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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 23, 2012

Registration No. 333-181332

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

**Amendment No. 3
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
(State or other jurisdiction of
incorporation or organization)

7370
(Primary Standard Industrial
Classification Code Number)
101 North Brand Boulevard, 11th Floor
Glendale, California 91203
(323) 962-8600

95-4752856
(I.R.S. Employer
Identification Number)

(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.

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.

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.

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.

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

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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.

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)

Issued July 23, 2012

8,000,000 Shares



COMMON STOCK

LegalZoom.com, Inc. is offering 3,800,000 shares of its common stock and the selling stockholders are offering 4,200,000 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 \$10.00 and \$12.00 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 14.

PRICE \$ A SHARE

| | <u>Price to Public</u> | <u>Underwriting Discounts and Commissions</u> | <u>Proceeds to LegalZoom</u> | <u>Proceeds to Selling Stockholders</u> |
|-----------|----------------------------|---|----------------------------------|---|
| Per Share | \$ | \$ | \$ | \$ |
| Total | \$ | \$ | \$ | \$ |

We and the selling stockholders have granted the underwriters the right to purchase up to an additional 1,200,000 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

RBC CAPITAL MARKETS

WILLIAM BLAIR

CANTOR FITZGERALD & CO.

MONTGOMERY & CO.

, 2012

The background of the advertisement is a composite image. The top half shows a clear blue sky with several modern skyscrapers in a city skyline. The bottom half shows a lush green park with many trees and people walking on paths. A semi-transparent blue rectangular box is overlaid on the middle of the image, containing the main text.

legalzoom[®]

The leading online destination for small
business and consumer legal services.

Everyone deserves
access to quality legal
services so they can
benefit from the full
protection of the law.

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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 the information that you should consider in making your investment decision. You should read this entire prospectus carefully before making an investment in our common stock. You should consider, among other things, our consolidated financial statements and the related notes and sections titled "Risk Factors," "Special Note Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this 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 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 that 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 our survey we provided said they would recommend LegalZoom to their friends and family. 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 to businesses and consumers. For example, entrepreneurs incorporate their businesses to shield personal 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 tax 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 2011, 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.

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. Small businesses 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 services 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 many 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 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 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 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. 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. The high volume of transactions we handle and feedback we receive from customers and government agencies 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 experience. 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. 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. Our technology allows us to efficiently serve thousands of small businesses and consumers every day. Our supply chain and fulfillment systems integrate external and internal technologies, enabling intelligent workflow management while increasing processing speed and efficiency.
- **Accessible Services.** 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, and 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 plan to expand and improve the services we offer our customers to better address their legal needs and deepen 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 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. 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 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.

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 document services for small businesses include limited liability company formations, incorporations and 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 jurisdiction to address their specific legal needs. 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. Our small business and consumer subscription legal plans are currently available in 40 states and the District of Columbia. Our subscription legal plans include free attorney consultations on new legal matters, review of our interactive legal documents, and discounts on 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 to receive service of process and official government communications. We offer other services to our customers, including unlimited access to our forms library and electronic storage of applicable LegalZoom documents and document revisions. We also introduce our customers to relevant non-legal services and products through 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 prospectus 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, legal 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 may 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 may 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 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;
- 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;
- we expect to face increasing competition in the online and offline legal services markets from law firms, solo attorneys, online legal document service providers, 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 service 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 our 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 adversely.

Recent Developments

For the three months ended June 30, 2012, we anticipate reporting total revenue of between approximately \$48.0 million and \$50.0 million as compared to total revenue of \$47.0 million for the three months ended March 31, 2012 and \$40.7 million for the three months ended June 30, 2011. We believe our estimated revenue increased, as compared to the second quarter of 2011, as a result of a year-over-year increase in the number of orders placed to approximately 133,000 for the three months ended June 30, 2012, and an increase in the total number of subscribers to approximately 300,000 as of June 30, 2012, as compared to approximately 122,000 number of orders placed for the three month ended June 30, 2011, and approximately 187,000 total number of subscribers as of June 30, 2011. See "Management Discussion and Analysis of Financial Condition and Results of Operations—Key Metrics and Key Components of our Results of Operations—Revenues" and "Unaudited Quarterly Results of Operations Data, Other Financial Data and Seasonality" for information regarding orders placed and number of subscribers.

For the three months ended June 30, 2012, we anticipate reporting net income of between \$1.0 million to \$1.6 million, as compared to a net loss of \$55,000 for the three months ended March 31, 2012 and net income of \$2.3 million for the three months ended June 30, 2011.

We anticipate reporting non-GAAP Adjusted EBITDA for the three months ended June 30, 2012 of between \$3.4 million and \$4.3 million as compared to \$2.0 million for the three months ended March 31, 2012 and \$3.8 million for the three months ended June 30, 2011. Our estimate of non-GAAP Adjusted EBITDA for the three months ended June 30, 2012 reflects an estimated range for interest and other expense, net of between \$30,000 and \$50,000, estimated income tax provision of between \$750,000 and \$950,000, estimated depreciation and amortization of between \$1.25 million and \$1.35 million, and estimated stock-based compensation of between \$325,000 and \$375,000. Non-GAAP Adjusted EBITDA is a non-GAAP financial measure. We define non-GAAP 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. For a discussion about and reconciliation of non-GAAP Adjusted EBITDA to net income (loss) for the three months ended March 31, 2012 and June 30, 2011, see "—Summary Consolidated Financial and Other Data—Non-GAAP Adjusted EBITDA" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Unaudited Quarterly Results of Operations Data, Other Financial Data and Seasonality."

We have prepared the above financial data in good faith based on our preliminary review of our results of operations for the three months ended June 30, 2012. We are currently performing our quarterly closing procedures for the three months ended June 30, 2012, and, as such, this data represents the most current information available to management but is not yet complete, is subject to further review and could change materially. As a result, the anticipated results are not statements of historical fact and are forward-looking statements that are subject to known and unknown risks and uncertainties. See "Special Note Regarding Forward-looking Statements." Our unaudited results of operations for the three months ended June 30, 2012 and financial statements for the six months ended June 30, 2012 and 2011 are expected to be filed with the SEC prior to the completion of this offering.

The preliminary financial data included above has been prepared by, and is the responsibility of, LegalZoom's management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

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 offices 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 is 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 prospectus or the registration statement of which it forms a part. Unless the context otherwise requires, the terms "LegalZoom.com," "LegalZoom," "company," "we," "us" and "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 concerning 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. This prospectus also includes other trademarks of LegalZoom.com and trademarks of other persons.

Reverse Stock Split

Our board of directors and stockholders approved a 2-for-3 reverse stock split of our common stock and a proportional adjustment to the conversion ratio of our Series A redeemable convertible preferred stock that will be effective immediately prior to the effectiveness of this initial public offering. We will issue cash in lieu of fractional shares in connection with this reverse split. All references to common stock, options and restricted stock units to purchase common stock, share, per share data and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the reverse stock split of our common stock as if it had occurred at the beginning of the earliest period presented.

THE OFFERING

| | |
|--|---|
| Common stock offered | |
| By us | 3,800,000 shares |
| By the selling stockholders | 4,200,000 shares |
| Total | 8,000,000 shares |
| | |
| Total common stock to be outstanding after our initial public offering | 40,256,374 shares |
| | |
| Over-allotment option of common stock offered by us and the selling stockholders | 1,200,000 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 31. |
| | |
| Risk factors | See "Risk Factors" beginning on page 14 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 36,456,374 shares of common stock outstanding, as of March 31, 2012, and excludes, as of March 31, 2012:

- 635,046 shares of our common stock issuable upon the exercise of outstanding options granted pursuant to our 2000 Stock Option Plan at a weighted-average exercise price of \$0.93 per share, 4,382,599 shares of our common stock issuable upon the exercise of outstanding options granted pursuant to our 2010 Stock Incentive Plan at a weighted-average exercise price of \$3.39 per share and 50,000 restricted stock units to be settled in shares of our common stock granted pursuant to our 2010 Stock Incentive Plan which will remain outstanding after this offering, unless earlier exercised;
- 289,498 shares of common stock available for future issuance under our 2010 Stock Incentive Plan; and
- 2,700,000 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.

Unless otherwise stated, information in this prospectus assumes:

- 2-for-3 reverse stock split of our common stock and a corresponding adjustment to the conversion ratio of all outstanding preferred stock that will be effective immediately prior to the effectiveness of this offering;
- 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 15,256,000 shares of our common stock immediately prior to the completion of this offering;
- the exercise by a selling stockholder of an option to purchase 40,000 shares of common stock at a weighted average exercise price of \$2.245, for total proceeds to us of \$89,800; and
- no exercise by the underwriters of their option to purchase up to an additional 1,200,000 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 titled "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial 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 of December 31, 2011, 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 the 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 that may 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⁾⁽⁵⁾ : | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.09) | \$ (0.05) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.09) | \$ (0.05) |
| Weighted-average shares used to compute net income (loss) per share attributable to common stockholders ⁽³⁾⁽⁵⁾ : | | | | | |
| Basic | 18,700 | 19,360 | 20,925 | 20,832 | 21,088 |
| Diluted | 18,700 | 19,360 | 24,195 | 20,832 | 21,088 |
| Pro forma net income (loss) per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic: | | | \$ 0.34 | | \$ (0.00) |
| Diluted: | | | \$ 0.31 | | \$ (0.00) |
| Weighted average number of shares used in computing pro forma net income (loss) per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic | | | 36,181 | | 36,344 |
| Diluted | | | 39,451 | | 36,344 |

- (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 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 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 claim 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 (in thousands) | 2011 | 2012 |
| 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 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 15,256,000 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.
- (5) All share, per-share and related information have been retroactively adjusted, where applicable, to reflect the impact of the 2-for-3 reverse stock split, including an adjustment to the preferred stock conversion ratio which will be effective immediately prior to the effectiveness of this offering.

| | Year Ended December 31, | | | Three Months Ended March 31, | |
|---|-------------------------|------|---|------------------------------|------|
| | 2009 | 2010 | 2011 (in thousands, except percent data) | 2011 | 2012 |
| 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" and "—Unaudited Quarterly Results Operations Data, Other Financial Data and Seasonality" for information regarding numbers of orders placed and number of subscribers.
- (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 December 31, 2011 | As of March 31, 2012 | | |
|---|----------------------------|----------------------|--------------------------|---|
| | | 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 | 67,460 |
| Working capital (deficit) | (2,316) | (4,060) | (4,060) | 33,215 |
| Total assets | 53,501 | 62,291 | 62,291 | 96,092 |
| Total liabilities | 50,620 | 58,866 | 58,866 | 57,129 |
| Redeemable convertible preferred stock | 62,691 | 63,699 | — | — |
| Total stockholders' equity (deficit) | (59,810) | (60,274) | 3,425 | 38,963 |

- (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 15,256,000 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, (ii) the sale of 3,800,000 shares of common stock in this offering by us at an assumed initial public offering price of \$11.00 per share (the mid-point 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 (iii) the exercise by a selling stockholder of an option to purchase 40,000 shares of common stock with total proceeds to us of \$89,800.

Non-GAAP 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 non-GAAP Adjusted EBITDA, a non-GAAP financial measure. We define non-GAAP 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. Non-GAAP Adjusted EBITDA or the equivalent frequently used by securities analysts, investors and others as a common financial measure of operating performance.

Non-GAAP 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 operation plans. Additionally, non-GAAP 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 non-GAAP Adjusted EBITDA in our discussions with investors, commercial bankers and other users of our financial statements.

Management believes non-GAAP 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 non-GAAP 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 non-GAAP 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, non-GAAP Adjusted EBITDA does not reflect

cash capital expenditure requirements for such replacements or for new capital expenditure requirements;

- non-GAAP Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- non-GAAP Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- non-GAAP Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- non-GAAP 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 non-GAAP Adjusted EBITDA differently, which reduces its usefulness as comparative measure.

Because of these limitations, you should consider non-GAAP 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 non-GAAP 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 |
| Non-GAAP Adjusted EBITDA | <u>\$ 3,778</u> | <u>\$ 6,449</u> | <u>\$ 11,784</u> | <u>\$ 244</u> | <u>\$ 2,028</u> |

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 non-GAAP 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 California settlement, 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 an additional \$0.2 million of 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 California settlement, 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 ourselves 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 40,256,374 shares of common stock, based on the number of shares of our common stock outstanding as of March 31, 2012. This number includes 8,000,000 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 pursuant to Rule 144 under the Securities Act. On the date of this prospectus, 1,025,215 shares will be available for sale in the public market without restriction. Approximately 31,231,159 of 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, directors and stockholders who have executed lock-up agreements with the underwriters to sell shares prior to the expiration of the restrictive provisions contained in such lock-up agreements. In addition, we may permit our stockholders and option holders who are subject to lock-up agreements 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 such lock-up agreements with us.

After this offering, the holders of 11,725,759 shares of common stock, or 29.13% 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 8.0 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 \$10.20 per share as of March 31, 2012, based on an assumed initial public offering price of our common stock of \$11.00 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 preliminary financial data for the three months ended June 30, 2012;
- 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 \$35.4 million, based on an assumed initial public offering price of \$11.00 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 \$41.4 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 \$11.00 per share would increase (decrease) the net proceeds to us from this offering by approximately \$3.5 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 \$10.2 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 15,256,000 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 3,800,000 shares of common stock in this offering, at an assumed initial public offering price of \$11.00 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 exercise by a selling stockholder of an option to purchase 40,000 shares of common stock at a weighted average exercise price of \$2.245 for total proceeds to us of \$89,800, as if this offering had occurred on March 31, 2012.

| | As of March 31, 2012 | | |
|---|--------------------------|--|--|
| | Actual (in thousands) | Pro Forma (in thousands, except share and par value data) | Pro Forma, As Adjusted ⁽¹⁾ |
| Cash and cash equivalents | \$ 31,922 | \$ 31,922 | \$ 67,460 |
| 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; 50,000,000 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, 21,340,374 shares issued and 21,160,374 shares outstanding, actual; 66,180,000 shares authorized, 36,596,374 shares issued and 36,416,374 outstanding, pro forma; and 150,000,000 shares authorized, 40,436,374 shares issued and 40,256,374 shares outstanding, pro forma as adjusted | 22 | 37 | 41 |
| Additional paid-in capital | — | 63,684 | 99,218 |
| Treasury stock, at cost, 180,000 shares | (519) | (519) | (519) |
| Accumulated deficit | (59,777) | (59,777) | (59,777) |
| Total stockholders' equity (deficit) | (60,274) | 3,425 | 38,963 |
| Total capitalization | \$ 3,425 | \$ 3,425 | \$ 38,963 |

- (1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share would increase (decrease) the amount of cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$3.5 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 \$10.2 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 36,416,374 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:

- 635,046 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 \$0.93 per share, 4,422,599 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 \$3.39 per share and 50,000 restricted stock units to be settled into shares of our common stock granted pursuant to our 2010 Stock Incentive Plan;
- 289,498 shares of common stock available for future issuance under our 2010 Stock Incentive Plan; and
- 2,700,000 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 \$(0.24) 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; (ii) receipt of the net proceeds from our sale of 3,800,000 shares of common stock in this offering at an assumed initial public offering price of \$11.00 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 (iii) the exercise by a selling stockholder of an option to purchase 40,000 shares of common stock at a weighted average exercise price of \$2.245, for total proceeds of \$89,800, our pro forma as adjusted net tangible book value as of March 31, 2012 would have been \$32.1 million, or \$0.80 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$0.94 per share to existing stockholders and an immediate dilution of \$10.20 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 | \$ 11.00 |
| Net tangible book value (deficit) per share as of March 31, 2012 | (0.24) |
| Increase per share attributable to conversion of Series A | 0.10 |
| Pro forma net tangible book value (deficit) per share as of March 31, 2012 | (0.14) |
| Increase per share attributable to this offering | 0.94 |
| Pro forma net tangible book value per share, as adjusted to give effect to this offering | 0.80 |
| Dilution in pro forma net tangible book value per share to new investors in this offering | <u>\$ 10.20</u> |

A \$1.00 increase (decrease) in the assumed initial public offering price of \$11.00 per share would increase (decrease) the pro forma net tangible book value, as adjusted to give effect to this offering, by \$0.09 per share and the dilution to new investors by \$0.91 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 \$0.23 per share and the dilution to new investors by \$0.23 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 \$0.93 per share, and the dilution in pro forma net tangible book value per share to investors in this offering would be \$10.07 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, after giving effect to the conversion of all outstanding shares of preferred stock into common stock and exercise of a stock option by a selling stockholder, (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 \$11.00

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 ⁽¹⁾ | 36,456,374 | 90.6% | \$ 54,268,407 | 56.5% | \$ 1.49 |
| New investors | 3,800,000 | 9.4% | \$ 41,800,000 | 43.5% | \$ 11.00 |
| Total | 40,256,374 | 100.0% | \$ 96,068,407 | 100.0% | |

(1) Includes the exercise by a selling stockholder of an option to purchase 40,000 shares of common stock.

The total number of shares of our common stock reflected in the discussion and tables above is based on 36,456,374 shares of common (including preferred stock on an as converted basis) outstanding, as of March 31, 2012, and excludes, as of March 31, 2012:

- 635,046 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 \$0.93 per share, 4,382,599 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 \$3.39 per share and 50,000 restricted stock units to be settled into shares of our common stock granted pursuant to our 2010 Stock Incentive Plan which will remain outstanding after this offering, unless earlier exercised;
- 289,498 shares of common stock available for future issuance under our 2010 Stock Incentive Plan; and
- 2,700,000 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 32,256,374 shares, or 80.1% 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 8,000,000 shares, or 19.9% 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 77.5% 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 9,200,000 shares, or 22.5% of the total number of shares of our common stock outstanding after this offering.

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 | |
|---|-------------------------|------------|------------|--------------------|----------------|
| | 2009 | 2010 | 2011 | March 31, 2011 | March 31, 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⁾⁽⁵⁾ : | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.09) | \$ (0.05) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.09) | \$ (0.05) |

| | Year Ended December 31, | | | Three Months Ended | |
|---|-------------------------|--------|---------|--------------------|-----------|
| | 2009 | 2010 | 2011 | March 31, | 2012 |
| (in thousands, except per share data) | | | | | |
| Weighted-average shares used to compute net income (loss) per share attributable to common stockholders ⁽³⁾⁽⁵⁾ : | | | | | |
| Basic | 18,700 | 19,360 | 20,925 | 20,832 | 21,088 |
| Diluted | 18,700 | 19,360 | 24,195 | 20,832 | 21,088 |
| Pro forma net income (loss) per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic | | | \$ 0.34 | | \$ (0.00) |
| Diluted | | | \$ 0.31 | | \$ (0.00) |
| Weighted average number of shares used in computing pro forma net income (loss) per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic | | | 36,181 | | 36,344 |
| Diluted | | | 39,451 | | 36,344 |

- (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 | |
|----------------------------------|-------------------------|----------|--------|--------------------|--------|
| | 2009 | 2010 | 2011 | March 31, | 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 15,256,000 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.
- (5) All share, per-share and related information presented have been retroactively adjusted, where applicable, to reflect the impact of the 2-for-3 reverse stock split, including an adjustment to the preferred stock conversion ratio which will be effective immediately prior to the effectiveness of this offering.

| | As of December 31, | | As of March 31, |
|---|--------------------|-----------|-----------------|
| | 2010 | 2011 | 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) |

Non-GAAP 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 non-GAAP Adjusted EBITDA, a non-GAAP financial measure. We define non-GAAP 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. Non-GAAP Adjusted EBITDA or the equivalent is frequently used by securities analysts, investors and others as a common financial measure of operating performance.

Non-GAAP 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, non-GAAP 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 non-GAAP Adjusted EBITDA in our discussions with investors, commercial bankers and other users of our financial statements.

Management believes non-GAAP 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 non-GAAP 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 non-GAAP 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, non-GAAP Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- non-GAAP Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- non-GAAP Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- non-GAAP Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;

- non-GAAP 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 non-GAAP Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider non-GAAP 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 non-GAAP 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 |
| Non-GAAP Adjusted EBITDA | <u>\$ 3,778</u> | <u>\$ 6,449</u> | <u>\$ 11,784</u> | <u>\$ 244</u> | <u>\$ 2,028</u> |

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.

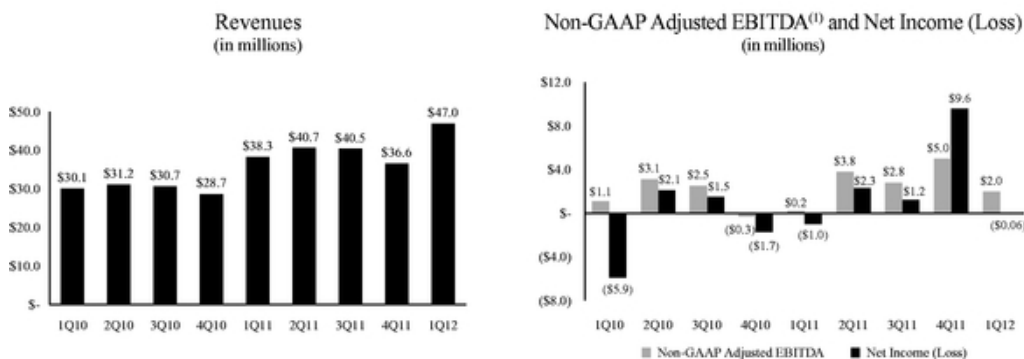
Our business is evolving from primarily a transaction model to a combined transaction and subscription model. As a result, we expect that subscription revenues as a percentage of our total revenues will continue to grow for the foreseeable future. We evaluate how we market and sell transaction services 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

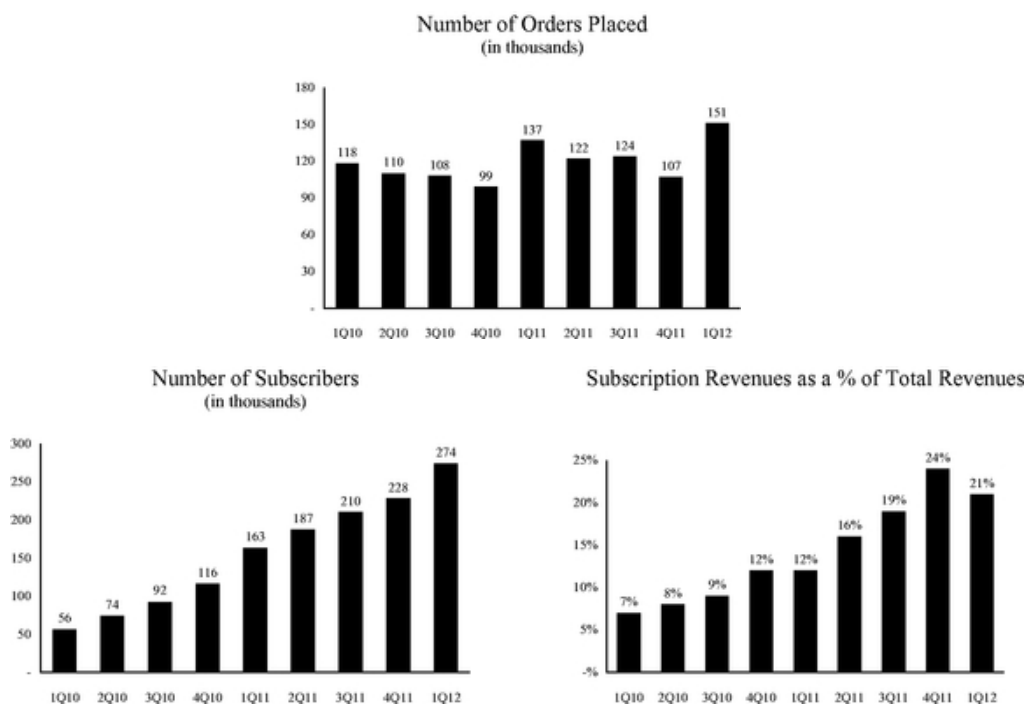
Our management uses a number of financial and business metrics to evaluate and monitor the performance of our business, identify trends affecting our business, determine the allocation of resources and make decisions regarding our business strategies. We believe these metrics are useful to investors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

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



(1) Non-GAAP Adjusted EBITDA is a non-GAAP financial measure. For a reconciliation of non-GAAP 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. See "—Unaudited Quarterly Results of Operations Data, Other Financial Data and Seasonality—Seasonality" for more information regarding bundled free trial subscribers.
- **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

| | <u>Three Months Ended March 31,</u> | | |
|------------------------------|-------------------------------------|-------------|-----------------|
| | <u>2011</u> | <u>2012</u> | <u>% Change</u> |
| 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

| | <u>Three Months Ended March 31,</u> | | |
|------------------------------|-------------------------------------|-------------|-----------------|
| | <u>2011</u> | <u>2012</u> | <u>% Change</u> |
| 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

| | <u>Three Months Ended March 31,</u> | | |
|------------------------------|-------------------------------------|-------------|-----------------|
| | <u>2011</u> | <u>2012</u> | <u>% Change</u> |
| 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

| | <u>Year Ended December 31,</u> | | | <u>2009 to 2010</u> <u>% Change</u> | <u>2010 to 2011</u> <u>% Change</u> |
|----------------------------------|--------------------------------|-------------|-------------|--|--|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | | |
| | (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

| | <u>Year Ended December 31,</u> | | | <u>2009 to 2010</u> <u>% Change</u> | <u>2010 to 2011</u> <u>% Change</u> |
|--------------------------------|--------------------------------|-------------|-------------|--|--|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | | |
| | (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) | <u>\$ (5,906)</u> | <u>\$ 2,076</u> | <u>\$ 1,540</u> | <u>\$ (1,734)</u> | <u>\$ (972)</u> | <u>\$ 2,312</u> | <u>\$ 1,197</u> | <u>\$ 9,586</u> | <u>\$ (55)</u> |
| 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 |
| Non-GAAP Adjusted EBITDA ⁽²⁾ | <u>\$ 1,106</u> | <u>\$ 3,095</u> | <u>\$ 2,534</u> | <u>\$ (286)</u> | <u>\$ 244</u> | <u>\$ 3,826</u> | <u>\$ 2,763</u> | <u>\$ 4,951</u> | <u>\$ 2,028</u> |

- (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 non-GAAP Adjusted EBITDA and a discussion of the limitations of using non-GAAP Adjusted EBITDA, see "Selected Consolidated Financial Data—Non-GAAP 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 non-GAAP 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 | |
|---|-------------------------|----------|-----------|--------------------|----------|
| | 2009 | 2010 | 2011 | March 31, | 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:

| | Total | Payment due by Period | | | |
|-----------------------------|------------------|-----------------------|-------------------------------|-----------------|----------------------|
| | | Less than 1 year | 1 - 3 years (in thousands) | 4 - 5 years | More than 5 years |
| 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 | <u>\$ 37,020</u> | <u>\$ 21,157</u> | <u>\$ 7,287</u> | <u>\$ 1,828</u> | <u>\$ 6,748</u> |

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 liquidity 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:

| <u>Date</u> | <u>Number of Shares (in thousands)</u> | <u>Exercise Price and Fair Value Per Share of Common Stock</u> |
|--------------------|--|--|
| September 29, 2011 | 537 | \$ 8.21 |
| December 20, 2011 | 51 | \$ 8.22 |
| January 31, 2012 | 56 | \$ 8.61 |
| March 31, 2012 | 280 | \$ 10.59 |

Based upon an assumed initial public offering price of \$11.00 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 \$40.0 million, of which \$27.3 million related to vested options and \$12.7 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 \$8.21 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 \$7.46 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 \$8.22 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 \$8.61 per share as of December 31, 2011, resulting in an increase of \$0.39 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 \$10.59 per share as of February 29, 2012, resulting in an increase of \$1.98 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 Identification 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:

| <u>Small Business Services</u> | <u>Consumer Services</u> |
|------------------------------------|--------------------------|
| 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, but Mings' appeal was subsequently dismissed. 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 July 19, 2012, we prevailed on a motion to dismiss a purported statewide class action 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, filed on October 27, 2011, sought disgorgement of revenues, among other remedies. We 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 McIlwain 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:

| <u>Name</u> | <u>Age</u> | <u>Position(s)</u> |
|-----------------------------|------------|---------------------------------------|
| 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(5) | 44 | Chairman |
| Daniel Cooperman(1)(3)(4) | 61 | Nominated Director |
| Susan Decker(2)(3) | 49 | Director |
| Kenneth McBride(1)(4) | 44 | Nominated 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 and has agreed to serve on our board of directors effective immediately after this registration statement is declared effective by the SEC.

(5) Mr. Liu intends to resign his position as the Chairman of our board of directors immediately upon the completion of this offering but will remain as a member of our board of directors.

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 & Thibault, 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 intends to resign his position as the Chairman of our board of directors immediately upon the completion of this offering but will remain as a member of our board of directors. 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 effective immediately after this registration statement is declared effective by the SEC. 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 the Senior Vice-President, General Counsel & Secretary of Apple Inc. and, before that time, he was the 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 serves as a director for other multinational companies, Ms. Decker also provides cross-board experience.

Kenneth McBride has agreed to serve on our board of directors effective immediately after this registration statement is declared effective by the SEC. Since 2001, Mr. McBride has been the Chief Executive Officer of Stamps.com, a Nasdaq-traded provider of Internet-based services for mailing or shipping letters, packages or parcels. Beginning in 1999, he has held various positions at Stamps.com, as President from 2001 until January 2012, as Chief Financial Officer from 2000 to 2004 and as Senior Director of Finance from 1999 to 2000. Mr. McBride is also Chairman of the board of directors of Stamps.com. He also serves on the Board of Trustees of The California Science Center Foundation, a non-profit organization. Prior to Stamps.com, Mr. McBride was a research analyst for Salomon Smith Barney covering several industries in the high technology area. Mr. McBride has also worked as an engineer and manager in the semiconductor industry. Mr. McBride holds a bachelor's degree, with honors, and a master's degree, in Electrical Engineering from Stanford University. Mr. McBride also holds an M.B.A. from the Graduate School of Business at Stanford University. Mr. McBride was selected to serve

on our board of directors due to his extensive experience in Internet and technology companies, corporate leadership and financial management.

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 was also formerly a member of the MIT Corporation, and a member and Vice Chairman of the Smithsonian Board of Regents. He remains active in both institutions. 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 the 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 has been 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

Immediately after this registration statement is declared effective by the SEC, 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. McBride, Suh and Zucker, 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 Mr. McBride, who will be 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 Messrs. McBride and Zucker 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 will be 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 will be 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 July 2011 3-for-1 forward stock split and a 2-for-3 reverse stock split which will be effective immediately prior to the effectiveness of this offering.

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, <i>Chief Executive Officer and Director</i> | 2011 | 332,250 | — | — | 350,000 | 9,800 | 692,050 |
| Fred Krupica, <i>Chief Financial Officer</i> | 2011 | 253,050 | — | 548,472 | 254,000 | 68,470 | 1,123,992 |
| Edward Hartman, <i>Chief Strategy Officer</i> | 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 \$8.205 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.

| <u>Name</u> | <u>Fiscal 2011 Salary First Quarter(\$)</u> | <u>Fiscal 2011 Salary (effective April 1, 2011)(\$)</u> |
|----------------|---|---|
| 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:

| <u>Name</u> | <u>Target Bonus(\$)</u> | <u>Maximum Bonus(\$)</u> |
|----------------|-----------------------------|------------------------------|
| 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: non-GAAP Adjusted EBITDA and annual revenue growth. Non-GAAP Adjusted EBITDA is a non-GAAP financial measure. For a definition of non-GAAP 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 non-GAAP Adjusted EBITDA of \$11.4 million. If LegalZoom did not achieve the minimum non-GAAP 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 non-GAAP Adjusted EBITDA minimum was achieved, then the amount of the performance bonus would be determined based on the non-GAAP Adjusted EBITDA and annual revenue growth results, with annual revenue growth receiving approximately 70% of the weighting and non-GAAP Adjusted EBITDA receiving approximately 30% of the weighting.

If LegalZoom had achieved a target annual revenue growth of 17.7% and the minimum non-GAAP 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 non-GAAP 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 non-GAAP 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 a non-GAAP 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 non-GAAP 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.

| Name | Option Awards | | | | | Stock Awards | |
|----------------|---|---|--|----------------------------|---------------------------|---|--|
| | 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 | 383,604 | — | — | 1.7900 | 2/9/17 ⁽¹⁾ | — | — |
| | 40,000 | 360,000 | — | 2.1000 | 2/25/20 ⁽²⁾ | — | — |
| Fred Krupica | 420,000 | 60,000 | — | 2.2450 | 6/24/18 ⁽³⁾ | 50,000 ⁽⁴⁾ | 430,500 |
| | — | 160,000 | — | 8.2050 | 9/29/21 ⁽⁵⁾⁽⁷⁾ | — | — |
| Edward Hartman | — | 100,000 | — | 8.2050 | 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 \$7.50 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 \$7.50 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 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, the 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 166,666 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% | 433,332(4) | (6) | (8) | (9)(10) |
| Fred Krupica | 2 years | \$ 310,000 | 50% | 80,000(5) | (7) | (8) | (9)(10) |
| Eddie Hartman | 2 years | \$ 235,000 | 40% | 53,333(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 this offering, 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 433,332 shares will be granted to Mr. Suh on or around the effective date of this offering. 266,666 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. 166,666 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, 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 completion of this offering, 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 6,694,692 shares of common stock can be issued under the 2010 Plan. 616,331 shares remained available for issuance under the 2010 Plan as of December 31, 2011. 289,498 shares remained available for issuance under the 2010 Plan as of March 31, 2012 and there were 4,422,599 shares subject to outstanding awards on such date.

2012 Equity Incentive Plan

In April 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. In July 2012, our board of directors determined the number of shares to

be subject to the 2012 Plan and unanimously adopted the 2012 Plan. Our stockholders approved the 2012 Plan in July 2012. Effective upon the closing of this offering, 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. Unless terminated earlier, the 2012 Plan will terminate in July 2022.

The 2012 Plan will be administered by the 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 nonstatutory 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 2,700,000 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 2,700,000 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) 5% of the number of shares issued and outstanding on the immediately preceding December 31 or (ii) 2,700,000 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 2,000,000 shares, in each case with such limit increased to 4,000,000 shares for grants occurring in a participant's 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). Additionally, no participant shall receive in excess of \$4.0 million with respect to a cash award in any fiscal year or the aggregate amount of 2,000,000 shares pursuant to all awards issued under the 2012 Plan during any fiscal year, with such aggregate limit increased to 4,500,000 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 April 2012, our board of directors unanimously approved a 2012 performance-based bonus compensation plan, subject to later determining an annual maximum bonus limit for participants under the plan, in which our named executive officers will be eligible to participate. In July 2012, our board of directors unanimously approved an annual maximum bonus limit of \$4.0 million. 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 \$4.0 million 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 April 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 and commence receiving compensation as a non-employee director.

2011 Director Compensation

| <u>Name</u> | <u>Fees Earned or Paid in Cash (\$)</u> | <u>Total (\$)</u> |
|-----------------------------------|---|-----------------------|
| 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 100,000 common shares with a \$2.10 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 33,333 shares on October 14, 2011 and the remaining 66,667 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 200,000 shares of our common stock with a \$1.789950 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 40,000 shares of our common stock with a \$2.10 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:

| <u>Name</u> | <u>Restricted Shares</u> | <u>Vested Stock Options (shares)</u> | <u>Unvested Stock Options (shares)</u> |
|--------------------|--------------------------|--------------------------------------|--|
| Susan Decker | — | 38,884 | 61,116 |
| Kamran Pourzanjani | 6,666 | 8,338 | — |
| 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:

| <u>Elements:</u> | <u>Cash Retainer/Fees (\$)</u> | <u>Stock Unit Award (\$)</u> | <u>Option Award (shares)</u> |
|---|--------------------------------|------------------------------|------------------------------|
| Annual retainer | 25,000 | 55,000 | 10,000 |
| Newly-elected director one-time inducement equity grant | — | 18,000 | 3,333 |
| 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 typically 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 3,333 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. The stock options to be granted to Messrs. Cooperman, McBride and Zucker 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. Stock options to be granted (in connection with this offering) to new directors who join the board of directors after the commencement of this offering will have a per share exercise price equal to the closing

trading price of one of our shares on the date of grant of such stock options. This pro-rated stock option award shall be in a number of shares equal to the product of 10,000 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 4,000,000 shares of common stock (after giving effect to a 3-for-1 forward stock split effected in July 2011 and a 2-for-3 reverse stock split to be effected immediately prior to the effectiveness of this offering) 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 680,000 shares of our common stock (after giving effect to a 3-for-1 forward stock split effected in July 2011 and a 2-for-3 reverse stock split to be effected immediately prior to the effectiveness of this offering) 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 85,000, 600,000 and 200,000 shares of our common stock (after giving effect to a 3-for-1 forward stock split effected in July 2011 and a 2-for-3 reverse stock split to be effected immediately prior to the effectiveness of this offering) 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 June 30, 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 June 30, 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 36,488,846 shares of our common stock (including preferred stock on an as converted basis) outstanding as of June 30, 2012. We have based our calculation of the percentage of beneficial ownership after this offering on 40,328,846 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 June 30, 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 | | Number of Shares Being Offered in Over-Allotment | Shares Beneficially Owned After Over-Allotment | |
|--|---|------------------|--------------------------------|--|------------------|--|--|------|
| | Shares | % ⁽²⁾ | | Shares | % ⁽³⁾ | | Shares | % |
| 5% Stockholders | | | | | | | | |
| Entities affiliated with Polaris Venture Partners ⁽⁴⁾ | 12,798,370 | 35.1 | 3,500,000 | 9,298,370 | 23.1 | 500,000 | 8,798,370 | 21.8 |
| Institutional Venture Partners XIII, L.P. ⁽⁵⁾ | 5,361,754 | 14.7 | — | 5,361,754 | 13.3 | — | 5,361,754 | 13.3 |
| KPCB Holdings, Inc., as Nominee ⁽⁶⁾ | 2,336,642 | 6.4 | — | 2,336,642 | 5.8 | — | 2,336,642 | 5.8 |
| Brian Liu ⁽⁷⁾ | 3,123,922 | 8.6 | 320,770 | 2,803,152 | 7.0 | 55,152 | 2,748,000 | 6.8 |
| Executive Officers and Directors | | | | | | | | |
| John Suh ⁽⁸⁾ | 1,617,109 | 4.4 | 137,774 | 1,479,335 | 3.6 | 23,559 | 1,455,776 | 3.6 |
| Frank Monestere ⁽⁹⁾ | 634,827 | 1.7 | 22,772 | 612,055 | 1.5 | 3,894 | 608,161 | 1.5 |
| Edward Hartman ⁽¹⁰⁾ | 1,271,998 | 3.5 | 39,761 | 1,232,237 | 3.1 | 6,799 | 1,225,438 | 3.0 |
| Fred Krupica ⁽¹¹⁾ | 530,000 | 1.4 | 34,159 | 495,841 | 1.2 | 5,841 | 490,000 | 1.2 |
| Sheila Tan | — | — | — | — | — | — | — | — |
| Tracy Terrill ⁽¹²⁾ | 272,500 | * | 10,248 | 262,252 | * | 1,752 | 260,500 | * |
| Chas Rampenthal ⁽¹³⁾ | 188,000 | * | — | 188,000 | * | — | 188,000 | * |
| Brian Liu ⁽⁷⁾ | 3,123,922 | 8.6 | 320,770 | 2,803,152 | 7.0 | 55,152 | 2,748,000 | 6.8 |
| Susan Decker ⁽¹⁴⁾ | 61,108 | * | — | 61,108 | * | — | 61,108 | * |
| Alan Spoon ⁽¹⁵⁾ c/o Polaris Venture Partners | 12,798,370 | 35.1 | 3,500,000 | 9,298,370 | 23.1 | 500,000 | 8,798,370 | 21.8 |
| Jason Trevisan ⁽¹⁶⁾ c/o Polaris Venture Partners | 12,798,370 | 35.1 | 3,500,000 | 9,298,370 | 23.1 | 500,000 | 8,798,370 | 21.8 |
| Nehemia (Hemi) Zucker | — | — | — | — | — | — | — | — |
| Daniel Cooperman ⁽¹⁷⁾ | — | — | — | — | — | — | — | — |
| Kenneth McBride ⁽¹⁸⁾ | — | — | — | — | — | — | — | — |
| All executive officers and directors as a group (14 persons) | 20,497,834 | 56.2 | 4,065,484 | 16,432,350 | 40.8 | 596,997 | 15,835,353 | 39.3 |
| Other Selling Stockholders | | | | | | | | |
| Robert Shapiro ⁽¹⁹⁾ | 1,222,106 | 3.3 | 104,275 | 1,117,831 | 2.8 | 17,832 | 1,099,999 | 2.7 |
| Thomas Newby | 33,412 | * | 28,533 | 4,879 | * | 4,879 | — | — |
| Daniel Williams | 3,342 | * | 1,708 | 1,634 | * | 292 | 1,342 | * |

* 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 that will occur immediately prior to the completion of this offering after giving effect to the 3-for-1 forward stock split effected in July 2011 and the 2-for-3 reverse stock split to be effected immediately prior to the effectiveness 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 June 30, 2012, and the denominator of

which is the sum of (a) the aggregate number of shares of common stock outstanding on June 30, 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 June 30, 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 June 30, 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 June 30, 2012.
- (4) Consists of: (i) 12,349,586 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners V, L.P. (Polaris V); (ii) 240,694 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners Entrepreneurs' Fund V, L.P. (Polaris EFund V); (iii) 84,594 shares of common stock issuable upon conversion of Series A held by Polaris Venture Partners Founders' Fund V, L.P. (Polaris FFund); and (iv) 123,496 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) 3,022,460 existing shares of common stock and (ii) 2,339,294 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 1,511,230 shares of common stock could be transferred to IVP XIII.
- (6) Consists of: (i) 2,202,518 shares of common stock held by KPCB Digital Growth Fund, LLC (KPCB DGF) and (ii) 134,123 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 1,168,321 shares of common stock could be transferred to KPCB Holdings, Inc., as Nominee.
- (7) Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances Mr. Liu could transfer up to 192,038 shares of common stock to IVP XIII, up to 148,463 shares of common stock to KPCB Holdings, Inc., as Nominee, and up to 24,756 shares of common stock to certain other stockholders.
- (8) Consists of: (i) 780,172 shares of common stock held by Mr. Suh; (ii) 333,333 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) 503,604 shares of common stock underlying options that are exercisable within 60 days of June 30, 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. Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances Mr. Suh could transfer up to 99,894 shares of common stock to IVP XIII, up to 77,227 shares of common stock to KPCB Holdings, Inc., as Nominee, and up to 12,876 shares of common stock to certain other stockholders.
- (9) Consists of: (i) 559,292 shares of common stock held by Mr. Monestere; (ii) 25,535 shares of common stock held by Francis C. Monestere, Trustee of the FRANCIS C. MONESTERE 2010 GRAT; and (iii) 50,000 shares of common stock underlying options that are exercisable within 60 days of June 30, 2012. Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances Mr. Monestere could transfer up to 28,916 shares of common stock to IVP XIII, up to 22,355 shares of common stock to KPCB Holdings, Inc., as Nominee, and up to 3,726 shares of common stock to certain other stockholders.
- (10) Consists of: (i) 1,233,666 shares of common stock held by Mr. Hartman; (ii) 13,332 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; and (iii) 25,000 shares of common stock underlying options exercisable within 60 days of June 30, 2012. Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances Mr. Hartman could transfer up to 43,900 shares of common stock to IVP XIII, up to 33,939 shares of common stock to KPCB Holdings, Inc., as Nominee, and up to 5,656 shares of common stock to certain other stockholders.

- (11) Consists of: (i) 480,000 shares of common stock underlying options that are exercisable within 60 days of June 30, 2012; and 50,000 shares of common stock underlying restricted stock units that are exercisable within 60 days of June 30, 2012.
- (12) Consists of: (i) 60,000 shares of common stock held by The Terrill Living Trust (Terrill Trust); and (ii) 212,500 shares of common stock underlying options that are exercisable within 60 days of June 30, 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.
- (13) Consists of: (i) 185,000 shares of common stock held by Mr. Rampenthal; and (ii) 3,000 shares of common stock underlying options exercisable within 60 days of June 30, 2012. Pursuant to certain contractual agreements between certain of our stockholders, which we are not a party to, under certain circumstances Mr. Rampenthal could transfer up to 2,628 shares of common stock to IVP XIII, up to 2,032 shares of common stock to KPCB Holdings, Inc., as Nominee and up to 337 shares of common stock to certain other stockholders.
- (14) Consists of 61,108 shares of common stock underlying options that are exercisable within 60 days of June 30, 2012.
- (15) 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.
- (16) 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.
- (17) Mr. Cooperman has been nominated to become a director effective immediately after this registration statement is declared effective by the SEC.
- (18) Mr. McBride has been nominated to become a director effective immediately after this registration statement is declared effective by the SEC.
- (19) Pursuant to certain contractual agreements between certain of our stockholders which we are not a party to, under certain circumstances Mr. Shapiro could transfer up to 315,454 shares of common stock to IVP XIII, up to 243,875 shares of common stock to KPCB Holdings, Inc., as Nominee and up to 40,667 shares of common stock to certain other stockholders.

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 200,000,000 shares, all with a par value of \$0.001 per share, of which:

- 150,000,000 shares are designated as common stock; and
- 50,000,000 shares are designated as preferred stock.

As of March 31, 2012, we had outstanding 36,416,374 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 231 stockholders of record as of March 31, 2012. As of March 31, 2012, we also had outstanding options to acquire 5,057,645 shares of common stock held by current or former employees, directors and consultants outstanding granted under our 2000 Stock Option Plan and our 2010 Stock Incentive Plan and 50,000 restricted stock units to be settled in shares of our common stock granted 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 15,256,000 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 50,000,000 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 $66\frac{2}{3}\%$ 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 40,256,374 shares of our common stock, based on the number of shares outstanding as of March 31, 2012. This includes 8,000,000 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 32,256,374 shares of common stock that were not offered and sold in our initial public offering as well as 5,067,645 shares of common stock underlying outstanding stock options and 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 described under "Underwriting" 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, 1,025,215 shares will be available for sale in the public market without restriction; and
- beginning 181 days after the date of this prospectus, subject to extension as described in "Underwriting," 31,231,159 shares (subject, in some cases, to volume limitations) will become eligible for sale in the public market.

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 402,564 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 described under "Underwriting," 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 approximately 97% 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 or LegalZoom 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."

Registration Rights

On the date beginning 180 days after the date of this prospectus, the holders of approximately 11,725,759 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 described under "Underwriting" 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. Holder's 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 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:

| <u>Name</u> | <u>Number of Shares</u> |
|---|-----------------------------|
| Morgan Stanley & Co. LLC | |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | |
| William Blair & Company, L.L.C. | |
| RBC Capital Markets, LLC | |
| Cantor Fitzgerald & Co. | |
| Montgomery & Co., LLC | |
| Total: | <u>8,000,000</u> |

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 1,200,000 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.

| | <u>Per Share</u> | <u>Total</u> | |
|---|--------------------|----------------------|----|
| | <u>No Exercise</u> | <u>Full Exercise</u> | |
| 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 \$3.4 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 have applied for listing of our common stock on the NYSE under the trading symbol "LGZ".

We and all directors and officers and the holders of approximately 97% of our outstanding stock and stock options are subject to lock-up agreements with the underwriters or us. Pursuant to the lock-up agreements with the underwriters, such persons 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.

The restrictions apply 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. Pursuant to lock-up agreements in their incentive stock option agreements, such persons 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.

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 in the lock-up agreements with the underwriters described in the second 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 second 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 150,000 shares, or approximately 1.9%, 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. 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

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Report of Independent Registered Public Accounting Firm

The two-for-three reverse stock split described in Note 2 to the consolidated financial statements has not been consummated at July 20, 2012. When it has been consummated, we will be in a position to furnish the following report.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
July 20, 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.

Los Angeles, California
April 5, 2012, except for the two-for-three reverse stock split described in Note 2 as to which the date is _____, 2012."

LEGALZOOM.COM, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

| | December 31, | | March 31, 2012 (unaudited) | Pro Forma March 31, 2012 (unaudited) |
|--|------------------|------------------|----------------------------------|---|
| | 2010 | 2011 | | |
| 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; 20,944, 21,186 and 21,340 shares issued; and 20,764, 21,006 and 21,160 (unaudited) shares outstanding at December 31, 2010 and 2011, and March 31, 2012 (unaudited); 36,416 shares outstanding pro forma (unaudited) | 21 | 21 | 22 | 37 |
| Treasury stock, at cost; 180 shares at December 31, 2010 and 2011 and March 31, 2012 (unaudited) | (519) | (519) | (519) | (519) |
| Additional paid-in capital | 202 | 331 | — | 63,684 |
| Accumulated deficit | (69,212) | (59,643) | (59,777) | (59,777) |
| 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 | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.09) | \$ (0.05) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.09) | \$ (0.05) |
| Weighted-average shares used to compute net income (loss) per share attributable to common stockholders: | | | | | |
| Basic | 18,700 | 19,360 | 20,925 | 20,832 | 21,088 |
| Diluted | 18,700 | 19,360 | 24,195 | 20,832 | 21,088 |
| Pro forma net income (loss) per share (unaudited): | | | | | |
| Basic | | | \$ 0.34 | \$ (0.00) | |
| Diluted | | | \$ 0.31 | \$ (0.00) | |
| Pro forma weighted-average common shares outstanding (unaudited): | | | | | |
| Basic | | | 36,181 | 36,344 | |
| Diluted | | | 39,451 | 36,344 | |

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 | 18,554 | \$ 18 | \$ — | \$ (533) | \$ (519) | \$ (61,933) | \$ (62,967) |
| Issuance of common stock upon exercise of stock options | — | — | 566 | 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 | 19,120 | \$ 19 | \$ — | \$ (554) | \$ (519) | \$ (65,188) | \$ (66,242) |
| Issuance of common stock upon exercise of stock options | — | — | 1,644 | 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 | 20,764 | \$ 21 | \$ 202 | \$ — | \$ (519) | \$ (69,212) | \$ (69,508) |
| Issuance of common stock upon exercise of stock options | — | — | 242 | — | 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 | 21,006 | \$ 21 | \$ 331 | \$ — | \$ (519) | \$ (59,643) | \$ (59,810) |
| Issuance of common stock upon exercise of stock options (unaudited) | — | — | 154 | 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 | 21,160 | \$ 22 | \$ — | \$ — | \$ (519) | \$ (59,777) | \$ (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-splits

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").

On July 19, 2012, the board of directors and stockholders of the Company approved a two-for-three reverse stock split of its common stock and a proportional adjustment to the conversion ratio for Series A that will be effective immediately prior to the effectiveness of the registration statement on Form S-1 for the initial public offering of the Company's common 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 splits 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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 15,256,000 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: | <u>\$ 12,123</u> | <u>\$ (55)</u> |
| Weighted average common shares outstanding, basic | 20,925 | 21,088 |
| Pro forma adjustment to reflect assumed conversion of redeemable convertible preferred stock | 15,256 | 15,256 |
| Weighted average common shares outstanding used in computing basic pro forma net income (loss) per share: | 36,181 | 36,344 |
| Effect of potentially dilutive securities—stock options | 3,270 | — |
| Weighted average common shares outstanding used in computing diluted pro forma net income (loss) per share: | <u>39,451</u> | <u>36,344</u> |
| Pro forma net income (loss) per share: | | |
| Basic | \$ 0.34 | \$ (0.00) |
| Diluted | \$ 0.31 | \$ (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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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).

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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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.

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.

| | <u>Useful Life (years)</u> |
|---|--|
| 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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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.

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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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 BEP.

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 BEP. The objective of BEP 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 BEP 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 BEP is made through consultation with and formal approval by its senior management. The Company updates its estimates of both VSOE and BEP 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 BEP 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 BEP, 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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):

| | <u>Year Ended December 31,</u> | | | <u>Three Months Ended March 31,</u> | |
|-------------------|--------------------------------|-------------------|-------------------|-------------------------------------|--------------------|
| | <u>2009</u> | <u>2011</u> | <u>2011</u> | <u>2011</u> | <u>2012</u> |
| | | | | <u>(unaudited)</u> | <u>(unaudited)</u> |
| 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 | <u>\$ 103,299</u> | <u>\$ 120,771</u> | <u>\$ 156,066</u> | <u>\$ 38,288</u> | <u>\$ 46,988</u> |

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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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.

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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

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 (unaudited) | 2012 (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 | 18,700 | 19,360 | 20,925 | 20,832 | 21,088 |
| Effect of potentially dilutive securities—stock options and restricted stock units | — | — | 3,270 | — | — |
| Weighted-average common stock—diluted | 18,700 | 19,360 | 24,195 | 20,832 | 21,088 |
| Earnings per share | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.09) | \$ (0.05) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.09) | \$ (0.05) |

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 (unaudited) | 2012 (unaudited) |
| Conversion of redeemable convertible preferred stock | 15,256 | 15,256 | 15,256 | 15,256 | 15,256 |
| Options to purchase common stock and restricted stock units | 5,425 | 4,752 | 588 | 4,579 | 5,105 |
| Total shares excluded from the calculation of diluted net income (loss) per share attributable to common stockholders | 20,681 | 20,008 | 15,844 | 19,835 | 20,361 |

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 43,332 and 23,333 (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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**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.

| | <u>Year Ended December 31,</u> | | | <u>Three Months Ended</u> |
|-------------------------|--------------------------------|-------------|-------------|---------------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>March 31, 2012</u> |
| | | | | (unaudited) |
| 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 3. Supplemental Financial Statement Information**Accounts Receivable**

Accounts receivable, net consisted of the following (in thousands):

| | <u>December 31,</u> | | <u>March 31,</u> |
|--|---------------------|-----------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| | | | (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):

| | <u>Balance at</u> | | <u>Write offs,</u> | <u>Balance at</u> |
|----------------------------|---------------------|---------------------|--------------------|-------------------|
| | <u>beginning of</u> | <u>Reduction of</u> | <u>net of</u> | <u>end of</u> |
| | <u>period</u> | <u>revenues</u> | <u>recoveries</u> | <u>period</u> |
| 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):

| | <u>December 31,</u> | | <u>March 31,</u> |
|---|---------------------|------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| | | | (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).

LEGALZOOM.COM, INC. AND SUBSIDIARIES
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 | <u>\$ 17,256</u> | <u>\$ 205</u> |
| Less amounts representing interest | | (3) |
| Present value of net minimum lease payments | | <u>\$ 202</u> |

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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

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 Matter A settlement, 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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

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 July 19, 2012, the Company prevailed on a motion to dismiss a purported statewide class action filed on October 27, 2011, 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 sought disgorgement of revenue, among other remedies. The complaint did not state any dollar amounts being sought. The Company 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. Since the Company prevailed on the motion to dismiss, 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 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 to 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) 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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 through 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, 2012 (unaudited) the current amount representing the estimated expected amount to be paid back to the state in the next twelve months.

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****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 two 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 \$9.00 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 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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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):

| | <u>December 31,</u> | | <u>March 31,</u> |
|--|---------------------|---------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| | | | (unaudited) |
| Common stock issued | 20,944 | 21,186 | 21,340 |
| Conversion of preferred stock—Series A | 15,256 | 15,256 | 15,256 |
| Outstanding stock options, including restricted stock units | 4,752 | 4,933 | 5,105 |
| Additional shares available for grant under the Company's 2010 Stock Option plan | 116 | 616 | 289 |
| Total | <u>41,068</u> | <u>41,991</u> | <u>41,990</u> |

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 4,775,800 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 6,694,692 shares of the Company's common stock. At December 31, 2011 and March 31, 2012 there were approximately 616,000 and 289,000 (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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 | 4,702 | \$ 1.77 | 7.5 | \$ 11,469 |
| Granted | 588 | 8.21 | | |
| Exercised | (242) | 1.38 | | |
| Cancelled/forfeited | (165) | 1.73 | | |
| Outstanding at December 31, 2011 | 4,883 | 2.55 | 6.9 | \$ 29,566 |
| Granted (unaudited) | 336 | 10.26 | | |
| Exercised (unaudited) | (154) | 1.68 | | |
| Cancelled/forfeited (unaudited) | (10) | 5.20 | | |
| Outstanding at March 31, 2012 (unaudited) | 5,055 | \$ 3.08 | 6.9 | \$ 37,927 |
| Vested and expected to vest at December 31, 2011 | 4,781 | \$ 2.57 | 6.9 | \$ 28,830 |
| Exercisable at December 31, 2011 | 2,748 | \$ 1.72 | 5.7 | \$ 18,948 |
| Vested and expected to vest at March 31, 2012 (unaudited) | 4,970 | \$ 3.05 | 6.9 | \$ 37,435 |
| Exercisable at March 31, 2012 (unaudited) | 2,950 | \$ 1.74 | 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 \$0.77, \$1.25 and \$3.41, respectively. The weighted-average grant-date fair value per share of options granted for the three months ended March 31, 2012 was \$4.20 (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 \$0.98, \$1.03 and \$1.01, 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 \$0.93 (unaudited) and \$1.01 (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:

| <u>Date</u> | <u>Number of Shares (in thousands)</u> | <u>Exercise Price and Fair Value Per Share of Common Stock</u> |
|------------------------------|--|--|
| September 29, 2011 | 537 | \$ 8.21 |
| December 20, 2011 | 51 | \$ 8.22 |
| January 31, 2012 (unaudited) | 56 | \$ 8.61 |
| March 31, 2012 (unaudited) | 280 | \$ 10.59 |

Restricted Stock Units

On April 20, 2010, the Company issued 50,000 restricted stock units to an executive employee with a grant date fair value of \$2.10 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):

| | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|---|-----------------|-----------------|-----------------|
| 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 | <u>\$ (311)</u> | <u>\$ (282)</u> | <u>\$ 5,998</u> |

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 |
| | <u>13,420</u> | <u>12,189</u> |
| Valuation allowance | (9,015) | (411) |
| Net deferred tax assets | <u>4,405</u> | <u>11,778</u> |
| Deferred tax liabilities: | | |
| Depreciation and amortization | (3,451) | (3,878) |
| State taxes | (954) | (972) |
| Net deferred tax liabilities | <u>(4,405)</u> | <u>(4,850)</u> |
| Net deferred tax assets and liabilities | <u>\$ —</u> | <u>\$ 6,928</u> |

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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

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.



"Taking your product and making it a reality is really what it's all about."

Billy Smith
Founder, Sukräfte
Trademark, LLC Customer

SMALL BUSINESS SERVICES

- LLC Formation
- Incorporation
- Trademark
- DBA/Fictitious Business Name
- Copyright
- Non-Profit Corporation
- Provisional Application for Patent



"Chloe is 9 months old. We would do anything for her."

The Bryants
Last Will Customers

CONSUMER SERVICES

- Last Will and Testament
- Power of Attorney
- Living Will
- Living Trust
- Uncontested Divorce
- Name Change



"I never thought I could make money doing what I love."

Janet Long
Owner, Elaine's Toffee
Incorporation Customer

SUBSCRIPTION SERVICES

- Business Legal Plan
- Personal Legal Plan
- Registered Agent Services



"I have the assurance of knowing my affairs are in order."

Colleen Stiles
Power of Attorney,
Advance Directive Customer



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.

| <u>Item</u> | <u>Amount</u> |
|--|---------------------|
| SEC registration fee | \$ 13,752 |
| FINRA filing fee | 12,500 |
| Initial NYSE listing fee | 194,000 |
| Legal fees and expenses | 1,950,000 |
| Accounting fees and expenses | 800,000 |
| Printing and engraving expenses | 350,000 |
| Transfer agent and registrar fees and expenses | 15,500 |
| Blue Sky fees and expenses | 15,000 |
| Miscellaneous fees and expenses | 75,000 |
| Total | <u>\$ 3,425,752</u> |

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 forward stock split effected in July 2011 and a 2-for-3 reverse stock split to be effected immediately prior to the effectiveness of this offering):

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 666,325 shares of our common stock at per share purchase prices ranging from \$0.02 to \$1.79 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 2,988,866 shares of our common stock with per share exercise prices ranging from \$1.14 to \$10.59 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 1,927,744 shares of our common stock at per share prices ranging from \$1.14 to \$2.24 pursuant to exercises of options under our 2010 Stock Incentive Plan.
4. From March 31, 2009 through March 31, 2012, we granted an officer 50,000 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

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
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| 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. |
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| 5.1 | Opinion of Sheppard, Mullin, Richter & Hampton LLP. |
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| 10.5+# | Employment Agreement, dated May 8, 2012, by and between LegalZoom.com, Inc. and Chas Rampenthal. |
| 10.6+* | 2012 Management Incentive Plan. |
| 10.7+# | Board Member Offer Letter, dated April 30, 2012, by and between LegalZoom.com and Nehemia Zucker. |
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| 10.13+# | Board Member Offer Letter, dated October 14, 2010, by and between LegalZoom.com, Inc. and Susan Decker. |
| 10.14# | Loan and Security Agreement, dated October 31, 2008, by and between LegalZoom.com, Inc. and Comerica Bank. |
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| 21.1# | List of subsidiaries. |
| 23.1 | Consent of Sheppard, Mullin, Richter & Hampton LLP (included in Exhibit 5.1). |
| 23.2 | Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm, dated July 20, 2012. |
| 23.3# | Consent of nominated director Daniel Cooperman (included in Exhibit 10.31). |
| 23.4 | Consent of nominated director Ken McBride (included in Exhibit 10.34). |
| 24.1# | Power of Attorney dated April 5, 2012. |
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| 99.1# | Confidential Draft #1. |
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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 23, 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.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|---|---------------|
| <u> /s/ JOHN SUH </u> John Suh | Chief Executive Officer and Director (principal executive officer) | July 23, 2012 |
| <u> /s/ FRED KRUPICA </u> Fred Krupica | Chief Financial Officer (principal financial officer and principal accounting officer) | July 23, 2012 |
| <u> * </u> | | |
| <u> Brian Liu </u> | Chairman | July 23, 2012 |
| <u> * </u> | | |
| <u> Susan Decker </u> | Director | July 23, 2012 |
| <u> * </u> | | |
| <u> Alan Spoon </u> | Director | July 23, 2012 |
| <u> * </u> | | |
| <u> Jason Trevisan </u> | Director | July 23, 2012 |
| <u> * </u> | | |
| <u> Nehemia Zucker </u> | Director | July 23, 2012 |

*By: /s/ FRED KRUPICA
Fred Krupica
Attorney-in-fact

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* To be filed by amendment.

+ Indicates a management contract or compensatory plan.

Previously filed.

Shares

LEGALZOOM.COM, INC.

COMMON STOCK, PAR VALUE \$0.001 PER SHARE

UNDERWRITING AGREEMENT

, 2012

, 2012

Morgan Stanley & Co. LLC
 Merrill Lynch, Pierce, Fenner & Smith
 Incorporated
 c/o Morgan Stanley & Co. LLC
 1585 Broadway
 New York, New York 10036
 c/o Merrill Lynch, Pierce, Fenner & Smith
 Incorporated
 One Bryant Park
 New York, New York 10036

Ladies and Gentlemen:

LegalZoom.com, Inc., a Delaware corporation (the “**Company**”), proposes to issue and sell to the several Underwriters named in Schedule II hereto (the “**Underwriters**”), and certain stockholders of the Company (the “**Selling Stockholders**”) named in Schedule I hereto severally propose to sell to the several Underwriters, an aggregate of [•] shares of the Common Stock, par value \$0.001 per share, of the Company (the “**Firm Shares**”), of which shares are to be issued and sold by the Company and shares are to be sold by the Selling Stockholders, each Selling Stockholder selling the amount set forth opposite such Selling Stockholder’s name in Schedule I hereto.

The Company also proposes to issue and sell to the several Underwriters not more than an additional shares of its Common Stock, par value \$0.001 per share (the “**Additional Shares**”), if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the “**Shares**.” The shares of Common Stock, par value \$0.001 per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the “**Common Stock**.” The Company and the Selling Stockholders are hereinafter sometimes collectively referred to as the “**Sellers**.”

The Company has filed with the Securities and Exchange Commission (the “**Commission**”) a registration statement on Form S-1 (File No. 333-181332), including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the “**Securities Act**”), is hereinafter referred to as the “**Registration Statement**”; the prospectus in the form first used to confirm sales of Shares (or in the form first

made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the “**Prospectus**.” If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the “**Rule 462 Registration Statement**”), then any reference herein to the term “**Registration Statement**” shall be deemed to include such Rule 462 Registration Statement.

For purposes of this Agreement, “**free writing prospectus**” has the meaning set forth in Rule 405 under the Securities Act, “**Time of Sale Prospectus**” means the preliminary prospectus together with the documents and pricing information set forth in Schedule III hereto, and “**broadly available road show**” means a “bona fide electronic road show” as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms “Registration Statement,” “preliminary prospectus,” “Time of Sale Prospectus” and “Prospectus” shall include the documents, if any, incorporated by reference therein as of the date hereof.

Morgan Stanley & Co. LLC (“**Morgan Stanley**”) has agreed to reserve a portion of the Shares to be purchased by it under this Agreement for sale to the Company’s directors, officers, employees and business associates and other parties related to the Company (collectively, “**Participants**”), as set forth in the Prospectus under the heading “Underwriters” (the “**Directed Share Program**”). The Shares to be sold by Morgan Stanley and its affiliates pursuant to the Directed Share Program are referred to hereinafter as the “**Directed Shares**”. Any Directed Shares not orally confirmed for purchase by any Participant by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

1. *Representations and Warranties of the Company.* The Company represents and warrants to and agrees with each Underwriter that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the Company’s knowledge, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not, as of the date of such amendment or supplement, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does

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not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 5), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c) The Company is not an “ineligible issuer” in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule III hereto, and electronic road shows, if any, each furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(d) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own or lease its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

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(e) Each subsidiary of the Company has been duly incorporated (or formed), is validly existing as a corporation or other entity in good standing under the laws of the jurisdiction of its incorporation or formation (to the extent such concepts are applicable under such laws), has the corporate (or other) power and authority to own or lease its property and to conduct its business to the extent described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification (to the extent such concepts are applicable under such laws), except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued and outstanding shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (to the extent such concepts are applicable under such laws), except to the extent such liens, encumbrances, equities or claims would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(h) The shares of Common Stock (including the Shares to be sold by the Selling Stockholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable.

(i) The Shares to be sold by the Company have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(j) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) any provision of applicable law, (ii) the certificate of incorporation or by-laws of the Company, (iii) any agreement or other instrument binding upon the Company or any of its subsidiaries, or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, except that in the case of clause (iii) above, where such contravention would not, individually or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole, or a material adverse

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effect on the ability of the Company to perform its obligations under this Agreement. No consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus, except such as may (i) have previously been obtained, or (ii) be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(k) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(l) There are no legal or governmental proceedings pending or, to the Company's knowledge, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described in all material respects; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described in all material respects, or filed as required.

(m) Each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(n) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof received by the Company as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(o) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (ii)

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have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, be reasonably expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(p) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, be reasonably expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, other than such contracts, agreements or understandings accurately described in all material respects in the Time of Sale Prospectus and such rights that have been satisfied, waived or complied with.

(r) Neither the Company nor any of its subsidiaries, nor any director or officer of the Company, nor, to the Company's knowledge, any employee, agent or representative of the Company or of any of its subsidiaries or controlled affiliates acting on behalf of the Company or any of its subsidiaries or controlled affiliates, has taken any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to improperly influence official action or secure an improper advantage for the Company or any of its subsidiaries or controlled persons; and the Company and its subsidiaries or controlled affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

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(s) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the best knowledge of the Company, threatened.

(t) (i) Neither the Company nor any of its subsidiaries, nor any director or officer thereof, nor, to the Company's knowledge, any employee, agent, controlled affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), Her Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Burma/Myanmar, Cuba, Iran, Libya, North Korea, Sudan and Syria).

(ii) The Company will not, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

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(iii) For the past 5 years, the Company and its subsidiaries have not knowingly engaged in, are not now knowingly engaged in any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(u) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries, taken as a whole, have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Company has not purchased any of its outstanding capital stock other than from its employees or other service providers in connection with the termination of their services, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(v) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially detract from the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and, to the Company's knowledge, enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, taken as a whole, in each case except as described in the Time of Sale Prospectus.

(w) Except as described in the Time of Sale Prospectus, the Company and its subsidiaries, taken as a whole, own or possess, have the right to use, or can acquire on commercially reasonable terms, ownership or the right to use, all patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, except where the failure to own, possess or acquire any of the foregoing, individually or in the aggregate, would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with

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asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(x) No material labor dispute with the employees of the Company and its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent.

(y) The Company and its subsidiaries, taken as a whole, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Company believes are prudent and customary in the businesses in which they are engaged; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(z) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses (to the extent such concepts are applicable under such laws), except where the failure to obtain such certificates, authorizations and permits, individually or in the aggregate, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any written notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(aa) The Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, there has been (i) no material weakness in the Company's internal control over financial reporting (whether or not remediated)

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that has occurred and (ii) no change in the Company's internal control over financial reporting has occurred that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(bb) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(cc) The Registration Statement, the Prospectus, the Time of Sale Prospectus and any preliminary prospectus comply, and any amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus, the Time of Sale Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program.

(dd) No consent, approval, authorization or order of, or qualification with, any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any jurisdiction where the Directed Shares are being offered.

(ee) The Company has not offered, or caused Morgan Stanley or any Morgan Stanley Entity as defined in Section 12 to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

(ff) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not, individually or in the aggregate, be reasonably expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a material adverse effect, or, except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which remains unpaid and has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which remains

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unpaid and would reasonably be expected to be determined adversely to the Company or its subsidiaries and which would reasonably be expected to have) a material adverse effect on the Company and its subsidiaries, taken as a whole.

(gg) Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market related data included in the Registration Statement, the Time of Sale Prospectus and the Prospectus is not based on or derived from sources that the Company reasonably believes to be reliable and accurate in all material respects.

(hh) Except as described in the Time of Sale Prospectus, the Company and each of its subsidiaries have complied, and are presently in compliance, in all material respects, with its privacy policies and third-party obligations regarding the collection, use, transfer, storage, protection, disposal and disclosure by the Company and its subsidiaries of personally identifiable information.

(ii) Except as described in the Time of Sale Prospectus, the Company and each of its subsidiaries have complied, and are presently in compliance, in all material respects, with all applicable laws, rules and regulations regarding the unauthorized practice of law.

(ee) From the time of initial confidential submission of the Registration Statement to the Commission through the date hereof, the Company has been and is an "emerging growth company," as defined in Section 2(a) of the Securities Act (an "**Emerging Growth Company**").

(ff) The Company (i) has not engaged in any Testing-the-Waters Communication and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. "**Testing-the-Waters Communication**" means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communication. "**Written Testing-the-Waters Communication**" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(gg) Any individual Written Testing-the-Waters Communication, when considered together with the Time of Sale Prospectus, does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 5) any individual Written Testing-the-Waters Communication, when considered together with the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue

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statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2. *Representations and Warranties of the Selling Stockholders.* Each Selling Stockholder, solely with respect to itself and not as to any other Selling Stockholder, represents and warrants to and agrees with each Underwriter that:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(b) The execution and delivery by such Selling Stockholder of, and the performance by such Selling Stockholder of its obligations under, this Agreement and the Custody Agreement and Irrevocable Power of Attorney signed by such Selling Stockholder and Wells Fargo Bank, N.A., as Custodian, and certain individuals as such Selling Stockholder's attorneys-in-fact, relating to the deposit of the Shares to be sold by such Selling Stockholder pursuant to this Agreement and the transactions contemplated hereby and by the Registration Statement (the "**Custody Agreement**") will not contravene any provision of (i) applicable law (provided no representation is made with respect to compliance with federal, state or other applicable securities or antifraud laws, collectively, "**Securities Laws**"), (ii) the certificate of incorporation or by-laws of such Selling Stockholder or similar organizational documents (if such Selling Stockholder is a corporation, limited liability company or partnership), (iii) any agreement or other instrument binding upon such Selling Stockholder or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Stockholder (except, in the case of clauses (iii) and (iv) as would not, individually, or in the aggregate, have a material adverse effect on the ability of the Selling Stockholder to consummate the transactions contemplated by this Agreement, the Custody Agreement, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Stockholder of its obligations under this Agreement or the Custody Agreement of such Selling Stockholder, except such as may be required by the Securities Laws in connection with the offer and sale of the Shares, except for such consents, approvals, authorizations, orders, or qualifications as would not, individually or in the aggregate, have a material adverse effect on the ability of the Selling Stockholder to consummate the transactions contemplated by this Agreement and the Custody Agreement.

(c) With respect to any Shares to be sold by such Selling Stockholder that are not outstanding on the date hereof, such Selling Stockholder has, and with respect to such Shares and any additional Shares to be sold by such Selling Stockholder upon the conversion of convertible preferred stock into Common Stock or the exercise of options, on each Closing Date, such Selling Stockholder

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has or will have fully paid for such Shares, will have, valid title to, or a valid "security entitlement" within the meaning of Section 8-501 of the New York Uniform Commercial Code (the "UCC") in respect of, the Shares to be sold by such Selling Stockholder free and clear of all security interests, claims, liens, equities or other encumbrances and the legal right and power, and all authorization and approval required by law, to enter into this Agreement and the Custody Agreement and to sell, transfer and deliver the Shares to be sold by such Selling Stockholder or a security entitlement in respect of such Shares.

(d) The Custody Agreement has been duly authorized, executed and delivered by such Selling Stockholder and is the valid and binding agreement of such Selling Stockholder.

(e) Upon payment for the Shares to be sold by such Selling Stockholder pursuant to this Agreement, delivery of such Shares, as directed by the Underwriters, to Cede & Co. ("**Cede**") or such other nominee as may be designated by the Depository Trust Company ("**DTC**"), registration of such Shares in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to securities accounts of the Underwriters (assuming that neither DTC nor any such Underwriter has notice of any adverse claim (within the meaning of Section 8-105 of the UCC to such Shares), (A) DTC shall be a "protected purchaser" of such Shares within the meaning of Section 8-303 of the UCC, (B) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Shares and (C) no action based on any "adverse claim", within the meaning of Section 8-102 of the UCC, to such Shares may be asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, such Selling Stockholder may assume that when such payment, delivery and crediting occur, (x) such Shares will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company's share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a "clearing corporation" within the meaning of Section 8-102 of the UCC and (z) appropriate entries to the accounts of the several Underwriters on the records of DTC will have been made pursuant to the UCC.

(f) Such Selling Stockholder is not prompted by any information concerning the Company or its subsidiaries which is not set forth in the Time of Sale Prospectus to sell its Shares pursuant to this Agreement.

(g) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in

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connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 5), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iii) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iv) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that the representations and warranties set forth in this paragraph 2(g) are limited exclusively to statements or omissions of material fact made in reliance upon information relating to such Selling Stockholder furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, the Time of Sale Prospectus, any broadly available road show or the Prospectus or any amendments or supplements thereto, taking into account any written updates to such information provided by such Selling Stockholder prior to the date of the Time of Sale Prospectus, it being understood and agreed that the only such information furnished by such Selling Stockholder consists of (A) the legal name and address of, and the number of shares of Common Stock beneficially owned and offered by, such Selling Stockholder and the other information with respect to such Selling Stockholder (excluding percentages) that appears in the table (and corresponding footnotes) under the caption "Principal and Selling Stockholders" in the Time of Sale Prospectus and Prospectus and (B), if such Selling Stockholder is an executive officer or director of the Company, the information with respect to such Selling Stockholder which appears under the caption "Management" in the Time of Sale Prospectus and Prospectus.

3. *Agreements to Sell and Purchase.* Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at \$ _____ a share (the "**Purchase Price**") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to

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the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase, severally and not jointly, up to _____ Additional Shares at the Purchase Price, *provided, however*, that the amount paid by the Underwriters for any Additional Shares shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Firm Shares but not payable on such Additional Shares. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus, (1) 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 other securities convertible into or exercisable or exchangeable for Common Stock or (2) 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 in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder, (b) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion or vesting of a security outstanding on the date hereof of which the Underwriters have been advised in writing, (c) transfers by a Selling Stockholder of shares of Common Stock or any security convertible into Common Stock as a bona fide

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gift, (d) 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, (e) 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 the Time of Sale Prospectus; *provided* that in the case of any transfer, distribution or issuance pursuant to clause (c), (d) or (e), (i) each donee, distributee or recipient enters into lock-up agreements with the Underwriters in the form of Exhibit A hereto with respect to the remaining 180-day restricted period or any extension thereof or, in the case of the issuance of options, such options do not become exercisable during the 180-day restricted period or any extension thereof and (ii) no filing under Section 16(a) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made in respect of the transfer, distribution or issuance during the 180 day restricted period, (f) 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 undersigned or the Company, (g) 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 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; (h) the entry into an agreement providing for the issuance of shares of Common Stock in connection with joint ventures, commercial relationships or other strategic transactions, and the issuance of any such securities pursuant to any such agreement; *provided* that in the case of clauses (g) and (h), the aggregate number of shares of Common Stock that the Company may sell or issue or agree to sell or issue pursuant to clauses (g) and (h) shall not exceed 5% of the total number of shares of the Company’s Common Stock issued and outstanding immediately following the completion of the transactions contemplated by this agreement; *provided further* that any such securities issued pursuant clauses (g) and (h) shall be subject to transfer restrictions substantially similar to those obtained in Exhibit A, 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, on behalf of the Underwriters; or (i) the filing of one or more registration statements with the Commission 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

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granted by the Company pursuant to any equity compensation plan described in the Time of Sale Prospectus. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs; or (2) prior to the expiration of the 180-day restricted period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period, the restrictions imposed by this agreement shall 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. The Company shall promptly notify Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated of any earnings release, news or event that may give rise to an extension of the initial 180-day restricted period.

4. *Terms of Public Offering.* The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at \$[·] a share (the “**Public Offering Price**”) and to certain dealers selected by you at a price that represents a concession not in excess of \$[·] a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of \$ [·] a share, to any Underwriter or to certain other dealers.

5. *Payment and Delivery.* Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on [·], 2012, or at such other time on the same or such other date, not later than [·], 2012, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the “**Closing Date.**”

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 3 or at such other time on the same or on such other date, in any event not later than [·], 2012, as shall be designated in writing by you.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the

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respective accounts of the several Underwriters. The Purchase Price payable by the Underwriters shall be reduced by (i) any transfer taxes paid by, or on behalf of, the Underwriters in connection with the transfer of the Shares to the Underwriters duly paid and (ii) any withholding required by law.

6. *Conditions to the Underwriters’ Obligations.* The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [·] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Exchange Act; and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in Section 6(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best of his or her knowledge as to proceedings threatened.

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(c) The Underwriters shall have received on the Closing Date an opinion and negative assurance letter of Sheppard, Mullin, Richter & Hampton LLP, outside counsel for the Company, dated the Closing Date, in the forms attached hereto as Annexes and hereto.

(d) The Underwriters shall have received on the Closing Date an opinion of Goodwin Proctor LLP, at the request of certain of the Selling Stockholders, dated the Closing Date, in the form attached hereto as Annex hereto and an opinion of Sheppard, Mullin, Richter & Hampton LLP, at the request of the Company in respect of certain of the Selling Stockholders, dated the Closing Date, in the form attached hereto as Annex hereto.

(e) The Underwriters shall have received on the Closing Date an opinion of Latham & Watkins LLP, counsel for the Underwriters, dated the Closing Date, covering such matters as the Representatives may reasonably request.

With respect to Sections 6(c) and 6(e) above, Sheppard, Mullin, Richter & Hampton LLP and Latham & Watkins LLP may state that their opinions and beliefs are based upon their participation in the preparation of the Registration Statement, the Time of Sale Prospectus and the Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified. With respect to Section 6(d) above, counsel for any Selling Stockholders may rely, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of each Selling Stockholder contained herein and in the Custody Agreement of such Selling Stockholder and in other documents and instruments; *provided* that copies of such Custody Agreements and Powers of Attorney and of any such other documents and instruments shall be delivered to you and shall be in form and substance satisfactory to your counsel.

The opinions of Sheppard, Mullin, Richter & Hampton LLP and counsel to the Selling Stockholders described in Sections 6(c) and 6(d) above shall be rendered to the Underwriters at the request of the Company or one or more of the Selling Stockholders, as the case may be, and shall so state therein.

(f) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from PricewaterhouseCoopers LLP, independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

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(g) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain stockholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

7. *Covenants of the Company.* The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 7(e) or 7(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

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(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(g) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(h) To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering a period of at

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least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(i) To comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

(j) If any Seller is not a U.S. person for U.S. federal income tax purposes, the Company will deliver to each Underwriter (or its agent), on or before the Closing Date, (i) a certificate with respect to the Company's status as a "United States real property holding corporation," dated not more than thirty (30) days prior to the Closing Date, as described in Treasury Regulations Sections 1.897-2(h) and 1.1445-2(c)(3), and (ii) proof of delivery to the IRS of the required notice, as described in Treasury Regulations 1.897-2(h)(2).

(k) Not to amend, modify or terminate, or waive any provision of, any of the "lock-up" agreements with the stockholders, officers or directors of the Company described in Section 6(g) above without the prior written consent of Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Underwriters. If Morgan Stanley & Co. LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in their sole discretion, agree to release or waive the restrictions set forth in the lock-up agreements described in Section 6(g) above for an officer or director of the Company and provides the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company shall announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two business days before the effective date of the release or waiver.

(l) The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Shares within the meaning of the Securities Act and (ii) completion of the 180-day restricted period referred to in Section 3 hereof.

(m) If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or

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supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

8. *Covenants of the Sellers.* Each Seller, severally and not jointly, covenants with each Underwriter as follows:

(a) Each Seller will deliver to each Underwriter (or its agent), prior to or at the Closing Date, a properly completed and executed Internal Revenue Service ("IRS") Form W-9 or an IRS Form W-8, as appropriate, together with all required attachments to such form.

9. *Expenses.* Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the performance of Sellers' obligations under this Agreement, including: (i) the fees, disbursements and

expenses of the Company's counsel, the Company's accountants and counsel for the Selling Stockholders in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the Financial Industry Regulatory Authority (*provided, however, that the amount payable by the Company for fees and disbursements of counsel for the Underwriters pursuant to subsections (iii) and (iv) shall not exceed \$40,000*), (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the NYSE, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depository, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares,

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including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of the cost of any aircraft chartered in connection with the road show (with the remaining 50% of the cost of such aircraft to be paid by the Underwriters), (ix) the document production charges and expenses associated with printing this Agreement, (x) all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program and (xi) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 11 entitled "Indemnity and Contribution," Section 12 entitled "Directed Share Program Indemnification" and the last paragraph of Section 14 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

The provisions of this Section shall not supersede or otherwise affect any agreement that the Sellers may otherwise have for the allocation of such expenses among themselves.

10. *Covenants of the Underwriters.* Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

11. *Indemnity and Contribution.* (a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in

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Rule 433(h) under the Securities Act, any Written Testing-the-Waters Communication, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any "road show" as defined in Rule 433(h) under the Securities Act (a "road show"), or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Selling Stockholder agrees, severally and not jointly, to indemnify and hold harmless (i) each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act, and (ii) the Company, its directors and officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Written Testing-the-Waters Communication, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show, or the Prospectus or any amendment or supplement thereto, or any Testing-the-Waters Writing or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to the Selling Stockholder Information relating to such Selling Stockholder furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, road show or the Prospectus or any amendment or supplement thereto, it being understood and agreed that the only information furnished by such Selling Stockholder consists of the Selling Stockholder Information. The liability of each Selling Stockholder under the indemnity agreement contained in this paragraph shall be limited to an amount equal to the aggregate Public Offering Price (less underwriting discounts and commissions, but before deducting expenses) of the Shares sold by such Selling Stockholder under this Agreement.

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(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Stockholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Stockholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Written Testing-the-Waters Communication, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show or the Prospectus or any amendment supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, any Written Testing-the-Waters Communication, road show, or the Prospectus or any amendment or supplement thereto.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 11(a), 11(c) or 11(c), such person (the “**indemnified party**”) shall promptly notify the person against whom such indemnity may be sought (the “**indemnifying party**”) in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonably incurred fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to

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any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Selling Stockholders and all persons, if any, who control any Selling Stockholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by the Representatives. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Stockholders and such control persons of any Selling Stockholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Stockholders under the Powers of Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the material terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes (i) an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of an indemnified party.

(e) To the extent the indemnification provided for in Section 11(a), 11(c) or 11(c) is unavailable to an indemnified party or insufficient in respect of

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any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 11(e)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 11(e)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Sellers or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 11 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint. The liability of each Selling Stockholder under the contribution agreement contained in this paragraph, and in respect of any claim in respect of a breach of the representations and warranties of such Selling Stockholder contained in Section 2(f) hereof, shall be limited in the aggregate to an amount equal to the aggregate Public Offering Price (less any underwriting discounts and commissions, but before deducting expenses) of the Shares sold by such Selling Stockholder under this Agreement.

(f) The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 11 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 11(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities

Notwithstanding the provisions of this Section 11, (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and (ii) no Selling Stockholder shall be required to contribute an amount in excess of the amounts by which the proceeds of this offering (less underwriting discounts and commissions, but before deducting expenses) received by such Selling Stockholder exceeds the amount of any damages that such Selling Stockholder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 11 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(g) The indemnity and contribution provisions contained in this Section 11 and the representations, warranties and other statements of the Company and the Selling Stockholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter, any Selling Stockholder or any person controlling any Selling Stockholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

12. *Directed Share Program Indemnification.* (a) The Company agrees to indemnify and hold harmless Morgan Stanley, each person, if any, who controls Morgan Stanley within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of Morgan Stanley within the meaning of Rule 405 of the Securities Act (“**Morgan Stanley Entities**”) from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages

or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 12(a), the Morgan Stanley Entity seeking indemnity, shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan Stanley Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such separate firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 12(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses,

claims, damages or liabilities referred to therein, then the Company in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 12(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 12(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate Public Offering Price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 12 were determined by *pro rata* allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 12(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 12, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay. The remedies provided for in this Section 12 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

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(e) The indemnity and contribution provisions contained in this Section 12 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

13. *Termination.* The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the NYSE Amex, the NASDAQ Global Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade or other relevant exchanges, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market (which, for the avoidance of doubt, shall not include secondary markets for privately held securities), (iii) a material disruption in securities settlement, payment or clearance services in the United States or other relevant jurisdiction shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus. Notwithstanding anything to the contrary in this Agreement, if this Agreement is terminated pursuant to clauses (iii), (iv) or (v) of this Section 12, then the obligations of the Company to reimburse the expenses of the Underwriters set forth in clauses (iii) and (iv) of Section 9 are also terminated and of no further effect.

14. *Effectiveness; Defaulting Underwriters.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters,

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or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 14 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you, the Company and the Selling Stockholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Stockholders. In any such case either you or the relevant Sellers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement (which, for purposes of this Section 13, shall not include termination by the Underwriters under items (iii), (iv) or (v) of Section 12), such non-performing Seller will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

15. *Entire Agreement.* (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares,

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represents the entire agreement between the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other, with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arms length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from

those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

16. *Counterparts.* This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

17. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

18. *Trial by Jury.* The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates), each of the Selling Stockholders and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

19. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

20. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department and care of Merrill Lynch, Pierce, Fenner & Smith Incorporated, One Bryant Park, New York, New York 10036, Attention: Syndicate Department (facsimile: (646) 855-3073), with a copy to ECM Legal (facsimile: (212) 230-8730); if to the Company shall be delivered, mailed or sent to 101 North Brand Boulevard, Suite 1100, Glendale, California 92103, Attention: Chas Rampenthal, Esq., General Counsel and Secretary, with a copy (which copy shall not constitute notice) to Sheppard, Mullin, Richter & Hampton LLP, Suite 1600, 1901 Avenue of the Stars, Los Angeles, California 90067; attention C.

Thomas Hopkins, Esq. and Louis P.A. Lehot, Esq. (facsimile: (310) 228-3701); and if to the Selling Stockholders shall be delivered, mailed or sent to the addresses listed on Schedule I hereto underneath such Selling Stockholder's name.

Very truly yours,

LegalZoom, Inc.

By: _____
Name:
Title:

The Selling Stockholders named in Schedule I hereto, acting severally

By: _____
Attorney-in Fact

Accepted as of the date hereof

Morgan Stanley & Co. LLC
Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Acting severally on behalf of themselves and the several Underwriters named in
Schedule II hereto

By: Morgan Stanley & Co. LLC

By: _____
Name:
Title:

By: Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By: _____
Name:
Title:

SCHEDULE I

| Selling Stockholder | Number of Firm Shares To Be Sold |
|--|---|
| Entities affiliated with Polaris Venture Partners(4) | 3,500,000 |
| Institutional Venture Partners XIII, L.P.(5) | — |
| KPCB Holdings, Inc., as Nominee(6) | — |
| Brian Liu(7) | 320,770 |
| John Suh(8) | 137,774 |
| Frank Monestere(9) | 22,772 |
| Edward Hartman(10) | 39,761 |
| Fred Krupica(11) | 34,159 |
| Sheila Tan | — |
| Tracy Terrill(12) | 10,248 |
| Chas Rampenthal(13) | — |
| Brian Liu(7) | 320,770 |
| Susan Decker(14) | — |
| Alan Spoon(15) | — |
| c/o Polaris Venture Partners | 3,500,000 |
| Jason Trevisan(16) | — |
| c/o Polaris Venture Partners | 3,500,000 |
| Nehemia (Hemi) Zucker | — |
| Daniel Cooperman(17) | — |
| Kenneth McBride(18) | — |
| Robert Shapiro(19) | 104,275 |
| Thomas Newby | 28,533 |
| Daniel Williams | 1,708 |
| Total: | — |

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SCHEDULE II

| Underwriter | Number of Firm Shares To Be Purchased |
|---|--|
| Morgan Stanley & Co. LLC | — |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | — |
| William Blair & Company, L.L.C. | — |
| RBC Capital Markets, LLC | — |
| Cantor Fitzgerald & Co. | — |
| Montgomery & Co., LLC | — |
| Total: | — |

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SCHEDULE III

Time of Sale Prospectus

1. Preliminary Prospectus issued [date]
2. [identify all free writing prospectuses filed by the Company under Rule 433(d) of the Securities Act]
3. [free writing prospectus containing a description of terms that does not reflect final terms, if the Time of Sale Prospectus does not include a final term sheet]
4. [orally communicated pricing information such as price per share and size of offering if a Rule 134 pricing term sheet is used at the time of sale instead of a pricing term sheet filed by the Company under Rule 433(d) as a free writing prospectus]

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legalzoom
 INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

NUMBER _____ SHARES _____

FOR THE STATE OF DELAWARE
 CLSP 854086 10 3

THIS CERTIFIES THAT

_____ is the owner of

FULLY PAID AND NON-ASSESSABLE COMMON SHARES, \$0.001 PAR VALUE, OF

LEGALZOOM.COM, INC.

transferable on the books of the Corporation by the holder hereof in person or by Attorney upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, the said Corporation has caused this certificate to be signed by its duly authorized officers.

Done:

SIG TO COME SIG TO COME

 PRESIDENT

 SECRETARY

LEGALZOOM.COM SYSTEM
 1500 EAST 17TH AVENUE, SUITE 300
 DENVER, CO 80202
 TEL: 303.797.0800
 FAX: 303.797.0801

THE BOARD OF THIS CORPORATION HAS THE AUTHORITY TO CREATE AND DETERMINE THE RELATIVE RIGHTS AND PREFERENCES OF CLASSES OR SERIES OF SHARES OF CAPITAL STOCK OTHER THAN COMMON STOCK. THIS CORPORATION WILL FURNISH TO ANY SHAREHOLDER UPON WRITTEN REQUEST SENT TO ITS PRINCIPAL EXECUTIVE OFFICES, AND WITHOUT CHARGE, A FULL STATEMENT OF THE BOARD'S AUTHORITY TO CREATE AND DETERMINE THE RELATIVE RIGHTS AND PREFERENCES OF CLASSES OR SERIES OF SHARES OF CAPITAL STOCK AS WELL AS THE DESIGNATIONS, PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS OF THE SHARES OF EACH CLASS OR SERIES THEN OUTSTANDING OR AUTHORIZED TO BE ISSUED.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UTMA - _____ Custodian _____
(Cust) (Minor)
under Uniform Transfers to Minors Act _____
(State)

Additional abbreviations may also be used though not in above list.

For value received _____ hereby sell, assign, and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING ZIP CODE OF ASSIGNEE)

*_____ Shares
of the capital stock represented by the within Certificate,
and do hereby irrevocably constitute and appoint _____
_____ Attorney
to transfer the said stock on the books of the within-named
Corporation with full power of substitution in the premises.*

Dated _____ X _____

X _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

SIGNATURE GUARANTEED

ALL GUARANTEES MUST BE MADE BY A FINANCIAL INSTITUTION (SUCH AS A BANK OR BROKER) WHICH IS A PARTICIPANT IN THE SECURITIES TRANSFER AGENTS MEDALLION PROGRAM ("STAMP"), THE NEW YORK STOCK EXCHANGE, INC. MEDALLION SIGNATURE PROGRAM ("MSP"), OR THE STOCK EXCHANGES MEDALLION PROGRAM ("SEMP") AND MUST NOT BE DATED. GUARANTEES BY A NOTARY PUBLIC ARE NOT ACCEPTABLE.



Sheppard Mullin Richter & Hampton LLP
 1901 Avenue of the Stars, Suite 1600
 Los Angeles, CA 90067-6055
 310.228.3700 main
 310.228.3701 main fax
 www.sheppardmullin.com

July 23, 2012

LegalZoom.com, Inc.
 101 North Brand Boulevard, 11th Floor
 Glendale, California 91203

Re: Registration Statement on Form S-1 (333-181332)

Ladies and Gentlemen:

You have requested our opinion with respect to certain matters in connection with the filing by LegalZoom.com, Inc., a Delaware corporation (the "**Company**"), of a Registration Statement on Form S-1 (File No. 333-181332) initially filed on May 10, 2012 (as amended and supplemented from time to time, the "**Registration Statement**") with the Securities and Exchange Commission (the "**Commission**"), including a related prospectus filed with the Registration Statement (the "**Prospectus**") covering the offering for sale of an aggregate of up to 8,000,000 shares (together with an additional 1,200,000 shares (the "**Additional Shares**") that may be purchased by the underwriters pursuant to an option to purchase additional shares granted by Company and the Selling Stockholders (as defined below), the "**Shares**") of the Company's common stock, par value \$0.001 per share (the "**Common Stock**"), of which up to 3,800,000 Shares (and the Additional Shares, if any) will be offered and sold by the Company (the "**Company Shares**") and up to 4,200,000 Shares (and the Additional Shares, if any) will be offered and sold by the selling stockholders named therein (the "**Selling Stockholders**") (such offer and sale, the "**Offering**"). Of the Shares to be sold by the Selling Stockholders, 34,159 Shares will be purchased by a Selling Stockholder prior to their issuance under outstanding stock options (the "**Stockholder Option Shares**"), 3,530,241 Shares will be sold prior to their issuance upon the conversion of the Series A Redeemable Convertible Preferred Stock, par value \$0.001 per share (the "**Preferred Stock**", and such Shares, together with any Additional Shares, if any, issued upon conversion of shares of Preferred Stock, collectively, the "**Stockholder Conversion**

Shares") and 635,600 Shares are currently outstanding (together with any Additional Shares, if any, the "**Stockholder Outstanding Shares**").

This opinion is being furnished in accordance with the requirements of Item 601(b)(5)(i) of Regulation S-K.

In connection with this opinion, we have reviewed and relied upon (1) the Registration Statement and related Prospectus, (2) the Company's certificate of incorporation filed January 31, 2011, as restated February 9, 2007, as amended February 25, 2010, July 29, 2011, September 29, 2011 and as further amended by (A) the fourth certificate of amendment to the certificate of incorporation that the Company has adopted in connection with, and intends to file immediately before the Registration Statement is declared effective by the Commission, and (B) the amended and restated certificate of incorporation that the Company has adopted in connection with, and intends to file upon the consummation of the Offering, and (3) the Company's bylaws dated February 1, 2007, as amended on February 16, 2010 and October 14, 2010 as certified to us as of the date hereof by an officer of the Company as being complete and in full force and effect as of the date hereof and to be further amended by (A) the third amendment to the bylaws that the Company has adopted in connection with, and to take effect immediately after the Registration Statement is declared effective by the Commission and (B) the amended and restated bylaws that the Company has adopted in connection with, and that will take effect upon, the consummation of the Offering, (4) resolutions adopted by the Board of Directors and stockholders of the Company and (5) such other documents, records, certificates, memoranda and other instruments as we deem necessary as a basis for this opinion. With respect to the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original and the conformity to originals of all documents submitted to us as certified or reproduced copies. We have also obtained from public officials and officers of the Company certificates or comparable documents as to certain factual matters. We have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth.

Based on the foregoing review, and in reliance thereon, we are of the opinion that: (i) the Stockholder Outstanding Shares are duly authorized, validly issued, fully paid and non-assessable; (ii) the Company Shares have been duly authorized, and if, as, and when issued and sold in the manner contemplated in the Registration Statement, will be validly issued, fully paid and non-assessable; (iii) the Stockholder Option Shares, when issued and paid for as contemplated in the applicable stock option agreements and sold as contemplated in the Registration Statement, will be duly authorized, validly issued, fully paid and non-assessable, (iv) the Stockholder Conversion Shares, when issued upon the conversion of Preferred Stock in accordance with the Company's certificate of incorporation and sold as contemplated in the Registration Statement, will be duly authorized, validly issued, fully paid and non-assessable.

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We consent to the filing of this opinion letter as Exhibit 5.1 to the Registration Statement and to the reference to this firm under the caption "Legal matters" in the Prospectus included in the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

We express no opinion as to matters governed by any laws other than the Delaware General Corporation Law.

This opinion letter is rendered to you solely for use in connection with the issuance and sale of the Shares in accordance with the Registration Statement as of the date first written above and is not to be relied on for any other purpose. We disclaim any obligation to advise you of facts, circumstances, events or developments that hereafter may be brought to our attention and that may alter, affect or modify the opinion expressed herein. Our opinion is expressly

limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters relating to the Company or the Shares.

Respectfully submitted,

/s/ Sheppard, Mullin, Richter & Hampton LLP

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

July 17, 2012

Jason Trevisan
 c/o Polaris Venture Partners
 1000 Winter Street, Suite 3350
 Waltham, MA 02451

Re: LegalZoom.com, Inc.

Dear Jason:

LegalZoom.com, Inc. (the "Company") is very pleased to provide you with this letter setting forth the terms and conditions of your continued service as a member of the Board of Directors (the "Board") of the Company, as follows:

Term: You will continue to serve as a member of the Board until the annual general meeting of stockholders of 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.

Committees: You acknowledge and agree that on and after the consummation of the proposed initial public offering of the Company, 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, effective upon consummation of the proposed initial public offering of the Company

In consideration of your continued service 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.

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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.

After the consummation of the proposed initial public offering of the Company and a Form S-8 Registration Statement covering the shares that may be issued under the Company's 2012 Equity Incentive Plan has become effective, 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 the timeframe required by 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.

The Company may, in its sole discretion and from time to time, amend or eliminate any of these components of compensation.

Equity Compensation Grants: In connection with the Company's initial public offering, if you are then serving on the Board, you will receive 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 consummation of the proposed initial public offering of the Company, 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: The Company confirms that you will be providing services as a member of the Board 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 meetings of

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the Board and committee(s) in which you are a member.

Confidentiality: As a condition of this letter, you will continue to 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 condition to your continued service to the Board, you are required to execute the Nondisclosure Agreement enclosed herewith.

Indemnification: The Indemnification Agreement you have entered into with the Company, dated April 2, 2012, will remain in full force and effect.

The terms and conditions set forth above supersede and replace the previous compensation arrangement, if any, between you and the Company except that any outstanding Company equity compensation awards shall remain outstanding and continue to be governed in accordance with their terms and conditions.

This letter to continue to serve as a member of the Board shall be at the will of the Board, which means that this relationship can be terminated by either party pursuant to the Bylaws of the Company. You agree the Company has the right to mention your name and other customary information in documents the Company files with the Securities and Exchange Commission, press releases and other business documentation as appropriate, including, inclusion of such information in the Company's registration statement and the related prospectus naming you as 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.

Please sign the acknowledgment at the end of this letter acknowledging and agreeing to the terms and conditions of your continued service as a member of the Board.

[Signature page follows]

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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/ Jason Trevisan
Jason Trevisan

Date: July 17, 2012

I acknowledge that I have consented 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 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.

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July 19, 2012

Alan Spoon
 c/o Polaris Venture Partners
 1000 Winter Street, Suite 3350
 Waltham, MA 02451

Re: LegalZoom.com, Inc.

Dear Alan:

LegalZoom.com, Inc. (the "Company") is very pleased to provide you with this letter setting forth the terms and conditions of your continued service as a member of the Board of Directors (the "Board") of the Company, as follows:

- Term:** You will continue to serve as a member of the Board until the annual general meeting of stockholders of 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.
- Committees:** You acknowledge and agree that on and after the consummation of the proposed initial public offering of the Company, 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, effective upon consummation of the proposed initial public offering of the Company**
- In consideration of your continued service 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.
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- 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.
- After the consummation of the proposed initial public offering of the Company and a Form S-8 Registration Statement covering the shares that may be issued under the Company's 2012 Equity Incentive Plan has become effective, 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 the timeframe required by 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.
- The Company may, in its sole discretion and from time to time, amend or eliminate any of these components of compensation.
- Equity Compensation Grants:** In connection with the Company's initial public offering, if you are then serving on the Board, you will receive 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 consummation of the proposed initial public offering of the Company, 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:** The Company confirms that you will be providing services as a member of the Board 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 meetings of

the Board and committee(s) in which you are a member.

Confidentiality: As a condition of this letter, you will continue to 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 condition to your continued service to the Board, you are required to execute the Nondisclosure Agreement enclosed herewith.

Indemnification: The Indemnification Agreement you have entered into with the Company, dated April 2, 2012, will remain in full force and effect.

The terms and conditions set forth above supersede and replace the previous compensation arrangement, if any, between you and the Company except that any outstanding Company equity compensation awards shall remain outstanding and continue to be governed in accordance with their terms and conditions.

This letter to continue to serve as a member of the Board shall be at the will of the Board, which means that this relationship can be terminated by either party pursuant to the Bylaws of the Company. You agree the Company has the right to mention your name and other customary information in documents the Company files with the Securities and Exchange Commission, press releases and other business documentation as appropriate, including, inclusion of such information in the Company's registration statement and the related prospectus naming you as 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.

Please sign the acknowledgment at the end of this letter acknowledging and agreeing to the terms and conditions of your continued service as a member of the Board.

[Signature page follows]

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/ Alan Spoon
Alan Spoon

Date: July 19, 2012

I acknowledge that I have consented 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 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.

July 19, 2012

Mr. Ken McBride

Re: LegalZoom.com, Inc.

Dear Ken:

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") and as a member and chairman of the Audit Committee of the Board. 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:** Effective immediately after the Registration Statement is declared effective by the Securities and Exchange Commission (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 three 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
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- 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.
- 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]

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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/ Ken McBride

Ken McBride

Date: July 19, 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.

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July 19, 2012

Brian Liu

Re: LegalZoom.com, Inc.

Dear Brian:

In connection with your voluntary resignation of employment from all offices with LegalZoom.com, Inc. (the "Company"), which resignation will be effective as of 11:59 p.m. Pacific Standard Time on the day immediately prior to the closing of the Company's initial public offering and only to the extent the Company's initial public offering is consummated, the Company is very pleased to provide you with this letter setting forth the terms and conditions of your continuing service as a member of the Board of Directors (the "Board") of the Company, in a non-employee capacity, as follows:

- Term:** You will continue to serve as a member of the Board until the annual general meeting of stockholders of 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.
- Committees:** To the extent requested by the Board, you may 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 committees as provided therein. You will be compensated for any such committee service in accordance with the Company's director compensation provisions that are then in effect.
- Cash Compensation, effective upon consummation of the proposed initial public offering of the Company:** In consideration of your continued service 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.
- After the consummation of the proposed initial public offering of the Company and a Form S-8 Registration Statement covering the shares that may be issued under the Company's 2012 Equity Incentive Plan has become effective, 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 the timeframe required by Internal Revenue Code §409A.
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- Equity Compensation:** 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.
- Grants:** The Company may, in its sole discretion and from time to time, amend or eliminate any of these components of compensation.
- Stock Ownership Guidelines:** In connection with the Company's initial public offering, if you are then serving on the Board, you will receive 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.
- Responsibilities:** 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 consummation of the proposed initial public offering of the Company, and to remain at or above the guideline.
- No Legal Services Provided:** 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.
- Expenses:** The Company confirms that you will be providing services as a member of the Board in your individual capacity, and will not be providing or called upon to provide legal services to the Company.
- Confidentiality:** The Company will reimburse you for all reasonable, out-of-pocket costs and expenses incurred by you in connection with attending meetings of the Board and committee(s) in which you are a member.
- Indemnification:** As a condition of this letter, you will continue to 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 condition to your continued service to the Board, you are required to execute the Nondisclosure Agreement enclosed herewith.
- Indemnification:** The Indemnification Agreement you have entered into with the Company, dated April 2, 2012, will remain in full force and effect.

The terms and conditions set forth above supersede and replace the previous compensation arrangement, if any, between you and the Company except that any outstanding Company equity compensation awards shall remain outstanding and continue to be governed in accordance with their terms and conditions.

This letter to continue to serve as a member of the Board shall be at the will of the Board, which means that this relationship can be terminated by either party pursuant to the Bylaws of the Company. You agree the Company has the right to mention your name and other customary information in documents the Company files with the Securities and Exchange Commission, press releases and other business documentation as appropriate, including, inclusion of such information in the Company's registration statement and the related prospectus naming you as 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.

Please sign the acknowledgment at the end of this letter acknowledging and agreeing to the terms and conditions of your continued service as a member of the Board.

[Signature page follows]

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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/ Brian Liu
Brian Liu

Date: July 19, 2012

I acknowledge that I have consented 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 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.

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July 19, 2012

Susan Decker

Re: LegalZoom.com, Inc.

Dear Susan:

LegalZoom.com, Inc. (the "Company") is very pleased to provide you with this letter setting forth the terms and conditions of your continued service as a member of the Board of Directors (the "Board") of the Company, as follows:

- Term:** You will continue to serve as a member of the Board until the annual general meeting of stockholders of 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.
- Committees:** You acknowledge and agree that on and after the consummation of the proposed initial public offering of the Company, 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, effective as of April 1, 2012**
- In consideration of your continued service 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.
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- 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.
- After the consummation of the proposed initial public offering of the Company and a Form S-8 Registration Statement covering the shares that may be issued under the Company's 2012 Equity Incentive Plan has become effective, 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 the timeframe required by 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.
- The Company may, in its sole discretion and from time to time, amend or eliminate any of these components of compensation.
- Equity Compensation Grants:** In connection with the Company's initial public offering, if you are then serving on the Board, you will receive 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 consummation of the proposed initial public offering of the Company, 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:** The Company confirms that you will be providing services as a member of the Board 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 meetings of

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the Board and committee(s) in which you are a member.

Confidentiality: As a condition of this letter, you will continue to 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 condition to your continued service to the Board, you are required to execute the Nondisclosure Agreement enclosed herewith.

Indemnification: The Indemnification Agreement you have entered into with the Company, dated March 30, 2012, will remain in full force and effect.

The terms and conditions set forth above supersede and replace the previous compensation arrangement, if any, between you and the Company except that any outstanding Company equity compensation awards shall remain outstanding and continue to be governed in accordance with their terms and conditions.

This letter to continue to serve as a member of the Board shall be at the will of the Board, which means that this relationship can be terminated by either party pursuant to the Bylaws of the Company. You agree the Company has the right to mention your name and other customary information in documents the Company files with the Securities and Exchange Commission, press releases and other business documentation as appropriate, including, inclusion of such information in the Company's registration statement and the related prospectus naming you as 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.

Please sign the acknowledgment at the end of this letter acknowledging and agreeing to the terms and conditions of your continued service as a member of the Board.

[Signature page follows]

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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/ Susan Decker
Susan Decker

Date: July 19, 2012

I acknowledge that I have consented 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 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.

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LEGALZOOM.COM, INC.

February 15, 2007

To: John Suh**RE: OFFER LETTER OF EMPLOYMENT**

LegalZoom.com, Inc. (the "Company") is pleased to offer you employment on the following terms:

1. **POSITION.** You will serve in the full time position of Chief Executive Officer reporting to the Board of Directors.
2. **DUTIES.** You shall have such powers and duties which are customarily associated with the position of Chief Executive Officer. In addition, if requested and properly elected, you shall serve on the Company's Board of Directors. You shall use your best efforts to advance the best interests of the Company.
3. **CASH CONSIDERATION.** The Company will pay you a salary at the rate of \$200,000 per year, payable in accordance with the Company's standard payroll schedule. This salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time.
4. **PERFORMANCE BONUS.** The Company believes in pay-for performance and, as such, we offer you a potential target bonus of up to 2% of the Company's EBITDA for 2007, based on the individual goals subsequently agreed to by you and the Compensation Committee of the Board of Directors. The individual goals are to be determined in writing within the first 30 days of employment. In subsequent years, the targeted cash bonus shall be equal to approximately \$200,000. Both parties may mutually agree to amend the performance goals from time to time as dictated by business need.
5. **EQUITY-BASED COMPENSATION.** You will receive options to purchase 742,000 shares of the Company's common stock (the "Option"). The price per share will be determined by the Board, based on the fair market value of the common stock on the date of grant. The Option will be subject to the terms and conditions of the Company's Stock Option Plan. You will vest these option shares on a monthly basis over 48 months, beginning the date you commence employment as CEO, as will be more fully set forth in a stock option agreement entered into pursuant to the stock option plan. Your right to receive new equity incentives in the future will be determined and approved by the Board of Directors in connection with ongoing executive compensation reviews.
6. **EMPLOYEE BENEFITS.** As a regular employee of the Company, you will be eligible to participate in a number of the Company-sponsored benefits including paid vacation (three weeks initially), all in accordance with the Company's policies as in effect from time to time. In addition, you will be covered under the Company's health insurance programs, and any 401(k) plan adopted by the Company. The Company will reimburse you for all cost of your professional licensing and any professional organizations. In accordance with the Company's generally applicable policies, you will be reimbursed for all reasonable travel and business expenses incurred by you in connection with your employment duties. All coverage will be initiated on your start date (see below).
7. **TERMINATION AND RESIGNATION FOR GOOD REASON.** Employment may be terminated by the Company:
 - a. for cause, as defined, in which case you shall be entitled to receive only your base salary through the date of termination;
 - b. without cause, in which case you shall be entitled to receive (i) continuation of your base salary for 12 months, and (ii) one year of coverage under the Company's health insurance programs; provided, however, that in such case you will be asked to sign a full release of the Company from any employment related claims as a condition precedent to receiving such termination benefits;
 - c. upon death or long-term disability, in which case you shall be entitled to receive only your base salary through the date of termination.
 - d. In the event that you resign for good reason, you shall receive (i) continuation of your base salary for one year, (b) any bonus earned and/or accrued through the date of termination, (c) twelve month acceleration of the unvested stock options, and (d) one year of coverage under the Company's health insurance programs; provided, however, that in such case you will be asked to sign a full release of the Company from any employment related claims as a condition precedent to receiving such termination benefits.

For the purposes of this Agreement, "Cause" shall mean: (i) your willful, intentional or grossly negligent failure to perform his duties under this Agreement diligently and in accordance with the directions of the Board of Directors; (ii) admission or final conviction of (or plea of guilty, nolo contendere or similar effect to) a misdemeanor materially adversely affecting the Company or of any felony; (iii) your commission of an act of fraud against, or your material misappropriation of property belonging to, the Company; or (iv) any material breach by you of any provision of this Agreement that is not remedied by you within 30 days of your receipt of written notice from the Company, which notice shall include a detailed and specific description of the alleged material breach or breaches.

"Good Reason" includes a breach by the Company of its obligations hereunder, a significant reduction of your duties, title or authority, or any requirement or suggestion that you violate your professional ethics.

If your employment with the Company is terminated for any reason, and at the time of such termination you are serving on the Company's Board of Directors, you shall resign your position on the Company's Board of Directors effective no later than the effective date of the termination of your employment with the Company.

8. **CHANGE OF CONTROL.** For the purposes of this Agreement, a "Change of Control Event" shall be the occurrence of a single shareholder (or beneficial owner) acquiring over 50% of the then outstanding ordinary shares (or securities convertible into over 50% of the then outstanding ordinary shares) of the Company. In the event of your position being eliminated or your responsibilities materially reduced within twelve months of a "Change of Control Event", you shall be entitled to: (i) severance payment equal to one year of your base salary, and (ii) 100% acceleration of the unvested stock options.
9. **INITIAL PUBLIC OFFERING.** Should the Company complete a Qualified IPO, you will receive a one year acceleration of options and a cash bonus of \$100,000. A "Qualified IPO" shall be defined in the Company's Articles of Incorporation.

10. **INDEMNIFICATION.** To the fullest extent permitted by the Company's charter documents and applicable law, the Company agrees to defend and indemnify you and hold you harmless against any liability that you incur within the scope of your employment with the Company. The Company will use reasonable efforts to purchase and maintain Directors' and Officers' liability insurance.
11. **OUTSIDE ACTIVITIES.** While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the prior written consent of the Company, which consent shall not be unreasonably withheld. While you render services to the Company, you also will not assist any person or entity in competing with the

Company, in preparing to compete with the Company in hiring any employees or consultants of the Company. The Company currently understands you are a partial owner and Board Member of Expel Industries, a venture that does not directly or indirectly compete with the Company. The Company makes an exception under this paragraph to allow your participation in Expel as set forth in the preceding sentence.

If your employment is terminated and you become employed by any other company in the attorney matching, legal content or self-help legal industry, then any options that you hold shall be immediately terminated, and you shall grant an option to the Company to sell all of your shares in the Company at a price of \$.01 per share.

12. **WITHHOLDING TAXES.** All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.
13. **ENTIRE AGREEMENT.** Except as set forth herein, this letter agreement supersedes and replaces any prior agreements, representations or understandings, whether written, oral or implied, between you and the Company. If the Company deems it necessary or advisable following the reverse merger, you agree to enter into a subsequent agreement with the Company on substantially the same terms as this Agreement, to supersede and replace this Agreement.
14. **AMENDMENT OR WAIVER.** This Agreement cannot be changed, modified or amended without the consent in writing of both you and the Company. No waiver by either you or the Company at any time of any breach by the other party of any condition or provision of the Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by you or an authorized officer of the Company.
15. **SEVERABILITY.** In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. If any particular provision is prohibited by law in a particular jurisdiction, then you and the Company agree that such particular provision shall not be enforceable in that jurisdiction only.
16. **GOVERNING LAW.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of California without reference to principles of conflict of laws.

We hope that you will find the above terms acceptable. You may indicate your agreement with these terms by signing and dating the enclosed letter agreement and returning it to me. By signing this letter agreement, you reconfirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

Very truly yours,

LEGALZOOM.COM, INC.

/s/ Brian Liu

By: Brian Liu, Chairman

I have read and accept and agree to the above terms of employment:

/s/ John Suh

John Suh

FIRST AMENDMENT TO THE OFFER OF EMPLOYMENT LETTER AGREEMENT

This First Amendment (this "Amendment") to that certain Offer of Employment Letter Agreement by and between John Suh ("Executive") and LegalZoom.com, Inc., a Delaware corporation (the "Company") dated February 15, 2007 (the "Employment Agreement") is made and entered into as of April 20, 2010. All capitalized terms not defined herein shall have the same meaning respectively assigned to them under the Employment Agreement.

RECITALS

- A. On November 1, 2005, the Company and Executive entered into the Employment Agreement.
- B. The parties wish to amend Section 8 of the Employment Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. Section 8 of the Employment Agreement is hereby deleted and replaced in its entirety with the following:

“CHANGE OF CONTROL. In the event of the Termination of your employment with the Company upon or within the twelve (12) month period following a Change of Control, (i) this Section 8 shall control with respect to your benefits related to your base salary and stock options granted, restricted stock, stock appreciation rights and stock units, (ii) you shall be entitled to receive a severance payment equal to one (1) year of your base salary, and (ii) all outstanding stock options granted, restricted stock, stock appreciation rights and stock units issued by the Company to you prior to the Change of Control shall have their vesting fully accelerated so as to be 100% vested immediately prior to the Termination; provided that, as a condition precedent to receiving such benefits, you shall sign a full release of the Company (and the acquiring company, if requested) from any claims.

For the purposes of this Agreement, “Change of Control” shall mean any of the following events:

- a) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty (50%) or more of (A) the outstanding shares of common stock of the Company or (B) the combined voting power of the Company’s then-outstanding securities;
- b) the Company is party to a merger or consolidation, or series of related transactions, which results in the voting securities of the Company 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 fifty (50%) percent of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

- c) the sale or disposition of all or substantially all of the Company’s assets (or consummation of any transaction, or series of related transactions, having similar effect);
- d) the dissolution or liquidation of the Company; or
- e) any transaction or series of related transactions that has the substantial effect of any one or more of the foregoing.

For the purposes of this Agreement, “Termination” shall mean termination of employment with the Company due to any of the following:

- a) actual termination of your employment by the Company without Cause;
- b) your resignation due to material diminution of the position or responsibility held by you;
- c) your resignation due to any reduction in your salary, bonus and other compensation due to you hereunder; or
- d) your resignation due to a Company requirement that you relocate to a new job location of 50 miles or more from the then-current office location.”

2. Except as otherwise provided herein, all other terms and conditions of the Employment Agreement will remain in full force and effect.

[Signature Page to Follow.]

IN WITNESS WHEREOF, the Company and Executive have caused this Amendment to be executed and delivered the date first above written.

“Company”

LEGALZOOM.COM, Inc.

/s/ Frank Monestere

Name: Frank Monestere
Title: President & COO

“Executive”

/s/ John Suh

John Suh

LEGALZOOM.COM, INC.

EXECUTIVE EMPLOYMENT, CONFIDENTIAL INFORMATION AND
ASSIGNMENT OF INVENTIONS AGREEMENT

This Executive Employment, Confidential Information and Assignment of Inventions Agreement (this "Agreement") entered into as of the 25th day of March, 2004, by and between Edward R. Hartman (the "Executive") and LegalZoom.com, Inc. (the "Company"). Each party hereinafter may be referred to individually as a "Party" or collectively as the "Parties."

WHEREAS, Executive is a key employee of the Company who possesses valuable knowledge of the Company, its business and operations and the markets in which the Company competes;

WHEREAS, the Company draws upon the knowledge, experience and objective advice of Executive in order to manage its business for the benefit of the Company's investors;

WHEREAS, the Company recognizes that if there occurred a Change of Control or other event that could substantially change the nature and structure of the Company, the resulting uncertainty regarding the consequences of such an event could adversely affect the Company's ability to attract, retain and motivate its key employees, including Executive;

WHEREAS, the Company believes that the existence of this Agreement will serve as an incentive to Executive to remain in the employ of the Company, and would enhance the Company's ability to call on and rely upon Executive if a Change of Control were to occur; and

WHEREAS, the Company and Executive desire to enter into this Agreement in order (1) to specify and memorialize the terms of Executive's employment with the Company, and (2) to encourage Executive to continue to devote Executive's full attention and dedication to the success of the Company;

NOW, THEREFORE, in consideration of the mutual premises and covenants contained herein, it is hereby agreed by and between the Parties hereto as follows:

1. TERMS OF EMPLOYMENT.

1.1. **Effective Date.** The effective date of this Agreement shall be retroactive to the date that the Executive commenced employment with the Company.

1.2. **Position.** Subject to terms set forth herein, the Company and the Executive agree to continue their business relationship with Executive remaining in the position of Chief Strategy Officer and Chief Technology Officer. During Executive's employment with the Company, the Executive will devote his best efforts and substantially all of his business time and attention (except for vacation periods and reasonable periods of illness or other incapacities permitted by the Company's general employment policies) to the business of the Company.

1.3. **Duties.** The Executive shall perform such duties as are customarily associated with his then current title, consistent with the Bylaws of the Company and as required by the Company's Chief Executive Officer or its Board of Directors. The Executive shall perform his duties at such place or places as the Company shall reasonably designate.

1.4. **Company Policies.** The employment relationship between the Parties shall also be governed by the general employment policies and practices of the Company, provided, that if

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any terms of this Agreement differ from or are in conflict with any of the Company's general employment policies or practices, this Agreement shall control.

1.5. **At-Will Employment Status.** THE EXECUTIVE UNDERSTANDS AND ACKNOWLEDGES THAT EMPLOYMENT WITH THE COMPANY IS FOR AN UNSPECIFIED DURATION AND CONSTITUTES "AT-WILL" EMPLOYMENT. THE EXECUTIVE FURTHER ACKNOWLEDGE THAT THIS EMPLOYMENT RELATIONSHIP MAY BE TERMINATED AT ANY TIME, WITH OR WITHOUT GOOD CAUSE OR FOR ANY OR NO CAUSE, AT THE OPTION EITHER OF THE COMPANY OR THE EXECUTIVE, WITH OR WITHOUT NOTICE.

2. COMPENSATION.

2.1. **Salary.** The Executive shall receive for services to be rendered hereunder an annualized base salary of \$130,000, payable in accordance with the Company's regular payroll schedule. Such compensation is subject to change in accordance with the policies of the Company, as determined by its Board of Directors, in force from time to time.

2.2. **Incentive Compensation.** The Employee has received options to purchase One Hundred Thousand (100,000) shares of the Company's common stock, pursuant to the terms and conditions set forth in the Company's 2000 Stock Option Plan (the "Options"). The Options shall vest as determined by the Company's Board of Directors on the date of the grant and shall have an exercise price as set in good faith by the Company's Board of Directors on the date of the grant. From time to time, the Company may, but is under no obligation to, issue additional options to Employee, pursuant to any Company-approved option plan, as the same may be in existence at that time.

2.3. **Equity Compensation.** From time to time, the Company may, but is under no obligation to, issue additional options to Executive, pursuant to any Company-approved option plan, as the same may be in existence at that time.

2.4. **Other Non-Monetary Benefits.** The Executive shall be entitled to certain other non-monetary benefits, including but not limited to vacation days, sick days, holidays, paid time off, medical and dental plans, accordance with the policies of the Company, as determined by its Board of Directors, in force and which may be amended from time to time.

3. CONFIDENTIAL INFORMATION.

3.1. Company Information. The Executive agrees at all times during the term of employment and thereafter, to hold in strictest confidence, and not to use, except for the benefit of the Company, or to disclose to any person, firm or corporation without written authorization of the Board of Directors of the Company, any Confidential Information of the Company. The Executive understands that "Confidential Information" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company the Executive called or with whom the Executive became acquainted during the term of employment), markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, marketing, finances or other business information disclosed to me by the Company either directly or indirectly in writing, orally or by drawings or observation of parts or equipment.

3.2. Exceptions. The foregoing obligations and restrictions do not apply to that part of the Confidential Information that the Executive demonstrates:

a) was available or became generally available to the public other than as a result of a disclosure by the Executive; or

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b) was available, or became available, to the Executive on a non-confidential basis prior to its disclosure to the Executive by the Company or a Company Representative, but only if (i) the source of such information is not bound by a confidentiality agreement with the Company or is not otherwise prohibited from transmitting the information to the Executive or a representative of the Executive by a contractual, legal, fiduciary or other obligation and (ii) the Executive provides the Company with written notice of such prior possession either (A) prior to the execution and delivery of this Agreement or (B) if the Executive later becomes aware (through disclosure to the Executive) of any aspect of the Confidential Information as to which the Executive had prior possession, promptly upon the Executive so becoming aware; or

c) was requested or legally compelled (by oral questions, interrogatories, requests for information or documents, subpoena, civil or criminal investigative demand or similar process) or is required by a regulatory body to make any disclosure which is prohibited or otherwise constrained by this Agreement, provided, that the Executive shall (i) provide the Company with prompt notice of any such request(s) so that the Company may seek an appropriate protective order or other appropriate remedy, and (ii) provide reasonable assistance to the Company in obtaining any such protective order. If such protective order or other remedy is not obtained or the Company grants a waiver hereunder, then the Executive may furnish that portion (and only that portion) of the Confidential Information which, in the written opinion of counsel reasonably acceptable to the Company, the Executive is legally compelled or is otherwise required to disclose; provided, that the Executive shall use reasonable efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so disclosed.

3.3. Former Employment Information. The Executive agrees during employment with the Company, not to improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer or other person or entity and not bring onto the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

3.4. Third Party Information. The Executive recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out the Executive's work for the Company consistent with the Company's agreement with such third party.

4. INVENTIONS.

4.1. Inventions Retained and Licensed. Attached hereto as Exhibit A, is a list describing all inventions, original works of authorship, developments, improvements, and trade secrets which were made by the Executive prior to employment with the Company (collectively referred to as "Prior Inventions"), which belong to the Executive, which relate to the Company's proposed business, products or research and development, and which are not assigned to the Company hereunder; or, if no such list is attached, the Executive represents that there are no such Prior Inventions. If in the course of employment with the Company, the Executive incorporates into a Company product, process or machine a Prior Invention owned by the Executive or in which the Executive has an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine.

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4.2. Assignment of Inventions. The Executive agree to promptly make full written disclosure to the Company, to hold in trust for the sole right and benefit of the Company, and hereby assign to the Company, or its designee, all right, title, and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under copyright or similar laws, which the Executive may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of employment with the Company (collectively referred to as "Inventions"), except as provided in Section 4.5 below. The Executive further acknowledges that all original works of authorship which are made by the Executive (solely or jointly with others) within the scope of and during the period of employment with the Company and which are protectible by copyright are "works made for hire," as that term is defined in the United States Copyright Act.

4.3. Maintenance of Records. The Executive agrees to keep and maintain adequate and current written records of all Inventions made by the Executive (solely or jointly with others) during the term of employment with the Company. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

4.4. Patent and Copyright Registrations. The Executive agrees to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, including the disclosure of the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns, and nominees the sole and exclusive rights, title and interest in and to such Inventions, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. The Executive further agrees that any obligation to execute or cause to be executed, when it

is in the Executive's power to do so, any such instrument or papers shall continue after the termination of this Agreement. If the Company is unable because of the Executive's mental or physical incapacity or for any other reason to secure a signature to apply for or to pursue any application of any United States or foreign patents or copyright registrations covering Inventions or original works of authorship assigned to the Company as above, then the Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Executive's agent and attorney in fact, to act for and in behalf of the Executive to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by the Executive.

4.5. **Exception to Assignments.** The Executive understands that the provision(s) of this Agreement requiring assignment of Inventions to the Company do not apply to any invention which qualifies fully under the provisions of California Labor Code Section 2870 (attached hereto as Exhibit B). The Executive shall advise the Company promptly in writing of any inventions that, in the Executive's belief, meets the criteria in California Labor Code Section 2870 and not otherwise disclosed on Exhibit A.

5. **CONFLICTING EMPLOYMENT.** The Executive agrees that, during the term of employment with the Company, the Executive will not engage in any other employment, occupation, consulting or other business activity directly related to the business in which the Company is now involved or becomes involved during the term of my employment.

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6. **RETURNING COMPANY DOCUMENTS.** The Executive agrees that, at the time of leaving the employ of the Company, the Executive will deliver to the Company (and will not keep in my possession, recreate or deliver to anyone else) any and all devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items developed by the Executive pursuant to such employment with the Company or otherwise belonging to the Company, its successors or assigns. In the event of the termination of employment, The Executive agrees to sign and deliver the "Termination Certification" attached hereto as Exhibit C.

7. **NOTIFICATION OF NEW EMPLOYER.** In the event that the Executive leaves the employ of the Company, the Executive hereby grants consent to notification by the Company to my new employer about any rights and obligations under this Agreement.

8. **SOLICITATION OF EMPLOYEES.** The Executive agrees that for a period of twelve (12) months immediately following the termination of the employment relationship with the Company for any reason, whether with or without cause, the Executive shall not either directly or indirectly solicit, induce, recruit or encourage any of the Company's Executives to leave their employment, or take away such Executives, or attempt to solicit, induce, recruit, encourage or take away Executives of the Company, either for the benefit of the Executive or for any other person or entity.

9. **CONFLICT OF INTEREST GUIDELINES.** The Executive agrees to diligently adhere to the Conflict of Interest Guidelines attached as Exhibit D hereto.

10. **REPRESENTATIONS.** The Executive shall execute any proper oath or verify any proper document required to carry out the terms of this Agreement. The Executive represents that the performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by the Executive in confidence or in trust prior to employment by the Company. The Executive has not entered into, and shall not enter into, any oral or written agreement in conflict herewith.

11. **ARBITRATION AND EQUITABLE RELIEF.**

11.1. **Arbitration.** EXCEPT AS PROVIDED IN SECTION 11(b) BELOW, THE EXECUTIVE AGREES THAT ANY DISPUTE OR CONTROVERSY ARISING OUT OF, RELATING TO, OR CONCERNING ANY INTERPRETATION, CONSTRUCTION, PERFORMANCE OR BREACH OF THIS AGREEMENT, SHALL BE SETTLED BY ARBITRATION TO BE HELD IN LOS ANGELES COUNTY, CALIFORNIA, IN ACCORDANCE WITH THE RULES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATOR MAY GRANT INJUNCTIONS OR OTHER RELIEF IN SUCH DISPUTE OR CONTROVERSY. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION. JUDGMENT MAY BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION. THE PARTIES SHALL EACH PAY ONE-HALF OF THE COSTS AND EXPENSES OF SUCH ARBITRATION, AND EACH OF THE PARTIES SHALL SEPARATELY PAY COUNSEL FEES AND EXPENSES.

11.2. THIS ARBITRATION CLAUSE CONSTITUTES A WAIVER OF THE EXECUTIVE'S RIGHT TO A JURY TRIAL AND RELATES TO THE RESOLUTION OF ALL DISPUTES RELATING TO ALL ASPECTS OF THE EMPLOYER/EXECUTIVE RELATIONSHIP (EXCEPT AS PROVIDED IN SECTION 11(b) BELOW), INCLUDING, BUT NOT LIMITED TO, THE FOLLOWING CLAIMS:

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11.3. ANY AND ALL CLAIMS FOR WRONGFUL DISCHARGE OF EMPLOYMENT; BREACH OF CONTRACT, BOTH EXPRESS AND IMPLIED; BREACH OF THE COVENANT OF GOOD FAITH AND FAIR DEALING, BOTH EXPRESS AND IMPLIED; NEGLIGENT OR INTENTIONAL INFLECTION OF EMOTIONAL DISTRESS; NEGLIGENT OR INTENTIONAL MISREPRESENTATION; NEGLIGENT OR INTENTIONAL INTERFERENCE WITH CONTRACT OR PROSPECTIVE ECONOMIC ADVANTAGE; AND DEFAMATION;

11.4. ANY AND ALL CLAIMS FOR VIOLATION OF ANY FEDERAL, STATE OR MUNICIPAL STATUTE, INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE CIVIL RIGHTS ACT OF 1991, THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967, THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FAIR LABOR STANDARDS ACT, THE CALIFORNIA FAIR EMPLOYMENT AND HOUSING ACT, AND LABOR CODE SECTION 201, et seq.;

11.5. ANY AND ALL CLAIMS ARISING OUT OF ANY OTHER LAWS AND REGULATIONS RELATING TO EMPLOYMENT OR EMPLOYMENT DISCRIMINATION.

11.6. **Equitable Remedies.** THE EXECUTIVE AGREES THAT IT WOULD BE IMPOSSIBLE OR INADEQUATE TO MEASURE AND CALCULATE THE COMPANY'S DAMAGES FROM ANY BREACH OF THE COVENANTS SET FORTH IN SECTIONS 3, 4, AND 6 HEREIN. ACCORDINGLY, THE EXECUTIVE AGREES THAT IN THE EVENT OF A BREACH ANY SUCH SECTIONS, THE COMPANY WILL HAVE AVAILABLE, IN ADDITION TO ANY OTHER RIGHT OR REMEDY AVAILABLE, THE RIGHT TO OBTAIN AN INJUNCTION FROM A COURT OF

COMPETENT JURISDICTION RESTRAINING SUCH BREACH OR THREATENED BREACH AND TO SPECIFIC PERFORMANCE OF ANY SUCH PROVISION OF THIS AGREEMENT. THE EXECUTIVE FURTHER AGREES THAT NO BOND OR OTHER SECURITY SHALL BE REQUIRED IN OBTAINING SUCH EQUITABLE RELIEF AND THE EXECUTIVE HEREBY CONSENTS TO THE ISSUANCE OF SUCH INJUNCTION AND TO THE ORDERING OF SPECIFIC PERFORMANCE.

11.7. Consideration. THE EXECUTIVE UNDERSTANDS THAT EACH PARTY'S PROMISE TO RESOLVE CLAIMS BY ARBITRATION IN ACCORDANCE WITH THE PROVISIONS OF THIS AGREEMENT, RATHER THAN THROUGH THE COURTS, IS CONSIDERATION FOR OTHER PARTY'S LIKE PROMISE. THE EXECUTIVE FURTHER UNDERSTANDS THAT THIS OFFER OF EMPLOYMENT IS MADE IN CONSIDERATION OF SUCH PROMISE TO ARBITRATE CLAIMS.

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12. GENERAL PROVISIONS.

12.1. Notices. Any notice or other communication provided for herein or given hereunder to a Party hereto shall be in writing and shall be given by delivery, by facsimile or by mail (registered or certified mail, postage prepaid, return receipt requested) to the respective Party as follows:

If to Executive:
At the address set forth on the signature page hereto

If to Company:
LegalZoom.com, Inc.
Attn: General Counsel
7083 Hollywood Boulevard
Suite 180
Los Angeles, Ca 90028
FAX: (323) 962-8300

or to such other address with respect to a Party as such Party shall notify the other in writing.

12.2. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by the Parties, and their respective successors, assigns, heirs, executors and administrators; provided that, neither Party may assign any duties or his rights hereunder without the written consent of the other Party, which consent shall not be withheld unreasonably. Notwithstanding the foregoing, the Company may assign this Agreement without consent to (a) any of its affiliates or (b) the surviving entity in the event of a merger, acquisition, or sale of substantially all of the assets of any of the Company.

12.3. Waiver and Amendment. Neither Party may waive any of the terms or conditions of this Agreement, nor may this Agreement be amended or modified, except by a duly signed writing referring to the specific provision to be waived, amended or modified.

12.4. Entire Agreement. This Agreement constitutes the entire agreement with respect to the subject matter hereof, and supersedes all other prior agreements and understandings, both written and oral, among the parties hereto and their affiliates.

12.5. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

12.6. Captions. The Section and Paragraph captions herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

12.7. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard to its conflicts of law provisions.

12.8. No Representations. Neither Party has relied upon any representations or statements made by the other Party hereto which are not specifically set forth in this Agreement.

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12.9. Voluntary Execution of Agreement. This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the Parties hereto, with the full intent of releasing all claims. The Parties acknowledge that:

- a) they have read this Agreement;
- b) they have been represented, or, in the alternative, have had the opportunity to obtain representation, in the preparation, negotiation, and execution of this Agreement by legal counsel of their own choice;
- c) they understand the terms and consequences of this Agreement and of the releases it contains; and
- d) they are fully aware of the legal and binding effect of this Agreement.

12.10. Counterparts/Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. For purposes of this Agreement, use of a facsimile, e-mail or other electronic medium shall have the same force and effect as an original signature.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed personally or by their duly authorized representatives as of the date first written above.

LEGALZOOM.COM, INC.

By: /s/ Brian Liu
Brian Liu
Chief Executive Officer

Address: 7083 Hollywood Blvd., Suite 180
Los Angeles, CA 90028
Fax: (323) 962-8300

EXECUTIVE

/s/ Edward R. Hartman
Name: Edward R. Hartman

Address: _____

E-mail: _____

Fax: _____

SIGNATURE PAGE TO EMPLOYMENT, CONFIDENTIAL INFORMATION AND
ASSIGNMENT OF INVENTIONS AGREEMENT — EDWARD R. HARTMAN

EXHIBIT A

LIST OF PRIOR INVENTIONS AND ORIGINAL WORKS OF AUTHORSHIP

| <u>Title</u> | <u>Date</u> | <u>Identifying Number or Brief Description</u> |
|--------------|-------------|--|
| Mator Find | 8/98 | Interface Enabling Technology |
| Shout Out | 3/99 | Community Enabling Technology |

I have no inventions or improvements to list.

(Initials)

I have attached additional sheets to this Exhibit A.

(Initials)

Date: March 25, 2004

/s/ Edward R. Hartman
Name: Edward R. Hartman

EXHIBIT B

**CALIFORNIA LABOR CODE SECTION 2870
EMPLOYMENT AGREEMENTS; ASSIGNMENT OF RIGHTS**

“(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer’s equipment, supplies, facilities, or trade secret information except for those inventions that either:

- (1) Relate at the time of conception or reduction to practice of the invention to the employer’s business, or actual or demonstrably anticipated research or development of the employer.
- (2) Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.”

EXHIBIT C

TERMINATION CERTIFICATION

This is to certify that I do not have in my possession, nor have I failed to return, any devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to LegalZoom.com, its subsidiaries, affiliates, successors or assigns (together, the "Company").

I further certify that I have complied with the terms of the Company's Executive Employment Confidential Information and Invention Assignment Agreement signed by me, including the reporting of any inventions and original works of authorship (as defined therein), conceived or made by me (solely or jointly with others) covered by that agreement.

I further agree that, in compliance with the Executive Employment, Confidential Information and Invention Assignment Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, know-how, designs, formulas, developmental or experimental work, computer programs, data bases, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its Executives, clients, consultants or licensees.

I further agree that for twelve (12) months from this date, I will not, directly or indirectly, solicit, induce, recruit or encourage any of the Company's employees to leave their employment.

Date: _____

Name: Edward R. Hartman

EXHIBIT D

LEGALZOOM.COM

CONFLICT OF INTEREST GUIDELINES

It is the policy of LegalZoom.com to conduct its affairs in strict compliance with the letter and spirit of the law and to adhere to the highest principles of business ethics. Accordingly, all officers, employees and independent contractors must avoid activities that are in conflict, or give the appearance of being in conflict, with these principles and with the interest of the Company. The following are potentially compromising situations that must be avoided. Any exceptions must be reported to the CEO and written approval for continuation must be obtained.

1. Revealing confidential information to outsiders or misusing confidential information. Unauthorized divulging of information is a violation of this policy whether or not for personal gain and whether or not harm to the Company is intended (The Executive Employment, Confidential Information and Assignment of Invention Agreement elaborates on this principle and is a binding agreement.)
2. Accepting or offering substantial gifts, excessive entertainment, favors or payments which may be deemed to constitute undue influence or otherwise be improper or embarrassing to the Company.
3. Participating in civic or professional organizations that might involve divulging confidential information of the Company.
4. Initiating or approving personal actions affecting reward or punishment of Executives or applicants where there is a family relationship or is or appears to be a personal or social involvement.
5. Initiating or approving any form of personal or social harassment of employees.
6. Investing or holding outside directorships in any competing companies, including financial speculations, where such investment or directorship might influence in any manner a decision or course of action of the Company.
7. Borrowing from or lending to employees, customers, or suppliers.
8. Acquiring real estate of interest to the Company.
9. Improperly using or disclosing to the Company any proprietary information or trade secrets of any former or concurrent employer or other person or entity with whom obligations of confidentiality exist.
10. Unlawfully discussing prices, costs, customers, sales or markets with competing companies or their employees.
11. Making any unlawful agreement with distributors with respect to prices.
12. Improperly using or authorizing the use of any inventions that are the subject of patent claims of any other person or entity.

Each officer, employee and independent contractor must take every necessary action to ensure compliance with these guidelines and to bring problem areas to the attention of higher management for review. Violations of this conflict of interest policy may result in discharge without warning.

This First Amendment (this "Amendment") to that certain Executive Employment, Confidential Information and Assignment of Inventions Agreement by and between Edward R. Hartman ("Executive") and LegalZoom.com, Inc., a Delaware corporation (the "Company") dated March 25, 2004 (the "Employment Agreement") is made and entered into as of April 20, 2010. All capitalized terms not defined herein shall have the same meaning respectively assigned to them under the Employment Agreement.

RECITALS

- A. On March 25, 2004, the Company and Executive entered into the Employment Agreement.
- B. The parties wish to amend the Employment Agreement by adding a new provision regarding Executive's Termination Upon Change of Control.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed by and between the parties hereto as follows:

1. The Employment Agreement is hereby amended to include the following provision as Section 2.5:

"2.5. Termination Upon Change of Control. In the event of the Termination of Executive's employment with the Company upon or within the twelve (12) month period following a Change of Control, all outstanding stock options granted, restricted stock, stock appreciation rights and stock units issued by the Company to Executive prior to the Change of Control shall have their vesting fully accelerated so as to be 100% vested immediately prior to the Termination.

For the purposes of this Agreement, "Change of Control" shall mean any of the following events:

- a) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing fifty (50%) or more of (A) the outstanding shares of common stock of the Company or (B) the combined voting power of the Company's then-outstanding securities;
- b) the Company is party to a merger or consolidation, or series of related transactions, which results in the voting securities of the Company 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 fifty (50%) percent of the combined voting power of the voting securities of

the Company or such surviving entity outstanding immediately after such merger or consolidation;

- c) the sale or disposition of all or substantially all of the Company's assets (or consummation of any transaction, or series of related transactions, having similar effect);
- d) the dissolution or liquidation of the Company; or
- e) any transaction or series of related transactions that has the substantial effect of any one or more of the foregoing.

For the purposes of this Agreement, "Termination" shall mean termination of employment with the Company due to any of the following:

- a) actual termination of Executive's employment by the Company without Cause;
- b) Executive's resignation due to material diminution of the position or responsibility held by Executive;
- c) Executive's resignation due to any reduction in Executive's salary, bonus and other compensation due to Executive hereunder; or
- d) Executive's resignation due to a Company requirement that Executive relocate to a new job location of 50 miles or more from the current office location."

For the purposes of this Agreement, "Cause" shall mean any of the following:

- a) a good faith determination by the Board of Directors of the Company that Executive willfully failed to follow the lawful written directions of the Board of Directors; provided, that no termination for Cause shall occur unless Executive has been provided with notice of the Company's intention to terminate Executive for Cause and has had at least thirty (30) days to cure or correct his or her behavior; or
- b) engagement in gross misconduct which is materially detrimental to the Company; provided that no termination for Cause shall occur unless Executive has been provided with notice of the Company's intention to terminate Executive for Cause and has had at least thirty (30) days to cure or correct his or her behavior; or
- c) willful and repeated failure or refusal to comply in any material respect to the Company's Assignment and Confidentiality Agreement, the Company's insider trading policy, or any other reasonable policies of the Company where non-compliance would be materially detrimental to the Company; provided that

no termination for Cause shall occur unless Executive has been provided with notice of the Company's intention to terminate Executive for Cause and has had at least 30 days to cure or correct his or her behavior; or

a) commission of an unlawful or criminal act (serious in nature) which the Board of Directors reasonably believes would reflect adversely on the Company."

2. Except as otherwise provided herein, all other terms and conditions of the Employment Agreement will remain in full force and effect.

[Signature Page to Follow.]

IN WITNESS WHEREOF, the Company and Executive have caused this Amendment to be executed and delivered the date first above written.

"Company"

LEGALZOOM, Inc.

/s/ Frank Monestere

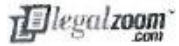
Name: Frank Monestere

Title: President & COO

"Executive"

/s/ Edward R. Hartman

Edward R. Hartman



Friday, March 19, 2008

Fred J. Krupica

Dear Fred:

RE: OFFER OF EMPLOYMENT - CHIEF FINANCIAL OFFICER

You have made a positive impression and we feel strongly that you would make an excellent addition to our company.

In following on to our discussion in this regard, I am very pleased to extend to you this offer to join LegalZoom.com Inc (the "Company") as our Chief Financial Officer. We are confident that your skills and background will contribute to the future success and growth of the business, and we look forward to working with you very soon.

Accordingly, the Company is pleased to confirm your offer of employment on the following terms:

1. **POSITION AND DUTIES.** On or about April 28, 2008, or such other time as you and the Company shall mutually agree upon, you will serve in the full time position of Chief Financial Officer (CFO) reporting to the Chief Executive Officer (CEO) of the Company, who shall monitor and review your performance and have the ability to terminate your employment. You shall have such powers and duties which are customarily associated with the position of Chief Financial Officer. You shall use your best efforts to advance the best interests of the Company. While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity without the prior written consent of the Company, which consent shall not be unreasonably withheld. While you render services to the Company, you also will not assist any person or entity in competing with the Company, in preparing to compete with the Company in hiring any employees or consultants of the Company. If your employment is terminated and you become employed by any other company in the legal document, attorney matching, legal content or self-help legal industry, then any options that you hold shall be immediately terminated, and you shall grant an option to the Company to sell all of your shares and vested options in the Company at a price of \$.01 per share. Notwithstanding the foregoing, you may serve as a member of the Board of Directors of any company that (i) is not in direct or indirect competition with the business of the Company, as conducted at that time and (ii) will not require a time or other commitment that would interfere with your ability to perform the duties of your position.
2. **CASH COMPENSATION.** The Company will pay you a base salary at the rate of \$230,000 per year, payable in accordance with the Company's standard payroll policies and schedule. Your base salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time. The Company believes in pay-for-performance and, as such, we offer you a contingent bonus of up to \$120,000. Any bonus for 2008 will not be prorated, but will be based as if you were employed by the Company during the entire fiscal year. Any bonus for a fiscal year will be paid after the Company's books for that year have been closed and will be paid only if you are employed by the Company at the time of payment.

LegalZoom.Com, Inc.
7083 Hollywood Blyd. Suite 180

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3. **EQUITY-BASED COMPENSATION.** The company has established an equity incentive plan, pursuant to which it may issue options to purchase the Company's common Stock (the "Plan"). Subject to and in accordance with the terms of the Plan, you shall be granted an option to purchase Two Hundred and Forty Thousand (240,000) shares of the common stock at an exercise price to be determined as fair market value on the date of approval by the Board of Directors of the Company. Except as specifically set forth herein, the Option will vest over a four (4) year period with the initial 25% vesting after one (1) year of continuous employment, and the remainder in equal quarterly installments thereafter, subject to and in accordance with the terms of the Plan.
 4. **EMPLOYEE BENEFITS.** The company offers various benefit plans including medical, dental and 401(k). You are eligible to participate in all such plans, as from time to time implemented by the Company, from the first date of your employment. In accordance with the Company's generally applicable policies, you will be reimbursed for all reasonable travel and business expenses incurred by you in connection with your employment duties. You will be eligible for up to twenty (20) days of vacation per calendar year, with such vacation to accrue at the rate of one and two thirds days for each month of full-time employment.
 5. **CORPORATE APARTMENT.** The Company recognizes that your personal residence is outside a reasonable driving limit to the Company's corporate office and with the demands of the job and necessary long hours in your position as CFO, you will not be able to make this commute regularly. Accordingly, the Company will provide access to a corporate apartment for overnight stay during the entire period of your employment.
 6. **TERMINATION FOR GOOD REASON AND CONSTRUCTIVE TERMINATION.** Your employment may be terminated by the Company:
 - a. for Good Reason, as defined below, in which case you shall be entitled to receive only your base salary through the date of termination:
 - b. without Good Reason, in which case you shall be entitled to receive (i) continuation of your base salary for six (6) months, (ii) six (6) months of coverage under the Company's health insurance programs, and (iii) acceleration of the vesting of certain unvested options as if your employment had been terminated six (6) months after the date of termination (the "Severance Benefits"). All Severance Benefits are contingent upon your execution of a written Release, acceptable to the Company from any claims:
 - c. upon death or long-term disability, in which case you shall be entitled to receive only your base salary through the date of termination.

In the event of a Constructive Termination, as defined below, you shall receive (i) continuation of your base salary for six (6) months, (b) six (6) months acceleration of any unvested stock options, and (d) six (6) months of coverage under the Company's health insurance programs: provided, that as a condition precedent to receiving such termination benefits, you will be asked to sign a full release of the Company from any claims.

For the purposes of this Agreement: (i) "Good Reason" shall mean: (a) you commit a crime involving dishonesty, breach of trust, or physical harm to any person; (b) you willfully engage in conduct that is in bad faith and materially injurious to the Company, including but not limited to, misappropriation of trade secrets, fraud or embezzlement; or, (c) you willfully refuse to implement or follow a lawful policy or directive of the Company; (ii) "Constructive Termination" shall mean a situation where you choose to terminate your employment because (a) a change in your position with the Company which materially reduces your level of responsibility; (b) a material reduction in your Cash Compensation (as defined above), except for reductions that are comparable to reductions generally applicable to similarly situated executives of the Company; or (c) a relocation of your principal place of employment of more than fifty miles further from the current place of employment, after notice is not reasonably remedied.

Nothing herein is intended to alter or amend the nature of your at-will employment by the Company and/or the terms of the Employment Agreement referenced below.

7. **CHANGE OF CONTROL.** In the event of your employment is terminated other than for Good Reason, or your Constructive termination within six (6) months before or twelve (12) months after a "Change of Control Event," you shall be entitled to: (i) payment equal to one year of your base salary, and (ii) 100% acceleration of the unvested stock options provided, that as a condition precedent to receiving such change of control benefits, you will be asked to sign a full release of the Company (and the acquiring company, if requested) from any claims. For the purposes of this Agreement, a "Change of Control Event" shall be the occurrence of a single or multiple shareholders acting as a group (or beneficial owner) acquiring over 50% of the then outstanding ordinary shares (or securities convertible into over 50% of the then outstanding ordinary shares) of the Company.
8. **INDEMNIFICATION.** To the fullest extent permitted by the Company's charter documents and applicable law, the Company agrees to defend and indemnify you and hold you harmless against any liability that you incur within the scope of your employment with the Company. As part of this commitment, the Company will maintain Director's and Officer's insurance that it reviews from time to time for appropriate coverage in line with the growth the development of the Company.
9. **EMPLOYMENT RELATIONSHIP.** Your employment with the Company is for no specific period of time and is "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term.
10. **EXECUTIVE EMPLOYMENT, CONFIDENTIAL INFORMATION AND ASSIGNMENT OF INVENTIONS AGREEMENT.** Your acceptance of this offer and commencement of employment with the Company are expressly contingent upon your execution of the Company's standard form of Executive Employment, Confidential Information and Assignment of Inventions Agreement (the "Employment Agreement"), a copy of which is enclosed for your review and execution and which is incorporated herein by reference.
11. **WITHHOLDING TAXES.** All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.
12. **ENTIRE AGREEMENT.** The terms of this offer letter and the Employment Agreement supersede and replace any prior agreements, representations or understandings, whether written, oral or implied, between you and the Company.
13. **AMENDMENT OR WAIVER.** This Agreement cannot be changed, modified or amended without the consent in writing of both you and the Company. No waiver by either you or the Company at any time of any breach by the other party of any condition or provision of the Agreement shall be deemed a waiver of a similar or dissimilar condition or provision at the same or at any prior or subsequent time. Any waiver must be in writing and signed by you or an authorized officer of the Company.
14. **SEVERABILITY.** In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law. If any particular provision is prohibited by law in a particular jurisdiction, then you and the Company agree that such particular provision shall not be enforceable in that jurisdiction only.

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15. **GOVERNING LAW.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of California without reference to principles of conflict of laws.

We hope that you will find this offer acceptable. You may indicate your acceptance of this offer by signing and dating this letter and the Employment Agreement and returning them to me by 5:00 pm on Thursday, March 20, 2008. The first date of your employment with the Company is anticipated to be April 28, 2008. Our offer is subject to the completion by the Company of a full check into your background and references, according to the Company's standard practices.

Let me close by reaffirming our belief that the skills and background you bring to LegalZoom will be instrumental to the future success of the Company. We believe that the single most important factor in our success has been our people. We look forward to working with you very soon.

Very truly Yours,

/s/ John Suh

John Suh
CEO
LegalZoom.com, Inc.

I have read and accept and agree to the above terms of employment.

/s/ Fred Krupica

Fred Krupica

3-19-2008
Dated

LegalZoom.Com, Inc.
7083 Hollywood Blvd. Suite 180
Los Angeles, CA 90028
www.legalzoom.com

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
July 20, 2012

QuickLinks

[Exhibit 23.2](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)