronic data processing equipment) in the Premises which affect the temperature otherwise maintained by the air conditioning system or otherwise overload any utility, Landlord may install supplemental air conditioning units or other supplemental equipment in the Premises, and the cost thereof, including the cost of installation, operation, use and maintenance, shall be paid by Tenant to Landlord within ten (10) days after Landlord has delivered to Tenant an invoice therefor.

8.3 Discontinuance. Landlord's obligation to furnish services under Section 8 shall be subject to the rules and regulations of the supplier of such services and governmental rules and regulations. Landlord may, upon not less than thirty (30) days prior written notice to Tenant, discontinue any such service to the Premises, provided Landlord first arranges for a direct connection thereof through the supplier of such service. Tenant shall, however, be responsible for contracting with the supplier of such service and for paying all deposits for, and costs relating to, such service.

8.4 Restoration of Services. Landlord shall use reasonable efforts to restore any service that becomes unavailable; however, such unavailability shall not render Landlord liable for any interruption or failure of utility service to the Premises. If the curtailment was within Landlord's reasonable control and such curtailment continues for three (3) business days, then Landlord shall grant Tenant one day of abatement in Basic Rent for each day past the third day such service is unavailable. Alternatively, if the curtailment was not within Landlord's reasonable control and such curtailment continues for ten (10) business days, then Landlord shall grant Tenant one day of abatement in Basic Rent for each day past the tenth day such service is unavailable. Other than the abatement referenced above in this Section 8.4, Tenant shall not be entitled to any other abatement or reduction of Rent by reason of any damages, interruption or failure of utilities or other services to the Premises or any damages caused thereby. Any such interruption or failure in any utility or service shall not be construed as an eviction, constructive or actual of Tenant or as a breach of the implied warranty of suitability, and shall not relieve Tenant from the obligation to perform any covenant or agreement under this Lease. All amounts due from Tenant under this Section 8 shall be payable within ten (10) days after Landlord's request for payment.

9. **INSURANCE BY TENANT.** Tenant shall, during the Lease Term, procure at its expense and keep in force the following insurance:

9.1 Commercial General Liability Insurance. Commercial general liability insurance naming the Landlord, Bank One Corporation, Landlord's Mortgagee (defined below), and Property Manager as additional insureds against claims for bodily injury and property damage occurring in or about the Premises arising from or in connection with Tenant's wrongful acts or omissions in its use or occupancy of the Premises. The insurance policy or policies shall have a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence with a Two Million Dollar ($2,000,000) aggregate limit and excess umbrella liability insurance in the amount of Two Million Dollars ($2,000,000). If Tenant has other locations that it owns or leases, the policy shall include an aggregate

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limit per location endorsement. The liability insurance shall be primary and not "contributing to" any insurance available to Landlord, and Landlord's insurance shall be in excess of all of Tenant's insurance. In no event shall the limits of Tenant's insurance limit its liability under this Lease.

9.2 Property Insurance. Property insurance insuring; 1) all fixtures, alterations, additions, partitions, improvements and equipment installed in the Premises, 2) trade fixtures, 3) inventory, and 4) personal property located on or in the Premises for perils covered by the causes of loss - special form (all risk), including coverage for flood, earthquake and damages from any boiler and machinery, if applicable. The insurance shall be written on a replacement cost basis in an amount equal to one hundred percent (100%) of the full replacement value of the aggregate of the foregoing.

9.3 Workers' Compensation Insurance. Workers' compensation insurance in accordance with the Laws of the State of Texas and employer's liability insurance in an amount not less than Five Hundred Thousand Dollars ($500,000.00). The worker's compensation insurance must include an all-states endorsement.

9.4 Other Insurance. Tenant shall also keep in force all other insurance that Landlord reasonably deems necessary and prudent or that is reasonably required by Landlord's beneficiaries or mortgagees of any deed of trust or mortgage encumbering the Premises, the Building, or the Land.

9.5 Standard of Tenant's Insurance. Each policy required to be maintained by Tenant shall be with companies rated A-X or better in the most current issue of Best's Insurance Reports and will contain endorsements that (1) such insurance may not lapse with respect to Landlord or its Property Manager or be canceled or materially amended with respect to Landlord or its Property Manager without the insurance company's endeavor to give Landlord and its Property Manager at least ten (10) days prior written notice of every such cancellation or amendment, (2) Tenant shall be solely responsible for payment of premiums, (3) in the event of payment of any loss covered by any policy, Tenant's insurance, as to covered claims arising from the Premises, shall be primary in the event of overlapping coverage with insurance which may be carried by Landlord. Insurers shall be licensed to do business in the state in which the Premises are located and domiciled in the United States. Any deductible amounts under any required insurance policies shall not exceed $25,000. Tenant shall deliver to Landlord duplicate originals of certificates of insurance. Tenant shall have the right to provide insurance in a "blanket" policy, if the required blanket policy expressly provides coverage to the Premises and to Landlord as required by this Lease.

9.6 Landlord's Rights. In the event Tenant does not purchase the insurance required by this Lease or keep any required insurance in full force and effect, Landlord may, but shall not be obligated to, purchase the necessary insurance and pay the premium. Tenant shall repay to Landlord, as Additional Rent, the amount so paid promptly upon demand. In addition, Landlord may recover from Tenant and Tenant agrees to pay, as Additional Rent, any and all expenses, including attorneys' fees, and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain any insurance.

9.7 Nature of Tenant's Obligation. Tenant's insurance obligations under this Section 9 are freestanding obligations which are not dependent on any other conditions or obligations under this Lease.

9.8 Insurance by Landlord. Landlord shall, during the Lease Term, procure and keep in force the following insurance, the cost of which may be deemed as Additional Rent payable, by Tenant pursuant to Section 2.3.:

(1) PROPERTY INSURANCE. "All Risk" property insurance, including, without limitation, coverage for earthquake and flood in such amounts as are customary in Austin, Texas; and machinery (if applicable); sprinkler damage; vandalism; malicious mischief. Such Insurance shall not cover Tenant's equipment, trade fixtures, inventory, fixtures or personal property located on or in the Premises;

(2) LIABILITY INSURANCE. Commercial general liability (lessor's risk) insurance against any and all claims for bodily injury, death or property damage occurring in or about the Building or the Land. Such insurance shall have a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence with a Two Million Dollar ($2,000,000) aggregate limit; and

(3) OTHER. Such other insurance, including but not limited to Loss of Rents coverage, as Landlord deems necessary and prudent.

10. **SUBROGATION OF RIGHTS OF RECOVERY. LANDLORD AND TENANT MUTUALLY WAIVE THEIR RESPECTIVE RIGHTS OF RECOVERY AGAINST EACH OTHER FOR ANY LOSS OF, OR DAMAGE TO, EITHER PARTY'S PROPERTY, TO THE EXTENT THAT THE LOSS OR DAMAGE IS INSURABLE UNDER AN INSURANCE POLICY REQUIRED UNDER THIS LEASE TO BE IN EFFECT AT THE TIME OF THE LOSS OR DAMAGE.** Each party shall obtain any special endorsements, if required by its insurer, under which the insurer shall waive its rights of subrogation against the other party.

11. **CASUALTY DAMAGE.**

11.1 Destruction. Tenant immediately shall give written notice to Landlord of any damage to the Premises, the Building, or the Land. If the Premises, the Building, or the Land are totally destroyed by an insured peril, or so damaged by an insured peril that, in Landlord's reasonable estimation (to be given in writing

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within thirty (30) days after the occurrence), rebuilding or repairs cannot be substantially completed (exclusive of leasehold improvements Tenant makes) within one hundred eighty (180) days after the date of Landlord's actual knowledge of the damage, and Landlord does not elect to relocate Tenant as described below, then either party may terminate this Lease by delivering to the other written notice of termination within fifteen (15) days after the Landlord issues its estimate. Notwithstanding, Landlord may undertake, at its expense, to relocate Tenant to office space reasonably comparable to the Premises, provided that Landlord notifies Tenant of its intention to do so in a written notice delivered to Tenant within thirty (30) days after the damage, and in such instance this Lease shall continue in full force and effect. Such relocation may be for a portion of the remaining Term or the entire Term. Landlord shall complete any such relocation within ninety (90) days after Landlord has delivered such written notice to Tenant. If Landlord does not elect to relocate Tenant following such damage to the Premises or the Building, then Tenant may terminate this Lease by delivering to Landlord written notice of termination within fifteen (15) days following the date on which Landlord notifies Tenant in writing of the estimated time for the restoration. In either event, the Rent shall be abated during the unexpired portion of this Lease, effective upon the date the damage occurred. Time is of the essence with respect to the delivery of all notices of damage and termination.

11.2 Restoration of Premises. Subject to Section 11.3, if this Lease is not terminated under Section 11.1, then Landlord shall restore the Premises to substantially its previous condition, except that Landlord shall not be required to rebuild, repair or replace any part of the alterations, other improvements, or personal property required to be covered by Tenant's insurance under Section 9. If the Premises are untenantable, in whole or in part, during the period beginning on the date the damage occurred and ending on the date of substantial completion of Landlord's repair or restoration work, then the Rent for that period shall be reduced to such extent as may be fair and reasonable under the circumstances.

12. **INDEMNIFICATION.**

12.1 Indemnity by Tenant. Tenant will indemnify the Landlord from loss, cost or expense including reasonable attorneys' fees incurred by reason of the negligent or willful acts or omissions of those for whom in the circumstances Tenant is responsible in law which also arise from Tenant's use or occupancy of the Premises.

12.2 Indemnity by Landlord. Landlord will indemnify Tenant from loss, cost or expense including reasonable attorneys' fees incurred by reason of the negligent or willful acts or omissions of those for whom in the circumstances Landlord is responsible in law which also arise from Landlord's maintenance or

management of the Building, except to the extent covered by Tenant's use or occupancy of the Premises described in 12.1 above.

12.3 Limitations of the Indemnification. These indemnities are limited:

(i) by the waivers set forth in Section 10 above;

(ii) to the indemnitor's equitable share of the losses, costs or expenses based on the relative culpability of each person whose negligent or willful acts or omissions contributed to the loss;

(iii) to direct, proximately caused damages as opposed to consequential or indirect damages or business interruption.

This indemnity shall not be deemed or construed to make a party liable for any matter that the other party is obligated to do by this Lease, by law, pursuant to the other party's obligation to a third party, or otherwise.

13. **USE: COMPLIANCE WITH LAWS; PARKING.**

13.1 Permitted Use. The Premises shall be used only for general office use, and for no other purpose without Landlord's prior written consent. No retail sales may be made from the Premises. The Premises shall not be used for any use which is disreputable, and no part of the Premises shall be used as an escort service, a massage parlor or spa, blood bank, medical clinic, or an adult book or adult videotape store (which are defined as stores in which any portion of the inventory is not available for sale or rental to children under 18 years old because such inventory explicitly details with or depicts human sexuality). Tenant shall not sell, display, transmit or distribute (electronically or otherwise) materials or merchandise of a pornographic nature or merchandise generally sold in an adult book or adult video tape store (as defined above). Tenant shall not use the Premises as living or sleeping quarters or a residence. Tenant shall not use the Premises to receive, store or handle any product, material or merchandise that is explosive or highly inflammable or hazardous. Tenant shall keep the Premises neat and clean at all times. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, light, noise or vibrations to emanate from the Premises; nor commit, suffer or permit any waste in or upon the Premises; nor at any time sell, purchase or give away or permit the sale, purchase or gift of food in any form by or to any of Tenant's agents or employees or other parties in the Premises; nor take any other action that would constitute a public or private nuisance or would disturb the quiet enjoyment of any other tenant of the Building, or unreasonably interfere with, or endanger Landlord or any other person; nor permit the Premises to be used for any purpose or in any manner that would (1) void the insurance thereon, (2) increase the insurance risk, (3) cause the disallowance of any sprinkler credits, (4) violate any Law (defined below) including, but not limited to, any zoning ordinance, or (5) be dangerous to life, limb or property. Tenant shall pay to Landlord on demand any increase in the cost of any insurance on the Premises or the Building incurred by Landlord, which is caused by Tenant's use of the Premises or because Tenant vacates the Premises, and acceptance of such payment shall not constitute a waiver of any of Landlord's other rights or remedies nor a waiver of Tenant's duty to comply herewith.

13.2 Compliance with Laws. Tenant shall be solely responsible for satisfying itself and Landlord that the Permitted Use will comply with all applicable Laws. Tenant shall, at its sole cost and expense, be responsible for complying with all Laws (defined below) and Rules and Regulations (defined below) applicable to the use, occupancy, and condition of the Premises. However, Tenant shall not bear the cost of improvements or modifications to the Building or structural and mechanical elements of the Premises (i.e. such as sprinkler or elevator modifications). Tenant shall promptly correct any violation of a Law, or Rules or Regulations with respect to the Premises. Tenant shall comply with any direction of any governmental authority having jurisdiction which imposes any duty upon Tenant or Landlord with respect to the Premises, Building, and/or Land, or with respect to the occupancy or use thereof.

13.3 Compliance with Rules and Regulations. Tenant will comply with such rules and regulations (the "**Rules and Regulations**") generally applying to tenants in the Building as may be adopted from time to time by Landlord for the management, cleanliness of, and the preservation of good order and protection of the Premises, the Building and the Land. A current copy of the Rules and Regulations applicable to the Building is attached hereto as Exhibit D. All such Rules and Regulations are hereby made a part hereof. All changes and amendments to the Rules and Regulations sent by Landlord to Tenant in writing and conforming to the foregoing standards shall be carried out and observed by Tenant. Landlord hereby reserves all rights necessary to implement and enforce the Rules and Regulations and each and every provision of this Lease.

13.4 Parking. Tenant and its employees, agents and invitees shall have the non-exclusive right to use three hundred fifty-five (355) undesignated vehicular parking spaces in the surface parking area and structured garage associated with the Building (the "**Parking Area**") free of charge during the Original Term and Renewal Terms, subject to (1) such Rules and Regulations (as defined herein) as Landlord may promulgate from time to time and (2) rights of ingress and egress of other tenants and their employees, agents and invitees. Such Parking is available on a first come first serve basis and without reservation of individual or block spaces. In the event Landlord provides reserved parking for any tenant of the Building, Landlord will allocate and provide Tenant with reserved parking in an equal proportion to other tenants in the Building, based upon the amount of rentable area each tenant and Tenant then currently lease. In no instance shall Tenant allow its employees, agents and invitees to occupy more parking spaces in the Parking Areas that exceed the ratio of six (6) parking spaces per 1,000 rentable square feet of leased space. Parking in the structured garage during the Second Renewal Term or any parking spaces requested by Tenant in excess of a ratio of six (6) spaces per 1,000 square feet of rentable area shall be at market rates then in effect at the Building as such may be set or adjusted by Landlord from time to time. Landlord does not reserve or allocate parking spaces at the Premises nor guarantee its availability on a daily basis. Tenant shall only permit parking by its employees, agents or invitees of appropriate vehicles in appropriate designated Parking Areas.

14. **INSPECTION; ACCESS AND RIGHT OF ENTRY; NEW CONSTRUCTION.** Without being deemed or construed as committing an actual or constructive eviction of Tenant and without abatement of Rent, Landlord and Landlord's agents and representatives may enter the Premises during business hours to inspect the Premises [with prior notice, except in the case of emergencies]; to make such repairs as may be required or permitted under this Lease; to perform any unperformed obligations of Tenant hereunder; and to show the Premises to prospective purchasers, mortgagees, ground lessors, and, during the last (9) months of the Term, tenants, provided that Landlord uses reasonable efforts to minimize interruption to Tenant's use and occupancy. Tenant hereby waives any claim for damages for any injury or inconvenience or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby. Landlord shall have the right to use any and all means which Landlord may deem proper to enter the Premises in an emergency without liability therefor. During the last nine (9) months of the Term, Landlord may erect a sign on the Premises indicating that the Premises are available.

15. **ASSIGNMENT AND SUBLETTING.**

15.1. Transfers. Tenant shall not, without the prior written consent of Landlord, which will not be unreasonably withheld and will be given or denied within ten (10) days after delivery of the information required by the last sentence hereof, (1) assign, transfer, or encumber this Lease or any estate or interest herein, (2) sublet any portion of the Premises, (3) grant any license, concession, or other right of occupancy of any portion of the Premises, or (4) permit the use of the Premises by any parties other than Tenant (any of the events listed in Sections 15.1 (1) through (6) being a **"Transfer")**. If Tenant requests Landlord's consent to a Transfer, then Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and

business history; its proposed use of the Premises; banking, financial, and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character.

15.2 Landlord's Written Consent Requirements. In determining whether Landlord shall consent to any proposed assignment or subletting of the Premises, Landlord will consider the following factors: provided that the proposed transferee (1) has a good reputation in the business community, (2) does not engage in a business which may place Landlord in violation of any non-compete or exclusive use agreement, and (3) will use the Premises consistent with the permitted use allowed under the Lease which shall not be environmentally harmful.

15.3 Obligations of Tenant and Proposed Transferee. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement, in a form satisfactory to Landlord, whereby the proposed transferee expressly assumes the Tenant's obligations hereunder (however, in the event of transfer of less than all of the space in the Premises the proposed transferee shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer, and only to the extent of the rent it has

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agreed to pay Tenant). Landlord's consent to a Transfer shall not release any Guarantor of Tenant's obligations hereunder nor release Tenant from performing its obligations under this Lease, but rather Tenant and its transferee shall be jointly and severally liable. No such Transfer shall constitute a novation. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If a default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Tenant's Rent obligations. Tenant authorizes its transferees to make payments of Rent directly to Landlord upon receipt of notice from Landlord to do so. If Landlord should fail to notify Tenant in writing of its decision within the thirty (30) day period after Landlord's receipt of Tenant's written request for Landlord's consent to a Transfer, then Landlord shall be deemed to have granted consent to the proposed Transfer.

15.4 Landlord's Recapture Right. Intentionally deleted.

15.5 Excess Rent. Notwithstanding anything to the contrary contained in Section 15 of this Lease, Tenant hereby assigns, transfers and conveys fifty percent (50%) of all net consideration received by Tenant under any Transfer, other than to a Permitted Tranferee, which is in excess of the Rent payable by Tenant under this Lease, and Tenant shall hold such amounts in trust for Landlord and pay them to Landlord within ten (10) days after receipt after first recovering its costs which may include legal fees, brokerage, free rent and other inducements, unamortized leasehold improvements in excess of any allowance paid by Landlord and Rent and Additional Rent paid while the Premises were vacant and on the market.

15.6 Permitted Transfers. Notwithstanding anything to the contrary contained in this Section 15 of this Lease, if the proposed subtenant or assignee is any corporation which controls, is controlled by or is under common control with Tenant, or any corporation or entity resulting from the merger or consolidation of Tenant, or is any person or entity which acquires all or substantially all of the assets of Tenant as a going concern of the business that is being conducted on the Premises (a "**Permitted Transferee**"), then Tenant may assign or sublet the Premises or any portion thereof to a Permitted Transferee without the prior written consent of Landlord, subject to Landlord's subsequent ability to reasonably inquire into the factors set forth in this Section 15.6. In the event that Tenant requests to transfer all or a part of its interest in this Lease to any corporation in which or with which Tenant or its corporate successors or assigns is merged or consolidated, in accordance with applicable statutory provisions covering merger and consolidation of corporations, then Tenant's obligations under this Lease must be assumed by the corporation surviving such merger or created by such consolidation, and the tangible net worth of the surviving or created corporation must not be less than the tangible net worth of Tenant as the effective date of the Transfer. "Tangible Net Worth" means the excess of assets over total liabilities, in each case, as determined in accordance with generally accepted accounting principles ("GAAP") consistently applied, excluding, however, the determination of total assets, all assets which would be classified as intangible assets under GAAP, including without limitation, goodwill, licenses, patents, trademarks, trade-names, copyrights, and franchises. Any such sublease or assignment shall not in any way affect or limit the liability of tenant under the terms of this Lease including compliance with the terms of this Section 15. For purposes of this paragraph, "Control" shall be deemed to mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of Tenant or any such corporation or entity as the case may be, whether through the ownership of voting securities, by contract, or otherwise.

16. **CONDEMNATION.**

16.1 Taking – Landlord's and Tenant's Rights. If any part of the Building is taken by right of eminent domain or conveyed in lieu thereof (a "**Taking**"), and such Taking prevents Tenant from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Taking, then Landlord may, at its expense, relocate Tenant to office space reasonably comparable to the Premises, provided that Landlord notifies Tenant of its intention to do so within thirty (30) days after the Taking. Such relocation may be for a portion of the remaining Term or the entire Term. Landlord shall complete any such relocation within two hundred ten (210) days after Landlord has notified Tenant of its intention to relocate Tenant. If Landlord does not elect to relocate Tenant following such Taking, then Tenant may terminate this Lease as of the date of such Taking by giving written notice to Landlord within sixty (60) days after the Taking and Rent shall be apportioned as of the date of such Taking. If Landlord does not relocate Tenant and Tenant does not terminate this Lease, then Rent shall be abated on a reasonable basis as to that portion of the Premises rendered untenantable by the Taking.

16.2 Taking – Landlord's Rights. If any material portion, but less than all, of the Building becomes subject to a Taking, or if Landlord is required to pay any of the proceeds received for a Taking to Landlord's Mortgagee, then this Lease, at the option of Landlord, exercised by written notice to Tenant within thirty (30) days after such Taking, shall terminate and Rent shall be apportioned as of the date of such Taking. If Landlord does not so terminate this Lease and does not elect to relocate Tenant, then this Lease will continue, but if any portion of the Premises has been taken, Basic Rent shall abate as provided in the last sentence of Section 16.1.

16.3 Award. If any Taking occurs, then Landlord shall receive the entire award or other compensation for the Land, the Building, and other improvements taken, and Tenant may separately pursue a claim against the condemnor for the value of Tenant's personal property which Tenant is entitled to remove under this Lease, moving costs, loss of business, and other claims it may have.

17. **SURRENDER AND REDELIVERY OF PREMISES; HOLDING OVER.**

17.1 Surrender and Redelivery of Premises. No act by Landlord shall be an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid, unless it is in

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writing and signed by Landlord. Tenant's delivery of the keys or access cards to Property Manager or any agent or employee of Landlord shall not operate as a termination of this Lease or a surrender of the Premises.

17.1.1 Joint Inspection. At least thirty (30) days before the Expiration Date, Tenant shall arrange to meet with Landlord for a joint inspection of the Premises.

17.1.2 Tenant's Payment Obligations. Tenant shall pay to Landlord the amount, as reasonably estimated by Landlord, of Tenant's obligation hereunder for Operating Expenses for the year in which the Term ends. All such amounts shall be used and held by Landlord for payment of such obligations of Tenant hereunder, with Tenant being liable for any additional costs therefor upon demand by Landlord or with any excess to be returned to Tenant after all such obligations have been determined and satisfied as the case may be. Any Security Deposit held by Landlord may be credited against the amount due by Tenant under this Section 17.

17.1.3 Condition of Premises. After the Expiration Date or earlier termination of this Lease, or the termination of Tenant's right to possess the Premises, Tenant shall (1) deliver to Landlord the Premises in a clean and operational condition, free of all personal property of Tenant as required hereunder, (2) deliver to Landlord all keys, parking cards and access cards to the Premises and Parking Areas, (3) remove all signage placed on the Premises, the Building, or the Land by or at Tenant's request, and (4) deliver in place to Landlord the modular office furnishings listed in the attached Exhibit G, in good condition, reasonable wear and tear accepted, which Landlord has provided to Tenant, without liability, for Tenant's use free of charge during the Lease Term. All fixtures, alterations, additions, and improvements (whether temporary or permanent) shall be Landlord's property and shall remain on the Premises, except as provided in the next two sentences. All items not removed following ten (10) days written notice to Tenant from Landlord shall, at the sole option of Landlord, be deemed abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items. All work required of Tenant under this Section 17 shall be coordinated with Landlord and be done in a good and workmanlike manner, in accordance with all Laws (defined below), and so as not to damage the Building or unreasonably interfere with other tenants' use of their premises. If Tenant fails to perform work under this Section 17, Tenant shall pay all costs incurred by Landlord in performing such work within ten (10) after Landlord's request thereof.

17.2 Holding Over. If a Tenant Party fails to vacate the Premises after the Expiration Date or earlier termination of this Lease, then a Tenant Party's possession of the Premises shall constitute and be construed as a tenancy at will only, subject, however, to all of the terms, provisions, covenants and agreements on the part of Tenant under this Lease, and such Tenant Party shall be subject to immediate eviction and removal; Tenant or any such Tenant Party covenants and agrees to pay Landlord, in addition to the other Rent due hereunder, if any, as Rent for the period of such holdover a prorated daily Basic Rent equal to (i) during the first thirty-days of holdover the sum of one hundred percent (100%) of the daily Basic Rent plus 100% of the Additional Rent, both payable during the last month of the Term, and (ii) during any day of holdover thereafter, one hundred fifty percent (150%) of the daily Basic Rent plus one hundred percent (100%) Additional Rent, both payable during the last month of the Term. Tenant's possession of the Premises after the Expiration Date or earlier termination of this Lease shall immediately constitute an Event of Default under Section 19.5 herein. The Rent during such holdover period shall be payable to Landlord from time to time on demand; provided, however, if no demand is made during a particular month, holdover rent accruing during such month shall be paid in accordance with the provisions of this Section 17. Tenant will vacate the Premises and deliver same to Landlord immediately upon Tenant's receipt of notice from Landlord to so vacate. No holding over by a Tenant Party (whether with or without the consent of Landlord), and no payments of money by Tenant to Landlord after the end of the Term, shall operate to reinstate, continue or extend the Term, and no extension of this Term shall be valid unless evidenced by a writing signed by both Landlord and Tenant. No payments of money by Tenant (other than the holdover rent accruing during such holdover period paid in accordance with the provisions of this Section 17) to Landlord after the Expiration Date or earlier termination of this Lease shall constitute full payment of Rent under the terms of this Lease.

18. **QUIET ENJOYMENT.** Provided Tenant has fully performed its obligations under this Lease, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any party claiming by, through or under Landlord, but not otherwise, subject, however, to all of the provisions of this Lease and all Laws (defined below), liens, encumbrances and restrictive covenants to which the Land is subject. Landlord shall not be responsible for the acts or omissions of any other tenant or third party that may interfere with Tenant's use and enjoyment of the Premises.

19. **EVENTS OF DEFAULT.** Each of the following events shall constitute an **"Event of Default"** under this Lease:

19.1 Monetary Default; Failure to Pay Rent. Tenant fails to pay Rent when due or any payment or reimbursement required under this Lease or under any other lease with Landlord when due, and in either case such failure continues for a period of five (5) days from the date such payment was due; provided however, that Landlord shall give written notice of such default to Tenant with opportunity to cure within a ten (10) day period after the date of such notice, provided Landlord shall not be obligated to furnish Tenant with more than two (2) written notices of default and opportunity to cure each calendar year during the Term of this Lease.

19.2 Bankruptcy; Insolvency. The filing of a petition by or against Tenant or any Guarantor of Tenant's obligations hereunder (1) in any bankruptcy or other insolvency proceeding; (2) seeking any relief under any debtor relief Law; (3) for the appointment of a liquidator, receiver, trustee, custodian, or similar official for all or substantially all of Tenant's property or for Tenant's interest in this Lease; or (4) for reorganization or

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modification of Tenant's capital structure (however, if any such petition is filed against Tenant, then the filing of such petition shall not constitute an Event of Default, unless it is not dismissed within 45 days after the filing thereof).

19.3 Intentionally Deleted.

19.4 Liens; Encumbrances. Tenant fails to discharge any lien placed upon the Premises in violation of Section 23 within ten (10) days after any such lien or encumbrance is filed against the Premises.

19.5 Non-Monetary Default; Failure to Perform. Tenant fails to comply with any term, provision or covenant of this Lease (other than those listed in this Section 19), and Tenant does not commence to cure and thereafter diligently prosecute such cure within twenty (20) days after written notice thereof to Tenant.

20. **REMEDIES.**

20.1 Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by Law, take any of the following actions:

20.1.1 Terminate the Lease. Terminate this Lease by giving Tenant written notice thereof, in which event, Tenant shall pay to Landlord the sum of (1) all Rent accrued hereunder through the date of termination, (2) all amounts due under Section 20.2, and (3) an amount equal to (i) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Prime Rate" as published on

the date this Lease is terminated by The Wall Street Journal, Southwest Edition, in its listing of "Money Rates", minus (ii) the then present fair rental value of the Premises for such period, similarly discounted; or

20.1.2 Terminate Tenant's Right of Possession. Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (1) all Rent and other amounts accrued hereunder to the date of termination of possession, (2) all amounts due from time to time under Section 20.2, and (3) all Rent and other sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period. Landlord shall not be obligated to relet the Premises before leasing other portions of the Building, and Tenant's obligations hereunder shall not be diminished because of Landlord's failure to relet the Premises or to collect Rent due for a reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather Landlord may, from time to time, bring action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Actions to collect amounts due by Tenant to Landlord under this subsection may be brought from time to time on one or more occasions, without the necessity of Landlord waiting until the Expiration Date of this Lease. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to exclude or dispossess Tenant of the Premises shall be deemed to be taken under this subsection. If Landlord elects to proceed under this Section 20.1.2, it may at any time elect to terminate this Lease under Section 20.1.1; or

20.2 Landlord's Other Rights and Remedies. Upon any default or Event of Default, Tenant shall pay to Landlord all costs incurred by Landlord (including court costs and attorneys' fees and expenses) in (1) obtaining possession of the Premises, (2) removing and storing Tenant's or any other occupant's property, (3) repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant, (4) reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting), (5) performing Tenant's obligations which Tenant failed to perform, and (6) enforcing, or advising Landlord of, its rights, remedies, and recourses. Landlord's acceptance of Rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. Landlord's receipt of Rent with knowledge of any default by Tenant hereunder shall not be a waiver of such default, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless set forth in writing and signed by Landlord. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term or violation of any other term. If Landlord repossesses the Premises pursuant to a judgment under the Texas Property Code which entitles Landlord to a writ of forcible entry and detainer or, after Tenant vacates, by self-help, then Landlord shall have the right to (i) keep in place and use or (ii) remove and store, at Tenant's expense, all of the furniture, trade fixtures, equipment and other personal property in the Premises, including that which is owned by or leased to Tenant at all times before any foreclosure thereon by Landlord or repossession thereof by any lessor thereof or third party having a lien thereon. Landlord may relinquish possession of all or any portion of such furniture, trade fixtures, equipment and other property to any person (a **"Claimant"**) who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, trade fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into the authenticity or legality of the instrument. Landlord may, as its option and without prejudice to or waiver of any rights it may have, (a) escort Tenant to the Premises to retrieve any personal belongings of Tenant and/or its employees not covered by the Landlord's statutory lien or the security interest described in Section 27 or (b) obtain a list from Tenant of the personal property of Tenant and/or its employees that is not covered by the Landlord's statutory lien or the security interest described in Section 27, and make such property available to Tenant and/or Tenant's employees; however, Tenant first shall pay in cash all costs and estimated expenses to be incurred in connection with the removal of such property and making it available. The rights of Landlord herein stated are cumulative and in addition to any and all other rights that Landlord has or may hereafter have at law or in equity, and Tenant hereby agrees that the rights herein granted Landlord are commercially reasonable.

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21. **LANDLORD'S DEFAULT AND LIMITATIONS OF LIABILITY.**

21.1. **DEFAULTS BY LANDLORD.** If Landlord fails to perform any of its obligations hereunder and Landlord does not commence to cure and thereafter diligently prosecute such cure within such twenty (20) days after written notice from Tenant specifying such failure, Tenant's exclusive and sole remedy shall be an action for damages.

21.2 **LIMITATIONS ON LANDLORD'S LIABILITY.**

THE LIABILITY OF LANDLORD TO A TENANT PARTY FOR ANY DEFAULT BY LANDLORD, SHALL BE LIMITED TO ACTUAL AND DIRECT DAMAGES. IN NO EVENT SHALL LANDLORD BE LIABLE TO A TENANT PARTY FOR CONSEQUENTIAL OR SPECIAL DAMAGES BY REASON OF A FAILURE TO PERFORM (OR A DEFAULT) BY LANDLORD HEREUNDER OR OTHERWISE. EXCEPT FOR CLAIMS WHICH MAY BE COVERED BY INSURANCE, IF A TENANT PARTY SHALL RECOVER A MONEY JUDGMENT AGAINST LANDLORD, THE TENANT PARTY AGREES THAT SUCH MONEY JUDGMENT SHALL BE SATISFIED SOLELY BY LANDLORD'S INTEREST IN THE PREMISES AND BUILDING AND THE RENTS, PROFITS OR PROCEEDS THEREOF, AS THE SAME MAY THEN BE ENCUMBERED, AND LANDLORD, ITS AFFILIATES, PARTNERS, OFFICERS, DIRECTORS, SHAREHOLDERS, AND EMPLOYEES SHALL NOT BE LIABLE OTHERWISE FOR ANY OTHER CLAIM ARISING OUT OF OR RELATING TO THIS LEASE.

21.3 Examination of Lease; No Contract Until Execution by Parties. Submission by Landlord of this instrument to Tenant for examination or signature does not constitute a reservation of or option for lease. This Lease will be effective as a lease or otherwise only upon execution by both Landlord and Tenant and delivery to the parties. If Tenant is a corporation (including any form of professional association), limited liability company, partnership (general or limited), or other form of organization other than an individual, then each individual executing this Lease on behalf of Tenant hereby covenants, warrants and represents: (1) that such individual is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with the organizational documents of Tenant; (2) that this Lease is binding upon Tenant; (3) that Tenant is duly organized and legally existing in the state of its organization, and is qualified to do business in the State of Texas; (4) that upon request, Tenant will provide Landlord with true and correct copies of all organizational documents of Tenant, and any amendments thereto; and (5) that the execution and delivery of this Lease by Tenant will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, loan, credit agreement, partnership agreement or other contract or instrument to which Tenant is a party or by which Tenant may be bound. If Tenant is a form of organization other than an individual, Tenant will, prior to the Commencement Date, deliver to Landlord written documentation reasonably satisfactory to Landlord evidencing the authority of an authorized representative of Tenant to enter into the Lease and bind Tenant to all of the obligations of Tenant under the Lease.

22. **MORTGAGES.**

22.1 Lease Subordinate to Mortgage. This Lease shall be subordinate to any deed of trust, mortgage or other security instrument (a "**Mortgage**"), and any ground lease, master lease, or primary lease (a "**Primary Lease**") that now or hereafter covers any portion of the Premises (the mortgagee under any Mortgage or the lessor under any Primary Lease is referred to herein as "**Landlord's Mortgagee**"), and to increases, renewals, modifications, consolidations, replacements, and extensions thereof. However, any Landlord's Mortgagee may elect to subordinate its Mortgage or Primary Lease (as the case may be) to this

Lease by delivering written notice thereof to Tenant. The provisions of this Section 22 shall be self-operative, and no further instrument shall be required to effect such subordination; however, Tenant shall from time to time within ten (10) days after request therefor, execute any instruments that may be reasonably required by any Landlord's Mortgagee to evidence the subordination of this Lease to any such Mortgage or Primary Lease, provided such Mortgagee provides Tenant a non-disturbance and attornment agreement in a form reasonably acceptable to Tenant.

22.2 Attornment. Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

22.3 No Landlord's Mortgagee's Liability. Notwithstanding any such attornment or subordination of a Mortgage or Primary Lease to this Lease, the Landlord's Mortgagee shall not be liable for any acts of any previous landlord, shall not be obligated to install the Initial Improvements, and shall not be bound by any amendment to which it did not consent in writing nor any payment of Rent made more than one month in advance.

23. **ENCUMBRANCES.**

23.1 No Liens. Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind Landlord's property or the interest of Landlord or Tenant in the Premises or to charge the rent for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant shall timely pay or cause to be paid all sums due for any labor performed or materials furnished in connection with any work performed on the Premises by or at the request of Tenant. Notwithstanding the foregoing, Tenant shall give

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Landlord immediate written notice of the placing of any lien or encumbrance against the Premises, Building or Land.

23.2 Landlord's Rights. In the event that Tenant shall not, within ten (10) days following notification to Tenant of the imposition of any such lien, cause the same to be released of record by payment or the posting of a bond in amount, form and substance acceptable to Landlord, Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of or defense against the claim giving rise to such lien. Nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration or repair of or to the Building or the Premises or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's or other liens against the interest of Landlord in the Building, Land or the Premises. Nothing in this Section 23 modifies an Event of Default under Section 19.4 herein.

24. MISCELLANEOUS.

24.1 Laws; Affiliate Tenant Party. Words of any gender used in this Lease shall include any other gender, and words in the singular shall include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way affect the interpretation of this Lease. The following terms shall have the following meanings: "**Laws**" shall mean all federal, state, and local laws, zoning ordinances, municipal regulations, rules, and regulations; all court orders, governmental directives, and governmental orders, all Environmental Laws (as defined below), all applicable laws, regulations and building codes governing nondiscrimination accommodations and commercial facilities, and all restrictive covenants affecting the Property, and "**Law**" shall mean any of the foregoing; "**Affiliate**" shall mean any person or entity which, directly or indirectly, controls, is controlled by, or is under common control with the party in question; and "**Tenant Party**" or collectively the "**Tenant Parties**" shall include Tenant, any assignees claiming by, through, or under Tenant.

24.2 Joint and Several Liability. If there is more than one Tenant, then the obligations hereunder imposed upon Tenant shall be joint and several, whether or not Tenant's obligations arise during the Original Term of this Lease, during any renewal or extension, or a holdover term or thereafter. If there is a Guarantor of Tenant's obligations hereunder, then the obligations hereunder imposed upon Tenant shall be the joint and several obligations of Tenant and such Guarantor, and Landlord need not first proceed against Tenant before proceeding against such Guarantor nor shall any such Guarantor be released from its Guaranty for any reason whatsoever.

24.3 Landlord's Assignment; Authority of Tenant. Landlord may transfer and assign, in whole or in part, its rights and obligations in the Building, Land, or Premises that are the subject to this Lease, in which case Landlord shall have no further liability hereunder to the extent that the transferee assumes the responsibility thereafter accruing in a writing, and notice of such transfer and/or assignment in the form of an Assignment & Assumption Agreement is subsequently delivered to Tenant.

Tenant shall furnish to Landlord, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease. Tenant and each person signing this Lease on behalf of Tenant represents to Landlord as follows: Tenant and its general partners and managing members, if applicable, are each duly organized and legally existing under the laws of the state of its incorporation and are duly qualified to do business in the state where the Building is located. Tenant and its general partners and managing members, if applicable, each have all requisite power and all governmental certificates of authority, licenses, permits, qualifications and other documentation to lease the Premises and to carry on its business as now conducted and as contemplated to conducted. Each person signing on behalf of Tenant is authorized to do so.

24.4 Force Majeure. Whenever a period of time is herein prescribed for action to be taken by Landlord or Tenant, the party taking the action shall not be liable or responsible for, and there shall be excluded from the computation of any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental actions or inactions or laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of such acting party; provided, however, in no event shall the foregoing apply to the financial obligations of Tenant under this Lease, including, without limitation, Tenant's obligation to promptly pay Basic Rent, Additional Rent, reimbursements or any other amount payable to Landlord as well as Tenant's obligation to maintain insurance hereunder.

24.5 Certificate of Occupancy; Financial Statements: Estoppel Certificates. Prior to Tenant's occupancy of the Premises, Tenant shall obtain and deliver to Landlord a Certificate of Occupancy for the Premises from the appropriate governmental authority. Tenant and any Guarantor shall, from time to time, within thirty (30) days after request of Landlord, deliver to the Landlord or Landlord's designee, estoppel certificates, in reasonable similarity to the form attached hereto as Exhibit I. stating that this Lease and the Guaranty are in full effect, the date to which Rent has been paid, the unexpired Term and such other factual matters pertaining to this Lease as may be reasonably requested by Landlord. Tenant's obligation to furnish the above-described items in a

timely fashion is a material inducement for Landlord's execution of this Lease. If Tenant fails to execute any such estoppel certificate within such thirty (30) day period, Tenant's failure to execute any such estoppel certificate shall immediately constitute an Event of Default under Section 19.5.

24.6 Communications Equipment. Tenant shall have access to an equitable share of rooftop area and an equitable use of risers, electrical closets and telecommunications areas in common with other tenants and occupants for Tenant's communications needs at no cost to Tenant during the Lease Term and any renewals or extensions thereto. Further, Landlord shall reasonably designate, at Tenant's request, a mutually agreed upon area on the first floor where Tenant's communication lines will enter the Building such that no unauthorized personnel would have access to Tenant's communication lines and equipment. Any cost to secure Tenant's communications lines and equipment shall be a cost of Tenant.

24.7 Entire Agreement. This Lease constitutes the entire agreement of the Landlord and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly set forth in this Lease are of no effect. This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto.

24.8 Survival of Tenant's Indemnities and Obligations. Each indemnity agreement and hold harmless agreement contained herein shall survive the expiration or termination of the Lease. Additionally, all obligations of Tenant hereunder not fully performed by the end of the Term shall survive, including, without limitation, all payment obligations with respect to Taxes and insurance and all obligations concerning the condition and repair of the Premises.

24.9 Substitution Space. Intentionally Deleted

24.10 Severability. If any provision of this Lease is illegal, invalid or unenforceable, then the remainder of this Lease shall not be affected thereby.

24.11 Effective Date. All references in this Lease to "**Effective Date**" or similar references shall be deemed to refer to the last date, in point of time, on which all parties hereto have executed this Lease.

24.12 Brokerage Commissions. Landlord and Tenant each warrant to the other that they have not dealt with any broker or agent other than Gaines Bagby of CB/Richard Ellis, representing Landlord, and Jim Graham of Fischer & Company, Inc., representing Tenant, and that they know of no broker or agent who are or might be entitled to a commission in connection with this Lease. **TENANT AND LANDLORD SHALL EACH INDEMNIFY THE OTHER AGAINST ALL COSTS, ATTORNEYS' FEES, AND OTHER LIABILITIES FOR COMMISSIONS OR OTHER COMPENSATION CLAIMED BY ANY BROKER OR AGENT CLAIMING THE SAME BY, THROUGH, OR UNDER TENANT OR LANDLORD, RESPECTIVELY.** A true and correct copy of the Commission Agreement between Landlord and Gaines Bagby of CB/Richard Ellis, representing Landlord, and Jim Graham of Fischer & Company, Inc., representing Tenant, are attached hereto as Exhibits "J1" and "J-2" and incorporated by reference herein for all purposes.

24.13 Confidentiality. The terms and conditions of this Lease are confidential and Tenant shall not disclose the terms of this Lease to any third party except as may be required by Law or to enforce its rights hereunder.

24.14 Interest. Tenant shall pay interest on all past due Rent from the date due until paid at the lawful rate of two percent (2%) per annum above the "prime rate" as published in The Wall Street Journal from time to time. In no event, however, shall the charges permitted under this Section 24.14 or elsewhere in this Lease, to the extent they are considered to be interest under applicable Law, exceed the maximum lawful rate of interest.

24.15 Time. Time is of the essence in this Lease and in each and all of the provisions hereof. Whenever a period of days is specified in this Lease, such period shall refer to calendar days unless otherwise expressly stated in this Lease.

24.16 Attorneys' Fees. In the event of the filing of any legal action or proceeding brought by either party against the other arising out of this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred in such action (including, without limitation, all costs of appeal) and such amount shall be included in any judgment rendered in such proceeding.

24.17 Choice of Law and Exclusive Venue. **THIS LEASE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCEPT AS SUCH LAWS ARE PREEMPTED BY APPLICABLE FEDERAL LAW, WITHOUT REGARD TO ANY CONFLICT OF LAWS RULE OR PRINCIPLE WHICH MIGHT REFER THE CONSTRUCTION OR ENFORCEMENT OF THIS LEASE TO THE LAWS OF ANOTHER JURISDICTION. JURISDICTION AND VENUE FOR ANY ACTION HEREUNDER SHALL BE EXCLUSIVELY IN AUSTIN, TRAVIS COUNTY, TEXAS EITHER IN TEXAS STATE DISTRICT COURT OR IN FEDERAL DISTRICT COURT, NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION.**

25.18 Waiver of Right to Trial By Jury. **TENANT AND LANDLORD EACH: (1) AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS**

LEASE OR THE RELATIONSHIP BETWEEN THE PARTIES AS TENANT AND LANDLORD THAT CAN BE TRIED BY A JURY; AND (2) WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

24.19 Waiver of Right to File Tax Protest. **WITH RESPECT TO THE BUILDING OR ANY PORTION THEREOF, TENANT HEREBY WAIVES ALL RIGHTS UNDER SECTIONS 41.413 AND 42.015 OF THE TEXAS TAX CODE OR ANY SIMILAR OR CORRESPONDING LAW: (1) TO PROTEST A DETERMINATION OF APPRAISED VALUE OR TO APPEAL AN ORDER DETERMINING A PROTEST AND (2) TO RECEIVE NOTICES OF REAPPRAISALS.**

25. **NOTICES**. Each provision of this instrument or of any applicable Laws and other requirements with reference to the sending, mailing or delivering of notice or the making of any payment hereunder shall be deemed to be complied with, when and if, the following steps are taken:

25.1 Rent Payments to Landlord. All Rent shall be payable to Landlord at the address for Landlord set forth below or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith. Tenant's obligation to pay Rent shall not be deemed satisfied until such Rent has been actually received by Landlord.

25.2 Payments to Tenant. All payments required to be made by Landlord to Tenant hereunder shall be payable to Tenant at the address set forth below, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance herewith.

25.3 Written Notices. Any written notice or document required or permitted to be delivered hereunder shall be deemed to be delivered upon the earlier to occur of (1) tender of delivery (in the case of a hand-delivered notice), (2) deposit in the United States Mail, postage prepaid, Certified Mail, or (3) receipt by facsimile transmission followed by a confirmatory letter, in each case, addressed to the parties hereto at the respective addresses set out below, or at such other address as they have theretofore specified by written notice delivered in accordance herewith. If Landlord has attempted to deliver notice to Tenant at Tenant's address reflected on Landlord's books but such notice was returned or acceptance thereof was refused, then Landlord may post such notice in or on the Premises, which notice shall be deemed delivered to Tenant upon the posting thereof.

25.4 Multiplicity. If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying an individual at a specific address within the continental United States for the receipt of notices and payments to Tenant. All parties included within the terms "Landlord" and "Tenant," respectively, shall be bound by notices given in accordance with the provisions of Section 25 to the same effect as if each had received such notice.

26. **CERTAIN RIGHTS RESERVED BY LANDLORD.** Provided that the exercise of such rights does not unreasonably interfere with Tenant's use or occupancy of the Premises, Landlord shall have the following rights:

26.1 to decorate and to make inspections, repairs, alterations, additions, changes or improvements, whether structural or otherwise, in and about the Building, or any part thereof; for such purposes, to enter upon the Premises for such purposes, and upon reasonable prior notice to Tenant except in the case of emergencies, and during the continuance of any such work, to temporarily close doors, entryways, public space, and corridors in the Building; to interrupt or temporarily suspend Building services and facilities; and to change the arrangement and location of entrances or passageways, doors, and doorways, corridors, elevators, stairs, restrooms, or other public parts of the Building; and/or

26.2 to change the name by which the Building is designated.

Tenant agrees that Landlord in exercising its rights listed above will do so without having committed an actual or constructive eviction of Tenant or breach of implied warranty of suitability and without an abatement of Rent, provided that Landlord takes reasonable efforts to minimize disruption of Tenant or interference with Tenant and that access to the Premises remains substantially the same.

27. Intentionally deleted.

28. **TENANT'S ACKNOWLEDGEMENTS. TENANT ACKNOWLEDGES THAT (1) IT HAS INSPECTED AND ACCEPTS THE PREMISES IN AN "AS IS, WHERE IS" CONDITION SUBJECT ONLY TO LATENT DEFECT AND LANDLORD'S OBLIGATION TO PROVIDE THE BUILDING SYSTEMS IN GOOD WORKING ORDER, (2) THE BUILDINGS AND IMPROVEMENTS COMPRISING THE SAME ARE SUITABLE FOR THE PURPOSE FOR WHICH THE PREMISES ARE LEASED AND LANDLORD HAS MADE NO WARRANTY, REPESENTATION, COVENANT, OR AGREEMENT WITH RESPECT TO THE MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE PREMISES, (3) THE PREMISES ARE IN GOOD AND SATISFACTORY CONDITION, (4) NO REPRESENTATIONS AS TO THE REPAIR OF THE PREMISES, NOR PROMISES (EXPRESS OR IMPLIED) TO ALTER, REMODEL, OR IMPROVE THE BUILDING OR PREMISES OR ANY OTHER PART OF THE LAND HAVE BEEN MADE BY LANDLORD (UNLESS AND EXCEPT AS MAY BE SET**

FORTH IN EXHIBIT B ATTACHED HERETO THIS LEASE), (5) THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, THAT EXTEND BEYOND THE DESCRIPTION OF THE PREMISES, AND (6) NO RIGHTS, EASEMENTS OR LICENSES ARE ACQUIRED BY TENANT BY IMPLICATION OR OTHERWISE, EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE.

[Remainder of Page Intentionally Left Blank]

Executed by Tenant on this 22 day of June, 2003.

TENANT:

MARSH USA INC., A TEXAS CORPORATION

Name:	/s/ Stephen R. Skeeter
Printed Name:	Mr. Stephen R. Skeeter
Title:	Managing Director
Address:	1000 Louisiana Street, Suite 4000
	Houston, TX 77002-5008
Phone Number:	(713) 654-0471
Fax Number:	

Executed by Landlord on this 24 day of June, 2003, (the "**Execution Date**").

LANDLORD:

BANK ONE CORPORATION
a Delaware corporation

Name: /s/ Roy C. Keller

Printed Name: Roy C. Keller

Title: Senior Vice President

Name:

Printed Name:

Title: 1 Bank One Plaza

Suite IL 1-0522

Address: c/o: Chicago, Illinois 60670

Phone Number: 312-336-3050

Fax Number: 312-732-2044

RIDER ONE

Additional Provisions

29. **THIS RIDER CONTROLS**. The provisions set forth in this Rider control to the extent they conflict with any provision or provisions set forth in the body of this Lease Agreement.

30. **RENEWAL OPTIONS**. Provided that all of the following have not occurred: (1) Tenant is not in default of any of the terms, covenants and conditions hereof, (2) Tenant's right to possession of the Premises has not been terminated, then Tenant shall of the right and option to extend the Original Term of this Lease (the "Renewal Option") for two (2) further sixty (60) month renewal terms (each renewal term, if more than one, hereinafter the "Renewal Term"). Such extension of the Original Term shall be on the same terms, covenants and conditions as provided for in the Original Term, except as follows:

30.1 First Renewal Option. The Base Rent for the first renewal option (the "First Renewal Option") shall be at $17.00 per rentable square foot (i.e. $ 83,796.67 per month). Tenant shall deliver written notice to Landlord of Tenant's intent to exercise the First Renewal Option granted herein (the "First Renewal Notice") no less than nine (9) months prior to the expiration of the Original Term of this Lease. Upon Landlord's receipt of the First Renewal Notice, Landlord shall lease to Tenant the Premises for an extended renewal term (the "First Renewal Term") of sixty (60) months in the then-current "AS IS WHERE IS" with all faults condition, and Landlord shall not provide to Tenant any allowances or other tenant inducements in association with the First Renewal Term. All Expense Stops during the First Renewal Term shall remain those amounts as defined in Section 2.3 of the Lease.

30.2 Second Renewal Option The Base Rent for the second renewal option (the "Second Renewal Option") shall be at the lower of the Fair Market Rate (as defined below in Section 30.3 and adjusted to reflect the limitation on Tenant's inducements set forth below) or the "gross" rental equivalent of a $20.00 per rentable square foot NNN rate. Tenant shall deliver written notice to Landlord of Tenant's intent to exercise the Second Renewal Option granted herein (the "Second Renewal Notice") not more than twelve (12) months nor less than nine (9) months prior to the expiration of the First Renewal Term. If Landlord and Tenant mutually agree in writing upon the base rent for the Second Renewal Term, then Landlord shall lease to Tenant the Premises for an extended renewal term (the "Second Renewal Term") of sixty (60) months in the then-current "AS IS WHERE IS" with all faults condition, and Landlord shall not provide to Tenant any allowances or other tenant inducements in association with the Second Renewal Term, except for a renewal improvement allowance in the amount of $ 5.00 per rentable square foot of Premises (the "Second Renewal Allowance") which shall be paid by Landlord to Tenant following commencement of the Second Renewal Term and within thirty (30) days following written request by Tenant for reimbursement of actual expenses incurred in the improvement of the Premises during the Second Renewal Term, accompanied by associated invoices or backup which document such expenditures. During said Second Renewal Term, the Expenses Stops shall be reset to those actual expenses incurred by Landlord in calendar year 2013, subject to a ninety-five (95%) gross-up for occupancy for those expenses that vary with occupancy. Within fifteen (15) days following receipt by Landlord of the Second Renewal Notice, Landlord shall deliver written notice to Tenant (the "Rent Notice") of Landlord's determination of the Fair Market Rate for the Premises applicable to the Second Renewal Term ("Landlord's Determination"). Tenant shall deliver written notice to Landlord ("Tenant's Notice"), within fifteen (15) days after Tenant's receipt of the Rent Notice, whether Tenant accepts or disputes Landlord's Determination, and if Tenant disputes Landlord's Determination, Tenant's Notice shall set forth Tenant's determination of the Fair Market Rate applicable to the Second Renewal Term in question ("Tenant's Determination"). Landlord's Determination and Tenant's Determination are each hereinafter referred to as a "Determination" and are collectively hereinafter referred to as the "Determinations". Alternatively, Tenant shall have the right, within fifteen (15) days following receipt of Landlord's Determination, to rescind Tenant's Second Renewal Notice by written notice to Landlord, in which event the provisions of this Section 30.2 shall be of no further force and effect and this Lease shall automatically terminate and expire as otherwise set forth in this Lease. If Tenant fails to give Tenant's Notice or to rescind Tenant's Second Renewal Notice within such fifteen (15) day period, then Tenant shall be deemed to have accepted Landlord's Determination. If Tenant disputes Landlord's Determination, Landlord and Tenant shall again endeavor to agree upon the Fair Market Rate applicable to the Second Renewal Term for an additional period of ten (10) days (the "Negotiation Period"). If the parties cannot agree within such Negotiation Period, the Fair Market Rate shall be determined by the appraisal process as set forth below in Section 30.5.

30.3 Determination of Fair Market Rent. As used herein, the "Fair Market Rate" shall be the rate that is charged to tenants for space in the Building or in comparable buildings within the Northwest submarket of Austin, Texas, for space of comparable size, location and condition. The Fair Market Rate should take into consideration the following factors: location, age and quality of the building, floor level(s) within a particular building, common area load factors, quantity of parking and charges related to the use thereof, tenant finish allowances, space planning allowances, refurbishment allowances, parking concessions and other concession or inducements being provided to tenants by landlords, expense stops, other rental adjustments, the credit standing of the tenant, lease term, tenant signage rights, exclusive use provisions, and any other economic or qualitative term that would be relevant in making a determination of the Fair Market Rate.

30.4 Failure to Deliver Notice. In the event Tenant fails to deliver the First Renewal Notice or Second Renewal Notice, as the case may be, within the time periods set forth above, time being of the

essence with respect to Tenant's exercise thereof, Tenant's right to extend the term hereof shall automatically terminate, be null and void, and be of no further force and effect.

30.5 Failure to Agree upon the Fair Market Rate. In the event the Fair Market Rate for the Second Renewal Term is to be determined by appraisal as prescribed by Section 30.2 above, said appraisal shall be conducted in accordance with the following procedures:

30.5.1 Within twenty (20) days following the conclusion of the Negotiation Period, Landlord and Tenant shall each select a real estate appraiser, who shall be a member of the American Institute of Real Estate Appraisers, and who shall have at least five (5) years appraisal experience with respect to commercial office rental properties in Austin, Texas. If one of the parties hereto fails to appoint an appraiser within the time period prescribed, then the single appraiser appointed shall be the sole appraiser and shall determine the Fair Market Rate at issue. If two appraisers are appointed, they shall have thirty (30) days from the date the second appraiser is appointed (the "30-Day Appraisal Period") within which to make independent determinations of the Fair Market Rate at issue, taking into consideration the Determinations provided by Landlord and Tenant. The appraiser(s) shall be advised that the determination of the Fair Market Rate at issue shall be governed by the definitions of same set forth in Section 30.3 of this Lease and the requirement that each appraiser independently determine the Fair Market Rate ("Appraiser's Determination"). On or before to the conclusion of the 30-Day Appraisal Period, the appraisers shall together arrange a face-to-face meeting in Austin, Texas where by each appraiser will simultaneously exchange with the other a signed original letter which outlines each appraiser's respective Appraiser's Determination. In the event the higher of the two Appraiser's Determination is no more than five percent (5.0%) higher than the other, then the Fair Market Rate shall be thereafter concluded to be a simple average of the two Appraiser's Determination, in which case this determination shall be conclusive binding upon both Landlord and Tenant.

30.5.2 If the two appraisers appointed by the parties are not within five percent (5%) as described above, then said appraisers shall, within ten (10) days after the expiration of the 30-day Appraisal Period, select a third appraiser (the "Third Appraiser"). The Third Appraiser must meet the qualifications set forth in subparagraph (1) above, and shall be a person who has not previously acted in any capacity for either Landlord or Tenant.

30.5.3 The Third Appraiser shall subscribe to fairly and impartially choose the Appraiser's Determination, which more accurately reflects the Fair Market Rate, in accordance herewith. The third Appraiser shall conduct such hearings, as he/she deems appropriate (or such hearings as either Landlord or Tenant shall reasonably request). Within fifteen (15) days after the Third Appraiser has been appointed, the Third Appraiser shall select the Appraiser's Determination, which, in his/her opinion, more accurately reflects the Fair Market Rate, and shall notify Landlord, Tenant and each of the initial appraisers of such selection in writing. With respect to Tenant's Second Renewal Option, the Fair Market Rate set forth in the final Appraiser's Determination selected by the Third Appraiser shall be the Final Determination of such amounts, which Final Determination shall be conclusive and binding upon both Landlord and Tenant.

30.5.4 Except as otherwise provided in the Lease, each party hereto shall pay the fees and expenses of the appraiser selected by such party, and the fees and expenses of the Third Appraiser shall be borne equally by Landlord and Tenant.

31. **RIGHT OF FIRST REFUSAL**. Provided that all of the following have not occurred: (1) Tenant is not in default of any of the terms, covenants and conditions hereof, and (2) Tenant's right to possession of the Premises has not been terminated, Landlord hereby grants to Tenant during the Original Term a Right of First Refusal (the "ROFR") to lease then available lease space on the second floor of the Building totaling a maximum of 15,000 SF of contiguous area. If Landlord shall accept, subject to Tenant's ROFR, a bona-fide offer (the "Bona-fide Offer") to lease all or a portion of the second floor of the Building, Landlord shall provide Tenant written notice (the "Refusal Notice") of the terms and conditions outlined in the Bona-fide Offer, specifically the size of the proposed lease space, demising plan, the location of the lease space within the Building (i.e. the "Refusal Space"), as well as the lease term, base rent, expense stops, and tenant improvement allowance. Upon receipt of the Refusal Notice from Landlord, Tenant shall have fifteen (15) business days to deliver written notice (the "Acceptance Notice") to Landlord of Tenant's intention to exercise this ROFR with respect to the space described in the Refusal Notice. In the event Tenant fails to provide notice in regards to this ROFR or does not execute this ROFR, Tenant's rights shall not lapse, but shall instead become subordinate to any lease rights granted to the new tenant for the Refusal Space, provided such rights are not in direct conflict with the rights previously granted to Tenant in the Lease (i.e. Landlord shall not grant superior rights of first refusal to the new tenant that nullify Tenant's ROFR), and Landlord shall be free to lease the Refusal Space to a tenant prospect on terms in reasonable similarity to those outlined in the Refusal Notice.

31.1 ROFR During First 30 Months. If Tenant exercises its ROFR during the first thirty (30) months of the Original Term, then Tenant shall lease from Landlord the Refusal Space on the same terms and conditions as provided in the Lease, specifically including, but not limited to: (i) the Lease Term for the Refusal Space, which shall be coterminous with the Lease and shall end upon the Expiration Date, (ii) the Base Rent, which shall be at $17.00 per rentable square foot, and (iii) the Expense Stops which shall remain as those defined in Section 2.3 of the Lease and (iv) the Tenant Improvement Allowance shall be pro rated for the remaining lease term. Tenant shall lease the Refusal Space in the then-current "AS IS WHERE IS" with all faults condition, except that all Building systems shall be in good working order and condition and the construction of a demising wall, at Landlord's expense, to separate the Refusal Space from adjacent leasable space and/or common areas.

31.2 ROFR During Last 30 Months. If Tenant exercises its ROFR during the last thirty (30) months of the Original Term, then Tenant shall lease from Landlord the Refusal Space on those same terms and conditions which match, fully and completely, those terms as described in the Bona-fide Offer. Tenant shall lease the Refusal space in the then-current "AS IS WHERE IS" with all faults condition, and Landlord shall not provide to Tenant any allowances or other tenant inducements in association with the ROFR, other than those allowances or tenant inducements described in the Bona-fide Offer.

31.3 Relocation of Tenant's ROFR. In the event the Bona-fide Offer for lease space is in excess of fifteen thousand (15,000) rentable square feet, Landlord shall have the right to fully and entirely transfer Tenant's ROFR from the second floor of the Building to the first floor of the Building. In the event Landlord elects to transfer Tenant's ROFR to the first floor of the Building, Landlord will provide Tenant written notice to that effect and upon Tenant's receipt of such notice, Tenant's ROFR shall thereafter though the remainder of the Lease Term, apply only to the first floor of the Building.

31.4 Irrevocable Notice. In the event Tenant provides Landlord with Acceptance Notice to exercises its ROFR, such written notice shall be binding upon Tenant without the need of further documentation, and shall be irrevocable unless Landlord may agree in writing to release Tenant from the lease obligation created by the Acceptance Notice. In the event Landlord may agree to release Tenant from its Acceptance Notice, such release shall be on the express condition that Tenant thereafter waive its ROFR for the remainder of the Lease Term

31.5 Commencement and Ratification of Lease. The Commencement Date for the Refusal Space shall be: (i) in the case of a ROFR execution under Section 31.2, sixty (60) days (ninety days if the Refusal Space has not previously been built out for office use) following Landlord's completion of the demising wall separating the space and written notice to Tenant, and (ii) in the case of a ROFR execution under Section 31.3, five (5) days following written notice from

Landlord that the Refusal Space has met substantial completion in regards to the improvements to the Refusal space, if any, in accordance with the plans and specifications approved by Landlord, but in no instance more than (60) days following Landlord's receipt of the Acceptance Notice.

32. **DELIVERY OF PREMISES AND TEMPORARY SPACE**

32.1 Delivery of Premises. Landlord shall deliver early possession of the Premises to Tenant no later than the execution date of this Lease. Every day beyond the execution date of the Lease that Tenant is not allowed possession of the Premises shall constitute a day of Landlord Delay. Upon Landlord delivery of possession, Tenant shall have sixty (60) days exclusive possession for purposes of constructing the Initial Improvements, installation of furniture and voice/data cabling, networking, and staging prior to the Commencement Date, subject only to the rights of Landlord's contractors to freely access the Premises for the purpose of constructing demising walls to separate the Premises from the Building Common Areas. If Tenant completes the Initial Improvements (as defined later in Exhibit B) prior to the Commencement Date, then Tenant shall be entitled to early occupancy of the applicable space for purposes of conducting its business operations for up to fourteen (14) days prior to such Commencement Date (the **"Early Occupancy Period"**). Tenant shall not be required to pay any Base Rent during such Early Occupancy Period, except for its pro-rata share of actual Operating Expenses, for which Landlord shall invoice Tenant within thirty-days following the Commencement Date. Provided Tenant is not conducting business operations within the Premises, Tenant shall have no responsibility to pay its pro-rata share of the actual Operating Expenses from the date Landlord delivers possession of the Premises to Tenant and the Commencement Date.

32.2 Temporary Office Space. Simultaneous with the execution of this Lease, Tenant may occupy the space shown on Exhibit K hereto, rent free, including furniture and phone service, for a maximum of twenty (20) employees until the Commencement Date of this Lease, at which time Tenant shall promptly surrender possession of the office area described in the Temporary Lease and return such space in the condition that it was first provided to Tenant.

33. **TENANT SIGNAGE**.

33.1 Monument Signage. Landlord, at its cost and expense, and subject to all regulatory approvals and entitlements, will design, permit and construct a new monument sign visible from Braker Lane (the **"Braker Monument"**), and upon completion of such construction, Landlord shall grant Tenant, during the Lease Term, preferential placement of Tenant's corporate identity upon the Braker Monument, subject to sign criteria as determined by Landlord in its sole discretion. Furthermore, in the event Landlord constructs a second monument sign near the front entrance to the Building (the **"Entrance Monument"**), then upon completion of such construction, Landlord shall grant Tenant, during the Lease Term preferential placement of Tenant's corporate identity upon the Entrance Monument, subject to sign criteria as determined by Landlord in its sole discretion. Tenant shall bear the full cost to manufacture, and install Tenant's corporate identity from the Braker Monument and Entrance Monument, as well as the cost to remove and repair any damage thereto at the expiration of the Lease.

33.2 Building Signage. Landlord has granted no rights to Tenant for the installation of signage upon the Building exterior. However, in the event Landlord, in its sole discretion, grants building signage to a tenant, Tenant shall have equivalent rights to such similar Building Signage, in common with such other tenant(s). In no instance shall Landlord grant building signage to more than one (1) tenant, in addition to Tenant, without the written consent of Tenant. In the event building signage is granted to a tenant, Landlord will develop and implement a standard sign criteria to ensure consistency of the building signage and to preserve the quality of the Building.

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34. **EXCLUSIVE USE.** Landlord agrees that during the Original Term and any Renewal Term, it will not lease space in the Building to other entities in the risk and insurance services industry.

35. **GUARANTY.** Attached hereto as Exhibit H.

EXHIBIT A

[Legal Description]

Lot 1, Block "A", STONELAKE OFFICE PARK, a subdivision recorded in Volume 99, Page 190-191 of the Plat Records of Travis County, Texas.

LANDLORD CONSENT TO SUBLEASE

THIS LANDLORD CONSENT TO SUBLEASE (this "Agreement") is dated to be effective December 30, 2009, and is by and between Landlord, Tenant and Subtenant, as those terms are defined hereinbelow, in connection with that certain Commercial Office Lease Agreement dated June 16, 2003 by and between Bank One Corporation, predecessor-in-interest to Principal Life Insurance Company, an Iowa corporation ("Landlord") and Marsh USA Inc., a Texas corporation ("Tenant"), as amended by that certain First Amendment dated April 28, 2004, and as further amended by that certain Second Amendment dated May 31, 2007 (hereinafter collectively referred to as the "Lease") for certain premises located at 10900 Stonelake Boulevard, Austin, Texas 78759 (the "Building"), which premises are more particularly described in the Lease (the "Premises").

RECITALS

A. Tenant desires to sublease a portion of the Premises ("Sublease Premises") to LegalZoom.com, Inc. ("Subtenant"). The Sublease Premises are more particularly described in the Sublease.

B. Landlord, subject to the provisions herein contained, has agreed to consent to the sublease of the Sublease Premises to Subtenant pursuant to the terms and conditions of that certain Sublease dated as of December 7, 2009 ("Sublease"), a copy of which is attached hereto as **Exhibit A**.

NOW, THEREFORE, in consideration of the mutual covenants set forth below, the parties agree as follows:

1. Landlord's Consent. Landlord hereby consents to the sublease of Sublease Premises from Tenant to Subtenant upon the following terms and conditions:

(a) LANDLORD SHALL NOT BE BOUND BY ANY TERM OR CONDITION OF THE SUBLEASE. Landlord shall only be bound by the terms and conditions of the Lease. Landlord shall owe to Tenant only those duties specified in the Lease. Nothing contained in this Agreement or the Sublease shall be deemed to amend or alter any term, condition or obligation of the Lease, including, without limitation, Tenant's obligation to receive Landlord's written consent prior to allowing any alteration to the Premises.

(b) Tenant shall remain liable for the performance of all of the terms, conditions and provisions of the Lease, including, without limitation, prompt payment of all base rent, additional rent, Tenant's share of operating expenses and taxes, and other amounts accruing under the Lease.

(c) If so directed by Landlord, Subtenant shall pay directly to Landlord any and all amounts due to Tenant under the Sublease. Nothing contained herein shall make Landlord responsible for the collection of any amounts due under the Sublease from Subtenant or any other person or entity. Landlord shall credit any and all amounts actually received from Subtenant against amounts which Tenant

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owes or shall owe to Landlord and Tenant shall credit any and all amounts actually received by Landlord from Subtenant against amounts which Subtenant owes or shall owe to Tenant.

(d) Subtenant acknowledges that any and all option rights to Tenant contained in the Lease (if any) including, without limitation, any rights or options regarding renewal, extension, refusal, offer or expansion, have not been transferred to Subtenant pursuant to the Sublease and nothing contained in the Sublease or this Agreement shall be construed otherwise.

(e) Landlord and Tenant may enter into any amendment, assignment, modification, termination or extension of the Lease as it pertains to the Premises, so far as the same shall relate solely to the subject matter of the Lease as it pertains to the Premises, with the consent of Subtenant, which shall not be unreasonably withheld or delayed.

(f) Under no circumstances shall the Sublease merge with the Lease. The Sublease and Lease shall each survive and remain separate and distinct agreements.

(g) Tenant shall pay to Landlord 50% of all excess rent, as more fully set forth in Section 15.5 of the Lease.

2. Indemnification and Hold Harmless. In addition and without limitation to any term or condition of the Lease regarding indemnification, holding harmless or waiver, Tenant and Subtenant hereby indemnify and hold harmless Landlord from and against all liabilities, obligations and costs for brokerage fees incurred with respect to the Sublease.

3. Effective Date. Landlord's consent and this Agreement shall not be effective until the date upon which satisfaction of the following conditions have been fully satisfied:

(a) Attachment of all Exhibits to this Agreement;

(b) Complete and full execution of this Agreement by Landlord, Tenant and Subtenant;

(c) Payment of Landlord's sublease consent costs, which the parties agree to be $500.00; and

(d) Subtenant supplying to Landlord a certificate of insurance that satisfies all insurance requirements of Landlord.

4. Miscellaneous.

(a) This Agreement and the provisions hereof shall be binding on and inure to the benefit of the parties hereto and their successors, except as otherwise provided for in the Lease.

(b) Neither the Tenant nor the Subtenant shall record this Agreement.

(c) If any party commences an action against any of the parties arising out of or in connection with this Agreement, the prevailing party or parties shall be entitled to recover from the losing party or parties reasonable attorneys' fees and costs of such suit.

(d) In the event of any conflict between this Agreement and the Sublease, the terms and conditions of this Agreement shall control.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, this Agreement is dated effective as of the date and year first above written.

LANDLORD:

PRINCIPAL LIFE INSURANCE COMPANY, an Iowa corporation for its Principal U.S. Property Separate Account, f/k/a Principal Life Insurance Company, an Iowa corporation, for its Real Estate Separate Account

By: PRINCIPAL REAL ESTATE INVESTORS, LLC, a Delaware limited liability company, its authorized signatory

By: /s/ Joe Wanninger
Name: Joe Wanninger DEC 30 2009
Title: Investment Director
Asset Management

By:
Name:
Title:

TENANT:

MARSH USA, Inc.,
a Texas corporation

By: /s/ Randy Dillon
Name: Randy Dillon
Title: Managing Director

By:
Name:
Title:

SUBTENANT:

LEGALZOOM.COM, INC.,
a Delaware corporation

By: /s/ Frank Monestere
Name: Frank Monestere
Title: President & COO

MEMORANDUM OF SUBLEASE

This Memorandum of Lease ("Memorandum"), dated to be effective as of January 21, 2010, is entered into by and between Marsh USA, Inc., a Texas corporation ("Sublandlord"), and Legalzoom.com, Inc., a Delaware corporation ("Subtenant").

1. Grant of Lease; Term.

Sublandlord subleases to Subtenant, and Subtenant subleases from Sublandlord, those certain premises more particularly described on Exhibit A attached hereto and incorporated herein for a term commencing February 5, 2010 (the "Commencement Date") and will continue until August 30, 2013 unless earlier cancelled or terminated subject to the terms, provisions and conditions of that certain Sublease ("Sublease") between the parties hereto dated December 7, 2009. The provisions of the Sublease are incorporated herein by this reference.

2. Purpose. This Memorandum is prepared for the purpose of establishing the Commencement Date, and it in no way modifies the provisions of the Sublease. In the event of any inconsistency between the provisions of this Memorandum and the Sublease, the provisions of the Sublease shall prevail.

3. No Recording. This Memorandum may not be recorded.

EXECUTED as of the 21 day of January, 2010.

SUBLANDLORD:

MARSH USA INC.,
a Texas corporation

By: /s/ Randy Dillon
Name: Randy Dillon
Title: Managing Director

SUBTENANT:

LEGALZOOM.COM, INC.,
A Delaware corporation

By: /s/ Frank Monestere
Name: Frank Monestere
Title: President

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This First Amendment (this "**Amendment**") to that certain Sublease Agreement by and between MARSH USA INC., a Texas corporation ("Sublandlord") and LEGALZOOM.COM, INC., a Delaware corporation ("Subtenant") dated December 7, 2009 concerning certain premises located at 10900 Stonelake Boulevard, Austin, Texas 78759 ("Sublease Agreement") is made and entered into as of March 8, 2010. All capitalized terms not defined herein shall have the same meaning respectively assigned to them under the Sublease Agreement.

RECITALS

A. On December 7, 2009, Sublandlord and Subtenant entered into the Sublease Agreement.

B. The parties wish to amend the Sublease Agreement to correct a typographical error in the monthly rental amount payable by Subtenant to Sublandlord.

NOW, THEREFORE, the parties hereby agree as follows:

1. The first parenthetical phrase in the first sentence of Section 3 of the Sublease Agreement is hereby deleted and replaced in its entirety with the following:

"($37,230.00 monthly based on $18.00 per rentable square foot per annum)"

2. Except as otherwise provided herein, all other terms and conditions of the Sublease will remain in full force and effect.

[Signature Page to Follow.]

IN WITNESS WHEREOF, Sublandlord and Subtenant have caused this Sublease to be executed and delivered the date first above written.

"Sublandlord"

MARSH USA INC.

By: /s/ Randy Dillon
Name: Randy Dillon
Title: Managing Director

"Subtenant"

LEGALZOOM.COM, INC.

By: /s/ Frank Monestere
Name: Frank Monestere
Title: President and Chief Operating Officer

SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT (this "Second Amendment") dated as of the 28th day of July, 2011, by and between **MARSH USA INC.**, a Texas corporation with a usual place of business at 10900 Stonelake Boulevard, Suite 200, Austin, Texas 78759 ("Sublandlord") and **LEGALZOOM.COM, INC.**, a Delaware corporation with a usual place of business at 101 N. Brand, 11th Floor, Glendale, California 91203 ("Subtenant").

W I T N E S S E T H:

WHEREAS, by Sublease Agreement dated as of December 7, 2009 and amended by that certain First Amendment to Sublease Agreement dated as of March 8, 2010 (as amended, the "Sublease"), Sublandlord subleased to Subtenant approximately 24,820 rentable square feet on the 3rd floor of the office building located at 10900 Stonelake Boulevard, Austin, Texas 78759 ("Subleased Premises"); and

WHEREAS, the parties wish to further amend the Sublease to expand the Subleased Premises.

NOW, THEREFORE, for and in consideration of the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Unless specifically stated herein, all capitalized terms not defined herein shall have the same meaning assigned to them in the Sublease which in turn incorporates defined terms from the Overlease.

2. The Sublandlord hereby subleases to Subtenant approximately 33,800 square feet, known as Suite 350, which is the balance of the 3rd floor in the Building (the "Expansion Premises") which is a portion of the Leased Premises demised to Sublandlord under the initial Overlease. The term of Subtenant's lease of the Expansion Premises commencing the later of September 1, 2011 or the date of Overlandlord's consent hereto and ending of the Expiration Date.

3. Subtenant shall pay to Sublandlord as Basic Rent for the Expansion Premises $25,000.00 per annum ($20,833.33 per month) beginning on October 1, 2011 until the Expiration Date and shall pay all other charges (such as after-hour HVAC), if actually requested and used by Subtenant within 30 days after Subtenant's receipt of an invoice therefor.

4. As to the Expansion Premises only, there will be no pass-through of Operating Expenses, Real Property Taxes, Utilities or Common Area Expenses.

5. Subtenant's Security Deposit under the Sublease was $148,920.00 and Subtenant is entitled to have (a) a partial refund of the Security Deposit in the amount of $74,460.00 ("Refund Amount") and (b) the Security Deposit amount reduced to $74,460.00. The Security Deposit as so reduced shall be increased by $63,000.00 on the occasion of this Second Amendment ("Second Amendment Deposit Amount") with the result that: (i) Sublandlord shall

apply $63,000.00 of the Refund Amount to serve as the Second Amendment Deposit Amount and (ii) the Sublandlord's partial refund of the original Security Deposit will be reduced to $11,460.00 which Sublandlord will pay to Subtenant within ten calendar (10) days after Overlandlord's consent to this Second Amendment. If Subtenant has not defaulted hereunder beyond any applicable grace or cure periods before September 30, 2012, Sublandlord will refund $20,000 of the Security Deposit to the Subtenant. As of the Expansion Premises only, there will be no pass-through of Operating Expenses, Real Property Taxes, Utilities or Common Area Expenses.

6. The following changes are made of the Sublease.

(a) Section 13 of the Sublease is amended to change the addresses for notices to the Subtenant to:

Subtenant:	LegalZoom,com, Inc. Attn: General Counsel 101 N. Brand Blvd., 11th Floor Glendale, CA 91203
With a copy to:	LegalZoom.com, Inc. Attn: Mike Wilson, Vice President of Operations 10900 Stonelake Blvd., Ste. 320 Austin, TX 78759

(b) Subtenant's parking allowance under Section 15 of the Sublease is increased by 85 parking spaces which will only be available on a first come, first served basis.

(c) Section 18 of the Sublease is amended to add to Exhibit C thereto the furniture, fixtures and equipment in the Expansion Premises listed in Exhibit A hereto.

(d) Referring to Section 22 of the Sublease, that right of the cancellation can only be exercised as to the initial Subleased Premises, not the Expansion Premises demised under this Second Amendment.

(e) This Second Amendment will not be effective until Overlandlord has consented hereto. If that consent is not received within the 60-day period following the date of this Second Amendment, either party may cancel this Second Amendment whereupon Sublandlord will pay Subtenant the Refund Amount within 10 calendar days.

7. All amendments in this Second Amendment are incorporated into the Sublease thereto as if originally written therein. All matters not expressly amended by this Second Amendment shall remain as written and are hereby ratified and affirmed by both Sublandlord and Subtenant. In the event of any conflict between this Second Amendment and the Sublease, this Second Amendment shall control.

8. This Second Amendment together with the Sublease (and exhibits referenced therein) represents the entire agreement of the parties. There are no oral agreements. This Second Amendment and the Sublease may not be modified except by written agreement

executed by Sublandlord and Subtenant. This Second Amendment may be signed in one or more counterparts, each of which shall be considered an original. Facsimile or scanned signatures of this Second Amendment shall be accepted and deemed originals for all purposes.

IN WITNESS WHEREOF, the Sublandlord and Subtenant have caused this Second Amendment to be executed and delivered the date first above written.

MARSH USA INC.

By: /s/ Patricia Hagemann
Printed Name: Patricia Hagemann
Title: Managing Director

LEGALZOOM.COM, INC.

By: /s/ F. Krupica
Printed Name: F.Krupica

Title: CFO

/s/ John Suh
John Suh
CEO

Exhibit 10.30

Lease Agreement

Tenant Name: LegalZoom.com, Inc.

Building Name: Market Center

Leased Premises and Building Address: 575 Market Street, Suite 800
San Francisco, California 94105

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THIS LEASE AGREEMENT ("Lease")
is made this 22nd day of November, 2011 (the "Effective Date" and/or "date of Lease"),

BY AND BETWEEN:

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)
(a wholly owned subsidiary of Manulife Financial Corporation),
a Massachusetts corporation, having a local office at
865 South Figueroa Street, Suite 3320, in the City of Los Angeles, California 90017,

(hereinafter called the "Landlord"),

OF THE FIRST PART,

— and —

LegalZoom.com, Inc., a Delaware corporation

having an office at
101 North Brand Boulevard, 11th Floor
Glendale, California 91203
Attn: Legal Department

(hereinafter called the "Tenant"),

OF THE SECOND PART.

In consideration of the rents, covenants and agreements hereinafter contained, Landlord and Tenant hereby agree as follows:

1. LEASED PREMISES

Leased Premises

The Landlord does demise and lease to the Tenant the premises (the "Leased Premises") located in a building (the "Building") having a municipal address of 575 Market Street in the city of San Francisco and known as Market Center (the Leased Premises, the Building, together with the lands described in Schedule "A" attached hereto and present and future improvements, additions and changes thereto being herein called the "Property"). The Leased Premises are located on the 8th floor and the approximate location is outlined in heavy black or cross hatched on the plan or plans marked Schedule(s) "B-1" attached hereto and are known as Suite 800. The parties agree that the Rentable Area of the Leased Premises is Five Thousand Seven Hundred Seventy-Nine square feet (5,779 rentable square feet) and has been measured in accordance with the provisions of Schedule "B" attached hereto. Landlord agrees not to remeasure the Leased Premises during the initial Term of this Lease.

Term

2. TERM

(a) TO HAVE AND TO HOLD the Leased Premises for and during the term of five (5) years and zero (0) days/months (the "Term") to be computed from the first day of December, 2011 (the "Commencement Date" and/or "commencement date"), and to be fully complete and ended on the 30th day of November, 2016 (the "Expiration Date") unless otherwise terminated or extended, if at all. The Commencement Date and the Expiration Date are subject to adjustment pursuant to Section 5(a)(iii) of Schedule "F" attached to this Lease.

Delay in
Occupancy

(b) If the Leased Premises or any part thereof are not ready for occupancy on the date of commencement of the Term, no part of the "Rent" (as hereinafter defined) or only a proportionate part thereof, in the event that the Tenant shall occupy a part of the Leased Premises, shall be payable for the period prior to the date when the entire Leased Premises are ready for occupancy and the full Rent shall accrue only after such last mentioned date. Except as otherwise expressly provided in this Lease, the Tenant agrees to accept any such abatement of Rent in full settlement of all claims which the Tenant might

otherwise have by reason of the Leased Premises not being ready for occupancy on the date of commencement of the Term, provided that when the Landlord has completed construction of such part of the Leased Premises as it is obliged hereunder to construct, the Tenant shall not be entitled to any abatement of Rent for any delay in occupancy due to the Tenant's failure or delay to provide plans or to complete any special installations or other work required for its purposes or due to any other reason, nor shall the Tenant be entitled to any abatement of Rent for any delay in occupancy if the Landlord has been unable to complete construction of the Leased Premises by reason of such failure or delay by the Tenant. Promptly following the determination of the Commencement Date, Landlord shall prepare a certificate as to the date the Leased Premises were ready for occupancy and such construction as the Landlord is obliged to complete is substantially completed, or as to the date upon which the same would have been ready for occupancy and completed respectively but for the failure or delay of the Tenant. Tenant's failure to execute and return the certificate, or to provide written objection to the statements contained therein, within ten (10) days after the date of the certificate shall be deemed an approval by Tenant of the statements contained therein. Notwithstanding any delay in occupancy, the expiry date of this Lease shall remain unchanged.

Notwithstanding the foregoing, but subject to the terms and conditions contained herein, if the Commencement Date has not occurred on or before April 1, 2012 (the "Required Completion Date"), the Tenant, as its sole remedy, may terminate this Lease by giving the Landlord written notice of termination on or before the earlier to occur of: (a) five (5) business days after the Required Completion Date; and (b) the Commencement Date. In such event, this Lease shall be deemed null and void and of no further force and effect and the Landlord shall promptly refund any prepaid rent and Security Deposit previously advanced by the Tenant under this Lease and, so long as the Tenant has not previously defaulted under any of its obligations under this Lease or any Schedule hereto, the parties hereto shall have no further responsibilities or obligations to each other with respect to this Lease. The Landlord and the Tenant acknowledge and agree that: (i) the determination of the Commencement Date shall take into consideration the effect of any delays caused by the Tenant or any of the Tenant's agents, employees, contractors and/or invitees; and (ii) the Required Completion Date shall be postponed by the number of days the Commencement Date is delayed due to strikes, acts of God, shortages of labor or materials, war, terrorist acts, civil disturbances and other causes beyond the reasonable control of the Landlord.

Over-Holding

(c) If at the expiration of the Term or sooner termination hereof, the Tenant shall remain in possession without any further written agreement or in circumstances where a tenancy would thereby be created by implication of law or otherwise, a tenancy from year to year shall not be created by implication of law or otherwise, but the Tenant shall be deemed to be a monthly tenant only, at one hundred and fifty percent (150%) of the current "Basic Rent" (as hereinafter defined) payable monthly in advance plus "Additional Rent" (as hereinafter defined) and otherwise upon and subject to the same terms and conditions as herein contained, excepting provisions for renewal (if any) and leasehold improvement allowance (if any) contained herein, and nothing, including the acceptance of any Rent by the Landlord, for periods other than monthly periods, shall extend this Lease to the contrary, except an agreement in writing between the Landlord and the Tenant, and the Tenant hereby authorizes the Landlord to apply any moneys received from the Tenant in payment of such monthly Rent. Notwithstanding the foregoing, in the event that the Tenant shall hold over after the expiration of the Term and the Landlord shall desire to regain possession of the Leased Premises promptly at the expiration of the Term, then the Landlord, at its sole option, may forthwith re-enter and take possession of the Leased Premises by any legal process in accordance with "Applicable Law" (as hereinafter defined), and Tenant hereby expressly waives any and all notices to cure or vacate or to quit the Leased Premises provided by current or future Applicable Law (except for those notices specifically outlined in this Lease).

3. RENT

(a) (i) The Tenant shall without demand, deduction or right of offset (except as otherwise expressly provided herein) pay to the Landlord yearly and every year during the Term as rental (herein called "Basic Rent"), in lawful money of the jurisdiction in which the Leased Premises are located which annual Basic Rent shall initially be an amount equal to the sum of Two Hundred Forty-Eight Thousand Four Hundred Ninety-Seven and 00/100 Dollars ($248,497.00), payable by the Tenant in advance on the first day of each month during the first twelve (12) months of the Term in equal monthly installments of Twenty Thousand Seven Hundred Eight and 08/100 Dollars ($20,708.08), with the first such payment to be made on the Commencement Date.

Increase in Basic Rent

(ii) Commencing on the 1st day of December, 2012 and continuing until the 30th day of November 2013, the Basic Rent shall be increased to Two Hundred Fifty-Four Thousand Two Hundred

Seventy-Six and 00/100 Dollars ($254,276.00) per annum of lawful money of the jurisdiction in which the Leased Premises are located, payable by Tenant in advance on the first day of each month during such period in equal monthly installments of Twenty-One Thousand One Hundred Eighty-Nine and 67/100 Dollars ($21,189.67), with the first such payment to be made on the 1st day of the December, 2012.

(iii) Commencing on the 1st day December, 2013 and continuing through and including the 30th day of November, 2014, the Basic Rent shall be increased to Two Hundred Sixty Thousand Fifty-Five and 00/100 Dollars ($260,055.00) per annum of lawful money of the jurisdiction in which the Leased Premises are located, payable by Tenant in advance on the first day of each month during such period in equal monthly installments of Twenty-One Thousand Six Hundred Seventy-One and 25/100 Dollars ($21,671.25), with the first such payment to be made on the 1st day of December, 2013.

(iv) Commencing on the 1st day of December, 2014 and continuing through and including the 30th day of November, 2015, the Basic Rent will be increased to Two Hundred Sixty-Five Thousand Eight Hundred Thirty-Four and 00/100 Dollars ($265,834.00) per annum of lawful money of the jurisdiction in which the Leased Premises are located, payable by Tenant in advance on the first day of each month during such period in equal monthly installments of Twenty-Two Thousand One Hundred Fifty-Two and 83/100 Dollars ($22,152.83), with the first such payment to be made on the 1st day of December, 2014.

(v) Commencing on the 1st day of December, 2015 and continuing through and including the 30th day of November, 2016, the Basic Rent will be increased to Two Hundred Seventy-One Thousand Six Hundred Thirteen and 00/100 Dollars ($271,613.00) per annum of lawful money of the jurisdiction in which the Leased Premises are located, payable by Tenant in advance on the first day of each month during such period in equal monthly installments of Twenty-Two Thousand Six Hundred Thirty-Four and 42/100 Dollars ($22,634.42), with the first such payment to be made on the 1st day December, 2015.

Basic Rent Free Period

(vi) The Tenant shall not be required to pay Basic Rent for the first three (3) months of the Term of this Lease (hereinafter called the "Basic Rent Free Period"). All other terms and conditions of this Lease shall, however, remain in full force and effect during the Basic Rent Free Period and thereafter including without limitation the payment of Additional Rent"

Additional Rent

(b) The Tenant shall, without deduction or right of offset pay to the Landlord (except as otherwise expressly provided herein), yearly and every year during the Term, as additional rental (herein called "Additional Rent"):

(i) The amounts of any Taxes payable by the Tenant to the Landlord pursuant to the provisions of Schedule "C" attached hereto; and

(ii) The amounts required to be paid to the Landlord pursuant to the provisions of Schedule "D" attached hereto.

Payment - Additional Rent

(c) Additional Rent shall be paid and adjusted with reference to a fiscal period of twelve (12) calendar months ("Fiscal Period"), which shall be a calendar year unless the Landlord shall from time to time have selected a Fiscal Period which is not a calendar year by written notice to the Tenant.

The Landlord shall advise the Tenant in writing of its estimate of the Additional Rent to be payable by the Tenant during the Fiscal Period (or broken portion of the Fiscal Period, as the case may be, if applicable at the commencement or end of the Term or because of a change in Fiscal Period) which commenced upon the Commencement Date of the Term and for each succeeding Fiscal Period or broken portion thereof which commences during the Term. Such estimate shall in every case be a reasonable estimate and, if requested by the Tenant, shall be accompanied by reasonable particulars of the manner in which it was calculated. The Additional Rent payable by the Tenant shall be paid in equal monthly installments in advance at the same time as payment of Basic Rent is due hereunder based on the Landlord's estimate as aforesaid. From time to time, the Landlord may re-estimate, on a reasonable basis, the amount of Additional Rent for any Fiscal Period or broken portion thereof, in which case the Landlord shall advise the Tenant in writing of such re-estimate and fix new equal monthly installments for the remaining balance of such Fiscal Period or broken portion thereof. After the end of each such Fiscal Period or broken portion

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thereof the Landlord shall provide the Tenant with a statement of the actual Additional Rent payable in respect of such Fiscal Period or broken portion thereof and a calculation of the amounts by which the Additional Rent payable by the Tenant exceeds or is less than (as the case may be) the aggregate installments paid by the Tenant on account of Additional Rent for such Fiscal Period. The Landlord shall use reasonable efforts to furnish statement of the actual Additional Rent payable in respect of such Fiscal Period on or before June 1 of the calendar year immediately following the calendar year to which the statement applies (provided that failure to so delivery such statement on or before June 1 shall in no event be deemed a default or beach of this Lease by the Landlord and in such event the Landlord shall not be deemed to have waived its right tender such statement to, and collect amounts due thereunder from, the Tenant. Within thirty (30) days after the submission of such statement either the Tenant shall pay to the Landlord any amount by which the amount found payable by the Tenant with respect to such Fiscal Period or broken portion thereof exceeds the aggregate of the monthly payments made by it on account thereof during such Fiscal Period or broken portion thereof, or the Landlord shall pay to the Tenant any amount by which the amount found payable as aforesaid is less than the aggregate of such monthly payments.

If the Landlord fails to furnish Tenant a statement of the actual Additional Rent payable in respect of such Fiscal Period for a given calendar year within twenty-four (24) months after the end of said calendar year and such failure continues for an additional 30 days after the Landlord's receipt of a written request from the Tenant that such statement of the actual Additional Rent payable in respect of such Fiscal Period be furnished, the

Landlord shall be deemed to have waived any rights to recover any underpayment of Operating Costs from the Tenant applicable to said calendar year (except to the extent such underpayment is attributable to a default by Tenant in its obligation to make estimated payments of Operating Costs), and Tenant shall be deemed to have waived any credit regarding overpayment of Operating Costs by the Tenant; provided that such twenty-four (24) month time limit shall not apply to supplemental real property tax bills or other Taxes. Further, in no event shall the foregoing provision describing the time period during which Landlord is to deliver the statement of actual costs in any manner limit or otherwise prejudice Landlord's right to modify such statement of actual costs after such time period if new, additional or different information relating to such statement of actual costs is discovered or otherwise determined.

Recovery of Rent

(d) In this Lease, "Rent" and/or "rent" means all amounts required to be paid by the Tenant pursuant to this Lease, including, without limitation, Basic Rent and Additional Rent.

Accrual of Rent

(e) Basic Rent and Additional Rent shall be considered as accruing from day to day, and for an irregular period of less than one year or less than one calendar month shall be apportioned and adjusted by the Landlord for the Fiscal Periods of the Landlord in which the tenancy created hereby commences and expires. Where the calculation of actual Additional Rent for a period cannot be made until after the termination of this Lease, the obligation of the Tenant to pay Additional Rent and of the Landlord to refund any overpayment by the Tenant as set forth in this Lease shall survive the termination hereof and Additional Rent for such period shall be payable by the Tenant within thirty (30) days following written demand therefor by the Landlord, or such refund of any overpayment of Additional Rent by Tenant shall be payable within thirty (30) days after the later of (i) the Landlord's calculation of the actual Additional Rent, and (ii) the Tenant's cure of any outstanding defaults or breaches of this Lease. If the Term commences or expires on any day other than the first or the last day of a month, Basic Rent and Additional Rent for such fraction of a month shall be apportioned and adjusted as aforesaid and paid by the Tenant on the commencement date of the Term.

Limitations

(f) The information set out in statements, documents or other writings setting out the amount of Additional Rent submitted to the Tenant under or pursuant to this Lease shall be binding on the Tenant and deemed to be accepted by it and shall not be subject to amendment for any reason unless the Tenant gives written notice (the "Dispute Notice") to the Landlord within ninety (90) days of the Landlord's submission of such statement, document, or writing identifying the statement, document, or writing. The Dispute Notice shall set out in reasonable detail the reason why such statement, document or writing is in error or otherwise should not be binding on the Tenant and that the Tenant intends to review the Landlord's books and records of such Additional Rent for the calendar year to which the statement applies. If the Tenant so disputes the amount of the Additional Rent as aforesaid, and if such dispute is not resolved within thirty (30) days after the Tenant delivers the Dispute Notice to the Landlord, then Landlord shall make all pertinent records available for inspection that are reasonably necessary for Tenant to conduct its review. If immediately following the expiration of the Base Year the Tenant did not provide a Dispute Notice and thereafter

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review the Landlord's pertinent records applicable to the Base Year pursuant to this Section 3(f), and if the Tenant provides to the Landlord a Dispute Notice for a Lease Year other than the Base Year in accordance with the terms and conditions of this Lease, the Tenant may, by electing in writing to do so in such Dispute Notice and together with the Tenant first (1st) Dispute Notice provided under this Lease, elect to also review the Landlord's pertinent records for the Base Year, subject to and in accordance with the terms and conditions contained in this Lease. If any records are maintained at a location other than the management office for the Building, the Tenant may either inspect the records at such other location or pay for the reasonable cost of copying and shipping the records. If the Tenant retains an agent to review the Landlord's records, the agent must be with a CPA firm licensed to do business in the state or commonwealth where the Building is located. Notwithstanding the foregoing, the Landlord agrees that the Tenant may retain a third party agent to review the Landlord's pertinent records in accordance with this Section 3(f) which third party agent is not a CPA firm, so long as the third party agent retained by the Tenant shall have expertise in and familiarity with general industry practice with respect to the operation of and accounting for a first class office building and whose compensation shall in no way be contingent upon or correspond to the financial impact on the Tenant resulting from the review and further provided that such third-party auditor be acceptable to the Landlord. Subject to the terms and conditions of this paragraph, the Tenant shall be solely responsible for all costs, expenses and fees incurred for the review. Within 60 days after the records are made available to the Tenant, the Tenant shall have the right to give the Landlord written notice (an "Objection Notice") stating in reasonable detail any objection to the Landlord's statement of actual Additional Rent for that year. If the Tenant fails to give the Landlord an Objection Notice within the 60 day period or fails to provide the Landlord with a Dispute Notice within the 90 day period described above, the Tenant shall be deemed to have approved the Landlord's statement of actual Additional Rent and shall be barred from raising any claims regarding the Additional Rent for that year. If Tenant provides Landlord with a timely Objection Notice, the Landlord and the Tenant shall work together in good faith to resolve any issues raised in the Tenant's Objection Notice. If the Landlord and the Tenant determine that Additional Rent for the calendar year is less than reported, the Landlord shall provide the Tenant with a credit against the next installment of Additional Rent in the amount of the overpayment by the Tenant. Likewise, if the Landlord and the Tenant determine that Additional Rent for the calendar year is greater than reported, the Tenant shall pay the Landlord the amount of any underpayment within 30 days. The records obtained by the Tenant shall be treated as confidential. In no event shall the Tenant be permitted to examine the Landlord's records or to dispute any statement of Additional Rent unless the Tenant has paid and continues to pay all Rent and other sums payable by the Tenant hereunder when due.

The cost of Tenant's review of Landlord's books and records shall be paid by the Tenant as rent hereunder unless the amount of Additional Rent payable by the Tenant as set forth in such audited financial statement is at least four percent (4%) less than the amount of Additional Rent demanded by the Landlord in accordance with the statement delivered to the Tenant pursuant to Section 3(c) above.

4. SECURITY DEPOSIT

As of the Effective Date and thereafter, the Tenant shall tender to the Landlord and the Landlord shall hold the "Security Deposit" of Twenty-Two Thousand Six Hundred Thirty-Four and 42/100 Dollars ($22,634.42) and Landlord and Tenant agree that Landlord shall continue to hold this Security Deposit as security for the payment by Tenant of any and all present and future debts and liabilities of Tenant to Landlord under this Lease and for the performance by Tenant of all of its obligations hereunder (collectively, the "Debts, Liabilities and Obligations"), as may be held, used and/or applied by Landlord hereunder. Landlord shall not be required to keep the Security Deposit separate from its general funds. In the event of the Landlord disposing of its interest in this Lease, the Landlord shall credit the Security Deposit to its successor and thereupon shall have no liability to the Tenant to repay the Security Deposit to the Tenant so long as such successor agrees to recognize such Security Deposit and Tenant's right to collect the same from Landlord to the extent provided in this Lease. Subject to the foregoing, Landlord shall repay the Security Deposit to the Tenant without interest on the later of (i) at the end of the Term or sooner termination of this Lease; (ii) the Tenant's tender of the Lease Premises to the Landlord in the condition required by the terms and conditions of this Lease, and (ii) following the Tenant's cure of any breach or default of this Lease, including the payment in full of all Debts, Liabilities and Obligations of the Tenant.

5. GENERAL COVENANTS

Landlord's Covenants

(a) The Landlord covenants with the Tenant:

(i) For quiet enjoyment; and

(ii) To observe and perform all the covenants and obligations of the Landlord herein.

Tenant's Covenants

(b) The Tenant covenants with the Landlord:

(i) To pay Rent; and

(ii) To observe and perform all the covenants and obligations of the Tenant herein.

6. USE AND OCCUPANCY

The Tenant covenants with the Landlord:

Use

(a) Not to use the Leased Premises for any purpose other than an office for the conduct of the Tenant's business which is general office use, and such use shall be consistent with the character of the Property and compatible with the other uses of the Property;

Waste, Nuisance, Etc.

(b) Not to commit, or permit, any waste, injury or damage to the Property including the Leasehold Improvements and any trade fixtures therein, any loading of the floors thereof in excess of the maximum degree of loading as determined by the Landlord acting reasonably, any nuisance therein or any use or manner of use causing annoyance to other tenants and occupants of the Property or to the Landlord;

Insurance Risks

(c) Not to do, omit or permit to be done or omitted to be done upon the Property anything which would cause to be increased the Landlord's cost of insurance or the costs of insurance of another tenant of the Property against perils as to which the Landlord or such other tenant has insured or which shall cause any policy of insurance on the Property to be subject to cancellation;

Compliance with Law

(d) To comply at its own expense with all governmental laws, regulations and requirements pertaining to the occupation and specific use of the Leased Premises (other than for a general office use), the condition of the Leasehold Improvements, trade fixtures, furniture and equipment installed by or on behalf of the Tenant therein and the making by the Tenant of any repairs, changes or improvements therein;

Environmental Compliance

(e) (i) To conduct and maintain its business and operations at the Leased Premises so as to comply in all respects with common law and with all present and future applicable federal, provincial/state, local, municipal, governmental or quasi-governmental laws, by-laws, rules, regulations, licenses, orders, guidelines, directives, permits, decisions or requirements (collectively, "Applicable Law" and/or "applicable law") concerning occupational or public health and safety or the environment and any order, injunction, judgment, declaration, notice or demand issued thereunder (collectively, "Environmental Law") with regard to Tenant's use and occupancy of the Leased Premises in the Building; and

(ii) Not to permit or suffer any substance which is hazardous or is prohibited, restricted, regulated or controlled under any Environmental Law to be present at, on or in the Leased Premises, unless it has received the prior written consent of the Landlord, which consent may be arbitrarily withheld. Notwithstanding the foregoing, the Tenant may handle, store, use or dispose of products containing small quantities of

hazardous materials (such as aerosol cans containing insecticides, toner for copiers, paints, paint remover and the like) to the extent customary and necessary for the use of the Leased Premises for general office purposes; provided that the Tenant shall always handle, store, use, and dispose of any such hazardous materials in a safe and lawful manner and never allow such hazardous materials to contaminate the Leased Premises, Building and appurtenant and or the environment; and

Rules and Regulations

(f) To observe and perform, and to cause its employees, invitees and others over whom the Tenant can reasonably be expected to exercise control to observe and perform, the Rules and Regulations contained in Schedule "E" attached hereto, and such further and other reasonable rules and regulations and amendments and additions therein as may hereafter be made by the Landlord and notified in writing to the Tenant, except that no change or addition may be made that is inconsistent with this Lease unless as may be required by governmental regulation or unless the Tenant consents thereto. The imposition of such Rules and

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Regulations shall not create or imply any obligation of the Landlord to enforce them or create any liability of the Landlord for their non-enforcement or otherwise. The Rules and Regulations shall be generally applicable, and generally applied in the same manner, to all tenants of the Building.

The Landlord, at its sole cost and expense (except to the extent properly included in Operating Costs), shall be responsible for correcting any violations of applicable laws with respect to the Common Areas of the Building. Notwithstanding the foregoing, the Landlord shall have the right to contest any alleged violation in good faith, including, without limitation, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by applicable law and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by applicable law. The Landlord, after the exhaustion of any and all rights to appeal or contest, will make all repairs, additions, alterations or improvements necessary to comply with the terms of any final order or judgment. Notwithstanding the foregoing, the Tenant, not the Landlord, shall be responsible for the correction of any violations that arise out of or in connection with any claims brought under any provision of the Americans with Disabilities Act other than Title III, the specific nature of the Tenant's business in the Leased Premises, the acts or omissions of the Tenant, its agents, employees or contractors, the Tenant's arrangement of any furniture, equipment or other property in the Leased Premises, any repairs, alterations, additions or improvements performed by or on behalf of the Tenant and any design or configuration of the Leased Premises specifically requested by the Tenant.

7. ASSIGNMENT AND SUB-LETTING

No Assignment and Subletting

(a) The Tenant covenants that it will not assign this Lease nor sublet all or any part of the Leased Premises or mortgage or encumber this Lease or the Leased Premises or any part thereof, or suffer or permit the occupation of all or any part thereof by others (each of which is a "Transfer") without the prior written consent of the Landlord, which consent the Landlord covenants not unreasonably (i) withhold, condition or delay a Transfer to any assignee, subtenant or occupant (the "Transferee") who is in a satisfactory financial condition (provided that with respect to a subtenant, Landlord shall take into account all expected obligations of the Transferee with respect to the proposed Transfer and all of its other contingent and noncontingent obligations), agrees to use the Leased Premises for those purposes permitted hereunder, and (ii) as to any portion of the Leased Premises which, in the Landlord's reasonable judgment, is a proper and rational division of the Leased Premises, subject to the Landlord's right of termination arising under this paragraph. This prohibition against a Transfer shall be construed to include a prohibition against any Transfer by operation of law.

Assignment or Subletting Procedures

(b) The Tenant shall not effect a Transfer unless:

(i) It shall have received or procured a bona fide written offer to take an assignment or sublease, which is consistent with this Lease, and the acceptance of which would not breach any provision of this Lease if this Paragraph/Section is complied with, and which the Tenant has determined to accept subject to this Paragraph being complied with, and

(ii) It shall have first requested and obtained the consent in writing of the Landlord thereto.

Any request for consent shall be in writing and accompanied by a copy of the offer certified by the Tenant to be true and complete, and the Tenant shall furnish to the Landlord all information available to the Tenant and reasonably requested by the Landlord as to the responsibility, financial standing and business of the proposed Transferee. Notwithstanding the provisions of Subparagraph (a), within twenty (20) days after the receipt by the Landlord of such request for consent and of all information which the Landlord shall have reasonably requested hereunder, the Landlord shall have the right upon written notice of termination submitted to the Tenant, if the request is to assign this Lease or sublet the whole of the Leased Premises, to cancel and terminate this Lease as of a termination date to be stipulated in the notice of termination, which shall be not less than sixty (60) days or more than ninety (90) days following the giving of such notice. In such event the Tenant shall surrender the whole of the Leased Premises in accordance with such notice of termination and Basic Rent and Additional Rent shall be apportioned and paid to the date of surrender. If such consent shall be given the Tenant shall affect the Transfer only upon the terms set out in the offer submitted to the Landlord as aforesaid and not otherwise. Any consent shall be given without prejudice to the Landlord's rights under the Lease and shall be limited to the particular Transfer in respect of which it was given and shall not be deemed to be an authorization for or consent to any further or other Transfer.

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Notwithstanding the above, Tenant, within 5 days after receipt of Landlord's notice of termination, may withdraw its request for consent to the subject Transfer. In that event, Landlord's election to terminate this Lease shall be null and void and of no force and effect.

Excess Transfer Rent

(c) In the event the Landlord consents to any Transfer, the Tenant shall pay to the Landlord, as and when amounts on account are due or paid by the Transferee to the Tenant, fifty percent (50%) of the excess Transfer rents (hereinafter called the "Excess Transfer Rent"), if any, as Rent. The Excess Transfer Rent shall be determined, by Landlord following Landlord's receipt of all relevant information below, in accordance with the following formula: All gross revenue received by the Tenant from the Transferee and attributable to the Transfer less:

(i) The Rent paid by the Tenant to the Landlord during the term of the Transfer; plus

(ii) Any reasonable and customary out of pocket transaction costs incurred by the Tenant in connection with such Transfer, including attorneys' fees, brokerage commissions and alteration costs (which transaction costs shall be amortized on a straight line basis over the term of the Transfer); plus

(iii) The general value of the Tenant's business (but excluding the Tenant's interest under this Lease) and for all of the Tenant's personal property in the Leased Premises included in such Transfer, including, without limitation, fixtures, improvements of the Tenant (except for those improvements which shall or may become the Landlord's property at the expiration or termination of this Lease), furniture, equipment and furnishings, the Tenant's goodwill and any other intangible personal property associated with the Tenant's business.

The Tenant agrees to promptly furnish such information with regard to the Excess Transfer Rent as the Landlord may reasonably request from time to time.

Assumption of Obligations

(d) No Transfer shall be effective unless the Transferee shall execute an agreement on the Landlord's form, assuming all the obligations of the Tenant hereunder, and shall have paid to the Landlord its reasonable fee (which under no circumstances would be more than $1,000.00), plus the reimbursement of Landlord's reasonable attorneys' fees and costs in connection with same, for processing the Transfer.

Tenant's Continuing Obligations

(e) The Tenant agrees that Landlord's consent to any Transfer hereunder will not thereby release the Tenant from any of its obligations hereunder.

Change of Control

(f) If the Tenant or occupant of the Leased Premises at any time is a corporation, it is acknowledged and agreed that the transfer of the majority (that is 50% or more) of the issued capital voting stock of the corporation or the transfer or issuance of any capital stock of the corporation sufficient to transfer effective voting control of the corporation to others than the shareholder or shareholders having effective voting control of the corporation immediately prior to such transfer or issuance, shall be deemed for all purposes of this Paragraph 7 to be a Transfer and, accordingly, a violation of this Paragraph 7 respecting assignment of this Lease unless the prior written consent of the Landlord is first obtained, and the Landlord shall have all of the same rights in respect thereof as though any such transfer or issuing of shares or proposed transferring or issuing of shares were a Transfer. With ten (10) days of the Landlord's request, the Tenant shall deliver to the Landlord all documents and materials relevant and/or reasonably related to any transfer of shares in the Tenant or issuance of shares in the Tenant in order for the Landlord to determine whether or not a change in the effective voting control of the Tenant occurred. At the Tenant's request, the Landlord shall enter into a confidentiality agreement with the Tenant, which agreement is reasonably acceptable to the Landlord and covers confidential financial information provided by the Tenant to the Landlord in the foregoing sentence. This Subparagraph 7(f) shall not apply to the Tenant if and for so long as the Tenant is a corporation whose shares are listed and traded on any recognized stock exchange or over the counter in Canada or the United States.

Prohibition

(g) Notwithstanding anything in this Lease to the contrary, the Tenant shall not be permitted without the written consent of the Landlord to affect a Transfer to any third party currently occupying any space in the Property. Notwithstanding the above, the Landlord will not withhold its consent to a Transfer

solely because the proposed subtenant or assignee is an occupant of the Building if the Landlord does not have space available for lease in the Building that is comparable to the space the Tenant desires to sublet or assign. The Landlord shall be deemed to have comparable space if it has, or will have, space available on any floor of the Building that is approximately the same size as the space the Tenant desires to sublet or assign within 4 months of the proposed commencement of the proposed sublease or assignment.

Permitted Transfer

(h) So long as Tenant is not entering into the Permitted Transfer (as defined below) for the purpose of avoiding or otherwise circumventing the remaining terms of this Article 9, Tenant may assign its entire interest under this Lease, without the consent of Landlord, to (a) an affiliate, subsidiary, or parent of Tenant, or a corporation, partnership or other legal entity wholly owned by Tenant (collectively, an "Affiliated Party"), or (b) a successor to Tenant by purchase (including by stock purchase of all of the stock of the Tenant), merger, consolidation or reorganization, provided that all of the following conditions are satisfied (each such transfer a "Permitted Transfer" and any such assignee or sublessee of a Permitted Transfer, a "Permitted Transferee"): (i) Tenant is not in default under this Lease; (ii) the Permitted Use does not allow the Leased Premises to be used for retail purposes; (iii) Tenant shall give Landlord written notice at least thirty (30) days prior to the effective date of the proposed Permitted Transfer; (iv) with respect to a proposed Permitted Transfer to an Affiliated Party, Tenant continues to have a tangible net worth equal to or greater than Ten Million Dollars ($10,000,000.00); and (v) with respect to a purchase, merger, consolidation or reorganization or any Permitted Transfer which results in Tenant ceasing to exist as a separate legal entity, (A) Tenant's successor shall own all or substantially all of the assets of Tenant, and (B) Tenant's successor shall have a tangible net worth which is at least equal to the greater of Ten Million Dollars ($10,000,000.00). Tenant's notice to Landlord shall include information and documentation showing that each of the above conditions has been satisfied. If requested by Landlord, Tenant's successor shall sign a commercially reasonable form of assumption agreement. As used herein, (1) "parent" shall mean a company which owns a majority of Tenant's voting equity; (2) "subsidiary" shall mean an entity wholly owned by Tenant or at least fifty-one percent (51%) of whose voting equity is owned by Tenant; and (3) "affiliate" shall mean an entity controlled, controlling or under common control with Tenant.

8. REPAIR & DAMAGE

Landlord's Repairs to Building and Property

(a) The Landlord covenants with the Tenant to repair, maintain, keep and operate the common areas of the Building in a good and reasonable state of repair and decoration and in a manner consistent with that of other similar buildings in the financial district of San Francisco, California and owned by similarly situated owners ("Comparable Buildings"):

(i) Those portions of the Property consisting of the entrance, lobbies, stairways, corridors, landscaped areas, parking areas, common area restrooms, elevators, any common areas and other facilities from time to time provided for use in common by the Tenant and other tenants of the Building or Property, and the exterior portions (including foundations and roofs) of all buildings and structures from time to time forming part of the Property and affecting its general appearance; and

(ii) The Building (other than the Leased Premises and premises of other tenants) including the systems for interior climate control, the elevators and escalators (if any), entrances, lobbies, stairways, corridors and washrooms from time to time provided for use in common by the Tenant and other tenants of the Building or Property and the systems and equipment provided for use in common by the Tenant and other tenants of the Building or Property and the systems and equipment provided for bringing utilities to the Leased Premises), including systems designed to supply heat, ventilation, air conditioning and electrical, plumbing, fire/life safety, or mechanical systems.

Landlord agrees to perform its repairs and maintenance obligations set forth in this Lease reasonably and in a reasonably timely manner.

Landlord's Repairs to Leased Premises

(b) The Landlord covenants with the Tenant to repair, so far as reasonably feasible, and as expeditiously as reasonably feasible, defects in standard demising walls or in structural elements, exterior walls of the Building, suspended ceiling, electrical and mechanical installations standard to the Building installed by the Landlord in the Leased Premises (if and to the extent that such defects are sufficient to

impair the Tenant's use of the Leased Premises while using them in a manner consistent with this Lease) and "Insured Damage" (as herein defined). The Landlord shall in no event be required to make repairs to Leasehold Improvements made by the Tenant, or by the Landlord on behalf of the Tenant or another tenant or to make repairs to wear and tear within the Leased Premises, unless the need for such repair arose from the gross negligence or willful misconduct of Landlord and in such event the terms and conditions of Article 9 shall apply.

Tenant's Repairs

(c) The Tenant covenants with the Landlord to repair, maintain and keep at the Tenant's own cost, except insofar as the obligation to repair rests upon the Landlord pursuant to this paragraph, the Leased Premises, including Leasehold Improvements in good and substantial repair, reasonable wear and tear excepted, provided that this obligation shall not extend to structural elements or to exterior glass or to repairs which the Landlord would be required to make under this paragraph but for the exclusion there from of defects not sufficient to impair the Tenant's use of the Leased Premises while using them in a manner consistent with this Lease. Except (i) to the extent requested by the Tenant, (ii) in connection with scheduled maintenance programs, and/or (iii) in the event of an emergency, upon twenty-four (24) hours advance written (which for the purposes of this subparagraph (c) notice may be in email form or written form personally delivered to the Leased Premises only and may be in oral form for Landlord's entry in connection with its repairs and maintenance (other than as set forth herein)), the Landlord may enter the Leased Premises at all reasonable times and view the condition thereof and the Tenant covenants with the Landlord to repair, maintain and keep the Leased Premises in good and substantial repair according to notice in writing, reasonable wear and tear excepted. If the Tenant shall fail to repair as aforesaid after

reasonable notice to do so, the Landlord may affect the repairs and the Tenant shall pay the actual, reasonable out-of-pocket cost thereof to the Landlord within ten (10) business days after written demand therefor. The Tenant covenants with the Landlord that the Tenant will at the expiration of the Term or sooner termination thereof peaceably surrender the Leased Premises and appurtenances in good and substantial repair and condition, casualty and reasonable wear and tear excepted. It is the intention of the parties hereto that the terms of this Lease govern the respective obligations of the parties for the maintenance and repair of the Leased Premises, and Tenant hereby expressly waives the benefits of any statute, law and/or ordinance, now or hereafter in effect, to the extent that it is inconsistent with the terms of this Lease, including, but not limited to, Tenant's right to make repairs, if at all, under Sections 1941 and 1942 of the California Civil Code, as may be amended or supplemented from time to time.

Indemnification

(d) If any part of the Property becomes out of repair, damaged and/or destroyed through the negligence of, or misuse by, the Tenant or its employees, agents, invitees or others under its control, the Tenant shall, subject to the wavier of subrogation set forth in Paragraph 9(b) below, pay the Landlord on demand the expense of repairs or replacements, including the Landlord's reasonable administration charge thereof (which administration charge shall not exceed ten percent (10%) of the cost of such repairs or replacements), necessitated by such negligence or misuse.

Damage and Destruction

(e) It is agreed between the Landlord and the Tenant that:

(i) In the event of damage to the Property or to any part thereof, if in the reasonable opinion of the Landlord the damage is such that the Leased Premises or any substantial part thereof is rendered not reasonably capable of use and occupancy by the Tenant for the purposes of its business for any period of time in excess of five (5) business days, then

(A) Unless the damage was caused by the fault or negligence of the Tenant or its employees, agents, invitees or others under its control, from the date of occurrence of the damage and until the Leased Premises are again reasonably capable for use and occupancy as aforesaid, the Rent payable pursuant to this Lease shall abate from time to time in proportion to the part or parts of the Leased Premises not reasonably capable of such use and occupancy, and

(B) Unless this Lease is terminated as hereinafter provided, the Landlord or the Tenant as the case may be (according to the nature of the damage and their respective obligations to repair as provided in this Paragraph) shall repair such damage with all reasonable diligence, but to the extent that any part of the Leased Premises is not reasonably capable of such use and occupancy by reason of damage which the Tenant is obligated to repair hereunder, any abatement of Rent to which the Tenant would otherwise be entitled hereunder shall not extend later than the time by which, in the reasonable opinion of the Landlord, repairs by the Tenant ought to have been completed with reasonable diligence;

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(ii) If the damage is such that the Leased Premises are rendered untenantable, in whole or in part, and if, in the opinion of the Landlord, the damage cannot be repaired with reasonable diligence within one hundred and eighty (180) days from the happening of the damage, then the Landlord may, within thirty (30) days after the date of the damage, terminate this Lease by notice to the Tenant. Upon the Landlord giving such notice, this Lease shall be terminated as of the date of the damage and the Rent and all other payments for which the Tenant is liable under the terms of this Lease shall be apportioned and paid in full to the date of the damage; and

(iii) The Landlord shall not be required to use plans and specifications and working drawings used in the original construction of the Building and nothing in this Section requires the Landlord to rebuild the Building in the condition and state that existed before the damage, but the Building, as rebuilt, will have reasonably similar facilities and services to those in the Building prior to the damage; and

(iv) If premises whether of the Tenant or other tenants of the Property comprising in the aggregate half or more of the total number of square feet of rentable office area in the Property or half or more of the total number of square feet of rentable office area in the Building (as determined by the Landlord) or portions of the Property which affect access or services essential thereto, are substantially damaged or destroyed by any cause and if in the reasonable opinion of the Landlord the damage cannot reasonably be repaired within one hundred and eighty (180) days after the occurrence thereof, then the Landlord may, by written notice to the Tenant given within thirty (30) days after the occurrence of such damage or destruction, terminate this Lease, in which event neither the Landlord nor the Tenant shall be bound to repair as provided in this Paragraph, and the Tenant shall instead deliver up possession of the Leased Premises to the Landlord with reasonable expedition but in any event within sixty (60) days after delivery of such notice of termination, and Rent shall be apportioned and paid to the date upon which possession is so delivered up (but subject to any abatement to which the Tenant may be entitled under Paragraph 8(e)(i) above); and

(v) If Landlord has the right to terminate this Lease pursuant to this Article 8, Landlord agrees to exercise such right in a nondiscriminatory fashion among leases affecting the Building. Consideration of the following factors in arriving at its decision shall not be deemed discriminatory: length of term remaining on this Lease, time needed to repair and restore, costs of repair and restoration not covered by insurance proceeds, Landlord's plans to repair and restore common areas serving the Leased Premises, Landlord's plans for repair and restoration of the Building, and other relevant factors of Landlord's decision as long as they are applied to Tenant in the same manner as other tenants; and

(vi) In addition to the Landlord's rights to terminate as provided herein, the Tenant shall have the right to terminate this Lease if all of the following are satisfied: (i) a material portion of the Leased Premises is rendered untenantable by fire or other casualty and such damage cannot reasonably be repaired (as determined by the Landlord) within sixty (60) days after Landlord's receipt of all required permits to restore the Leased Premises; (ii) there is less than one (1) year of the Term remaining on the date of such damage; (iii) the damage was not caused by the negligence or willful misconduct of the Tenant or any of the Tenant's employees, agents, contractors or invitees; and (iv) the Tenant provides the Landlord with written notice of its intent to terminate within thirty (30) days after the date of the Landlord's completion estimate. In addition to the foregoing, if the Leased Premises should be damaged by fire or other casualty to such extent that rebuilding or repairs cannot in the Landlord's estimation be reasonably completed within two hundred forty (240) days after receipt of required permits for rebuilding or repair, and such damage materially and

adversely interferes with the conduct of the Tenant's business in the Leased Premises, then the Tenant shall have the right to cancel this Lease by giving the Landlord written notice within ten (10) days from the date of the Landlord's notice that material restoration of the Leased Premises cannot be made within such two hundred forty (240) day period. Said cancellation shall be effective thirty (30) days from the first day that the Landlord gives such notice to cancel; and

(vii) Landlord and Tenant hereby agree that the terms of this Lease will govern the effect of any damage to or destruction of the Leased Premises with respect to the termination of this Lease, and hereby waive any present or future statutes, ordinances, and/or laws to the extent inconsistent herewith, including, but not limited to, Sections 1932(2) and 1933(4) of the California Civil Code, as may be amended or supplemented from time to time; and

(viii) Notwithstanding the foregoing, if pursuant to subsection (vi) above, the Tenant was entitled to terminate this Lease because the Landlord's reasonable estimate of the completion of restoration of the Leased Premises is greater than two hundred forty (240) days, and the Tenant elected not to exercise its right to terminate this Lease and. further, the Landlord does not substantially complete the repair and restoration of the Leased Premises within thirty (30) days after the expiration of the

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estimated period of time set forth in the Landlord's notice to the Tenant, which period shall be extended to the extent of any Reconstruction Delays, then the Tenant may terminate this Lease by written notice to the Landlord within fifteen (15) days after the expiration of such period, as the same may be extended. For purposes of this Lease, the term "Reconstruction Delays" shall mean: (i) any delays caused by the insurance adjustment process; (ii) any delays caused by the Tenant; and (iii) any delays caused by events of force majeure.

9. INSURANCE AND LIABILITY

Landlord's Insurance

(a) The Landlord shall take out and keep in force during the Term insurance with respect to the Property except for the "Leasehold Improvements" (as hereinafter defined) in the Leased Premises. The foregoing Property insurance shall be carried at "full replacement value" to the extent is commercially reasonably available to the Landlord and carried in its normal course of business. The insurance to be maintained by the Landlord shall be in respect of perils and in amounts and on terms and conditions which from time to time are insurable at a reasonable premium and which are normally insured by reasonable prudent owners of properties similar to the Property, all as from time to time determined at reasonable intervals by insurance advisors selected by the Landlord, and whose opinion shall be conclusive. 'Unless and until the insurance advisors shall state that any such perils are not customarily insured against by owners of properties similar to the Property, the perils to be insured against by the Landlord shall include, without limitation, public liability, boilers and machinery, fire and extended perils and may include at the option of the Landlord losses suffered by the Landlord in its capacity as Landlord through business interruption. The insurance to be maintained by the Landlord shall contain a waiver by the insurer of any rights of subrogation or indemnity or any other claim over which the insurer might otherwise be entitled against the Tenant or the agents or employees of the Tenant.

Tenant's Insurance

(b) The Tenant shall take out and keep in force during the Term:

(i) Comprehensive general public liability insurance all on an occurrence basis with respect to the business carried on in or from the Leased Premises and the Tenant's use and occupancy of the Leased Premises and of any other part of the Property, with coverage for any one occurrence or claim of not less than Three Million Dollars ($3,000,000) or such other amount as the Landlord may reasonably require upon not less than one (1) month notice at any time during the Term (provided that except to the extent required by the Landlord's lender, the Landlord shall only require any such additional coverage amounts in the event that (i) the Landlord reasonably determines that the amounts of insurance carried by the Tenant hereunder is materially less than the amount or type of insurance coverage typically carried by tenants of the Building and owners or tenants of Comparable Buildings which are operated for similar purposes as the Leased Premises, or (ii) if the Tenant's use of the Leased Premises should change with or without the Landlord's consent), which insurance shall include the Landlord as a named and additional insured, and shall contain a cross liability clause protecting the Landlord in respect of claims by the Tenant as if the Landlord were separately insured;

(ii) Insurance in respect of fire and such other perils as are from time to time in the usual extended coverage endorsement covering the Leasehold Improvements, trade fixtures, and the furniture and equipment in the Leased Premises for not less than 80% of the full replacement cost thereof, and which insurance shall include the Landlord as a named insured as the Landlord's interest may appear; and

(iii) Insurance against such other perils and in such amounts as the Landlord may from time to time reasonably require upon not less than ninety (90) days' written notice, such requirement to be made on the basis that the required insurance is customary at the time for prudent tenants of properties similar to the Property; provided that except to the extent required by the Landlord's lender, the Landlord shall only require any such additional insurance coverages and amounts in the event that (i) the Landlord reasonably determines that the types and/or amounts of insurance carried by the Tenant hereunder is materially less than the amount or type of insurance coverage typically carried by tenants of the Building and owners or tenants of Comparable Buildings which are operated for similar purposes as the Leased Premises, or (ii) if the Tenant's use of the Leased Premises should change with or without the Landlord's consent.

All insurance required to be maintained by the Tenant shall be on terms and with insurers satisfactory to the Landlord. Each policy shall contain: (A) a waiver by the insurer of any rights of subrogation or indemnity or any other claim over to which the insurer might otherwise be entitled against the Landlord or the agents or

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employees of the Landlord, (B) a cross liability clause and (C) an undertaking by the insurer that no material change adverse to the Landlord or the Tenant will be made, and the policy will not lapse or be canceled, except after not less than thirty (30) days' written notice to the Landlord of the intended change, lapse or cancellation. The Tenant shall furnish to the Landlord, if and whenever reasonably requested by it, certificates or other evidences reasonably acceptable to the Landlord as to the insurance from time to time effected by the Tenant and its renewal or continuation in force, together with evidence as to the method of determination of full replacement cost of the Tenant's Leasehold Improvements, trade fixtures, furniture and equipment, and if the Landlord reasonably concludes that the full replacement cost has been underestimated, the Tenant shall forthwith arrange for any consequent increase in coverage required under sub-paragraph (b). If the Tenant shall fail to take out, renew and keep in force such insurance, or if the evidences submitted to the Landlord are unacceptable to the Landlord (or no such evidences are submitted within a reasonable period after request therefor by the Landlord), then the Landlord may give to the Tenant written notice requiring compliance with this sub-paragraph and specifying the respects in which the Tenant is not then in compliance with this sub-paragraph. If the Tenant does not within two (2) business days provide appropriate evidence of compliance with this sub-paragraph, the Landlord may (but shall not be obligated to) obtain some or all of the additional coverage or other insurance which the Tenant shall have failed to obtain, without prejudice to any other rights of the Landlord under this Lease or otherwise, and the Tenant shall pay all premiums and other reasonable expenses reasonably incurred by the Landlord to the Landlord within ten (10) business days of Tenant's receipt of a written demand therefor.

Limitation of Landlord's Liability

(c) The Tenant agrees that the Landlord shall not be liable for any bodily injury or death of, or loss or damage to any property belonging to, the Tenant or its employees, invitees or licensees or any other person in, on or about the Property unless resulting from the actual willful misconduct or gross negligence of the Landlord or its own employees, contractors or agents. In no event shall the Landlord be liable for any damage, including indirect, special or consequential damages, which is caused by steam, water, rain or snow or other thing which may leak into, issue or flow from any part of the Property or from the pipes or plumbing works, including the sprinkler system (if any) therein or from any other place or for any damage caused by or attributable to the condition or arrangement of any electric or other wiring or of sprinkler heads (if any) or for any such damage caused by anything done or omitted by any other tenant.

Indemnity of Landlord

(d) Except with respect to claims or liabilities in respect of any damage which is Insured Damage to the extent of the cost of repairing such Insured Damage, unless resulting from the actual willful misconduct or gross negligence of the Landlord or its own employees, contractors or agents, the Tenant agrees to indemnify, defend (with counsel reasonably acceptable to Landlord) and protect and save harmless the Landlord and the Property in respect of:

(i) All claims for bodily injury or death, property damage or other loss or damage arising from the conduct of any work or any act or omission of the Tenant or any assignee, sub-tenant, agent, employee, contractor, invitee or licensee of the Tenant, and in respect of all costs, expenses and liabilities incurred by the Landlord in connection with or arising out of all such claims, including the expenses of any action or proceeding pertaining thereto; and

(ii) Any loss, cost, (including, without limitation, attorneys' fees and costs, and court costs and disbursements, if any), expense or damage suffered by the Landlord arising from any breach by the Tenant of any of its covenants and obligations under this Lease.

Indemnity of Tenant

(iii) The Landlord shall protect, indemnify and hold the Tenant harmless from and against any and all loss, claims, liability or costs (including court costs and reasonable attorney's fees) incurred by reason of any damage to any property (including but not limited to property of the Tenant) or any injury (including but not limited to death) to any person occurring in, on or about the Building to the extent that such injury or damage shall be caused by or arise solely from the gross negligence or willful misconduct of Landlord or any of Landlord's contractors, agents or employees.

Definition of "Insured Damage

(e) For purposes of this Lease, "Insured Damage" means that part of any damage occurring to the Property of which the entire cost of repair (or the entire cost of repair other than deductible amount properly collectable by the Landlord as part of the Additional Rent) is actually recovered by the Landlord under a policy or policies of insurance from time to time effected by the Landlord pursuant to sub-paragraph (a).

10. EVENTS OF DEFAULT AND REMEDIES

Events of Default and Remedies

(a) In the event of the happening of any one or more of the following events:

(i) Tenant shall have failed to pay an installment of Rent or any other amount payable hereunder when due, and such failure shall be continuing for a period of more than three (3) days after written notice that such payment was not made when due, but if any such notice shall be given, for the twelve (12) month period commencing with the date of such notice, the failure to pay within three (3) days after due any additional sum of money becoming due to be paid to Landlord under this Lease during such period shall be an event of default, without notice. The notice required pursuant to this Section 10(a)(i) shall replace rather than supplement any statutory notice required under California Code of Civil Procedure Section 1161 or any similar or successor statute;

(ii) There shall be a default of or with any condition, covenant, agreement or other obligation on the part of Tenant to be kept, observed or performed hereunder (other than the obligation to pay Rent or any other amount of money) and such default shall be continuing for a period of more than thirty (30) days after written notice by Landlord to Tenant specifying the default and requiring that it be cured unless the nature of the default is such that cure will reasonably require a longer period of time (not to exceed 120 days), in which case the Tenant shall not be in default hereunder if the Tenant promptly commences a cure (and in any event within such thirty (30) day period) and thereafter diligently prosecutes the same to completion;

(iii) If any policy of insurance upon the Property or any part thereof from time to time effected by Landlord shall be canceled or is about to be canceled by the insurer by reason of the use or occupation of the Leased Premises by Tenant or any assignee, sub-tenant or licensee of Tenant or anyone permitted by Tenant to be upon the Leased Premises and Tenant after receipt of notice in writing from Landlord shall have failed to take such immediate steps in respect of such use or occupation as shall enable Landlord to reinstate or avoid cancellation (as the case may be) of such policy of insurance;

(iv) The Leased Premises shall, without the prior written consent of Landlord, be used by any other persons than Tenant or a permitted Transferee or for any purpose other than that for which they were leased or occupied or by any persons whose occupancy is prohibited by this Lease;

(v) The Leased Premises shall be abandoned and the Tenant shall ceased paying rent hereunder;

(vi) The balance of the Term of this Lease or any of the goods and chattels of Tenant located in the Leased Premises, shall at any time be seized in execution or attachment; and/or

(vii) If permitted by Applicable Law, Tenant shall make any assignment for the benefit of creditors or become bankrupt or insolvent or take the benefit of any statute for bankrupt or insolvent debtors or, if a corporation, shall take any steps or suffer any order to be made for its winding-up or other termination of its corporate existence; or a trustee, receiver or receiver-manager or agent or other like person shall be appointed of any of the assets of Tenant;

then Landlord, subject to Applicable Laws, shall have the following rights and remedies, all of which are cumulative and not alternative, and not to the exclusion of any other or additional rights and remedies in law or equity, or both, available to Landlord by statute or otherwise:

(A) To remedy or attempt to remedy any default of the Tenant, and in so doing to make any payments due or alleged to be due by the Tenant to third parties (including, without limitation, payments due to any contractor, workman, material and/or service suppliers performing any work in or for the Leased Premises), and to enter upon the Leased Premises to do any work or other things therein, and in such event all reasonable expenses of the Landlord in remedying or attempting to curing such default shall be payable by the Tenant to the Landlord within thirty (30) days after demand;

(B) With respect to unpaid overdue Rent, to the payment by the Tenant of the Rent and of interest (which said interest shall be deemed included herein in the term "Rent") thereon at a rate (the "Interest Rate") equal to the lesser of (1) three percent (3%) above the prime commercial loan rate

charged to borrowers having the highest credit rating from time to time by the Landlord's principal bank from the date upon which the same was due until actual payment thereof, and (2) the maximum amount allowed under the laws of the jurisdiction in which the Building is located;

(C) Terminate this Lease, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in Rent, enter upon and take possession of the Leased Premises and expel or remove Tenant and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim or damages therefor, but in accordance with Applicable Law and thereafter Landlord may recover from Tenant the following:

(I) The worth at the time of award of any unpaid Rent which has been earned at the time of such termination; plus

(II) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(III) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(IV) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses reasonably incurred to remodel the Leased Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions reasonably incurred to obtain a new tenant; and

(V) At Landlord's sole election, such other amounts in addition to or in lieu of the foregoing as may be permitted, from time to time, by all Applicable Law.

As used in clauses (C)(1) and (C)(II) hereinabove, the "worth at the time of award" shall be computed by allowing interest at the Interest Rate. As used in clause (C)(III) hereinabove, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(D) In the event of any breach by the Tenant of any of the covenants or provisions of this Lease, the Landlord shall also have the right of injunction and the right to invoke any remedy allowed at law or in equity, or both, and mention in this Lease of any particular remedy shall not preclude the Landlord from any other remedy at law or in equity, or both; and

(E) Pursue any remedy now or hereafter available under the laws or judicial decisions of the jurisdiction in which the Building is located (including, but not limited to, California Civil Code Section 1951.4 [where a landlord may continue a lease in effect after a tenant's breach and recover rent as it becomes due, if the tenant has the right to sublet or assign, subject only to reasonable limitations]). The expiration and termination of this Lease and/or the termination of the Tenant's right to possession shall not relieve the Tenant from liability under all of the indemnity provisions of the Lease as to matters occurring or accruing during the Term or by reason of the Tenant's occupancy of the Leased Premises.

Attorneys' Fees

(b) If either Landlord or Tenant, or both, brings an action or proceeding to enforce the terms hereof or declare rights hereunder, the "prevailing party" (as hereinafter defined) in any such proceeding, action or appeal thereon, shall be entitled to the reimbursement of reasonable attorneys' fees and costs, and court costs. Such fees and costs may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision, judgment, settlement or otherwise. The term "prevailing party" shall include, without limitation, either party hereto who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment or the abandonment by the other party of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees and costs, and court costs, reasonably incurred by the prevailing party.

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Landlord Default

(c) The Landlord shall be in default under this Lease if (i) the Landlord fails to perform any of its obligations hereunder and said failure continues for a period of thirty (30) days after written notice thereof from the Tenant to the Landlord (provided that if such failure cannot reasonably be cured within said thirty (30) day period, the Landlord shall be in default hereunder only if Landlord fails to commence the cure of said failure within said thirty (30) day period, or having commenced the curative action within said thirty (30) day period, fails to diligently pursue same) and (ii) each mortgagee of whose identity the Tenant has been notified in writing shall have failed to cure such default within thirty (30) days (or such longer period of time as may be specified in any written agreement between the Tenant and mortgagee regarding such matter) after receipt of written notice from the Tenant of the Landlord's failure to cure within the time periods provided above. In the event of a default by the Landlord under the Lease, the Tenant shall use reasonable efforts to mitigate its damages and losses arising from any such default and the Tenant may pursue any and all remedies available to it at law or in equity, provided, however, in no event shall the Tenant claim a constructive or actual eviction or that the Leased Premises have become unsuitable or unhabitable prior to a default and failure to cure by the Landlord and its mortgagee under this Lease and, further provided, in no event shall the Tenant be entitled to receive more than its actual direct damages, it being agreed that the Tenant hereby waives any claim it otherwise may have for special or consequential damages.

ADDITIONAL PROVISIONS

Common Areas

11. The Tenant acknowledges and agrees that the common areas of the Property shall at all times be subject to the exclusive management and control of the Landlord. Without limiting the generality of the foregoing, the Tenant specifically acknowledges and agrees that the Landlord may temporarily close or restrict the use of all or any part of the common areas of the Property in an emergency, or for security or crowd control purposes, to facilitate tenants moving in or out of the Building, or for the purpose of making repairs, alterations or renovations. The Landlord agrees not to permanently alter such common areas in any manner which would deny reasonable access to the Leased Premises or permanently prevent the Tenant from using the Leased Premises for the express use set forth in this Lease. In the event of any such temporary closure or restriction of use or if changes are made to such common areas by the Landlord, the Landlord shall not be subject to any liability nor shall the Tenant be entitled to any compensation or any diminution or abatement of Rent and such closures, restriction and changes shall not be deemed to be a constructive or actual eviction or a breach of the Landlord's covenant for quiet enjoyment.

Relocation of
Leased Premises

12. Intentionally Omitted.

Subordination
and Attornment

13. This Lease and all rights of Tenant hereunder are subject and subordinate to all underlying leases and charges, or mortgages now or hereafter existing (including charges, and mortgages by way of debenture, note, bond, deeds of trust and mortgage and all instruments supplemental thereto), which may now or hereafter affect the Property or any part thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, the lessor, chargee, mortgagee or trustee agrees to accept this Lease if not in default, and in recognition of the foregoing, Tenant agrees that it will, whenever requested, attorn to such lessor, chargee, mortgagee as a tenant upon all the terms of this Lease. Tenant agrees to execute within ten (10) business days, whenever requested by Landlord or by the holder of any such lease, charge, or mortgage, an instrument of subordination or attornment as may be required of it. However, Landlord hereby represents and warrants to Tenant that, as of the Commencement Date of the Term, there are no underlying ground leases, mortgages or deeds of trust encumbering the Property, including the Building and the Leased Premises. In consideration of and as a condition precedent to Tenant's agreement to be bound by this Section 13, Landlord shall use commercially reasonable efforts and diligence to provide Tenant with a commercially reasonable form of Subordination, Non-Disturbance and Attornment Agreement ("SNDA") from any subsequent ground lessor, mortgage holder or beneficiary under a deed of trust encumbering the Property, who later may come into existence during the Term. Tenant hereby expressly waives the provisions of any statute, rule or law which may give or purport to give Tenant the right or election to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder solely in the event of any foreclosure proceeding or sale, and Tenant hereby agrees that this Lease shall not be affected in any way whatsoever by and such foreclosure proceeding or sale.

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Certificates

14. The Tenant agrees that it shall within ten (10) business days whenever requested by the Landlord from time to time execute and deliver to the Landlord, and if required by the Landlord, to any lessor, chargee, or mortgagee (including any trustee) or other person designated by the Landlord, an acknowledgment in writing as to the then status of this Lease, including as to whether it is in full force and effect, is modified or unmodified, confirming the Rent payable hereunder and the state of the accounts between Landlord and the Tenant, the existence or non-existence of defaults, and any other matters pertaining to this Lease as to which the Landlord shall request an acknowledgment.

Inspection of and Access to the Leased Premises

15. Except (i) to the extent requested by the Tenant, (ii) in connection with scheduled maintenance programs, and/or (iii) in the event of an emergency, upon twenty-four (24) hours advance written (which for the purposes of this subparagraph (c) may be in email form or written form personally delivered to the Leased Premises only and may be in oral form for Landlord's entry in connection with its repairs and maintenance (other than as set forth herein)), the Landlord shall be permitted, at any time and from time to time, to enter and to have its authorized agents, employees and contractors enter the Leased Premises for the purposes of inspection, window cleaning, maintenance, providing janitor service, making repairs, alterations or improvements to the Leased Premises or the Property, or to have access to utilities and services (including all ducts and access panels (if any), which the Tenant agrees not to obstruct) and the Tenant shall provide free and unhampered access for the purpose, and shall not be entitled to compensation or any diminution or abatement of Rent for any inconvenience, nuisance or discomfort caused thereby. The Landlord and its authorized agents and employees shall be permitted entry to the Leased Premises for the purpose of exhibiting them to prospective tenants during the last six (6) months of the Term, as the same may be extended. The Landlord in exercising its rights under this Paragraph shall do so to the extent reasonably necessary so as to minimize interference with the Tenant's use and enjoyment of the Leased Premises provided that in an emergency the Landlord or persons authorized by it may enter the Leased Premises without regard to minimizing interference.

Delay

16. Except as herein otherwise expressly provided, if and whenever and to the extent that either the Landlord or the Tenant shall be prevented, delayed or restricted in the fulfillment of any obligation hereunder in respect of the supply or provision of any service or utility, the making of any repair, the doing of any work or any other thing (other than the payment of Rent and/or any other monies required to be paid by the Tenant to the Landlord hereunder) by reason of: (a) strikes or work stoppages; (b) being unable to obtain any material, service, utility or labor required to fulfill such obligation; (c) any statute, law or regulation of, or inability to obtain any permission from any government authority having lawful jurisdiction preventing, delaying or restricting such fulfillment; and/or (d) other unavoidable occurrence; then the time for fulfillment of such obligation shall be extended during the period in which such circumstance operates to prevent, delay or restrict the fulfillment thereof, and the other party to this Lease shall not be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasioned; provided that nevertheless the Landlord will use its best efforts to maintain services essential to the use and enjoyment of the Leased Premises and provided further that if the Landlord shall be prevented, delayed or restricted in the fulfillment of any such obligation hereunder by reason of any of the circumstances set out in sub-paragraph (c) of this Paragraph 16 and to fulfill such obligation could not, in the reasonable opinion of the Landlord, be completed without substantial additions to or renovations of the Property, the Landlord may on sixty (60) days' written notice to the Tenant terminate this Lease.

Waiver

17. If either the Landlord or the Tenant shall overlook, excuse, condone or suffer any default, breach, non-observance, improper compliance or non-compliance by the other of any obligation hereunder, this shall not operate as a waiver of such obligation in respect of any continuing or subsequent default, breach, or non-observance, and no such waiver shall be implied but shall only be effective if expressed in writing.

Sale, Demolition and Renovation

18. (a) The term "Landlord" as used in this Lease, means only the owner for the time being of the Property, so that in the event of any sale or sales or transfer or transfers of the Property, or the making of any lease or leases thereof, or the sale or sales or the transfer or transfers or the

assignment or assignments of any such lease or leases, previous landlords shall be and hereby are relieved of all covenants and obligations of Landlord hereunder, provided that, any successor landlord pursuant to a voluntary, third-party transfer (but not as part of an involuntary transfer resulting from a foreclosure or deed in lieu thereof) shall have assumed Landlord's obligations under this Lease either by contractual obligation, assumption agreement or by operation of law. It shall be deemed and construed without further agreement

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between the parties, or their successors in interest, or between the parties and the transferee or acquirer, at any such sale, transfer or assignment, or lessee on the making of any such lease, that the transferee, acquirer or lessee has assumed and agreed to carry out any and all of the covenants and obligations of Landlord hereunder to Landlord's exoneration, and Tenant shall thereafter be bound to and shall attorn to such transferee, acquirer or lessee, as the case may be, as Landlord under this Lease.

Public Taking

19. The Landlord and Tenant shall co-operate, each with the other, in respect of any Public Taking of the Leased Premises or any part thereof so that the Tenant may receive the maximum award to which it is entitled in law for relocation costs and business interruption and so that the Landlord may receive the maximum award for all other compensation arising from or relating to such Public Taking (including all compensation for the value of the Tenant's leasehold interest subject to the Public Taking) which shall be the property of the Landlord, and the Tenant's rights to such compensation are hereby assigned to the Landlord. if the whole or any part of the Leased Premises is Publicly Taken, as between the parties hereto, their respective rights and obligations under this Lease shall continue until the day on which the Public Taking authority takes possession thereof. If the whole or any part of the Leased Premises is Publicly Taken, the Landlord shall have the option, to be exercised by written notice to the Tenant, to terminate this Lease and such termination shall be effective on the day the Public Taking authority takes possession of the whole or the portion of the Property Publicly Taken. Rent and all other payments shall be adjusted as of the date of such termination and the Tenant shall, on the date of such Public Taking, vacate the Leased Premises and surrender the same to the Landlord, with the Landlord having the right to re-enter and re-possess the Leased Premises discharged of this Lease and to remove all persons therefrom. In this Paragraph 19, the words "Public Taking" shall include expropriation and condemnation, and shall also include a sale by Landlord to an authority with powers of expropriation, condemnation or taking, in lieu of or under threat of expropriation or taking; and "Publicly Taken" shall have a corresponding meaning. Notwithstanding anything to the contrary set forth in this Paragraph 19, Tenant hereby waives any and all rights that Tenant might otherwise have pursuant to Sections 1265.110, 1265.120, 1265.130 and/or 1265.140, et seq. (and otherwise in connection therewith) from the California Code of Civil Procedure, as may be amended or supplemented from time to time.

Recording of Lease

20. The Tenant agrees with the Landlord not to register nor record this Lease in any recording office and not to register nor record notice of this Lease in any form without the prior written consent of the Landlord. If such consent is provided such notice of Lease or caveat shall be in such form as the Landlord shall have approved and upon payment of the Landlord's reasonable fee for same and all applicable transfer or recording taxes or charges. The Tenant shall remove and discharge at Tenant's expense any such registration and/or recording; or any such notice or caveat, at the expiry or earlier termination of the Term, and in the event of Tenant's failure to so remove or discharge such notice or caveat after ten (10) days' written notice by Landlord to Tenant, the Landlord may in the name and on behalf of the Tenant execute a discharge of such a notice or caveat in order to remove and discharge such notice of caveat and for the purpose thereof the Tenant hereby irrevocably constitutes and appoints any officer of the Landlord the true and lawful attorney of the Tenant.

Entire Agreement

21. The parties acknowledge that there are no covenants, representations, warranties, agreements or conditions express or implied, collateral or otherwise forming part of or in any way affecting or relating to this Lease save as expressly set out in this Lease and Schedules attached hereto and that this Lease and such Schedules constitute the entire agreement between the Landlord and the Tenant and may not be modified except as herein explicitly provided or except by agreement in writing executed by the Landlord and the Tenant.

Notices

22. Any notice, advice, document or writing required or contemplated by any provision hereof shall be given in writing and if to the Landlord, either delivered personally to an officer of the Landlord or mailed by prepaid mail or by reputable overnight courier (e.g., Federal Express, UPS, DHL) addressed to the Landlord at the said local office address of the Landlord as stated below, and if to the Tenant, either delivered personally to the Tenant (or to an officer of the Tenant, if a corporation) or mailed by prepaid mail addressed to the Tenant at the Property, or if an address of the Tenant is shown in the description of the Tenant, to such address as stated below. Every such notice, advice, document or writing shall be deemed to have been given when delivered personally, or if mailed as aforesaid, upon the fifth day after being mailed, or if delivered by overnight courier as set forth herein, upon the date of receipt evidenced by such courier's customary records. The Landlord may from time to time by notice in writing to the

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Tenant designate another address as the address to which notices are to be mailed to it, or specify with greater particularity the address and persons to which such notices are to be mailed and may require that copies of notices be sent to an agent designated by it. The Tenant may from time to time

by notice in writing to the Landlord, designate another address as the address to which notices are to be mailed to it, or specify with greater particularity the address to which such notices are to be mailed.

NOTICES TO LANDLORD: John Hancock Life Insurance Company (U.S.A.)
c/o Manulife Financial -
Los Angeles Real Estate Office
865 South Figueroa Street, Suite 3320
Los Angeles, California 90017
Attn: Property Director

NOTICES TO TENANT: LegalZoom.com, Inc.
101 North Brand Boulevard, 11th Floor
Glendale, California 91203
Attn: General Counsel

Notwithstanding anything to the contrary set forth in this Lease with respect to the Tenant's notice address, the Landlord does not waive and shall not be deemed to have waived any right it may have to deliver notice in accordance with any applicable statute.

Interpretation

23. In this Agreement "herein", "hereof", "hereby", "hereunder", "hereto", "hereinafter" and similar expressions refer to this Lease and not to any particular paragraph, clause or other portion thereof, unless there is something in the subject matter or context inconsistent therewith; and the parties agree that all of the provisions of this Lease are to be construed as covenants and agreements as though words importing such covenants and agreements were used in each separate paragraph hereof, and that should any provision or provisions of this Lease be illegal or not enforceable it or they shall be considered separate and severable from the Lease and its remaining provisions shall remain in force and be binding upon the parties hereto as though the said provision or provisions had never been included, and further that the captions appearing for the provisions of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease or of any provisions hereof.

Extent of Lease Obligations

24. This Agreement and everything herein contained shall inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors, assigns and other legal representatives, as the case may be, of each and every of the parties hereto, subject to the granting of consent by the Landlord to any assignment or sublease, and every reference herein to any party hereto shall include the heirs, executors, administrators, successors, assigns and other legal representatives of such party, and where there is more than one tenant or there is a male or female party the provisions hereof shall be read with all grammatical changes thereby rendered necessary and all covenants shall be deemed joint and several.

Limitation on Liability

25. Notwithstanding any other provision of this Lease to the contrary, it is expressly understood and agreed that the total liability of Landlord arising out of or in connection with this Lease, the relationship of the Landlord and Tenant hereunder and/or Tenant's use of the Leased Premises will be limited to the estate of Landlord in the Property. For purposes hereof, "the estate of Landlord in the Property" shall include rents due from tenants, insurance proceeds, proceeds from condemnation or eminent domain proceedings, and proceeds from the sale of the Property (prior to the distribution of same to any partner or shareholder of landlord or any other third party); provided, however, that with respect to proceeds from the sale of the Property, the Landlord's liability shall extend only to adjudicated claims which arise during the Landlord's period of ownership and during the Term of this Lease but only after the Landlord first applies any such sale proceeds to any outstanding mortgages and/or any other encumbrances existing upon or otherwise affecting the Property (including any ground lease payments) and any tax liability respecting the Property. No other property or asset of Landlord or any partner, officer, director, shareholder or owner of Landlord will be subject to judgment. levy, execution and/or other enforcement proceedings or other judicial process for the satisfaction of any judgment or any other right or remedy of Tenant arising

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out of or in connection with this Lease, the relationship of Landlord and Tenant hereunder and/or Tenant's use of the Leased Premises.

Waiver of Jury Trial

26. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, TENANT AND LANDLORD HEREBY WAIVE TRIAL BY JURY IN ANY CLAIM, ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTERS ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT AND/OR TENANT'S USE AND OCCUPANCY OF THE LEASED PREMISES.**

Choice of Law/ Neutrality

27. (a) This Lease shall be construed and enforced in accordance with the laws of the State of California without regard to choice of law principles. Landlord and Tenant hereby consent and agree to the jurisdiction of the state or federal courts sitting in the County of San Francisco,

State of California, and waive any objection based on venue or forum non conveniens with respect to any action instituted herein, and further agree that any dispute concerning the relationship between the parties hereto or this Lease, or otherwise, shall be heard only in the courts described above.

(b) In addition, this Lease will be construed without regard to any presumption or other rule requiring construction against the party drafting the document, and shall be construed neither for nor against Landlord or Tenant, but will be given a reasonable interpretation in accordance with the plain meaning of its terms and the intent of the parties hereto.

(c) This Lease will have no binding force or effect until its execution and delivery by both Landlord and Tenant.

Patriot Act Disclosure.

28. Notwithstanding anything to the contrary set forth herein, it shall be a material and non-curable breach and default of this Lease, providing for Landlord's immediate termination of same upon Landlord's written notice to Tenant (at Landlord's sole and absolute discretion), in the event that: (a) Tenant is, or was at any time, subject to sanctions of the United States government in violation of any Federal, State, municipal or local laws, statutes codes, ordinances, orders, decrees, rules or regulations and/or any and all other Applicable Laws relating to terrorism or money laundering, including, without limitation, Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order") and/or the Uniting and Strengthening of America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56, et. seq., the "Patriot Act"), as may be amended or supplemented from time to time; and/or (b) Tenant is, or ever was at any time, a "Prohibited Person", which term is defined as follows: (i) a person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (ii) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions, of the Executive Order; (iii) a person or entity with whom Landlord is prohibited from dealing or otherwise engaging in any transaction by any terrorism or anti-money laundering law, including the Executive Order and/or the Patriot Act; (iv) a person or entity who commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; (v) a person or entity that is named as a "specially designated national and/or blocked person" on the most-current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website, http://www.treas.gov/ofac/tllsdn.pdf or any replacement website or other official replacement publication of such list.

Transportation, Environmental Sustainability and Energy Savings

29. Tenant will also, at Tenant's cost and expense (to be billed to Tenant as a part of Operating Costs), fully comply with all present or future mandatory or necessary programs intended to accomplish savings in resources, achieve certain energy efficiency benchmarks and/or certifications, reduce waste, improve efficiency of utilities, implement alternative energy policies, monitor utility use, source reduction and recycling, pollution reduction, improve efficiency and sustainability of waste storage and transport, and train its staff in connection with the foregoing. Such programs may include, without limitation: (i) programs to achieve LEED certification, ENERGY STAR ratings, and/or other certifications, ratings or qualifications; (ii) setting and complying with flow rates and flush volumes for

water use; (iii) irrigation systems set at the lowest rate to keep plants healthy, use of grey water or on-site treated water, and use of rain gauges and/or soil moisture sensors; (iv) installation of occupancy or motion sensors and coordination thereof to reduce utility use; (v) Landlord having the right to hire an engineer for a Building study or studies to increase Building system performance and reduce energy use; (vi) retrofits and improvements (such as solar panels and other harnessers of renewable sources of energy) to optimize energy performance and Building efficiency; (v) establishment by Landlord and compliance by Tenant with an energy optimization plan, which may include, without limitation, monitoring and reporting requirements and recalibration of service levels; (vi) procurement of renewable energy through use of on-site technology or through the use or procurement of green power from a utility provider; (vii) installation and repair and replacement of metering; (viii) preventive maintenance with respect to Building systems; (ix) linking of systems (including, without limitation, Tenant's systems) to Landlord's systems if requested by Landlord in order to accomplish energy management, workspace environmental management and other related goals; (x) maintaining a record with respect to the amount, type, transportation, and ultimate place of disposal of waste; (xi) separation/segregation (including composting) of waste material and implementing different systems for each type of waste; (xi) Landlord establishing and Tenant complying with rules for storage and use of chemicals; and/or (xii) reduction of mercury in the Building by use of low mercury lamps.

Asbestos Notification

30. Prior to the Effective Date, Tenant acknowledges and agrees that it has reviewed the asbestos notification attached hereto as Schedule "Q" and incorporated herein by this reference, pursuant to California Health and Safety Code Sections 25915, et seq. (as amended from time to time) (collectively, the "Connelly Act"), disclosing the existence of asbestos and/or asbestos containing materials in the Building (but not within the Leased Premises). As part of Tenant's obligations under this Lease, Tenant will comply with the Connelly Act, including providing copies of Landlord's asbestos notification hereunder to all of Tenant's "employees" and "owners")(as those terms are defined in the Connelly Act). In the event that during the construction and completion of any Tenant's Work hereunder, if at all, and/or any further Leasehold Improvements to be constructed and completed by Tenant under this Lease, Tenant discovers asbestos and/or asbestos containing materials in the Leased Premises, Tenant will immediately cease the performance of all of Tenant's construction and notify Landlord as to the discovery of such asbestos and/or asbestos containing materials.

Signage

31. Landlord shall provide and install, at Landlord's sole cost and expense, the initial signage for Tenant in (a) the main Building lobby directory (which signage shall include the names of the principals of the Tenant), (b) the eighth (8^{th}) floor elevator lobby, and (c) at the entry to the

Leased Premises. Such signage (and any replacement or modification thereof) shall consist of Building standard materials and shall comply with Landlord's then current Building specifications. Any required maintenance, repair or changes (which changes shall be subject to Landlord's prior written approval) to such signage shall be performed by Landlord at Tenant's sole cost and expense, which costs shall paid to Landlord as Rent hereunder within ten (10) business days of Landlord's written demand. At Landlord's option, upon the expiration or earlier termination of this Lease, Tenant shall, at Tenant's sole cost and expense, remove any such signage and repair any damage to the Building caused by such signage.

Access

32. Tenant shall have access to the Building and the Leased Premises for Tenant and its employees 24 hours per day/7 days per week, subject to compliance with applicable laws, the terms of this Lease and such security or monitoring systems as Landlord may reasonably impose, including. without limitation, sign-in procedures and/or presentation of identification cards to the extent applicable.

Schedules

33. The provisions of the following Schedules, and the Agreement, attached hereto shall form part of this Lease as if the same were embodied herein:

Schedule "A"	-	Legal Description of Property
Schedule "B"	-	Measurement of Rentable Area
Schedule "B-1"	-	Location of Leased Premises
Schedule "C"	-	Taxes Payable by Landlord and Tenant
Schedule "D"	-	Services and Costs
Schedule "E"	-	Rules and Regulations
Schedule "F"	-	Leasehold Improvements
Schedule "H"	-	Option to Renew
Schedule "I"	-	Right of First Offer to Lease
Schedule "Q"	-	Asbestos Notification

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date set forth above. I/We have the authority to bind the corporation.

"Landlord":

JOHN HANCOCK LIFE INSURANCE COMPANY
(U.S.A.) (a wholly owned subsidiary of Manulife Financial Corporation),
a Massachusetts corporation

By: /s/ Thomas A. Patton
Thomas A. Patton
Assistant Vice President and
Managing Director - Western U.S

"Tenant":

LEGALZOOM.COM, INC.
a Delaware corporation

By: /s/ John Suh
Name: John Suh
Its: CEO

By: _____
Name: _____
Its: _____

SCHEDULE "A"

(Legal Description of Property)

LEGAL
DESCRIPTION OF THE PROPERTY

Land situated in the City of San Francisco, County of San Francisco, State of California, described as follows:

PARCEL ONE:

BEGINNING AT THE POINT OF INTERSECTION OF THE SOUTHEASTERLY LINE OF MARKET STREET WITH THE FORMER SOUTHWESTERLY LINE OF ECKER STREET AS SAID ECKER STREET EXISTED PRIOR TO THE VACATION OF A PORTION THEREOF BY ORDINANCE NO. 153-71 ADOPTED BY THE BOARD OF SUPERVISORS OF THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA ON JUNE 14, 1971 AND APPROVED BY THE MAYOR ON JUNE 18, 1971; RUNNING THENCE SOUTHWESTERLY ALONG SAID LINE OF MARKET STREET, 185 FEET AND 7 INCHES TO A POINT DISTANCE THEREON 354 FEET AND 11 INCHES NORTHEASTERLY FROM THE NORTHEASTERLY LINE OF SECOND STREET; THENCE SOUTHEASTERLY, AT A RIGHT ANGLE TO SAID SOUTHEASTERLY LINE OF MARKET STREET, 155 FEET AND 1-1/4 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE AT A RIGHT ANGLE, NORTHEASTERLY ALONG SAID LINE OF STEVENSON STREET, 185 FEET AND 7 INCHES TO SAID FORMER SOUTHWESTERLY LINE OF ECKER STREET; THENCE AT A RIGHT ANGLE, NORTHWESTERLY ALONG SAID FORMER LINE OF ECKER STREET, 155 FEET AND 1-1/4 INCHES TO THE POINT OF BEGINNING.

BEING A PORTION OF 100 VARA BLOCK NO. 346.

PARCEL TWO:

BEGINNING AT A POINT ON THE SOUTHEASTERLY LINE OF MARKET STREET, DISTANCE THEREON 290 FEET AND 6 INCHES NORTHEASTERLY FROM THE NORTHEASTERLY LINE OF SECOND STREET; RUNNING THENCE NORTHEASTERLY ALONG SAID SOUTHEASTERLY LINE OF MARKET STREET, 64 FEET AND 5 INCHES; THENCE AT A RIGHT ANGLE, SOUTHEASTERLY 155 FEET AND 1-1/4 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE AT A RIGHT ANGLE, SOUTHWESTERLY AND ALONG SAID LINE OF STEVENSON STREET, 64 FEET AND 5 INCHES; THENCE AT A RIGHT ANGLE, NORTHWESTERLY 155 FEET AND 1-1/4 INCHES TO THE POINT OF BEGINNING.

BEING A PORTION OF 100 VARA BLOCK NO. 346.

PARCEL THREE:

BEGINNING AT A POINT ON THE SOUTHEASTERLY LINE OF MARKET STREET, DISTANCE THEREON 190 FEET NORTHEASTERLY FROM THE NORTHEASTERLY LINE OF SECOND STREET; RUNNING THENCE NORTHEASTERLY ALONG SAID

SOUTHEASTERLY LINE OF MARKET STREET, 100 FEET AND 6 INCHES; THENCE AT A RIGHT ANGLE, SOUTHEASTERLY 155 FEET AND 1-1/4 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE AT A RIGHT ANGLE, SOUTHWESTERLY ALONG SAID LINE OF STEVENSON STREET, 100 FEET AND 6 INCHES; THENCE AT A RIGHT ANGLE, NORTHWESTERLY 155 FEET AND 1-1/4 INCHES TO THE POINT OF BEGINNING.

BEING A PORTION OF 100 VARA BLOCK NO. 346.

PARCEL FOUR:

A PERPETUAL NON-EXCLUSIVE EASEMENT TO USE A RIGHT OF WAY FOR PEDESTRIAN TRAFFIC OVER:

COMMENCING AT A POINT ON THE SOUTHEASTERLY LINE OF MARKET STREET, AT A POINT DISTANCE THEREON 260 FEET SOUTHWESTERLY FROM THE SOUTHWESTERLY LINE OF FIRST STREET, WHICH POINT IS THE POINT OF INTERSECTION OF THE SAID LINE OF MARKET STREET WITH THE NORTHEASTERLY LINE OF ECKER STREET; THENCE SOUTHEASTERLY ALONG SAID LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE SOUTHWESTERLY ALONG SAID LINE OF STEVENSON STREET, 25 FEET TO THE SOUTHWESTERLY LINE OF ECKER STREET; THENCE NORTHWESTERLY ALONG SAID LAST MENTIONED LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE SOUTHEASTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED LINE, 25 FEET TO THE POINT OF COMMENCEMENT.

BEING PORTIOS OF 100 VARA LOTS 19 AND 20 IN BLOCK 346.

PARCEL FIVE:

A PERPETUAL NON-EXCLUSIVE EASEMENT FOR ALLOWING INGRESS AND EGRESS OF VEHICULAR TRAFFIC TO AND FROM A SERVICE ENTRANCE IN STANDARD'S BUILDING, OVER THE SOUTHEASTERLY 40 FEET, 3 INCHES OF:

COMMENCING AT A POINT ON THE SOUTHEASTERLY LINE OF MARKET STREET, AT A POINT DISTANCE THEREON 260 FEET SOUTHWESTERLY FROM THE SOUTHWESTERLY LINE OF FIRST STREET, WHICH POINT IS THE POINT OF INTERSECTION OF THE SAID LINE OF MARKET STREET WITH THE NORTHEASTERLY LINE OF ECKER STREET; THENCE SOUTHEASTERLY ALONG SAID LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE SOUTHWESTERLY ALONG SAID LINE OF STEVENSON STREET, 25 FEET TO THE SOUTHWESTERLY LINE OF ECKER STREET; THENCE NORTHWESTERLY ALONG SAID LAST MENTIONED LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE SOUTHEASTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED LINE, 25 FEET TO THE POINT OF COMMENCEMENT.

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BEING PORTIONS OF 100 VARA LOTS 19 AND 20 IN BLOCK 346.

PARCEL SIX:

A PERPETUAL NON-EXCLUSIVE RIGHT OF WAY UNDER THE SURFACE OF AND THROUGH THE BELOW DESCRIBED LAND IN ITS ENTIRETY, FOR THE PURPOSE OF LAYING, CONSTRUCTING, MAINTAINING, OPERATING, REPAIRING, RENEWING, CHANGING THE SIZE, QUALITY, QUANTITY OR LOCATION OF WATER, SEWAGE, DRAINAGE AND OTHER UTILITY LINES, PIPES AND CONDUCTORS, INCLUDING, BUT NOT LIMITED TO, POWER LINES AND CONDUCTORS OF ALL TYPES, AND COMMUNICATIONS LINES AND CONDUCTORS OF ALL TYPES, BOTH THOSE NOW IN EXISTENCE AND ANY ADDITIONAL ONES THAT STANDARD IN ITS DISCRETION MAY WISH TO INSTALL IN THE FUTURE:

COMMENCING AT A POINT ON THE SOUTHEASTERLY LINE OF MARKET STREET, AT A POINT DISTANCE THEREON 260 FEET SOUTHWESTERLY FROM THE SOUTHWESTERLY LINE OF FIRST STREET, WHICH POINT IS THE POINT OF INTERSECTION OF THE SAID LINE OF MARKET STREET WITH THE NORTHEASTERLY LINE OF ECKER STREET; THENCE SOUTHEASTERLY ALONG SAID LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE SOUTHWESTERLY ALONG SAID LINE OF STEVENSON STREET, 25 FEET TO THE SOUTHWESTERLY LINE OF ECKER STREET; THENCE NORTHWESTERLY ALONG SAID LAST MENTIONED LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE SOUTHEASTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED LINE, 25 FEET TO THE POINT OF COMMENCEMENT.

BEING PORTIONS OF 100 VARA LOTS 19 AND 20 IN BLOCK 346.

PARCEL SEVEN:

A PERPETUAL EXCLUSIVE EASEMENT UNDER THE SURFACE OF AND THROUGH THE LAND HEREIN DESCRIBED BELOW FOR THE PURPOSE OF MAINTAINING, OPERATING, REPAIRING AND RENEWING THE UNDERGROUND ROOMS AND STORAGE AREAS TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS OVER AND THROUGH THE SAME FOR THE ABOVE PURPOSES:

COMMENCING AT A POINT TO THE SOUTHEASTERLY LINE OF MARKET STREET, AT A POINT DISTANCE THEREON 260 FEET SOUTHWESTERLY FROM THE SOUTHWESTERLY LINE OF FIRST STREET, WHICH POINT IS THE POINT OF INTERSECTION OF THE SAID LINE OF MARKET STREET WITH THE NORTHEASTERLY LINE OF ECKER STREET; THENCE SOUTHEASTERLY ALONG SAID LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE SOUTHWESTERLY ALONG SAID LINE OF STEVENSON STREET, 25 FEET TO THE SOUTHWESTERLY LINE OF ECKER STREET; THENCE NORTHWESTERLY ALONG SAID LAST MENTIONED LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE SOUTHEASTERLY LINE OF MARKET

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STREET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED LINE, 25 FEET TO THE POINT OF COMMENCEMENT.

BEING PORTIONS OF 100 VARA LOTS 19 AND 20 IN BLOCK 346.

PARCEL EIGHT:

A PERPETUAL EASEMENT FOR THE PURPOSE OF CONTINUING THE LIGHT AND AIR OVER AND ACROSS THE LAND HEREIN DESCRIBED BELOW IN ITS ENTIRETY:

COMMENCING AT A POINT ON THE SOUTHEASTERLY LINE OF MARKET STREET, AT A POINT DISTANCE THEREON 260 FEET SOUTHWESTERLY FROM THE SOUTHWESTERLY LINE OF FIRST STREET, WHICH POINT IS THE POINT OF INTERSECTION OF THE SAID LINE OF MARKET STREET WITH THE NORTHEASTERLY LINE OF ECKER STREET; THENCE SOUTHEASTERLY ALONG SAID

LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE NORTHWESTERLY LINE OF STEVENSON STREET; THENCE SOUTHWESTERLY ALONG SAID LINE OF STEVENSON STREET, 25 FEET TO THE SOUTHWESTERLY LINE OF ECKER STREET; THENCE NORTHWESTERLY ALONG SAID LAST MENTIONED LINE OF ECKER STREET, 155 FEET, 2-1/2 INCHES TO THE SOUTHEASTERLY LINE OF MARKET STREET; THENCE NORTHEASTERLY ALONG SAID LAST MENTIONED LINE, 25 FEET TO THE POINT OF COMMENCEMENT.

BEING PORTIONS OF 100 VARA LOTS 19 AND 20 IN BLOCK 346.

PARCELS FOUR, FIVE, SIX, SEVEN AND EIGHT WERE CREATED OF RECORD BY AN AGREEMENT BY AND BETWEEN STEVELAND, INC., A CALIFORNIA CORPORATION, ET AL., AND STANDARD OIL COMPANY OF CALIFORNIA, RECORDED SEPTEMBER 15, 1971, IN BOOK/REEL B559 OF OFFICIAL RECORDS, AT PAGE/IMAGE 746, RECORDS OF THE CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA.

LOT 057, BLOCK 3708 (AFFECTS PARCELS ONE AND TWO)

LOT 058, BLOCK 3708 (AFFECTS PARCEL THREE)

SCHEDULE “B”

(Measurement of Rentable Area)

Single Tenant Floor:

The “Rentable Area” of a single tenant floor shall be computed by measuring from the inside finish of the permanent outer Building walls or from the glass line in accordance with the standards of the Building established by the Landlord. Rentable Area shall include all areas within outside walls or glass line less stairs (but including stair landings where they provide access to washrooms, storage rooms, etc.), elevator shafts, flues, pipe shafts, vertical ducts, and their enclosing walls. Washrooms, janitor rooms, on-floor storage rooms, telephone rooms, electrical closets shall be included in the Rentable Area. Where the space on both sides of a wall is Rentable Area, the wall is to be included in the Rentable Area. No deductions shall be made for columns and projections necessary to the Building.

Multi-Tenant Floor:

The Rentable Area of a multi-tenant floor tenant shall be computed by multiplying such portion of the Usable Area (as set out below) allocated to the multi-tenant floor tenant by the ratio of the total Rentable Area of the floor to the total Usable Area of the floor.

The “Usable Area” of a multi-tenant floor is the Rentable Area of a single tenant floor less the area of the Normal Corridor (as set out below), washrooms, janitor closets, telephone rooms, electrical closets, air conditioning rooms and their enclosing walls.

The Usable Area of the multi-tenant floor tenant shall be computed by measuring from the inside finish of the permanent outer Building Wall or from the glass line to the Usable Area side of the Normal Corridor and/or other permanent partitions and to the center line of partitions which demise tenant areas.

The “Normal Corridor” is the minimum corridor permitted by the applicable code, yet practical for leasing purposes. For example, although the code may permit a 42 inch wide corridor, for aesthetic reasons or because of grid restrictions, the corridor might well be 4’6” or 5’0” wide. Once the corridor dimensions have been established they shall remain unchanged and marked on the master plan showing all dimensions used to calculate Rentable Area and Usable Area.

The ground floor is measured as Usable Area.

If the Normal Corridor is extended to provide a multi-tenant floor tenant access to its space, the area of the corridor extension is included in that tenant’s Usable Area or allocated proportionately to the multi-tenant floor tenants benefiting from the extension of the Normal Corridor.

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SCHEDULE “C”

Taxes Payable by Landlord and Tenant

Tenant’s Taxes

1. (a) The Tenant covenants to pay all Tenant's Taxes (as defined below), prior to delinquency.
Where any Tenant's Taxes are payable by the Landlord to the relevant taxing authorities, the Tenant covenants to pay the amount thereof to the Landlord.

(b) The Tenant covenants to pay the Landlord the Tenant's Proportionate Share of the excess of the amount of the Landlord's Taxes (as defined below) in each Fiscal Period over the Landlord's Taxes in the "Base Year" (as hereinafter defined).

(c) The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share of the actual and out of pocket costs and expenses (including legal and other professional fees and interest and penalties on deferred payments) incurred in good faith by the Landlord in contesting, resisting or appealing any of the Taxes. In the event that during the Term Landlord receives any Tax credit or Tax rebate from any public authority with respect to the Leased Premises to the extent applicable to the Term and of which Tenant has paid Tenant's Proportionate Share, Tenant shall be entitled to a rent credit or, at Landlord's option, refund of Tenant's Proportionate Share of such Tax credit or Tax rebate after first deducting any of Landlord's costs and expenses in obtaining such Tax credit or Tax rebate. Such rent credit or refund, at Landlord's option, shall be credited against future installments of additional rent or refunded to Tenant within forty-five (45) days of Landlord's receipt of the Tax credit or Tax rebate.

Landlord's Taxes

(d) The Landlord covenants to pay all Landlord's Taxes subject to the payments on account of Landlord's Taxes required to be made by the Tenant elsewhere in this Lease. The Landlord may appeal any official assessment or the amount of any Taxes or other taxes based on such assessment and relating to the Property. In connection with any such appeal, the Landlord may defer payment of any Taxes or other taxes, as the case may be, payable by it to the extent permitted by law, and the Tenant shall co-operate with the Landlord and provide the Landlord with all relevant information reasonably required by the Landlord in connection with any such appeal. For purposes of determining total "Taxes" hereunder and Tenant's liability to contribute thereto, Taxes shall exclude any fines or penalties incurred by Landlord as a result of any such appeal.

Separate Allocation

(e) In the event that the Landlord is unable to obtain from the taxing authorities any separate allocation of Landlord's Taxes, Tenant's Taxes or assessment as required by the Landlord to make calculations of Additional Rent under this Lease, such allocation shall be made by the Landlord acting reasonably and in good faith and shall be conclusive.

Information

(f) Whenever requested by the Landlord, the Tenant shall deliver to it receipts for payment of all the Tenant's Taxes and furnish such other information in connection therewith as the Landlord may reasonably require.

Tax Adjustment

(g) If the Building has not been taxed as a completed and fully occupied building for any Fiscal Period, the Landlord's Taxes will be determined by the Landlord as if the Building had been taxed as a completed building fully occupied by commercial tenants for any such Fiscal Period.

Notwithstanding anything to the contrary set forth in this Lease, the amount of Taxes for the Base Year and any subsequent year of the Term of this Lease shall be calculated without taking into account any decreases in real estate taxes obtained in connection with Proposition 8 (Revenue and Taxation Code section 51), and, therefore, Taxes in the Base Year and/or any subsequent year of the Term may be greater than those actually incurred by Landlord, but shall, nonetheless, be the amount of Taxes for purposes of this Lease, and tax refunds under Proposition 8 shall not be deducted from Taxes, but rather shall be the sole property of Landlord. Landlord and Tenant acknowledge that this paragraph is not intended to in any way affect the inclusion in Taxes of the statutory 2% annual increase imposed by the county Assessor's Office (as such statutory increase may be modified by subsequent legislation).

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Definition

2. In this Lease:

(a) "Landlord's Taxes" shall mean the aggregate of all Taxes attributable to the Property, the Rent or the Landlord in respect thereof and including, without limitation, any amounts imposed, assessed, levied or charged in substitution for or in lieu of any such Taxes, but excluding such taxes as capital gains taxes, corporate income, profit or excess profit taxes to the extent such taxes are not levied in lieu of any of the foregoing against the Property or the Landlord in respect thereof;

(b) "Taxes" shall mean all taxes, rates, duties, levies, fees, charges, local improvement rates, capital taxes, rental taxes and assessments whatsoever including fees, rents, and levies for air rights and encroachments on or over municipal property imposed, assessed, levied or charged by any school, municipal, regional, state, provincial, federal, parliamentary or other body, corporation, authority, agency or commission provided that any such local improvements rates, assessed and paid prior to or in the Base Year shall be excluded from the Base Year and any year during the Term and provided further that "Taxes" shall not include any special utility, levies, fees or charges imposed, assessed, levied or charged which are directly associated with initial construction of the Property or any tax penalties incurred solely as a result of the Landlord's failure to timely pay prior to delinquency any of the Landlord's Taxes.

(c) "Tenant's Taxes" shall mean the aggregate of:

(i) all Taxes (whether imposed upon the Landlord or the Tenant) attributable to the personal property, trade fixtures, business, income, occupancy or sales of the Tenant or any other occupant of the Leased Premises, and to any Leasehold Improvements or fixtures installed by or on behalf of the Tenant within the Leased Premises, and to the use by the Tenant of any of the Property; and

(ii) the amount by which Taxes (whether imposed upon the Landlord or the Tenant) are increased above the Taxes which would have otherwise been payable as a result of the Leased Premises or the Tenant or any other occupant of the Leased Premises being taxed or assessed in support of separate schools; and

(d) "Tenant's Proportionate Share" shall mean decimal one decimal two one five percent (1.215%) subject to adjustment as determined solely by the Landlord and notified to the Tenant in writing for physical increases or decreases in the total Rentable Area of the Property provided that total rentable area of the Property and the Rentable Area of the Leased Premises shall exclude areas designated (whether or not rented) for parking and for storage.

(e) "Base Year" as used in this Schedule shall mean calendar year 2012.

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SCHEDULE "D"

Services and Costs

Interior Climate Control

1. The Landlord covenants with the Tenant:

(a) To maintain in the Leased Premises conditions of reasonable temperature and comfort in accordance with good standards applicable to normal occupancy of premises for office purposes subject to governmental regulations during hours to be determined by the Landlord (but to be at least the hours from 8:00 a.m. to 6:00 p.m. from Monday to Friday inclusive, excepting state and federal holidays and other holidays generally observed by Comparable Buildings) and such conditions to be maintained by means of a system for heating and cooling, filtering and circulating air ("HVAC"); the Landlord shall have no responsibility for any inadequacy of performance of the said system if the occupancy of the Leased Premises or the electrical power or other energy consumed on the Leased Premises for all purposes exceeds reasonable amounts as reasonably determined by the Landlord in good faith or the Tenant installs partitions or other installations in locations which interfere with the proper operation of the system of interior climate control or if the window covering on exterior windows is not kept fully closed. Subject to compliance with applicable laws, events of force majeure and Landlord's normal and customary repair and maintenance of the Building, Landlord hereby agrees to provide after-hours HVAC service to Tenant upon Tenant's request for which after-hours HVAC service Tenant shall be charged Landlord's then-standard rate, which rate is subject to change from time to time (provided, however, that except to the extent actually so increased by third party utility providers, during the Term of the Lease, such Landlord's standard rate shall not increase more than five percent (5%) per year, on a cumulative and compounding basis);

Janitor Service

(b) To provide regular and recurring janitor and cleaning services to the Leased Premises and to common areas of the Building, consisting of reasonable services in accordance with the standards of Comparable Buildings;

Elevators, Lobbies, etc.

(c) To provide, keep available and maintain the following facilities for use by the Tenant and its employees and invitees in common with other persons entitled thereto:

(i) passenger and freight elevator service to each floor upon which the Leased Premises are located provided such service is installed in the Building and provided that the Landlord may reasonably prescribe the hours during which and the procedures under which freight elevator service shall be available and may limit the number of elevators providing service outside normal business hours;

(ii) common entrances, lobbies, stairways and corridors giving access to the Building and the Leased Premises, including such other areas from time to time which may be provided by the Landlord for common use and enjoyment within the Property;

(iii) the washrooms as the Landlord may assign from time to time which are standard to the Building, provided that the Landlord and the Tenant acknowledge that where an entire floor is leased to the Tenant or some other tenant the Tenant or such other tenant, as the case may be, may exclude others from the washrooms thereon.

Water

(d) To provide water suitable for normal office use for the Leased Premises.

Electricity

2. (a) The Landlord covenants with the Tenant and the Tenant agrees and understands that the Landlord shall have the sole right to furnish electricity to the Leased Premises for normal office use for lighting and for office equipment capable of operating from the circuits available to the Leased Premises and standard to the Building. The Landlord shall furnish electricity for lights and outlets in the Leased Premises at all times and on all days (subject to compliance with applicable laws, interruptions in service by the utility providers, the Landlord's normal and customary repair, maintenance and operations obligations with respect to the Building and events of force majeure) and electricity for the HVAC during hours to be determined by the Landlord (but to be at least the hours from 8:00 a.m. to 6:00 p.m. from Monday to Friday inclusive with the exception of holidays, Saturdays and Sundays) and during such other hours that the Tenant elects at its sole cost and expense subject to governmental regulations. Notwithstanding the foregoing, it is agreed and understood that if the electricity to the Leased Premises is separately metered the

Landlord shall have the sole right to furnish said electricity but the Tenant shall pay for its use of such separately metered electricity;

(b) The amount of electricity consumed on the Leased Premises in excess of electricity reasonably required by the Tenant for normal office use shall be as determined by the Landlord acting reasonably or by a sub metering device for energy allocation purposes to be installed by the Tenant at the Tenant's expense. The Tenant shall pay the Landlord for any such excess electricity on demand.

(c) The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share of increase in all electricity consumed on the Property above the Base Year (except the amounts recovered from and paid by tenants separately metered).

(d) In calculating electricity costs for any Fiscal Period, if less than one hundred percent (100%) of Building is occupied by tenants, then the amount of such electricity costs shall be deemed for the purposes of this Schedule to be increased to an amount equal to the like electricity costs which normally would be expected by the Landlord to have been incurred had such occupancy been one hundred percent (100%) during such entire period.

3. The Landlord shall maintain and keep in repair the facilities required for the provision of the interior climate control, elevator (if installed in the Building), and other services referred to in sub-paragraph (a) and (c) of paragraph 1 and sub-paragraph (a) of paragraph 2 of this Schedule in accordance with the standards of Comparable Buildings but reserves the right to stop the use of any of these facilities and the supply of the corresponding services when necessary by reason of accident or breakdown or during the making of repairs, alterations or improvements, in the reasonable judgment of the Landlord necessary or desirable to be made, until the repairs, alterations or improvements shall have been completed to the satisfaction of the Landlord. However, notwithstanding the foregoing, if the Leased Premises, or a material portion of the Leased Premises, are made untenantable for a period in excess of ten (10) consecutive business days solely as a result of an interruption, diminishment or termination of essential services or utilities servicing the Leased Premises and necessary for Tenant's normal and customary operations due to Landlord's gross negligence or willful misconduct and such interruption, diminishment or termination of services is otherwise reasonably within the control of Landlord to correct (a "Service Failure"), then Tenant, as its sole remedy, shall be entitled to receive an abatement of the monthly Basic Rent and Tenant's Proportionate Share of Additional Rent payable hereunder during the period beginning on the eleventh (11th) consecutive business day of the Service Failure and ending on the day the interrupted service has been restored. If the entire Leased Premises have not been rendered untenantable by the Service Failure, the amount of abatement shall be equitably prorated.

Additional Services

4. (a) The Landlord may (but shall not be obliged) on request of the Tenant supply services or materials to the Leased Premises and the Property which are not provided for under this Lease and which are used by the Tenant (the "Additional Services") including, without limitation,

(i) non-Building standard replacement of tubes and ballasts;
(ii) carpet shampooing;
(iii) window covering cleaning;
(iv) locksmithing;
(v) removal of bulk garbage;
(vi) picture hanging; and
(vii) special security arrangement.

(b) When Additional Services are supplied or furnished by the Landlord, accounts therefor shall be rendered by the Landlord and shall be payable by the Tenant to the Landlord within ten (10) business days of Landlord's written demand plus a five percent (5%) administrative fee. In the event the Landlord shall elect not to supply or furnish Additional Services, only persons with prior written approval by the Landlord (which approval shall not be unreasonably withheld) shall be permitted by the Landlord or the Tenant to supply or furnish Additional Services to the Tenant and the supplying and furnishing shall be subject to the reasonable rules fixed by the Landlord with which the Tenant undertakes to cause compliance and to comply.

Operating Charges Payable

5. (a) The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share (as defined below) of the excess of the amount of the Operating Costs (as defined below) in each Fiscal Period over the Operating Costs in the "Base Year" (as hereinafter defined).

(b) Subject to the exclusions set forth in clause (c) below, in this Lease "Operating Costs" shall mean all costs incurred or which will be incurred by the Landlord discharging its obligations under this Lease and in the maintenance, operation, administration and management of the Property including without limitation:

(i) cost of heating, ventilating and air-conditioning;
(ii) cost of water and sewer charges;
(iii) cost of insurance carried by the Landlord pursuant to Paragraph 9(a) of this Lease and cost of any deductible amount paid by the Landlord in connection with each claim made by the Landlord under such insurance;
(iv) costs of building office expenses, including telephone, rent, stationery and supplies;
(v) cost of fuel or other form of energy which are not separately metered and recovered or paid by tenants.;
(vi) costs of all elevator and escalator (if installed in the Building) maintenance and operation;
(vii) costs of operating staff, management staff and other administrative personnel, including salaries, wages, and fringe benefits;
(viii) cost of providing security and costs of repair, maintenance and replacement of communications, fire and life safety systems serving the Property;
(ix) cost of providing janitorial services, window cleaning, garbage and snow removal and pest control;
(x) cost of supplies and materials;
(xi) cost of decoration of common areas;
(xii) cost of landscaping;
(xiii) cost of maintenance and operation of the parking area and costs of operating, maintaining, repairing, and replacing all pedestrian and vehicular entrances and exits, passageways, driveways, tunnels, subway connections and delivery and holding areas used in connection with the Property;
(xiv) cost of consulting, and professional fees including expenses;
(xv) cost of replacements, additions and modifications unless otherwise included under paragraph 6, and cost of repair.

(c) In this Lease there shall be excluded from Operating Costs the following:

(i) interest on debt and capital retirement of debt;
(ii) such of the Operating Costs as are recovered from insurance proceeds;
(iii) costs as determined by the Landlord of acquiring tenants for the Property;
(iv) depreciation; principal payments of mortgage and other non operating debts of Landlord, other than as permitted with respect to a Major Expenditure;
(v) any expenses for which Landlord has received actual reimbursement (other than through Operating Costs);
(vi) costs in connection with leasing space in the Building, including brokerage commissions, brochures and marketing supplies, legal fees in negotiating and preparing lease documents;
(vii) attorney's fees and other expenses incurred in connection with negotiations or disputes with prospective tenants or tenants or other occupants of the Building;
(viii) costs incurred by Landlord in connection with the correction of latent defects in the original construction of the Building;
(ix) any "tenant allowances", "tenant concessions" and other costs or expenses incurred in fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants or other occupants of the Building, or vacant leasable space in the Building, except in connection with general maintenance and repairs provided to the tenants of the Building in general;
(x) any capital item, except a Major Expenditure;
(xi) Cost of any rental or leased equipment that if purchased the initial acquisition cost would be a Major Expenditure which is excluded from Operating Costs;
(xii) sums (other than management fees, it being agreed that the management fees included in Operating Costs are as described in paragraph 5(b) above) paid to subsidiaries or other affiliates of Landlord for services on or to the Building and/or the Leased Premises, but only to the extent that the costs of such services exceed the competitive cost for such services rendered by persons or entities of similar skill, competence and experience;

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(xiii) all costs associated with the operation of the business of the entity which constitutes "Landlord" (as distinguished from the costs of operating, maintaining, repairing and managing the Building) including, but not limited to, Landlord's or Landlord's managing agent's general corporate overhead and general administrative expenses;
(xiv) any fines, penalties or interest resulting from the negligence or willful misconduct of Landlord;
(xv) the cost of remediation and removal of Hazardous Materials in the Building or on the Property as required by Environmental Laws; provided, however, that the provisions of this subparagraph (xvii) shall not preclude the inclusion of (A) costs with respect to Hazardous Materials (whether existing at the Property as of the date of this Lease or subsequently introduced to the Property) which are not as of the date of this Lease (or as of the date of introduction) deemed to be Hazardous Materials under Environmental Law but which are subsequently deemed to be Hazardous Materials under Environmental Law, and (B) costs incurred to the extent such removal, cleaning, abatement or remediation is related to the general repair and maintenance of the Building, Common Area or Property;
(xvi) the cost of any "Landlord Work" (as defined in Schedule "F") of the Lease;
(xvii) The cost of complying with any laws in effect (and as interpreted and enforced) on the date of this Lease, provided that if any portion of the Building that was in compliance with all applicable laws on the date of this Lease becomes out of

compliance due to normal wear and tear, the cost of bringing such portion of the Building into compliance shall be included in Operating Costs unless otherwise excluded pursuant to the terms hereof;

(xviii) The amounts of the management fee paid or charged by Landlord in connection with the management of the Property and the Common Areas to the extent such management fee is in excess of five percent (5%) of gross rents received from the Building; and

(xix) The cost incurred by Landlord in connection with the cosmetic lobby renovation (including cosmetic renovation of the elevator cars).

6. The Tenant covenants to pay to the Landlord the Tenant's Proportionate Share of the costs in respect of each Major Expenditure (as hereinafter defined) as amortized over the period of the Landlord's reasonable estimate of the economic life of the Major Expenditure, but not to exceed fifteen (15) years, using equal monthly installments of principal and interest at eight percent (8%) per annum compounded semi-annually. For the purposes hereof, "Major Expenditure" shall mean any expenditure incurred after the date of substantial completion of the Building for replacement of machinery, equipment, building elements, systems or facilities forming a part of or used in connection with the Property or for modifications, upgrades or additions to the Property or facilities used in connection therewith, provided that, in each case, such expenditures: (A) are intended to effect economies in the operation, cleaning or maintenance of the Project, or any portion thereof, (B) are required to comply with present or anticipated conservation and sustainability programs (including for LEED certification), (C) are necessary for the health and/or safety of the Property, including for the tenants and occupant thereof, (D) are required under any governmental law or regulation, or (E) are each more than ten percent (10%) of the total Operating Costs of the immediately preceding Fiscal Period. Capital items, except a Major Expenditure in accordance with the terms of this Section 6, shall be excluded from Operating Costs.

7. In calculating Operating Costs for any Fiscal Period including the Base Year, if less than one hundred percent (100%) of Building is occupied by tenants, then the amount of such Operating Costs shall be deemed for the purposes of this Schedule to be increased to an amount equal to the like Operating Costs which normally would be expected by the Landlord to have been incurred had such occupancy been one hundred percent (100%) during such entire period.

8. In this Lease:

(i) "Tenant's Proportionate Share" shall mean decimal one decimal two one five percent (1.215%) subject to adjustment as determined solely by the Landlord and notified to the Tenant in writing for physical increases or decreases in the total Rentable Area of the Property provided that total rentable area of the Property and the Rentable Area of the Leased Premises shall exclude areas designated (whether or not rented) for parking and for storage.

(ii) "Base Year" shall mean calendar year 2012.

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SCHEDULE "E"

Rules and Regulations

1. The sidewalks, entry passages, elevators (if installed in the Building) and common stairways shall not be obstructed by the Tenant or used for any other purpose than for ingress and egress to and from the Leased Premises. The Tenant will not place or allow to be placed in the Building corridors or public stairways any waste paper, dust, garbage, refuse or anything else whatsoever.

2. The washroom plumbing fixtures and other water apparatus shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, ashes or other substances shall be thrown therein. The expense of any damage resulting by misuse by the Tenant shall be borne by the Tenant.

3. The Tenant shall permit window cleaners to clean the windows of the Leased Premises during normal business hours following prior notice from Landlord.

4. No birds or animals (except certified seeing-eye animals) shall be kept in or about the Property nor shall the Tenant operate or permit to be operated any musical or sound-producing instruments or device or make or permit any improper noise inside or outside the Leased Premises which may be heard outside such Leased Premises.

5. No one shall use the Leased Premises for residential purposes, or for the storage of personal effects or articles other than those required for business purposes.

6. All persons entering and leaving the Building at any time other than during normal business hours shall register in the books which may be kept by the Landlord at or near the night entrance and the Landlord will have the right to prevent any person from entering or leaving the Building or the Property unless

provided with a key to the premises to which such person seeks entrance and a pass in a form to be approved by the Landlord. Any persons found in the Building at such times without such keys and passes will be subject to the surveillance of the employees and agents of the Landlord. Landlord reserves the right to exclude from the Building between the hours of 6 p.m. and 7 a.m. the following day, or such other hours as may be reasonably established from time to time by Landlord, and on Sundays and legal holidays, any person unless that person has a pass or is properly identified.

7. No dangerous or explosive materials shall be kept or permitted to be kept in the Leased Premises.

8. The Tenant shall not permit any cooking in the Leased Premises except for food warmed up in microwaves, toasters and toaster ovens for consumption by employees or guests of the Tenant. The Tenant shall not install or permit the installation or use of any machine dispensing goods for sale in the Leased Premises without the prior written approval of the Landlord. Only persons authorized by the Landlord shall be permitted to deliver or to use the elevators (if installed in the Building) for the purpose of delivering food or beverages to the Leased Premises.

9. The Tenant shall not bring in or take out, position, construct, install or move any safe, business machine (other than customary fax machines, typewriters, and desktop and laptop computers and related similar equipment) or other heavy office equipment without first obtaining the prior written consent of the Landlord. In giving such consent, the Landlord shall have the right in its sole discretion, to prescribe the weight permitted and the position thereof, and the use and design of planks, skids or platforms to distribute the weight thereof. All damage done to the Building by moving or using any such heavy equipment or other office equipment or furniture shall be repaired at the expense of the Tenant. The moving of all heavy equipment or other office equipment or furniture shall occur only at times consented to by the Landlord and the persons employed to move the same in and out of the Building must be acceptable to the Landlord. Safes and other heavy office equipment will be moved through the halls and corridors only upon steel bearing plates. No freight or bulky matter of any description will be received into the Building or carried (other than those items that can be carried by hand and in such event Tenant shall coordinate with Landlord to utilize the freight elevator in accordance with the terms and conditions of this Lease) in the elevators (if installed in the Building) except during hours reasonably approved by the Landlord.

10. The Tenant shall give the Landlord prompt notice of any accident to or any defect in the plumbing, heating, air- conditioning, ventilating, mechanical or electrical apparatus or any other part of the Building.

11. The parking of automobiles shall be subject to the charges and the reasonable regulations of the Landlord. The Landlord shall not be responsible for damage to or theft of any car, its accessories or contents whether the same be the result of negligence or otherwise. All vehicles (including bicycles) shall be parked in the garage or other areas, as reasonably designated by the Landlord from time to time. No vehicles (including bicycles) shall be stored in the Lease Premises.

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12. The Tenant shall not mark, drill into or in any way deface the walls, ceilings, partitions, floors or other parts of the Leased Premises and the Building (except for pictures, tackboards and similar office uses). Tenant shall not cut or bore holes for wires. Tenant shall not affix any floor covering to the floor of the Leased Premises in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule.

13. Except with the prior written consent of the Landlord, no tenant shall use or engage any person or persons other than the janitor or janitorial contractor of the Landlord for the purpose of any cleaning of the Leased Premises.

14. If the Tenant desires any electrical or communications wiring, the Landlord reserves the right to direct qualified persons as to where and how the wires are to be introduced, and without such directions no borings or cutting for wires shall take place. No other wires or pipes of any kind shall be introduced without the prior written consent of the Landlord.

15. The Tenant shall not place or cause to be placed any additional locks upon any doors of the Leased Premises without the approval of the Landlord and subject to any conditions imposed by the Landlord. Landlord will furnish two (2) keys free of charge to each door in the Leased Premises that has a passage way lock. Additional keys may be obtained from the Landlord at the cost of the Tenant. Tenant shall not make or have made additional keys on its own.

16. The Tenant or an Affiliate shall be entitled to have its name shown upon the directory board of the Building and at one of the entrance doors to the Leased Premises all at the Tenant’s expense and in compliance with the Building’s standard signage program, but the Landlord shall in its sole discretion design the style of such identification and allocate the space on the directory board for the Tenant.

17. The Tenant shall keep the window coverings (if any) in a closed position during period of direct sun load. The Tenant shall not interfere with or obstruct any perimeter heating, air-conditioning or ventilating units.

18. The Tenant shall not conduct, and shall not permit any, canvassing in the Building.

19. The Tenant shall take care of the rugs and drapes (if any) in the Leased Premises and shall arrange for the carrying-out of regular and reasonable spot cleaning and shampooing of carpets and dry cleaning of drapes in a manner reasonably acceptable to the Landlord.

20. The Tenant shall permit the periodic closing of lanes, driveways and passages for the purpose of preserving the Landlord’s rights over such lanes, driveways and passages provided that such closures do not permanently prevent Tenant’s access to or permitted use of the Leased Premises.

21. The Tenant shall not place or permit to be placed any sign, advertisement, notice or other display on any part of the exterior of the Leased Premises or elsewhere if such sign, advertisement, notice or other display is visible from outside the Leased Premises without the prior written consent of the Landlord which may be arbitrarily withheld. The Tenant, upon request of the Landlord, shall immediately remove any sign, advertisement, notice or other display which the Tenant has placed or permitted to be placed which, in the opinion of the Landlord, is objectionable, and if the Tenant shall fail to do so, the Landlord may remove the same at the expense of the Tenant.

22. The Landlord shall have the right to make such other and further reasonable rules and regulations and to alter the same as in its judgment may from time to time be needful for the safety, care, cleanliness and appearance of the Leased Premises and the Building and for the preservation of good order therein, and the same shall be kept and observed by the tenants, their employees and servants. The Landlord also has the right to suspend or cancel any or all of these rules and regulations herein set out. The Rules and Regulations shall be generally applicable, and generally applied in the same manner, to all tenants of the Building. To the extent of any conflict between any rules and regulations now or hereafter in effect and the terms of this Lease, the terms of this Lease shall govern.

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SCHEDULE "F"

Leasehold Improvements

Definition of Leasehold Improvements

1. For purposes of this Lease, the term "Leasehold Improvements" includes, without limitation, all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant, or any previous occupant of the Leased Premises, in the Leased Premises and by or on behalf of other tenants in other premises in the Building (including the Landlord if an occupant of the Building), including all partitions, doors and hardware however affixed, and whether or not movable, all mechanical, electrical and utility installations and all carpeting and drapes with the exception only of Tenant's trade fixtures, furniture and equipment not of the nature of fixtures and other personal property of Tenant.

Installation of Improvements and Fixtures

2. The Landlord shall include in the Leased Premises the "Landlord's Work" (as hereinafter defined). The Tenant shall not make, erect, install or alter any Leasehold Improvements in the Leased Premises without having requested and obtained the Landlord's prior written approval. The Landlord's approval shall not, if given, under any circumstances be construed as a consent to the Landlord having its estate charged with the cost of work. The Landlord shall not unreasonably withhold its approval to any such request, but failure to comply with the Landlord's reasonable requirements from time to time for the Building shall be considered sufficient reason for refusal. In making, erecting, installing or altering any Leasehold Improvements the Tenant shall not, without the prior written approval of the Landlord, alter or interfere with any installations which have been made by the Landlord or others and in no event shall alter or interfere with window coverings (if any) or other light control devices (if any) installed in the Building. The Tenant's request for any approval hereunder shall be in writing and accompanied by an adequate description of the contemplated work and, where considered appropriate by the Landlord, working drawings and specifications thereof. If the Tenant requires from the Landlord drawings or specifications of the Building in connection with the Leasehold Improvements, the Tenant shall pay the actual cost thereof to the Landlord within ten (10) business days after Tenant's receipt of a written demand therefor. Any reasonable, out-of-pocket costs and expenses incurred by the Landlord in connection with the Tenant's Leasehold Improvements shall be paid by the Tenant to the Landlord within ten (10) business days after Tenant's receipt of a written demand therefor. All work to be performed in the Leased Premises shall be performed by competent and adequately insured contractors and sub-contractors of whom the Landlord shall have approved in writing prior to commencement of any work, such approval not to be unreasonably withheld (except that the Landlord may require that the Landlord's contractors and sub-contractors be engaged for any mechanical or electrical work provided the same are competitively priced and reasonably available) and by workmen who have labor union affiliations that are compatible with those affiliations (if any) of workmen employed by the Landlord and its contractors and sub-contractors. All such work including the delivery, storage and removal of materials shall be subject to the reasonable supervision of the Landlord, shall be performed in accordance with any reasonable conditions or regulations imposed by the Landlord including, without limitation, payment on demand of a reasonable fee of the Landlord for such supervision (not to exceed three percent (3%) of the total cost of the work) ("the Supervision Fee"), and shall be completed in good and workmanlike manner in accordance with the description of the work approved by the Landlord and in accordance with all laws, regulations and by-laws of all regulatory authorities. Copies of required building permits or authorizations shall be obtained by the Tenant at its expense and copies thereof shall be provided to the Landlord. If the Tenant undertakes Leasehold Improvements, upon completion of such Leasehold Improvements the Tenant shall supply to the Landlord complete "As-Built" drawings representing Leasehold Improvements installed and, if applicable, an engineer approved air balance report. No locks shall be installed on the entrance doors or in any doors in the Leased Premises that are not keyed to the Building master key system. Tenant shall not be required to pay to Landlord a Supervision Fee in connection with Landlord's Work performed in the Leased Premises.

Liens and Encumbrances on Improvements and Fixtures

3. In connection with the making, erection, installation or alteration of Leasehold Improvements and all other work or installations made by or for the Tenant in the Leased Premises the Tenant shall comply with all the provisions of the construction lien and other similar statutes from time to time applicable thereto (including any proviso requiring or enabling the retention by way of holdback of portions of any sums payable) and, except as to any such holdback, shall promptly pay all accounts relating thereto. The

Tenant will not create any mortgage, conditional sale agreement or other encumbrance in respect of its Leasehold Improvements or, without the written consent of the Landlord, with respect to its trade fixtures nor shall the Tenant take any action as a consequence of which any such mortgage, conditional sale agreement or other encumbrance would attach to the Property or any part thereof. If and whenever any construction or other lien for work, labor, services or materials supplied to or for the Tenant or for the cost of which the Tenant may be in any way liable or claims therefore shall arise or be filed or any such mortgage, conditional sale agreement or other encumbrance shall attach, the Tenant shall within twenty (20) days after submission by the Landlord of notice thereof procure the discharge thereof, including any certificate of action registered in respect of any lien, by payment or giving security or in such other manner as may be required or permitted by law, and failing which the Landlord may avail itself of any of its remedies hereunder for default of the Tenant and may make any payments or take any steps or proceedings required to procure the discharge of any such liens or encumbrances, and shall be entitled to be repaid by the Tenant on demand for any such payments and to be paid on demand by the Tenant for all costs and expenses in connection with steps or proceedings taken by the Landlord and the Landlord's right to reimbursement and to payment shall not be affected or impaired if the Tenant shall then or subsequently establish or claim that any lien or encumbrances so discharged was without merit or excessive or subject to any abatement, set-off or defense. The Tenant agrees to indemnify the Landlord from all claims, costs and expenses which may be incurred by the Landlord in any proceedings brought by any person against the Landlord alone or with another or others for or in respect of work, labor, services or materials supplied to or for the Tenant.

Removal of Improvements and Fixtures

4. All Leasehold Improvements in or upon the Leased Premises shall immediately upon their placement be and become the Landlord's property without compensation therefor to the Tenant. Except to the extent otherwise expressly agreed by the Landlord in writing, no Leasehold Improvements shall be removed by the Tenant from the Leased Premises either during or at the expiration or sooner termination of the Term except that:

a) the Tenant shall, prior to the end of the Term, remove such of the Leasehold Improvements and trade fixtures, including all cabling and wiring, used by or installed for the Tenant, in the Leased Premises as the Landlord shall require to be removed (provided that in any event, unless otherwise expressly agreed to in writing by Landlord, Tenant, at its sole cost and expense, shall remove all voice and data wiring and cabling installed by or on behalf of Tenant in and/or servicing the Leased Premises). Notwithstanding anything to the contrary contained herein, so long as Tenant's written request for consent for a proposed Leasehold Improvement contains the following statement in large, bold and capped font "PURSUANT TO PARAGRAPH 4(a) OF SCHEDULE "F" OF THE LEASE, IF LANDLORD CONSENTS TO THE SUBJECT LEASEHOLD IMPROVEMENT, LANDLORD SHALL NOTIFY TENANT IN WRITING WHETHER OR NOT LANDLORD WILL REQUIRE SUCH LEASEHOLD IMPROVEMENT TO BE REMOVED AT THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE.", at the time Landlord gives its consent for any Leasehold Improvements, if it so does, Tenant shall also be notified whether or not Landlord will require that such Leasehold Improvements be removed upon the expiration or earlier termination of this Lease. Notwithstanding anything to the contrary contained in this Lease, at the expiration or earlier termination of this Lease and otherwise in accordance with this Paragraph 4, Tenant shall be required to remove all Leasehold Improvements made to the Leased Premises except for any such Leasehold Improvements which Landlord expressly indicates or is deemed to have indicated shall not be required to be removed from the Leased Premises by Tenant. If Tenant's written notice strictly complies with the foregoing and if Landlord fails to notify Tenant within twenty (20) days of Landlord's receipt of such notice whether Tenant shall be required to remove the subject Leasehold Improvements at the expiration or earlier termination of this Lease, it shall be assumed that Landlord shall require the removal of the subject Leasehold Improvements.

b) the Tenant may, at the times reasonably appointed by the Landlord and subject to availability of elevators (if installed in the Building), remove its trade fixtures, furniture and equipment and other personal property at the end of the Term, and also during the Tenn in the usual and normal course of its business where such furniture or equipment has become excess for the Tenant's purposes or the Tenant is substituting therefor new furniture and equipment.

The Tenant shall, in the case of every removal, make good at the expense of the Tenant any damage caused to the Property by the installation and removal. In the event of the non-removal by the end of the Term, or sooner termination of this Lease, of such trade fixtures or Leasehold Improvements required by the Landlord of the Tenant to be removed, the Landlord shall have the option, in addition to its other remedies under this Lease to declare to the Tenant that such trade fixtures are the property of the Landlord and the Landlord upon such a declaration may dispose of such trade fixtures and retain any proceeds of disposition

as security for the obligations of the Tenant to the Landlord and the Tenant shall be liable to the Landlord for any expenses incurred by the Landlord.

5. (a) Landlord and Tenant hereby agree that Landlord will construct and complete, at Landlord's sole cost and expense (except as otherwise expressly provided herein), certain improvements in the Leased Premises (collectively, the "Landlord's Work"), which shall be a part of the Leasehold Improvements, and shall be designed, permitted and constructed pursuant to the "Space Plan" (as hereinafter defined) but in accordance with the following:

(i) Landlord has delivered to Tenant a space plan prepared by Huntsman Architectural Group ("Landlord's Architect") dated November 10, 2011 as Project or Job No 03.085.01 SK-4 (the "Space Plan"), which shows the basic configuration of the Landlord's Work in the Leased Premises, and which Space Plan has been reviewed and approved by both Landlord and Tenant concurrent with

their execution of this Lease. At the expiration or earlier termination of the Lease, the Tenant shall not be required to remove from the Leased Premises the Landlord's Work; provided, however, that notwithstanding the foregoing, Tenant shall, at its sole cost and expense, remove (and restore the Building to the condition existing prior to installation of the same, subject to normal wear and tear) any security system installed by or on behalf of Tenant, any supplemental HVAC equipment installed at or servicing the Leased Premises and any wiring and cabling installed at or servicing the Leased Premises. Based upon the Space Plan, Landlord shall cause Landlord's Architect to prepare and deliver to Tenant the final working drawings and specifications for the Landlord's Work, which shall include telephone, electrical, plumbing and air-conditioning specifications, and all floor coverings, wall coverings, window coverings, paint, cabinetry and sprinkler layouts and any other life safety requirements, if any (collective, the "Final Plans"). Within ten (10) business days after the date Tenant receives the Final Plans from Landlord, Tenant shall either approve or disapprove the Final Plans, in writing, delivered to Landlord, noting with reasonable particularity any changes or corrections therein. If Tenant makes any changes or corrections to the Final Plans, Landlord's Architect shall resubmit the revised Final Plans to Tenant within three (3) business days after receipt by Landlord of Tenant's changes or corrections and, thereafter, Tenant shall either approve or disapprove the revised Final Plans within three (3) business days after Tenant receives same, in writing, delivered to Landlord and noting with reasonable particularity any further changes or corrections by Tenant therein. All costs to Tenant in reviewing and revising the Space Plan and the Final Plans shall be the sole responsibility of Tenant. Tenant's failure to timely respond shall be deemed Tenant's approval of the Final Plans.

(ii) Following Landlord's approval of the Final Plans, Landlord shall contract with a general contractor to construct and complete the Landlord's Work in the Leased Premises. After selection of the general contractor. Landlord will enter into a construction contract with such general contractor for the Landlord's Work, and thereafter, Landlord will cause either Landlord's Architect or the general contractor, or both, to apply for the required permits and approvals to construct the Landlord's Work. Notwithstanding the foregoing, the Landlord shall segregate Landlord's Work from Landlord's Work for the bidding process.

(iii) Following Landlord's receipt of the required permits and approvals above, Landlord's general contractor shall diligently pursue the construction of the Landlord's Work, subject to Paragraph 5(b)(iv) below, except to the extent that completion is delayed as a result of Tenant's request for any "Changes" (as hereinafter defined) and/or the construction of such Changes, if any, by Landlord or any "Tenant Delays" (as hereinafter defined) and/or events of force majeure hereunder or under Section 16 of this Lease.

(iv) Notwithstanding anything to the contrary set forth in Paragraph 2 of the Lease, the "Commencement Date" of the Term shall be defined as, and shall be conclusively deemed to occur on, the later of: (i) the date Landlord substantially completes the Landlord's Work in the Leased Premises, and Landlord tenders exclusive possession of the Leased Premises to Tenant, excluding any minor items (e.g., "punch-list" type items) which can be completed by Landlord with only minor interference to the conduct of Tenant's business in the Leased Premises (which Landlord will complete, using Landlord's commercially reasonable efforts, as soon as reasonably practicable

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after the Commencement Date and with no material interruption to the operation of Tenant's business therein) and (ii) the date Landlord receives from the appropriate governmental authorities, with respect to the Landlord's Work performed by Landlord or its contractors in the Leased Premises, all approvals necessary for the occupancy of the Leased Premises. Once the Commencement Date is determined, Landlord and Tenant agree to confirm such date in a written letter agreement pursuant to the terms and conditions of the Lease.

(v) If Tenant requests any change to the Final Plans after Tenant's approval of same and/or any change in Landlord's construction of the Landlord's Work (collectively, "Changes"), within five (5) business days of Landlord's receipt of such written request by Tenant along with any reasonable supporting documentation reasonably requested by Landlord to enable Landlord to properly analyze the requested Change, Landlord shall estimate (A) the costs and expenses for such Changes, and (B) the resulting delay in the completion of the Landlord's Work. Within five (5) business days after Tenant's receipt of such written estimate from Landlord, Tenant shall give Landlord written notice indicating whether or not Tenant elects to proceed with any such Changes. If Tenant elects to proceed with such Changes, and if Landlord has reasonably approved such Changes, Landlord will make such Changes to the Landlord's Work. If Tenant elects not to proceed with such Changes or fails to timely notify Landlord of Tenant's election within such five (5) business day period, Landlord shall complete the Landlord's Work without making such Changes. Landlord shall not be responsible, in any manner whatsoever, for any delay caused by Tenant's request for such Changes and/or the construction of such Changes hereunder. All costs related to any work other than the Tenant Work, and costs for the Changes hereunder, plus any applicable sales tax thereon, if any, shall be paid for by Tenant to Landlord as Rent under the Lease within thirty (30) days after Tenant's receipt of Landlord's written demand therefor.

(vi) In addition to Section 16 of this Lease, and if the performance by Landlord of any act required herein or elsewhere under this Lease is prevented or delayed by reason of acts of God, fires, floods, earthquakes, weather and/or epidemics, then Landlord shall be excused from performance for the time period equal to the time period of the prevention or delay.

(vii) To the extent that the Commencement Date has not occurred because Landlord was delayed in substantially completing the Landlord's Work as a result of any one (1) or more of the following (collectively, "Tenant Delays"): Tenant's failure to complete any item on or before the due date, which is the responsibility of Tenant to complete or perform; Tenant's request for Changes or the construction of such Changes by Landlord; Tenant's request for materials, finishes or installations other than those Building-standard finishes normally provided by Landlord, as may be changed by Landlord from time to time; any delay by Tenant in making any payment to Landlord; and/or any act or failure to act by Tenant and/or Tenant's employees, agents, architects, independent contractors, consultants and/or any other persons performing, or required to perform, services on behalf of Tenant or other interference with Landlord's ability to timely complete the Landlord's Work. Landlord shall deliver to Tenant a reasonably detailed statement of the net number of days of Tenant Delays and Tenant shall pay to Landlord, as Rent under this Lease, the product of the per diem monthly Basic Rent payable by Tenant for the Leased Premises multiplied by the number of days that such Tenant

Delays caused the Commencement Date to be delayed, with such payment to be made by Tenant to Landlord concurrent with Tenant's next monthly payment of Basic Rent under this Lease.

(viii) As and when noticed by Landlord, in writing, to Tenant, Landlord agrees that Tenant may enter the Leased Premises seven (7) days prior to Landlord's substantial completion the Landlord's Work in order to install Tenant's trade fixtures, equipment, furniture and other personal property therein and to perform certain Leasehold improvements in the Leased Premises approved by Landlord and subject to the terms and conditions of the Lease, including, without limitation, this Schedule "F" (collectively, "Tenant's Early Entry Work"). Such entry right shall be in conjunction with Landlord's unimpeded right to construct the Landlord's Work, if any. Should Tenant elect to enter the Leased Premises hereunder to complete Tenant's Early Entry Work, it is hereby agreed that Tenant, together with Tenant's employees, agents, independent contractors,

suppliers and any other persons under Tenant's control (collectively, "Tenant's Personnel"), installing Tenant's Early Entry Work, will be subject to, and shall work under the direction of, Landlord and Landlord's general contractor. If, in the reasonable judgment of Landlord, the presence of Tenant's Personnel and the work that is being performed by Tenant's Personnel will interfere with Landlord's construction of (or shall detrimentally affect Landlord's ability to comply with Landlord's commitment for completing) the Landlord's Work, if any, or any other work therein or cause any labor and/or union difficulties, Landlord shall have the right to order any or all of Tenant's Early Entry Work to cease upon twenty-four (24) hours' prior 'written notice to Tenant, and Tenant shall have Tenant's Personnel immediately remove from the Leased Premises all tools, equipment and materials therefrom. If Tenant elects to exercise Tenant's right of early entry hereunder, Tenant further agrees to: (a) pay for and provide certificates evidencing the existence and amounts of insurance required to be carried by Tenant and Tenant's Personnel, and otherwise comply with all of the terms, covenants and conditions of this Lease; and (b) comply with all Applicable Laws regarding Tenant's Early Entry Work. Notwithstanding anything to the contrary set forth herein, Tenant's early entry into the Leased Premises for the purposes of completing Tenant's Early Entry Work, if at all, shall not be deemed a taking of possession of the Leased Premises by Tenant for the purposes of setting the Commencement Date.

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SCHEDULE "H"

Option to Renew

(a) The Landlord covenants with the Tenant that if the Tenant duly and regularly pays the Rent and any and all amounts required to be paid pursuant to this Lease and performs each and every covenant, proviso and agreement on the part of the Tenant to be paid, rendered, observed and performed herein, the Landlord will at the expiration of the then expiring term on written notice by the Tenant to the Landlord given by the Tenant not more than twelve (12) months prior to the expiration of the then expiring term and received by the Landlord not less than ten (10) months prior to the expiration of the then expiring term grant to the Tenant a one (1) five (5) year renewal of lease of the Leased Premises (the "Renewal Term") on the same terms and conditions as in the Lease (except as expressly provided herein), at the commencement of the Renewal Term, being used by the Landlord for the Building save and except the right of further renewal, Landlord's Work (if any), Basic Rent, tenant improvement allowance (if any) and any abated rent or other such concessions (if any).

(b) The Basic Rent for the Renewal Term shall be determined by negotiations between the parties hereto, and it is agreed that during such negotiations in respect of Basic Rent, they will be guided by fair market rental levels (either fixed or escalating during the said Renewal Term) as would then be charged by landlords entering into leases having similar terms and conditions as contained herein and for similar premises in similar buildings in the Financial District of San Francisco (the "Fair Market Rental Rate").

If after good faith, reasonable efforts, the parties hereto are unable to agree in writing as to the Basic Rent for the Renewal Term prior to ninety (90) days before the expiry of the Lease, then each party's determination of the Fair Market Rental Rate shall be submitted to appraisal in accordance with the following:

(i) Landlord and Tenant shall each appoint one independent appraiser who shall by profession be a real estate broker active over the previous five (5) year period ending on the date of such appointment in the leasing of commercial office properties in the San Francisco Financial District. Each such appraiser shall be appointed within fifteen (15) days after the Outside Agreement Date. If either Landlord or Tenant fails to timely appoint an appraiser, at the other party's request, JAMS/Endispute or an "Arbitrator" (as defined in clause (b)(v) below) shall appoint their or its appraiser.

(ii) The two (2) appraisers so appointed shall, within fifteen (15) days after the appointment of the last appraiser, agree upon and appoint a third appraiser who shall be qualified under the same criteria.

(iii) The three (3) appraisers shall, within thirty (30) days after the appointment of the third appraiser, decide whether the parties shall use Landlord's or Tenant's submitted Fair Market Rental Rate, and shall notify Landlord and Tenant in writing thereof. The appraisers' determination shall be limited solely to the issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate for the Renewal Term is closest to the then-prevailing Fair Market Rental Rate, as determined by the appraisers taking into account the requirements set forth in this Schedule "H". Such decision shall be based upon the projected, then-prevailing Fair Market Rental Rate as of the proposed commencement date of the Renewal Term.

(iv) The three (3) appraisers' majority decision shall be binding upon Landlord and Tenant, without any right of appeal or objection, judicial or otherwise.

(v) If the appraisers fail to agree upon and appoint a third appraiser, both appraisers shall be dismissed and the matter shall be submitted to arbitration under the provisions of JAMS/Endispute in San Francisco, California, with a determination to be made within thirty (30) days thereafter based upon the same procedures set forth above (i.e., by selecting either Landlord's or Tenant's submitted Fair Market Rental Rate only, as closest to the then-prevailing Fair Market Rental Rate). If JAMS/Endispute no longer exists, then the matter shall be settled by binding arbitration before a single arbitrator appointed pursuant to the Rules of the American Arbitration Association in effect at the time of the arbitration (the "Rules") and shall otherwise be conducted pursuant to such Rules. The "Arbitrator" shall be a lawyer or judge having at least twenty (20) years professional experience, and the arbitration shall be held in San Francisco, California, and be conducted in confidence and without public disclosure by the Arbitrator or any party or their representatives of any matters relevant to the arbitration. Judgment may be entered on any arbitration award in any court having competent jurisdiction thereof.

(vi) All costs of appraisal hereunder, and arbitration if necessary, shall be shared equally by the parties hereto.

(c) The Tenant agrees to execute the Landlord's standard lease amendment agreement then, at the commencement of the Renewal Term, being used by the Landlord for the Building to give effect to this Option to Renew if exercised by the Tenant. The Tenant shall execute such agreement prior to the commencement date of the Renewal Term.

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(d) Notwithstanding the above, if the Tenant does not exercise the Option to Renew in accordance with Schedule "H" then this Option to Renew is null and void.

(e) The Tenant's Option to Renew hereunder is personal to the Tenant and a Permitted Transferee following an assignment of the Lease and automatically expires on any Transfer or parting with possession of all or any part of the Leased Premises whether or not the same is with the consent of the Landlord.

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SCHEDULE "I"

Right Of First Offer To Lease

Tenant shall have the one-time right of first offer to lease certain additional space pursuant to the following provisions of this Schedule "I".

(a) Tenant acknowledges and agrees that the First Offer Space is vacant as of the date of this Lease. Following Landlord's next leasing of the First Offer Space, Landlord shall deliver written notice to Tenant ("Landlord's First Offer Notice") at the time Landlord intends to offer to lease that certain space located contiguous to the Leased Premises comprising of approximately 3,202 rentable square feet and commonly known as Suite 825 (the "First Offer Space"). Landlord shall set forth in Landlord's First Offer Notice the economic terms upon which Landlord would lease such First Offer Space described in Landlord's First Offer Notice, including, without limitation, the following (collectively, the "Economic Terms"): (i) the anticipated date on which such First Offer Space will be available for lease by Tenant (including the anticipated date of vacation and surrender of such First Offer Space by the existing tenant thereof, if then leased) and the commencement date therefor; (ii) the tenant improvements and/or tenant improvement allowance to be provided by Landlord, if any, for such First Offer Space; (iii) the Base Rent per square foot of Rentable Area and Additional Rent to be paid for such First Offer Space; and (iv) the length of the term of the lease for such First Offer Space.

(b) On or before the date which is five (5) days after Tenant's receipt of Landlord's First Offer Notice (the "Election Date"), Tenant shall deliver a written notice to Landlord ("Tenant's Election Notice") pursuant to which Tenant shall elect either to: (i) lease the entire First Offer Space identified by Landlord upon the Economic Terms set forth in Landlord's First Offer Notice and the same non-Economic Terms as set forth in this Lease; or (ii) refuse to lease the First Offer Space, specifying that such refusal is based upon the Economic Terms in the First Offer Notice, in which event Tenant shall also specify revised Economic Terms upon which Tenant shall be willing to lease the First Offer Space; or (iii) refuse to lease such First Offer Space, in which event Tenant's right of first offer set forth in this Schedule "I" shall thereupon automatically terminate and be of no further force or effect, and Landlord may thereafter lease all or any portion of such First Offer Space to any third party on any terms Landlord desires.

(c) If Tenant does not deliver Tenant's Election Notice to Landlord on or prior to the Election Date, then Tenant shall be deemed to have elected the option described in clause (iii) of Section (b) hereinabove.

(d) If, however, Tenant timely delivers to Landlord the Tenant's Election Notice as described in clause (i) or (ii) of Section (b) hereinabove in response to the initial Landlord's First Offer Notice, then, in the case of clause (i): Tenant shall lease the First Offer Space identified by Landlord in the initial Landlord's First Offer Notice upon the Economic Terms contained therein and the non-Economic Terms set forth in this Lease, or, in the case of clause (ii): Landlord may elect to lease the First Offer Space to Tenant upon such revised Economic Terms put forth by the Tenant and the same other non-Economic Terms set forth in this Lease.

(e) If Tenant leases the First Offer Space pursuant to this Schedule "I", then promptly following Tenant's delivery of Tenant's Election Notice electing to lease such applicable First Offer Space, the parties shall enter into a commercially reasonable form of amendment to this Lease, evidencing the addition of the applicable First Offer Space and the terms thereof according to this Lease and as part of the Leased Premises, as such amendment will be prepared by Landlord from Landlord's commercially reasonable form then in use for the Building, and Landlord and Tenant shall execute such commercially reasonable amendment prior to the commencement date of the lease of any such First Offer Space.

(f) This right of first offer granted by Landlord herein is personal to the original Tenant executing this Lease, and any Affiliate, and may only be exercised by the original Tenant and such Affiliate, but not by any other person or entity.

(g) Notwithstanding the foregoing, in connection with the Landlord's next leasing of the First Offer Space (and before the offer right described in this Schedule "F" arises), the Landlord agrees to use commercially reasonable efforts to provide the Tenant with notice at or about the time the Landlord enters into negotiations with a potential tenant for the First Offer Space. Such notice shall be provided only as a courtesy to the Tenant, and neither the Landlord nor the Tenant shall be obligated to enter into negotiations with the other party for such space, and the Landlord shall not be in default hereunder for any failure to provide such notice.

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SCHEDULE "Q"

Asbestos Notification

PLEASE NOTE that asbestos and asbestos-containing materials ("ACMs") were historically used in the construction of commercial buildings, like the Building herein, because of their beneficial qualities: ACMs are fire-resistant, and provide good noise and temperature insulation. Some common types of ACMs include surfacing materials (such as spray-on fireproofing, stucco, plaster and textured paint), flooring materials (such as vinyl floor tile and vinyl floor sheeting) and their associated mastics, carpet mastic, thermal system insulation (such as pipe or duct wrap, boiler wrap and cooling tower insulation), roofing materials, drywall, drywall joint tape and joint compound, acoustic ceiling tiles, transite board, base cove and associated mastic, caulking, window glazing and fire doors. These materials are not required under current Applicable Law to be removed from any building (except prior to demolition and certain renovation projects). Moreover, ACMs generally are not thought to present a threat to human health unless they cause a release of asbestos fibers into the air, which does not typically occurs unless the ACMs are in a deteriorated condition and/or have been significantly disturbed (such as through abrasive cleaning, maintenance and/or renovation activities).

PLEASE BE ADVISED that some of the various types of ACMs noted above (or other types) are present at various locations in the Building, including, without limitation, those ACMs described on Exhibit "I" attached to this Schedule "Q" and incorporated herein by this reference (but not, at this point in time, known by Landlord to be present in the Leased Premises). For information about the specific types and locations of these identified ACMs, please contact the Building Manager, who maintains records of the Building's asbestos information, including asbestos surveys, sampling and abatement reports. This information is maintained as part of the Building's on-going Asbestos Operations and Maintenance Plan (the "O&M Plan").

The Building's O&M Plan is designed to minimize the potential of any harmful asbestos exposure in the Building. Landlord hired an independent environmental assessment firm to prepare the Building's O&M Plan, which plan includes a schedule of actions to be taken in order to (i) maintain any Building ACMs in good condition, and (ii) reasonably prevent any significant disturbance of such ACMs. Appropriate Landlord personnel receive regular periodic training on how to properly administer the O&M Plan.

The O&M Plan describes the risks associated with asbestos exposure and how to prevent such exposure, which risks, in general, are as follows: asbestos is not a significant health concern, unless asbestos fibers are released and inhaled. If inhaled, asbestos fibers can accumulate in the lungs and, as exposure increases, the risk increases. However, measures taken to minimize exposure and, consequently, minimize the accumulation of fibers, can reduce the risk of adverse health effects. The O&M Plan also describes a number of activities which should be avoided in order to prevent a release of asbestos fibers. In particular. some of the activities which may present a health risk (because those activities may cause an airborne release of asbestos fibers) include moving, drilling, boring and/or otherwise disturbing ACMs. Consequently, such activities should not be attempted by any person not qualified to handle ACMs, and furthermore, the written approval of the Building Manager must be obtained prior to engaging in any such activities.

PLEASE CONTACT THE BUILDING MANAGER FOR MORE INFORMATION IN THIS REGARD. A copy of the written O&M Plan for the Building is located in the Building Management Office and, upon written request, will be made available to Tenant for review during regular business hours.

BECAUSE OF THE PRESENCE OF ACMS IN THE BUILDING, LANDLORD IS ALSO PROVIDING THE FOLLOWING WARNING, WHICH IS COMMONLY KNOWN AS A CALIFORNIA PROPOSITION 65 WARNING:

WARNING: THIS BUILDING CONTAINS ASBESTOS, A CHEMICAL KNOWN TO THE STATE OF CALIFORNIA TO CAUSE CANCER.

Tenant may also contact the Building Manager with any questions regarding the contents of this Asbestos Notification.

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EXHIBIT "1" TO SCHEDULE " Q"

CONFIRMED AND SUSPECT
ASBESTOS AND ASBESTOS CONTAINING MATERIALS

The following list should be considered Asbestos Containing Materials (ACM) or Presumed Asbestos Containing Materials (PACM).

Please consult the Building's engineering department for survey results and exact locations of these materials. If there is any doubt if a material contains asbestos, you are to treat it as an ACM:

Confirmed or Suspect ACM:	Location(1):
Pipe Elbow Insulation(2)	555 Market Street – Limited to isolated Maintenance Areas and various restroom/janitorial closet wall interiors
Wallboard Joint Compound	575 Market Street – Core Walls
Vinyl Floor Tile and Associated Mastic	555 Market Street – 9" x 9" Tiles and mastic; and original installation 12" x 12" Tiles and mastic 575 Market Street – original installation 12" x 12" Tiles and mastic
Spray Applied Fireproofing	555 Market Street – 13th Floor structural steel 555 Market Street – interior vertical beams on Floors 3, 4, and 5 are Suspect; 555 Market Street - elevator shafts; 555 Market Street – All perimeter columns are suspect; and 555 Market Street – Potential "sandwiched" residual materials between perimeter beams and Building skin
Fire Door Insulation	All solid core Fire Door interiors are suspect

Note:

Roofing materials, fire doors and air conditioning gaskets were not sampled. These materials must be sampled prior to disturbing.

(1) Materials found in similar locations should be considered ACM unless sampled and determined to be non-asbestos containing.
(2) Any hard-packed pipe elbow or straight run should be considered ACM until sampled.

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Exhibit 10.31

LEGALZOOM.COM, INC.
101 N. Brand Blvd., Suite 1100
Glendale, CA 91203

June 21, 2012

Mr. Daniel Cooperman

Re: LegalZoom.com, Inc.

Dear Dan:

We are very pleased to offer you a position as a member of the Board of Directors (the "Board") of LegalZoom.com, Inc. (the "Company"). This offer, which is subject to the approval of each of the current members of our Board, is based on the following terms and conditions:

Start Date:	Commencing on the closing date of the proposed initial public offering of the Company (the "Effective Date"), you will serve as a member of the Board until the annual meeting for the year in which your term expires or until your successor has been elected and qualified, subject however, to your prior death, resignation, retirement, disqualification or removal from office.
Term:	Your initial term on the Board shall be two (2) years.
Committees:	You acknowledge and agree that, in order to meet SEC and NYSE rules, you will be required to serve on one or more of the Board's Audit Committee, Compensation Committee and/or Nominating and Governance Committee, and that such committee assignments will be as agreed between you and the Company, and that you will be compensated for service on any committee as provided herein.
Cash Compensation:	In consideration of your services as a member of the Board, you will receive a $25,000 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain a member of the Board. In consideration for your services as Chair of the Audit Committee, if applicable, you will receive a $15,000 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain the Audit Committee Chair. In consideration for your services as Chair of the Compensation

	Committee, if applicable, you will receive a $7,500 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain the Compensation Committee Chair. In consideration for your services as Chair of the Nominating and Governance Committee, if applicable, you will receive a $5,000 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain the Nominating and Governance Committee Chair. All or a portion of your annual cash retainer may be deferred into a stock unit account. The election for deferring your annual cash retainer must be made in writing within thirty (30) days of joining the Board and prior to the start of the new calendar year for subsequent elections or earlier as necessary to comply with Internal Revenue Code §409A. You will receive $1,000 per meeting for each Board and committee meeting that you attend, to be paid in arrears on a quarterly basis.
Equity Compensation Grants:	In connection with the Company's initial public offering, if you are then serving on the Board, you will receive both inducement and annual compensatory equity grants (in the form of restricted stock units and stock options which will each be subject to vesting conditions) in accordance with the Company's non-employee director compensation program.
Stock Ownership Guidelines:	In order to promote long-term alignment of directors and stockholders interests, the Company requires that you hold five times your annual cash retainer (excluding any cash retainer for service on a committee or as a committee chair or other service-related fees). You are expected to attain or exceed the stock ownership guideline amount within five (5) years of the Effective Date, and to remain at or above the guideline.
Responsibilities:	As a director of the Company, your duties and responsibilities will be those reasonably and customarily associated with such position, including, without limitation, attendance at all regular and special meetings of the Board and, if you are a member of a committee of the Board, attendance at all regular and special meetings of such committee.
No Legal Services Provided:	We confirm that you will be providing services as a member of the board of directors in your individual capacity, and will not be providing or called upon to provide legal services to the Company.
Expenses:	The Company will reimburse you for all reasonable, out-of-pocket costs and expenses incurred by you in connection with attending Board meetings and, if you are a member of a committee of the Board, committee meetings.

Confidentiality: As a condition of this offer, you will be required to preserve the Company's proprietary and confidential information and you must comply with the Company's policies and procedures. Accordingly, as a pre-condition to your appointment to the Board, you are required to execute the Nondisclosure Agreement enclosed herewith.

Indemnification: In the interest of retaining and attracting qualified individuals to provide services to the Company, the Company has or will enter into an Indemnification Agreement with each of its directors and executive officers. An Indemnification Agreement will be provided to you to sign upon your acceptance.

Your engagement as a member of the Board is contingent on all of the following: (a) formal acceptance of this offer, (b) completion of a background, credit and reference check satisfactory to the Board and (c) a determination by the Board that you meet the independence requirements of the NYSE. This offer to serve as a member of the Board shall be at the will of the Board, which means that this relationship can be terminated at any time by either party. Upon accepting our offer to join the Board you agree we will have the right to mention your name and other customary information in documents we file with the Securities and Exchange Commission, press releases and other business documentation as appropriate, including, inclusion of such information in our registration statement and the related prospectus naming you as a person about to become a member of the Board and such other information regarding you as is required to be included therein under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

To accept this offer, please sign the acknowledgment at the end of this letter acknowledging and agreeing to the terms and conditions of your service as a member of the Board of the Company.

[Signature page follows]

We sincerely hope that you decide to join the Board of Directors of the Company. Please contact me with any questions regarding the foregoing.

Sincerely,

LEGALZOOM.COM, INC.

By: /s/ John Suh
John Suh
Chief Executive Officer and Director

ACKNOWLEDGED AND AGREED TO BY:

/s/ Daniel Cooperman
Daniel Cooperman

Date: June 21, 2012

I hereby consent to the inclusion in the Registration Statement on Form S-1 of LegalZoom.com, Inc., any amendments thereto, and in the related Prospectus, of (i) a reference naming me as a person about to become a member of the Board of Directors of LegalZoom.com, Inc. and (ii) such other information regarding me as is required to be included therein under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated April 5, 2012 relating to the financial statements of LegalZoom.com, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
June 29, 2012

QuickLinks