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[LEGALZOOM.COM, INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS Years Ended December 31, 2009, 2010 and 2011 and the Six Months Ended June 30, 2011 and 2012](#)

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As filed with the Securities and Exchange Commission on July 30, 2012

Registration No. 333-181332

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

**Amendment No. 4
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)

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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 30, 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 13.

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 consumer based on a study conducted on our behalf by L.E.K. Consulting LLC.

Despite the enormous amount spent on legal services, we believe that small businesses and consumers have not been adequately served by the 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.

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 on 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, or Series A, 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 | 40,328,846 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 30. |
| | |
| Risk factors | See "Risk Factors" beginning on page 13 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 36,528,846 shares of common stock outstanding, as of June 30, 2012, and excludes, as of June 30, 2012:

- 616,383 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, 4,297,270 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 \$3.40 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;
- 217,799 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 proportional adjustment to the conversion ratio of our Series A 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 outstanding shares of Series A 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 June 30, 2012 and the statements of operations data for the six months ended June 30, 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, | | | Six Months Ended June 30, | |
|--|-------------------------|------------|------------|------------------------------|-----------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| (in thousands, except per share data) | | | | | |
| Consolidated Statements of Operations Data: | | | | | |
| Revenues ⁽¹⁾ | \$ 103,299 | \$ 120,771 | \$ 156,066 | \$ 78,959 | \$ 96,459 |
| Costs and operating expenses ⁽²⁾ : | | | | | |
| Cost of services | 53,082 | 60,643 | 80,437 | 41,805 | 46,571 |
| Sales and marketing | 32,673 | 36,322 | 41,891 | 22,189 | 31,198 |
| Technology and development | 4,686 | 7,509 | 8,117 | 3,961 | 4,474 |
| General and administrative ⁽¹⁾ | 13,154 | 20,024 | 19,343 | 9,447 | 11,717 |
| Total costs and operating expenses | 103,595 | 124,498 | 149,788 | 77,402 | 93,960 |
| Income (loss) from operations | (296) | (3,727) | 6,278 | 1,557 | 2,499 |
| Interest and other expense, net | (33) | (15) | (153) | (74) | (76) |
| Income (loss) before income taxes | (329) | (3,742) | 6,125 | 1,483 | 2,423 |
| Income tax (provision) benefit | (311) | (282) | 5,998 | (143) | (1,166) |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Accretion of Series A redeemable convertible preferred stock | (4,035) | (4,038) | (4,042) | (2,005) | (2,017) |
| Net income attributable to participating securities | — | — | (3,407) | — | — |
| Net income (loss) attributable to common stockholders | \$ (4,675) | \$ (8,062) | \$ 4,674 | \$ (665) | \$ (760) |
| Net income (loss) per share attributable to common stockholders ⁽³⁾⁽⁵⁾ : | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.03) | \$ (0.04) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.03) | \$ (0.04) |
| Weighted-average shares used to compute net income (loss) per share attributable to common stockholders ⁽³⁾⁽⁵⁾ : | | | | | |
| Basic | 18,700 | 19,360 | 20,925 | 20,878 | 21,136 |
| Diluted | 18,700 | 19,360 | 24,195 | 20,878 | 21,136 |
| Pro forma net income per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic: | | | \$ 0.34 | \$ 0.03 | |
| Diluted: | | | \$ 0.31 | \$ 0.03 | |
| Weighted average number of shares used in computing pro forma net income per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic | | | 36,181 | 36,392 | |
| Diluted | | | 39,451 | 40,598 | |

- (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 six months ended June 30, 2012, we recorded an additional \$0.2 million charge related to 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, | | | Six Months Ended June 30, | |
|--|-------------------------|----------|--------|------------------------------|--------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | (in thousands) | | | | |
| Cost of services | \$ 200 | \$ 178 | \$ 155 | \$ 82 | \$ 67 |
| Sales and marketing | 124 | 46 | 56 | 21 | 135 |
| Technology and development | 114 | 155 | 133 | 64 | 75 |
| General and administrative | 699 | 929 | 600 | 288 | 402 |
| Total stock-based compensation expense | \$ 1,137 | \$ 1,308 | \$ 944 | \$ 455 | \$ 679 |

- (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 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.

| Key Metrics ⁽¹⁾ : | Year Ended December 31, | | | Six Months Ended June 30, | |
|---|-------------------------------------|------|------|------------------------------|------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | (in thousands, except percent data) | | | | |
| Number of orders placed ⁽²⁾ | 408 | 436 | 490 | 259 | 284 |
| Number of subscribers ⁽³⁾ | 47 | 116 | 228 | 187 | 300 |
| Subscription revenues as a percentage of total revenues | 5% | 9% | 18% | 14% | 22% |

- (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 June 30, 2012 | | |
|---|----------------------------|---------------------|--------------------------|---|
| | | Actual | Pro Forma ⁽¹⁾ | Pro Forma As Adjusted ⁽¹⁾⁽²⁾ |
| (in thousands) | | | | |
| Consolidated Balance Sheet Data: | | | | |
| Cash and cash equivalents | \$ 27,108 | \$ 31,374 | \$ 31,374 | 68,709 |
| Working capital (deficit) | (2,316) | (4,451) | (4,451) | 34,124 |
| Total assets | 53,501 | 61,895 | 61,895 | 96,193 |
| Total liabilities | 50,620 | 56,679 | 56,679 | 55,439 |
| Redeemable convertible preferred stock | 62,691 | 64,708 | — | — |
| Total stockholders' equity (deficit) | (59,810) | (59,492) | 5,216 | 40,754 |

- (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 immediately prior to the completion of this offering.

- (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 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 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, and 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, | | | Six Months Ended June 30, | |
|---------------------------------|-------------------------|-----------------|------------------|------------------------------|-----------------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Interest and other expense, net | 33 | 15 | 153 | 74 | 76 |
| Income tax provision (benefit) | 311 | 282 | (5,998) | 143 | 1,166 |
| Depreciation and amortization | 2,937 | 3,509 | 4,562 | 2,058 | 2,537 |
| Stock-based compensation | 1,137 | 1,308 | 944 | 455 | 679 |
| Loss from legal settlements | 293 | 5,359 | — | — | 200 |
| Non-GAAP Adjusted EBITDA | \$ 4,071 | \$ 6,449 | \$ 11,784 | \$ 4,070 | \$ 5,915 |

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 Assistant 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 judgment. 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 accrual during the six months ended June 30, 2012. In June 2012, we paid \$1.9 million to the plaintiffs' attorneys related to the Missouri matter for their fees and expenses pursuant to the settlement agreement bringing the total accrued liability for both matters to \$3.7 million as of June 30, 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 June 30, 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 our self 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 40,328,846 shares of common stock, based on the number of shares of our common stock outstanding as of June 30, 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, 733,311 shares will be available for sale in the public market without restriction. Approximately 31,595,535 of the remaining shares of our common stock outstanding after this offering, based on shares outstanding as of June 30, 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 29.08% of our total outstanding common stock, based on shares outstanding as of June 30, 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 \$10.14 per share as of June 30, 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 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 June 30, 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 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 June 30, 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 June 30, 2012.

| | As of June 30, 2012 | | |
|---|--------------------------|--|--|
| | Actual (in thousands) | Pro Forma (in thousands, except share and par value data) | Pro Forma, As Adjusted ⁽¹⁾ |
| Cash and cash equivalents | \$ 31,374 | \$ 31,374 | \$ 68,709 |
| 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 | \$ 64,708 | \$ — | \$ — |
| 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, 21,412,846 shares issued and 21,232,846 shares outstanding, actual; 66,180,000 shares authorized, 36,668,846 shares issued and 36,488,846 outstanding, pro forma; and 150,000,000 shares authorized, 40,508,846 shares issued and 40,328,846 shares outstanding, pro forma as adjusted | 22 | 37 | 41 |
| Additional paid-in capital | — | 64,693 | 100,227 |
| Treasury stock, at cost, 180,000 shares | (519) | (519) | (519) |
| Accumulated deficit | (58,995) | (58,995) | (58,995) |
| Total stockholders' equity (deficit) | (59,492) | 5,216 | 40,754 |
| Total capitalization | \$ 5,216 | \$ 5,216 | \$ 40,754 |

- (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 36,488,846 shares of common stock (including preferred stock on an as converted basis) outstanding on a pro forma basis, as of June 30, 2012, and excludes, as of June 30, 2012:

- 616,383 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, 4,337,270 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 \$3.40 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;
- 217,799 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 June 30, 2012 was a deficit of \$3.9 million, or \$(0.19) 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 all outstanding shares of Series A 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 June 30, 2012 would have been \$34.6 million, or \$0.86 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$0.97 per share to existing stockholders and an immediate dilution of \$10.14 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 June 30, 2012 | (0.19) |
| Increase per share attributable to conversion of Series A | 0.08 |
| Pro forma net tangible book value (deficit) per share as of June 30, 2012 | (0.11) |
| Increase per share attributable to this offering | 0.97 |
| Pro forma net tangible book value per share, as adjusted to give effect to this offering | 0.86 |
| Dilution in pro forma net tangible book value per share to new investors in this offering | <u>\$ 10.14</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 \$0.99 per share, and the dilution in pro forma net tangible book value per share to investors in this offering would be \$10.01 per share of common stock.

The table below summarizes as of June 30, 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⁾ | 36,528,846 | 90.6% | \$ 54,396,605 | 56.5% | \$ 1.49 |
| New investors | 3,800,000 | 9.4% | \$ 41,800,000 | 43.5% | \$ 11.00 |
| Total | 40,328,846 | 100.0% | \$ 96,196,605 | 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 table above is based on 36,528,846 shares of common stock (including preferred stock on an as converted basis) outstanding, as of June 30, 2012, and excludes, as of June 30, 2012:

- 616,383 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, 4,297,270 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 \$3.40 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;
- 217,799 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 32,328,846 shares, or 80.2% 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 19.8% 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 June 30, 2012 and statements of operations data for the six months ended June 30, 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, | | | Six Months Ended June 30, | |
|---|-------------------------|------------|------------|------------------------------|-----------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| (in thousands, except per share data) | | | | | |
| Consolidated Statements of Operations Data: | | | | | |
| Revenues ⁽¹⁾ | \$ 103,299 | \$ 120,771 | \$ 156,066 | \$ 78,959 | \$ 96,459 |
| Costs and operating expenses ⁽²⁾ : | | | | | |
| Cost of services | 53,082 | 60,643 | 80,437 | 41,805 | 46,571 |
| Sales and marketing | 32,673 | 36,322 | 41,891 | 22,189 | 31,198 |
| Technology and development | 4,686 | 7,509 | 8,117 | 3,961 | 4,474 |
| General and administrative ⁽¹⁾ | 13,154 | 20,024 | 19,343 | 9,447 | 11,717 |
| Total costs and operating expenses | 103,595 | 124,498 | 149,788 | 77,402 | 93,960 |
| Income (loss) from operations | (296) | (3,727) | 6,278 | 1,557 | 2,499 |
| Interest and other expense, net | (33) | (15) | (153) | (74) | (76) |
| Income (loss) before income taxes | (329) | (3,742) | 6,125 | 1,483 | 2,423 |
| Income tax (provision) benefit | (311) | (282) | 5,998 | (143) | (1,166) |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Accretion of Series A redeemable convertible preferred stock | (4,035) | (4,038) | (4,042) | (2,005) | (2,017) |
| Net income attributable to participating securities | — | — | (3,407) | — | — |
| Net income (loss) attributable to common stockholders | \$ (4,675) | \$ (8,062) | \$ 4,674 | \$ (665) | \$ (760) |
| Net income (loss) per share attributable to common stockholders ⁽³⁾⁽⁵⁾ : | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.03) | \$ (0.04) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.03) | \$ (0.04) |

| | Year Ended December 31, | | | Six Months Ended | |
|---|---------------------------------------|--------|---------|------------------|---------|
| | 2009 | 2010 | 2011 | June 30, | |
| | (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 | 20,878 | 21,136 |
| Diluted | 18,700 | 19,360 | 24,195 | 20,878 | 21,136 |
| Pro forma net income per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic | | | \$ 0.34 | | \$ 0.03 |
| Diluted | | | \$ 0.31 | | \$ 0.03 |
| Weighted average number of shares used in computing pro forma net income per share ⁽⁴⁾⁽⁵⁾ : | | | | | |
| Basic | | | 36,181 | | 36,392 |
| Diluted | | | 39,451 | | 40,598 |

- (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 six months ended June 30, 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, | | | Six Months Ended | |
|--|-------------------------|----------|--------|------------------|--------|
| | 2009 | 2010 | 2011 | June 30, | |
| | (in thousands) | | | | |
| Cost of services | \$ 200 | \$ 178 | \$ 155 | \$ 82 | \$ 67 |
| Sales and marketing | 124 | 46 | 56 | 21 | 135 |
| Technology and development | 114 | 155 | 133 | 64 | 75 |
| General and administrative | 699 | 929 | 600 | 288 | 402 |
| Total stock-based compensation expense | \$ 1,137 | \$ 1,308 | \$ 944 | \$ 455 | \$ 679 |

- (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 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 June 30, |
|---|--------------------|-----------|----------------|
| | 2010 | 2011 | 2012 |
| | (in thousands) | | |
| Consolidated Balance Sheet Data: | | | |
| Cash and cash equivalents | \$ 19,169 | \$ 27,108 | \$ 31,374 |
| Working capital (deficit) | (5,905) | (2,316) | (4,451) |
| Total assets | 35,629 | 53,501 | 61,895 |
| Total liabilities | 46,488 | 50,620 | 56,679 |
| Redeemable convertible preferred stock | 58,649 | 62,691 | 64,708 |
| Total stockholders' deficit | (69,508) | (59,810) | (59,492) |

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, | | | Six Months Ended June 30, | |
|---------------------------------|-------------------------|-----------------|------------------|------------------------------|-----------------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| | (in thousands) | | | | |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Interest and other expense, net | 33 | 15 | 153 | 74 | 76 |
| Income tax provision (benefit) | 311 | 282 | (5,998) | 143 | 1,166 |
| Depreciation and amortization | 2,937 | 3,509 | 4,562 | 2,058 | 2,537 |
| Stock-based compensation | 1,137 | 1,308 | 944 | 455 | 679 |
| Loss from legal settlements | 293 | 5,359 | — | — | 200 |
| Non-GAAP Adjusted EBITDA | <u>\$ 4,071</u> | <u>\$ 6,449</u> | <u>\$ 11,784</u> | <u>\$ 4,070</u> | <u>\$ 5,915</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.

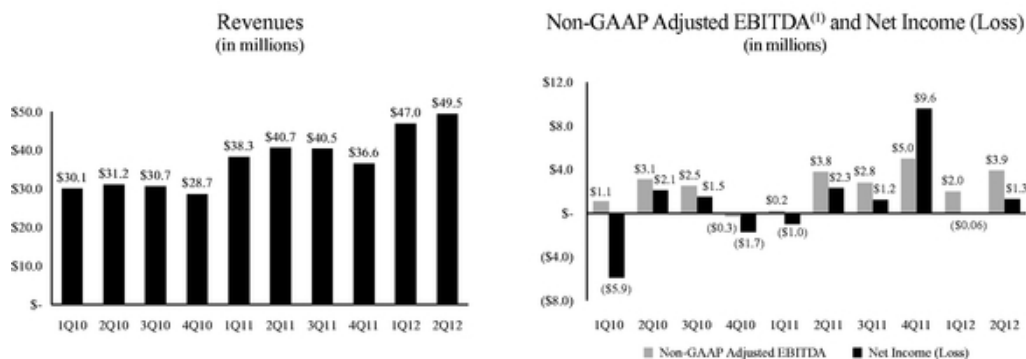
Our business is evolving from primarily a transaction model to a combined transaction and subscription model. As a result, we expect that subscription revenues as a percentage of our total revenues will continue to grow for the foreseeable future. We evaluate how we market and sell transaction services 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 \$8.5 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

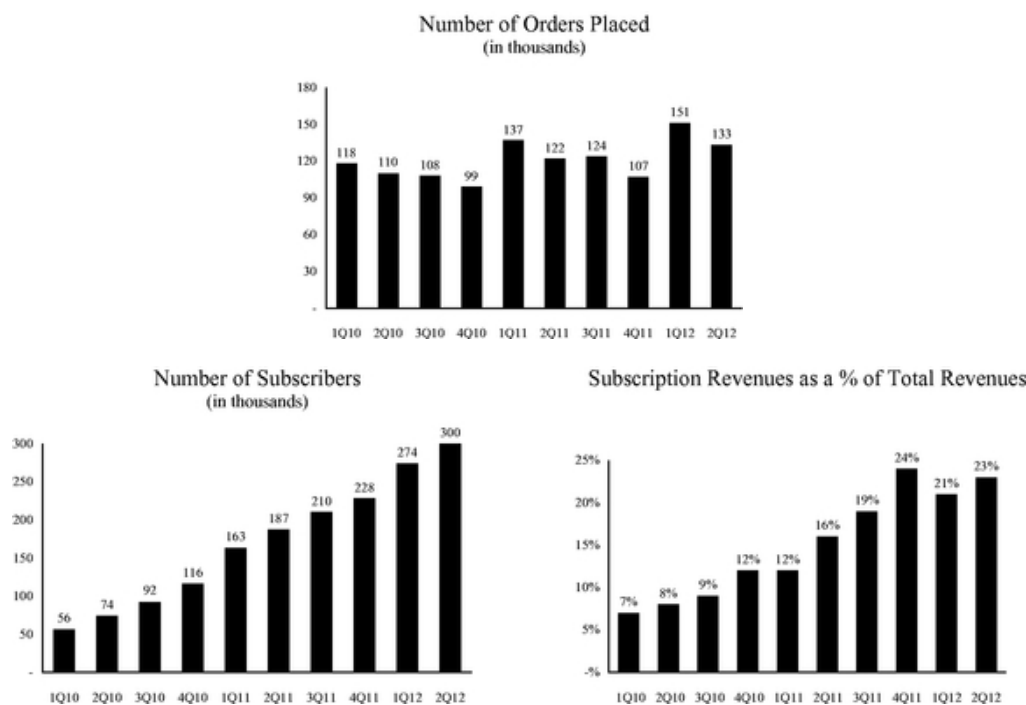
Our management uses a number of financial and business metrics to evaluate and monitor the performance of our business, identify trends affecting our business, determine the allocation of resources and make decisions regarding our business strategies. We believe these metrics are useful to investors 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 ten quarters ended June 30, 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 ten quarters ended June 30, 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 and subscriber attrition.
- **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, | | | Six Months Ended June 30, | |
|--|-------------------------|------------|------------|------------------------------|-----------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| (in thousands) | | | | | |
| Consolidated Statements of Operations Data: | | | | | |
| Revenues ⁽¹⁾ | \$ 103,299 | \$ 120,771 | \$ 156,066 | \$ 78,959 | \$ 96,459 |
| Costs and operating expenses ⁽²⁾ : | | | | | |
| Cost of services | 53,082 | 60,643 | 80,437 | 41,805 | 46,571 |
| Sales and marketing | 32,673 | 36,322 | 41,891 | 22,189 | 31,198 |
| Technology and development | 4,686 | 7,509 | 8,117 | 3,961 | 4,474 |
| General and administrative ⁽¹⁾ | 13,154 | 20,024 | 19,343 | 9,447 | 11,717 |
| Total costs and operating expenses | 103,595 | 124,498 | 149,788 | 77,402 | 93,960 |
| Income (loss) from operations | (296) | (3,727) | 6,278 | 1,557 | 2,499 |
| Interest and other expense, net | (33) | (15) | (153) | (74) | (76) |
| Income (loss) before income taxes | (329) | (3,742) | 6,125 | 1,483 | 2,423 |
| Income tax (provision) benefit | (311) | (282) | 5,998 | (143) | (1,166) |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |

- (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 six months ended June 30, 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, | | | Six Months Ended June 30, | |
|--|-------------------------|----------|--------|------------------------------|--------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| (in thousands) | | | | | |
| Cost of services | \$ 200 | \$ 178 | \$ 155 | \$ 82 | \$ 67 |
| Sales and marketing | 124 | 46 | 56 | 21 | 135 |
| Technology and development | 114 | 155 | 133 | 64 | 75 |
| General and administrative | 699 | 929 | 600 | 288 | 402 |
| Total stock-based compensation expense | \$ 1,137 | \$ 1,308 | \$ 944 | \$ 455 | \$ 679 |

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, | | | Six Months Ended June 30, | |
|--|-------------------------|------|------|---------------------------|------|
| | 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 | 48 |
| Sales and marketing | 32 | 30 | 27 | 28 | 32 |
| Technology and development | 5 | 6 | 5 | 5 | 5 |
| General and administrative | 13 | 17 | 12 | 12 | 12 |
| Total costs and operating expenses | 101 | 103 | 96 | 98 | 97 |
| Income (loss) from operations | (1) | (3) | 4 | 2 | 3 |
| Interest and other expense, net | — | — | — | — | — |
| Income (loss) before income taxes | (1) | (3) | 4 | 2 | 3 |
| Income tax (provision) benefit | — | — | 4 | — | (1) |
| Net income (loss) | (1)% | (3)% | 8% | 2% | 2% |

Six Months Ended June 30, 2011 and 2012

Revenues

| | Six Months Ended June 30, | | |
|-----------------------|---------------------------|-----------|----------|
| | 2011 | 2012 | % Change |
| (in thousands) | | | |
| Revenues by type: | | | |
| Transaction revenues | \$ 64,055 | \$ 69,905 | 9% |
| Subscription revenues | 11,430 | 21,359 | 87% |
| Other | 3,474 | 5,195 | 50% |
| Total revenues | \$ 78,959 | \$ 96,459 | 22% |

Total revenues increased \$17.5 million for the six months ended June 30, 2012 primarily as a result of increases in both transaction and subscription revenues. Transaction revenues increased \$5.8 million for the six months ended June 30, 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 \$9.9 million for the six months ended June 30, 2012, benefitting from a 60% increase in the number of subscribers across all of our subscription services combined with price increases for our legal plans that we implemented in first quarter of 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 \$1.7 million for the six months ended June 30, 2012 primarily due to increased revenues from third-party products and services purchased by our customers.

Cost of Services

| | Six Months Ended June 30, | | |
|------------------------------|---------------------------|-----------|----------|
| | 2011 | 2012 | % Change |
| Cost of services | \$ 41,805 | \$ 46,571 | 11% |
| Percentage of total revenues | 53% | 48% | |

Cost of services increased \$4.8 million for the six months ended June 30, 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

| | Six Months Ended June 30, | | |
|------------------------------|---------------------------|-----------|----------|
| | 2011 | 2012 | % Change |
| Sales and marketing | \$ 22,189 | \$ 31,198 | 41% |
| Percentage of total revenues | 28% | 32% | |

Sales and marketing expenses increased \$9.0 million for the six months ended June 30, 2012, \$5.7 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

| | Six Months Ended June 30, | | |
|------------------------------|---------------------------|----------|----------|
| | 2011 | 2012 | % Change |
| Technology and development | \$ 3,961 | \$ 4,474 | 13% |
| Percentage of total revenues | 5% | 5% | |

Technology and development expenses increased \$0.5 million for the six months ended June 30, 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

| | <u>Six Months Ended June 30,</u> | | |
|------------------------------|----------------------------------|-------------|-----------------|
| | <u>2011</u> | <u>2012</u> | <u>% Change</u> |
| General and administrative | \$ 9,447 | \$ 11,717 | 24% |
| Percentage of total revenues | 12% | 12% | |

General and administrative expenses increased \$2.3 million for the six months ended June 30, 2012 due to approximately \$0.2 million in higher compensation expense for additional executive and corporate hires and \$0.8 million in increased professional fees, including legal and audit fees. We also experienced \$0.6 million in increased rent and travel due to the expansion of our operations and \$0.7 million in increased other general and administrative costs.

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

| | <u>Six Months Ended June 30,</u> | | |
|----------------------------------|----------------------------------|-------------|-----------------|
| | <u>2011</u> | <u>2012</u> | <u>% Change</u> |
| Interest and other expenses, net | \$ (74) | \$ (76) | 3% |
| Percentage of total revenues | —% | —% | |

Interest and other expenses, net increased for the six months ended June 30, 2012 primarily due to interest expense on 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 Provision

| | <u>Six Months Ended June 30,</u> | | |
|------------------------------|----------------------------------|-------------|-----------------|
| | <u>2011</u> | <u>2012</u> | <u>% Change</u> |
| Income tax provision | \$ 143 | \$ 1,166 | NM |
| Percentage of total revenues | —% | 1% | |

We recorded an income tax provision of \$1.2 million for the six months ended June 30, 2012, which included \$0.8 million of change in deferred income taxes and \$0.4 million of current state income taxes. We recorded an income tax provision of \$0.1 million for the six months ended June 30, 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 and a \$0.3 million legal settlement in 2009. 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>2010 to 2011</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>2010 to 2011</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 ten quarters ended June 30, 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 | June 30, 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 | \$ 49,471 |
| 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 | 23,724 |
| Sales and marketing | 10,524 | 9,044 | 9,189 | 7,565 | 12,388 | 9,801 | 11,747 | 7,955 | 15,651 | 15,547 |
| Technology and development | 2,012 | 1,702 | 1,711 | 2,084 | 1,869 | 2,092 | 2,113 | 2,043 | 2,071 | 2,403 |
| General and administrative ⁽¹⁾ | 8,313 | 3,178 | 3,620 | 4,913 | 4,596 | 4,851 | 5,195 | 4,701 | 6,167 | 5,550 |
| Total costs and operating expenses | 35,605 | 29,269 | 29,384 | 30,240 | 39,312 | 38,090 | 39,143 | 33,243 | 46,736 | 47,224 |
| Income (loss) from operations | (5,459) | 1,937 | 1,350 | (1,555) | (1,024) | 2,581 | 1,364 | 3,357 | 252 | 2,247 |
| Interest and other income (expense), net | (12) | (14) | 16 | (5) | (51) | (23) | (40) | (39) | (27) | (49) |
| Income (loss) before income taxes | (5,471) | 1,923 | 1,366 | (1,560) | (1,075) | 2,558 | 1,324 | 3,318 | 225 | 2,198 |
| Income tax (provision) benefit | (435) | 153 | 174 | (174) | 103 | (246) | (127) | 6,268 | (280) | (886) |
| Net income (loss) | \$ (5,906) | \$ 2,076 | \$ 1,540 | \$ (1,734) | \$ (972) | \$ 2,312 | \$ 1,197 | \$ 9,586 | \$ (55) | \$ 1,312 |
| Other Financial Data: | | | | | | | | | | |
| Net income (loss) | \$ (5,906) | \$ 2,076 | \$ 1,540 | \$ (1,734) | \$ (972) | \$ 2,312 | \$ 1,197 | \$ 9,586 | \$ (55) | \$ 1,312 |
| Interest and other expense (income), net | 12 | 14 | (16) | 5 | 51 | 23 | 40 | 39 | 27 | 49 |
| Income tax provision (benefit) | 435 | (153) | (174) | 174 | (103) | 246 | 127 | (6,268) | 280 | 886 |
| Depreciation and amortization | 888 | 866 | 879 | 876 | 1,002 | 1,056 | 1,206 | 1,298 | 1,244 | 1,293 |
| Stock-based compensation | 318 | 292 | 305 | 393 | 266 | 189 | 193 | 296 | 332 | 347 |
| Loss from legal settlements | 5,359 | — | — | — | — | — | — | — | 200 | — |
| Non-GAAP Adjusted EBITDA ⁽²⁾ | \$ 1,106 | \$ 3,095 | \$ 2,534 | \$ (286) | \$ 244 | \$ 3,826 | \$ 2,763 | \$ 4,951 | \$ 2,028 | \$ 3,887 |

(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 ten 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. During each of the twelve calendar months ended June 30, 2012, we estimate that the percentage of monthly subscriber cancellations divided by the sum of beginning subscribers and subscriber additions ranged from approximately five to eight percent. We believe that month-over-month attrition across our subscription plans generally decreases among subscribers that have been paying subscribers for at least 90 days.

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 June 30, 2012, we had cash of \$31.4 million, which consisted entirely of cash on deposit with banks. Other than \$8.5 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, | | | Six Months Ended June 30, | |
|---|-------------------------|----------|-----------|------------------------------|----------|
| | 2009 | 2010 | 2011 | 2011 | 2012 |
| (in thousands) | | | | | |
| Consolidated Statement of Cash Flows Data: | | | | | |
| Net cash provided by operating activities | \$ 14,679 | \$ 1,488 | \$ 13,722 | \$ 7,812 | \$ 8,261 |
| Net cash used in investing activities | (4,484) | (4,673) | (6,060) | (3,840) | (2,396) |
| Net cash provided by (used in) financing activities | 247 | 3,386 | 277 | 150 | (1,599) |

Net Cash Provided by Operating Activities

Net cash provided by operating activities during the six months ended June 30, 2012 resulted primarily from a net decrease in our operating assets and liabilities of \$3.0 million and our net income of \$1.3 million adjusted for non-cash expenses of \$4.0 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 and accrued professional fees, offset by a decrease in accrued payroll and related expenses mainly due to the year-end accrued bonus payments made during the six months ended June 30, 2012 and the June 2012 payment of \$1.9 million to the plaintiffs' attorneys for fees and expenses in connection with the Missouri legal settlement as further described in Note 6 to our consolidated financial statements included elsewhere in this prospectus. Non-cash expenses during the six months ended June 30, 2012 were comprised primarily of depreciation and amortization of property and equipment totaling \$2.5 million, stock-based compensation of \$0.7 million and deferred income taxes of \$0.8 million.

Net cash provided by operating activities during the six months ended June 30, 2011 resulted primarily from a net decrease in our operating assets and liabilities of \$4.0 million and our net income of \$1.3 million adjusted for non-cash expenses of \$2.5 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 six months ended June 30, 2011 were comprised primarily of depreciation and amortization of property and equipment totaling \$2.0 million and stock-based compensation of \$0.5 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 six months ended June 30, 2011 and 2012 primarily resulted from continued investment in internally developed capitalized software and the purchase of property and equipment. For the six months ended June 30, 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 (used in) Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2011 resulted from proceeds from exercises of stock options, partially offset by the payment of capital lease obligations. Net cash used in financing activities during the six months ended June 30, 2012 resulted primarily from payment of deferred offering costs related to this offering and payment of capital lease obligations, offset by proceeds from exercises of stock options.

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 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 June 30, 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:

| | <u>Total</u> | <u>Payment due by Period</u> | | | |
|-----------------------------|------------------|------------------------------|---------------------------------------|--------------------|------------------------------|
| | | <u>Less than 1 year</u> | <u>1 - 3 years (in thousands)</u> | <u>4 - 5 years</u> | <u>More than 5 years</u> |
| 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 June 30, 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 six months ended June 30, 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 six months ended June 30, 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 June 30, 2012, our non-current deferred revenues balances of \$7.0 million, \$3.3 million and \$1.7 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 increased the accrued settlement liability by an additional \$0.2 million to \$5.6 million during the six months ended June 30, 2012 and in June 2012 we paid \$1.9 million to the plaintiffs' attorneys for fees and expenses in one of the two settlements. We have reasonably estimated the collective aggregate probable loss to be approximately \$3.7 million included in accrued expenses and other current liabilities as of June 30, 2012.

The ultimate cost of these two settlements are dependent on a number of factors, including the resolution of any appeals of the approved settlements, and actual claims made by, and the resulting payments to, the class members. There is at least a reasonable possibility that we may incur an additional loss in excess of the amount accrued at June 30, 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, | | | Six Months Ended June 30, |
|-------------------------|-------------------------|-------|-------|---------------------------------|
| | 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 June 30, 2012 was \$39.1 million, of which \$27.4 million related to vested options and \$11.7 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 June 30, 2012, we had approximately 300,000 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 June 30, 2012, we employed approximately 70 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 June 30, 2012, we had 159 customer care representatives located in the United States and 78 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 June 30, 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 June 30, 2012, we had 551 full-time and part-time employees and 120 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 June 30, 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. In June 2012, we paid \$1.9 million to the plaintiffs' attorneys for fees and expenses pursuant to the settlement. At June 30, 2012, we have accrued an estimated settlement liability of \$0.8 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 services 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. 217,799 shares remained available for issuance under the 2010 Plan as of June 30, 2012 and there were 4,337,270 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 June 30, 2012, we had outstanding 36,488,846 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 255 stockholders of record as of June 30, 2012. As of June 30, 2012, we also had outstanding options to acquire 4,953,653 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 June 30, 2012, there were 7,628,000 shares of our Series A outstanding. A majority of the holders of shares of our Series A have consented to the automatic conversion of all outstanding shares of

Series A into an aggregate of 15,256,000 shares of our 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 40,328,846 shares of our common stock, based on the number of shares outstanding as of June 30, 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 32,328,846 shares of common stock that were not offered and sold in our initial public offering as well as 4,963,653 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, 733,311 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," 31,595,535 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 98% 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 250,000 shares, or approximately 3.1%, 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 Six Months Ended June 30, 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 29, 2012. When it has been consummated, we will be in a position to furnish the following report.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
July 29, 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, | | June 30, 2012 (unaudited) | Pro Forma June 30, 2012 (unaudited) |
|--|------------------|------------------|---------------------------------|--|
| | 2010 | 2011 | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 19,169 | \$ 27,108 | \$ 31,374 | \$ 31,374 |
| Restricted cash | 502 | — | — | |
| Accounts receivable, net of allowance of \$53, \$214, \$223 (unaudited) and \$223 (unaudited), respectively | 2,163 | 3,652 | 5,144 | 5,144 |
| Prepaid expenses and other current assets | 2,940 | 3,302 | 3,802 | 3,802 |
| Deferred income taxes | — | 6,498 | 5,685 | 5,685 |
| Total current assets | <u>24,774</u> | <u>40,560</u> | <u>46,005</u> | <u>46,005</u> |
| Property and equipment, net | 10,617 | 12,211 | 12,130 | 12,130 |
| Deferred income taxes | — | 430 | 430 | 430 |
| Other assets | 238 | 300 | 3,330 | 3,330 |
| Total assets | <u>\$ 35,629</u> | <u>\$ 53,501</u> | <u>\$ 61,895</u> | <u>\$ 61,895</u> |
| Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit) | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 2,496 | \$ 1,738 | \$ 1,955 | \$ 1,955 |
| Accrued expenses and other current liabilities | 9,937 | 19,434 | 23,239 | 23,239 |
| Capital lease obligations | 19 | 202 | 6 | 6 |
| Deferred revenue | 18,227 | 21,502 | 25,256 | 25,256 |
| Total current liabilities | <u>30,679</u> | <u>42,876</u> | <u>50,456</u> | <u>50,456</u> |
| Deferred revenue, net of current portion | 6,979 | 3,277 | 1,702 | 1,702 |
| Deferred rent | 2,811 | 3,864 | 3,711 | 3,711 |
| Capital lease obligations, net of current portion | 15 | — | — | — |
| Other liabilities | 6,004 | 603 | 810 | 810 |
| Total liabilities | <u>46,488</u> | <u>50,620</u> | <u>56,679</u> | <u>56,679</u> |
| 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 June 30, 2012 (unaudited); no shares authorized, issued and outstanding pro forma (unaudited); liquidation preference of \$57,064 at December 31, 2011 and June 30, 2012 (unaudited) | | | | |
| | 58,649 | 62,691 | 64,708 | — |
| Stockholders' equity (deficit): | | | | |
| Common stock, \$0.001 par value; 66,180 shares authorized; 20,944, 21,186 and 21,412 shares issued; and 20,764, 21,006 and 21,232 (unaudited) shares outstanding at December 31, 2010 and 2011, and June 30, 2012 (unaudited); 36,488 shares outstanding pro forma (unaudited) | 21 | 21 | 22 | 37 |
| Treasury stock, at cost; 180 shares at December 31, 2010 and 2011 and June 30, 2012 (unaudited) | (519) | (519) | (519) | (519) |
| Additional paid-in capital | 202 | 331 | — | 64,693 |
| Accumulated deficit | (69,212) | (59,643) | (58,995) | (58,995) |
| Total stockholders' equity (deficit) | <u>(69,508)</u> | <u>(59,810)</u> | <u>(59,492)</u> | <u>5,216</u> |
| Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit) | <u>\$ 35,629</u> | <u>\$ 53,501</u> | <u>\$ 61,895</u> | <u>\$ 61,895</u> |

See Notes to Consolidated Financial Statements.

LEGALZOOM.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|---|-------------------------|------------|------------|------------------------------|---------------------|
| | 2009 | 2010 | 2011 | 2011 (unaudited) | 2012 (unaudited) |
| Revenues | \$ 103,299 | \$ 120,771 | \$ 156,066 | \$ 78,959 | \$ 96,459 |
| Costs and operating expenses: | | | | | |
| Cost of services | 53,082 | 60,643 | 80,437 | 41,805 | 46,571 |
| Sales and marketing | 32,673 | 36,322 | 41,891 | 22,189 | 31,198 |
| Technology and development | 4,686 | 7,509 | 8,117 | 3,961 | 4,474 |
| General and administrative | 13,154 | 20,024 | 19,343 | 9,447 | 11,717 |
| Total costs and operating expenses | 103,595 | 124,498 | 149,788 | 77,402 | 93,960 |
| Income (loss) from operations | (296) | (3,727) | 6,278 | 1,557 | 2,499 |
| Interest and other expense, net | (33) | (15) | (153) | (74) | (76) |
| Income (loss) before income taxes | (329) | (3,742) | 6,125 | 1,483 | 2,423 |
| Income tax (provision) benefit | (311) | (282) | 5,998 | (143) | (1,166) |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Accretion of redeemable convertible preferred stock | (4,035) | (4,038) | (4,042) | (2,005) | (2,017) |
| Net income attributable to participating securities | — | — | (3,407) | — | — |
| Net income (loss) attributable to common stockholders | \$ (4,675) | \$ (8,062) | \$ 4,674 | \$ (665) | \$ (760) |
| Net income (loss) per share attributable to common stockholders: | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.03) | \$ (0.04) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.03) | \$ (0.04) |
| Weighted-average shares used to compute net income (loss) per share attributable to common stockholders: | | | | | |
| Basic | 18,700 | 19,360 | 20,925 | 20,878 | 21,136 |
| Diluted | 18,700 | 19,360 | 24,195 | 20,878 | 21,136 |
| Pro forma net income per share (unaudited): | | | | | |
| Basic | | | \$ 0.34 | \$ 0.03 | |
| Diluted | | | \$ 0.31 | \$ 0.03 | |
| Pro forma weighted-average common shares outstanding (unaudited): | | | | | |
| Basic | | | 36,181 | 36,392 | |
| Diluted | | | 39,451 | 40,598 | |

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) | — | — | 226 | 1 | 394 | — | — | — | 395 |
| Stock-based compensation (unaudited) | — | — | — | — | 683 | — | — | — | 683 |
| Accretion of preferred stock (unaudited) | — | 2,017 | — | — | (1,408) | — | — | (609) | (2,017) |
| Net income (unaudited) | — | — | — | — | — | — | — | 1,257 | 1,257 |
| Balance at June 30, 2012 (unaudited) | 7,628 | \$ 64,708 | 21,232 | \$ 22 | \$ — | \$ — | \$ (519) | \$ (58,995) | \$ (59,492) |

See Notes to Consolidated Financial Statements.

LEGALZOOM.COM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|--|-------------------------|------------------|------------------|------------------------------|---------------------|
| | 2009 | 2010 | 2011 | 2011 (unaudited) | 2012 (unaudited) |
| Cash flows from operating activities | | | | | |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 2,937 | 3,509 | 4,562 | 2,058 | 2,537 |
| Deferred income taxes | — | — | (6,928) | — | 813 |
| Stock-based compensation | 1,137 | 1,308 | 944 | 455 | 679 |
| Excess windfall tax benefits from stock-based compensation | — | — | (331) | — | — |
| Loss on disposal of property and equipment | 30 | 280 | 94 | — | — |
| Other | 20 | 93 | 22 | 9 | 8 |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (301) | (834) | (1,489) | (1,638) | (1,492) |
| Prepaid expenses and other current assets | 1,004 | (543) | (289) | (143) | (512) |
| Other assets | 6 | (49) | (74) | (28) | 5 |
| Accounts payable | (946) | 757 | (227) | 1,074 | 217 |
| Accrued expenses and other liabilities | 4,261 | 5,345 | 4,689 | 3,916 | 2,723 |
| Deferred revenue | 7,171 | (4,867) | (427) | 214 | 2,179 |
| Deferred rent | — | 513 | 1,053 | 555 | (153) |
| Net cash provided by operating activities | 14,679 | 1,488 | 13,722 | 7,812 | 8,261 |
| Cash flows from investing activities | | | | | |
| Decrease (increase) in restricted cash | (501) | (1) | 502 | 250 | — |
| Proceeds from disposal of property and equipment | — | 49 | — | — | 23 |
| Purchase of property and equipment | (3,983) | (4,721) | (6,562) | (4,090) | (2,419) |
| Net cash used in investing activities | (4,484) | (4,673) | (6,060) | (3,840) | (2,396) |
| Cash flows from financing activities | | | | | |
| Repayment of capital lease obligations | (17) | (19) | (384) | (102) | (197) |
| Payment of initial public offering costs | — | — | — | — | (1,797) |
| Payment of deferred financing costs | — | (31) | (6) | (4) | — |
| 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 | 256 | 395 |
| Net cash provided by (used in) financing activities | 247 | 3,386 | 277 | 150 | (1,599) |
| Net increase in cash and cash equivalents | 10,442 | 201 | 7,939 | 4,122 | 4,266 |
| 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 | \$ 23,291 | \$ 31,374 |
| Supplemental cash flow data | | | | | |
| Cash paid during the year for: | | | | | |
| Interest | \$ — | \$ — | \$ 15 | \$ 6 | \$ 12 |
| Income taxes | 1 | 110 | 754 | 535 | 490 |
| Non-cash investing and financing activities | | | | | |
| Accretion of Series A redeemable convertible preferred stock | 4,035 | 4,038 | 4,042 | 2,005 | 2,017 |
| Stock-based compensation capitalized as software development costs | 20 | 12 | 6 | 3 | 4 |
| Purchase of property and equipment included in accounts payable and accrued expenses | 324 | 1,180 | 386 | 1,595 | 442 |
| Deferred initial public offering costs included in accounts payable and accrued expenses | — | — | — | — | 1,240 |
| Acquisition of equipment under capital lease | — | — | 491 | 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 June 30, 2012, the consolidated statements of operations and cash flows for the six months ended June 30, 2011 and 2012, the consolidated statement of stockholders' deficit for the six months ended June 30, 2012 and financial information disclosed in these notes to the consolidated financial statements related to the six months ended June 30, 2011 and 2012 are unaudited. These unaudited interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles. In the opinion of the Company's management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company's statement of financial position as of June 30, 2012 and its results of operations and its cash flows for the six months ended June 30, 2011 and 2012. The results for the six months ended June 30, 2012 are not necessarily indicative of the results expected for the full year.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Unaudited Pro Forma Balance Sheet and Pro Forma Net Income 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 June 30, 2012. Unaudited pro forma basic and diluted net income per common share for the year ended December 31, 2011 and the six months ended June 30, 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 <u>(unaudited)</u> | Six Months Ended June 30, 2012 <u>(unaudited)</u> |
|--|--|---|
| Net income (loss) attributable to common stockholders | \$ 4,674 | \$ (760) |
| Pro forma adjustment to reverse accretion of preferred stock | 4,042 | 2,017 |
| Pro forma adjustment to reverse income attributable to preferred stockholders | 3,407 | — |
| Net income used in computing pro forma net income per share: | <u>\$ 12,123</u> | <u>\$ 1,257</u> |
| Weighted average common shares outstanding, basic | 20,925 | 21,136 |
| 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 per share: | 36,181 | 36,392 |
| Effect of potentially dilutive securities—stock options | 3,270 | 4,206 |
| Weighted average common shares outstanding used in computing diluted pro forma net income per share: | <u>39,451</u> | <u>40,598</u> |
| Pro forma net income per share: | | |
| Basic | \$ 0.34 | \$ 0.03 |
| Diluted | \$ 0.31 | \$ 0.03 |

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates estimates which are subject to significant judgment including those related to sales allowances and credit reserves, the evaluation of revenue recognition criteria, including the determination of standalone value and estimates of the selling price of deliverables in the Company's revenue arrangements, useful lives associated with property and equipment, loss contingencies, valuation allowances related to deferred income taxes and assumptions used to value stock-based awards. Actual results could differ materially from those estimates. The Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Comprehensive Income (Loss)

The Company does not have any components of other comprehensive income (loss) for any period presented, and accordingly, net income (loss) equals comprehensive income (loss).

Fair Value Measurements

The Company accounts for fair value measurements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements* ("ASC 820"). ASC 820 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurement. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1* — Quoted prices in active markets for identical assets and liabilities.
- Level 2* — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. For the periods presented, the Company has no financial assets or liabilities recorded at fair value on a recurring basis.

The carrying amounts of cash equivalents, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities approximate fair values because of the short-term nature of these items.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company, at times, maintains cash balances at financial institutions in excess of amounts insured by United States government agencies. The Company places its cash and cash equivalents with high credit quality financial institutions.

Concentrations of credit risk with respect to revenues are limited due to a large, diverse customer base. No individual customer represented more than 1% of total revenues for the years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2011 and 2012 (unaudited).

At December 31, 2010, December 31, 2011 and June 30, 2012 (unaudited), there were no individual customer account balances that comprised more than 10% of accounts receivable.

LEGALZOOM.COM, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*****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 June 30, 2012, the Company's cash balances totaled \$19.2 million, \$27.1 million and \$31.4 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 June 30, 2012 (unaudited).

Accounts Receivable and Related Allowances

The Company's accounts receivable balance primarily consists of amounts receivable from (i) the Company's credit and debit card merchant processor, (ii) customer receivables, and (iii) fees due from third-parties for services purchased by the Company's customers from such third-parties. The Company does not obtain collateral or other security related to accounts receivable. Merchant processor receivables, which do not bear interest, arise due to the time taken to clear transactions through external payment networks, which typically ranges between two to five business days, and are recorded net of processing fees. Customer receivables arise from the Company's three-pay plan where the customers have the option to pay the total amount due in three equal payments, with the first payment being due upon placement of the order and the remaining two payments being due 30 and 60 days after the first payment date. Accordingly, the customer receivable balances included in the consolidated balance sheets represent those second- and third-payments due to the Company for which services have been rendered, net of the related sales allowance for charge-back or credits. The sales allowance for three-pay plan receivables is determined based on the Company's best estimate of the amount of charge-backs or credits in its existing accounts receivable and is recorded against revenues as further described in Note 3.

The Company also maintains an allowance for doubtful accounts for its receivables from third-party service providers based on its historical collection experience and a review in each period of the status of the then outstanding accounts receivables, with an emphasis on those that are over 90 days past due. Account balances are charged off against the allowance when the Company determines that it is probable the receivable will not be recovered. To date, the allowance for doubtful accounts has not been significant.

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

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, as shown in the table below. Maintenance and repairs are expensed as incurred whereas significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is reflected in the Company's results of operations.

| | <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.

If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the expected undiscounted future cash flows attributable to the asset are less than the carrying amount of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based on the present value of estimated expected future cash flows using a discount rate commensurate with the risk involved, quoted market prices or appraised values, depending on the nature of the assets. The Company has not recorded any impairment of its long-lived assets for any of the periods presented.

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

The Company records rent expense for operating leases, some of which have escalating rent payments, over the term of the lease, on a straight-line basis over the lease term. The Company begins recognition of rent expense on the date of initial possession, which is generally when the Company enters the leased premises and begins to make improvements in preparation for its intended use. Some of the Company's lease arrangements provide for concessions by the landlords, including payments for leasehold improvements and rent-free periods. The Company accounts for the difference between the straight-line rent expense and rent paid as a deferred rent liability.

The Company leases equipment under capital lease arrangements. The assets and liabilities under capital lease are recorded at the lesser of present value of aggregate future minimum lease payments, including estimated bargain purchase options, or the fair value of the asset under lease. Assets under capital lease are amortized using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

The Company derives its revenues from the following sources:

- (i) *Transaction Revenues*—Transaction revenues are primarily generated from the Company's legal document preparation services upon fulfillment of these services, as well as certain legal document preparation services that were bundled with one- and five-year document revision and vaulting services. Prior to the change in accounting guidance on how revenue recognition is applied to multiple deliverable arrangements that the Company adopted on January 1, 2010, the full value of these bundled services were required to be recognized as revenues ratably on a straight-line basis over the service period. Revenues are recognized upon fulfillment of services, predominantly when a completed set of documents is shipped to the customer. Transaction revenues are net of cancellations, promotional discounts, sales allowances, credit reserves and the value allocated to bundled free-trials for the Company's subscription-based services.
- (ii) *Subscription Revenues*—Subscription revenues are generated primarily when customers enroll in subscriptions to the Company's legal plans, registered agent services or access to its forms library. The Company recognizes revenues from its subscriptions ratably on a straight-line basis over the subscription term as such services are rendered. Subscription terms range from a period of 30 days to two years. Subscription revenues include the value allocated to bundled free-trials for the Company's subscription services and are net of promotional discounts, cancellations, sales allowances, credit reserves and payments to legal plan attorneys.
- (iii) *Other Revenues*—Other revenues consist primarily of fees earned from third-party providers for services provided to or leads generated for such providers through the Company's online legal platform. The Company typically earns these revenues on a cost-per-click or cost-per-action basis.

The Company recognizes revenues when four basic criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the fees are fixed or determinable and collectability is reasonably assured. The Company considers persuasive evidence of a sales arrangement to be the customer's placement of the order and acceptance of the Company's terms of service. For arrangements with third-party companies related to other revenues, the Company ensures a written contract is in place. The Company's customers generally pay for their orders and subscription services in advance by credit or debit card. The total fees, or the consideration, collected by the Company for its services include, as applicable, expedited services fees, government filing fees and shipping fees. The Company records the total consideration initially as deferred revenues that are then recognized as revenue when the Company meets all of the criteria for revenue recognition. Deferred revenues that the Company will recognize

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

during the succeeding 12 month period from the Company's balance sheet date is recorded as current deferred revenues, and the remaining portion is recorded as non-current at the balance sheet date. On a more limited basis, the Company may offer alternative payment methods to credit cards for certain services. These alternative payment methods include automated clearing house ("ACH") or payment by personal check or money order for registered agent renewals. In October 2010, the Company commenced offering its customers the ability to pay the fees owed to the Company on certain services in three equal monthly payments, or the three-pay plan. One-third of the fees due under the three-pay plan is charged to the customer's debit or credit card, on the date the order is placed, and the second and third payments are charged 30 and 60 days after the first payment date. Where full payment is not received in advance, revenue is only recognized if collectability is reasonably assured assuming all other revenue recognition criteria are met. The Company's online platform allows customers to prepare legal documents, schedule consultations with plan attorneys and subscribe to other related services. The Company's customers do not have the rights to the underlying software code of its online platform, accordingly, the Company's arrangements are outside the scope of software revenue recognition rules under ASC 985, *Software*.

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

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

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

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

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

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

The Company establishes VSOE for a majority of its services based on the price the Company charges when the deliverable is sold separately. In determining VSOE, the Company requires that a substantial majority of the Company's selling prices for its services to fall within a reasonably narrow pricing range, and the Company then establishes VSOE based on the mid-point of the range for those services. This requires significant management judgment, including as to how the Company groups similar services, the time period analyzed for assessing transactions and the volume of similar transactions available to the Company in the relevant time period.

When the Company cannot establish VSOE, the Company applies its judgment with respect to whether the Company can establish TPE based on competitor prices for similar deliverables that are sold separately. The Company believes its strategy differs from that of its peers, and its services contain a significant level of differentiation such that comparable pricing of the Company's services cannot be obtained. The Company's competitors do not sell services similar to its services on a standalone basis, and the Company therefore is unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, the Company has been unable to establish selling price based on TPE.

When the Company cannot establish VSOE or TPE, the Company applies its judgment to determine BSP. The objective of BSP 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 BSP 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 BSP is made through consultation with and formal approval by its senior management. The Company updates its estimates of both VSOE and BSP 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 BSP 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 BSP, 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 June 30, 2012, the Company's non-current deferred revenues balances of \$7.0 million, \$3.3 million and \$1.7 million (unaudited), respectively, included in the Company's consolidated balance sheets primarily consist of document revision and document storage services.

Sales Allowances

The Company's arrangements do not include contractual provisions for cancellations or terminations. As a business practice, the Company provides that if its customers are not fully satisfied with the services or support and they notify the Company within a limited period of time after the purchase, the Company

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

will attempt to resolve the matter, offer a credit that can be used for future services or provide a refund, excluding third-party fees. Revenues are recognized net of promotional discounts and estimated sales allowances and credit reserves related to credit or debit card charge-backs, sales credits and refunds. For completed services where the customers have elected the three-pay plan, the Company records a sales allowance for estimated charge backs, sales credits and collection losses for the second and third payment receivable amounts. The sales allowance is recorded against the customer receivables balance. For completed and paid services, the Company records sales and credit reserves based on its estimate of refunds or credits. The sales and credit reserves are included in accrued expenses and other current liabilities. The sales allowance and the sales and credit reserves are made at the time of revenue recognition based on the Company's historical experience, activity occurring after the balance sheet date and other factors. The Company has established a sufficient history of estimating refunds, charge backs, write offs and credits, given the large number of homogeneous transactions. The majority of the Company's allowances and reserves are known within the time period of its financial reporting cycle. The estimated provision for sales allowances and reserves has varied from actual results within ranges consistent with management's expectations. If actual sales allowances, credit reserves and promotional discounts are greater than estimated by management, revenues and operating results would be negatively impacted.

Principal Agent Considerations

The Company evaluates the criteria as prescribed by FASB ASC 605-45, *Principal Agent Considerations*, in order to determine whether the Company can recognize revenues gross as a principal or net as an agent. The Company records revenues on a gross basis when the Company is the primary obligor in the arrangement and therefore principally responsible for the fulfillment of the services. The determination of whether the Company is the principal or agent requires it to evaluate a number of indicators, including which party, as applicable, in the arrangement:

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

When forming the Company's conclusion on whether the Company is the principal or agent in an arrangement and whether to present revenues gross or net, the Company weighs the above factors, and places more weight on the first factor, or primary obligor, followed by whether the Company has latitude in establishing the sales price and whether the Company performs part of the service.

In arrangements in which the Company is the primary obligor and the indicators are weighted towards the Company acting as a principal, the Company records as revenues the amounts the Company has billed to its customer, and the Company records the related costs the Company has incurred in fulfilling the Company's services. The Company is the primary obligor in substantially all of its legal document preparation and registered agent services.

In arrangements in which the Company is not the primary obligor and the indicators are more weighted towards the Company acting as the agent in the arrangement, the Company records revenues on a net basis, which is equal to the amount billed to its customer, net of the fee payable to the primary obligor, which is another third party that is primarily responsible for performing the services for the

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

customer. Because the Company is not a law firm and cannot provide legal advice, the participating independent law firms in the Company's legal plans have the primary service obligation to provide attorney consultations to the Company's customers, for which the Company pays the law firms a monthly fee. Therefore, the Company recognizes revenues net as an agent for subscriptions to the Company's legal plans. The Company also recognized revenues net as an agent for registered agent services prior to March 2010. Before March 2010, the Company contracted with third-party service providers to perform substantially all registered agent services on the Company's behalf and accordingly, the Company recorded the amount received from the customer net of the fee payable to the service provider.

Segments

The Company has one operating segment, providing legal document preparation and related subscription services. The Company's Chief Operating Decision Maker ("CODM"), the Chief Executive Officer, manages the Company's operations based on consolidated financial information for purposes of evaluating financial performance and allocating resources. The CODM reviews separate revenue information for its transaction and subscription services. All other financial information is reviewed by the CODM on a consolidated basis. All of the Company's principal operations, decision-making functions and assets are located in the United States. Assets and revenues generated outside of the United States are not material for any of the periods presented.

Revenues derived from the Company's transaction and subscription services are as follows (in thousands):

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|-------------------|-------------------------|------------|------------|---------------------------|-------------|
| | 2009 | 2011 | 2011 | 2011 | 2012 |
| | | | | (unaudited) | (unaudited) |
| Revenues by type: | | | | | |
| Transaction | \$ 92,561 | \$ 105,491 | \$ 121,856 | \$ 64,055 | \$ 69,905 |
| Subscription | 4,966 | 10,889 | 27,878 | 11,430 | 21,359 |
| Other | 5,772 | 4,391 | 6,332 | 3,474 | 5,195 |
| Total revenues | \$ 103,299 | \$ 120,771 | \$ 156,066 | \$ 78,959 | \$ 96,459 |

Cost of Services

Cost of services include all costs of providing and fulfilling the Company's services. Cost of services primarily include government filing fees; costs of fulfillment, customer care and inbound sales personnel and related benefits, including stock-based compensation, and costs of independent contractors for document preparation; telecommunications and data center costs, including depreciation and amortization of network computers, equipment and internal use software; printing, shipping and courier charges; credit and debit card fees; allocated overhead; legal document kit expenses; and sales and use taxes. The Company defers direct and incremental costs primarily related to government filing fees incurred prior to the associated service meeting the criteria for revenue recognition. The deferred cost of services is recognized as cost of services in the same period in the related revenue is recognized. At December 31, 2010, December 31, 2011 and June 30, 2012, there were \$0.9 million, \$0.8 million and \$1.0 million (unaudited), respectively, of deferred cost of service included in prepaid expenses and other current assets on the accompanying consolidated balance sheets.

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

Sales and marketing expenses are comprised of customer acquisition media, consisting primarily of search engine marketing, television and radio; compensation and related benefits, including stock-based compensation, for marketing and outbound sales personnel; media production; public relations and other promotional activities; general business development activities; and allocated overhead. Marketing and advertising costs to promote the Company's products and services are expensed in the period incurred. Media production costs are expensed the first time the advertisement is aired. Advertising expenses were \$29.6 million, \$32.6 million, and \$36.4 million for the years ended December 31, 2009, 2010 and 2011, respectively, and \$19.9 million (unaudited) and \$25.6 million (unaudited) for the six months ended June 30, 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 attributable to common stockholders for the years ended December 31, 2009 and 2010 and for the six-month periods ended June 30, 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 six months ended June 30, 2011 and 2012:

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|--|-------------------------|------------|-----------|------------------------------|---------------------|
| | 2009 | 2010 | 2011 | 2011 (unaudited) | 2012 (unaudited) |
| (In thousands, except per share amounts) | | | | | |
| Numerator | | | | | |
| Net income (loss) | \$ (640) | \$ (4,024) | \$ 12,123 | \$ 1,340 | \$ 1,257 |
| Accretion of preferred stock | (4,035) | (4,038) | (4,042) | (2,005) | (2,017) |
| Less amount attributable to participating securities | — | — | (3,407) | — | — |
| Net income (loss) attributable to common stockholders—basic and diluted | \$ (4,675) | \$ (8,062) | \$ 4,674 | \$ (665) | \$ (760) |
| Denominator | | | | | |
| Weighted average common stock—basic | 18,700 | 19,360 | 20,925 | 20,878 | 21,136 |
| Effect of potentially dilutive securities—stock options and restricted stock units | — | — | 3,270 | — | — |
| Weighted-average common stock—diluted | 18,700 | 19,360 | 24,195 | 20,878 | 21,136 |
| Earnings per share | | | | | |
| Basic | \$ (0.25) | \$ (0.42) | \$ 0.22 | \$ (0.03) | \$ (0.04) |
| Diluted | \$ (0.25) | \$ (0.42) | \$ 0.19 | \$ (0.03) | \$ (0.04) |

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 six months ended June 30, 2011 and 2012 (in thousands):

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|---|-------------------------|--------|--------|------------------------------|---------------------|
| | 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 | 4,455 | 5,003 |
| Total shares excluded from the calculation of diluted net income (loss) per share attributable to common stockholders | 20,681 | 20,008 | 15,844 | 19,711 | 20,259 |

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 six months ended June 30, 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 six months ended June 30, 2012 were as follows.

| | <u>Year Ended December 31,</u> | | | <u>Six Months Ended</u> |
|-------------------------|--------------------------------|-------------|-------------|-------------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>June 30, 2012</u> |
| 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 six months ended June 30, 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 June 30, 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 six months ended June 30, 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 six months ended June 30, 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>June 30,</u> |
|--|---------------------|-----------------|-----------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| | | | (unaudited) |
| Receivables from credit card merchant processors | \$ 674 | \$ 1,376 | \$ 1,744 |
| Receivables from three-pay customers, net of allowance | 886 | 1,375 | 2,066 |
| Receivables from third-party business partners | 546 | 843 | 1,277 |
| Other | 57 | 58 | 57 |
| Total accounts receivable, net | \$ 2,163 | \$ 3,652 | \$ 5,144 |

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 |
| June 30, 2012 (unaudited) | 214 | 594 | (585) | 223 |

Accrued Expenses and Other Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

| | <u>December 31,</u> | | <u>June 30,</u> |
|---|---------------------|------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| | | | (unaudited) |
| Accrued payroll and related expenses | \$ 2,078 | \$ 5,164 | \$ 3,360 |
| Accrued legal settlements | — | 5,359 | 3,639 |
| Accrued advertising | 3,084 | 2,536 | 6,580 |
| Accrued sales, use and business taxes | 1,169 | 2,188 | 2,636 |
| Sales and credit reserves | 510 | 801 | 933 |
| Accrued vendors | 2,483 | 2,760 | 5,523 |
| State income taxes payable | 279 | 116 | 53 |
| Other | 334 | 510 | 515 |
| Total accrued expenses and other current liabilities | \$ 9,937 | \$ 19,434 | \$ 23,239 |

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 |
| June 30, 2012 (unaudited) | 801 | 132 | 933 |

Note 4. Property and Equipment

Property and equipment, net consisted of the following (in thousands):

| | December 31, | | June 30, |
|---|--------------|-----------|---------------------|
| | 2010 | 2011 | 2012 (unaudited) |
| Purchased and internally developed software | \$ 7,342 | \$ 9,354 | \$ 9,986 |
| Furniture and office equipment | 1,173 | 1,275 | 1,286 |
| Computer hardware | 6,387 | 9,057 | 10,110 |
| Leasehold improvements | 4,271 | 4,494 | 4,627 |
| Software development in progress | 162 | 914 | 1,505 |
| | 19,335 | 25,094 | 27,514 |
| Less: accumulated depreciation and amortization | (8,718) | (12,883) | (15,384) |
| Property and equipment, net | \$ 10,617 | \$ 12,211 | \$ 12,130 |

At December 31, 2010, December 31, 2011 and June 30, 2012 accumulated amortization in connection with internally developed and purchased software costs was \$4.0 million, \$6.1 million and \$7.2 million (unaudited), respectively. For the years ended December 31, 2009, 2010 and 2011, and the six months ended June 30, 2011 and 2012, the Company recorded amortization expense of \$1.2 million, \$2.0 million, \$2.1 million, \$1.0 million (unaudited) and \$1.1 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, | | | Six Months Ended June 30, | |
|---|-------------------------|----------|----------|------------------------------|---------------------|
| | 2009 | 2010 | 2011 | 2011 (unaudited) | 2012 (unaudited) |
| Cost of services | \$ 2,297 | \$ 2,557 | \$ 2,999 | \$ 1,400 | \$ 1,649 |
| Selling and marketing | 54 | 130 | 214 | 90 | 193 |
| Technology and development | 255 | 320 | 584 | 267 | 351 |
| General and administrative | 331 | 502 | 765 | 301 | 344 |
| Total depreciation and amortization expense | \$ 2,937 | \$ 3,509 | \$ 4,562 | \$ 2,058 | \$ 2,537 |

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 June 30, 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 \$1.0 million (unaudited) and \$1.3 million (unaudited) for the six months ended June 30, 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 and June 30, 2012, the Company had non-cancellable minimum advertising and media commitments for future advertising spots of \$18.1 million and \$8.7 million (unaudited), respectively, 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 six months ended June 30, 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. In June 2012, the Company paid the \$1.9 million to the plaintiffs' attorneys for their fees and expenses.

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) and in June 2012 paid the plaintiffs' attorneys \$1.9 million for fees and expenses, reducing the Matter B accrued liability to \$0.8 million (unaudited), which is included in accrued expenses and other current liabilities in the consolidated balance sheet as of June 30, 2012. The \$0.2 million (unaudited) increase from the original estimate was recorded as a reduction of revenues during the six months ended June 30, 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, after the Matter B payments made to the plaintiffs' attorneys in June 2012, the Company has reasonably estimated the collective aggregate probable losses for Matters A and B to be approximately \$3.7 million (unaudited) which is included in accrued expenses and other liabilities as of June 30, 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 June 30, 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

estimated by the Company, this difference could have a material adverse effect on the Company's business, operating results, cash flows and financial condition.

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 June 30, 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 June 30, 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 June 30, 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

accompanying consolidated financial statements at December 31, 2011, and June 30, 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.

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 June 30, 2012 (unaudited), total potential severance obligations in connection with the termination of employment contracts approximated \$1.6 million. The Company has an obligation to pay one of its named officers a cash bonus of \$100,000 and accelerate vesting by one year of his then-unvested stock options that would have otherwise vested monthly during that same 12-month period upon the completion of an initial public offering.

Contingent Incentive

In February 2010, the Company received a cash incentive payment of \$0.5 million from the State of Texas in connection with the Company's opening of its office in Austin, Texas. The cash incentive, among other things, requires the Company to hire a contractually determined number of eligible employees who reside and work in the state beginning in 2010 and annually thorough 2017 ("incentive period"). This incentive contract is subject to annual compliance audits by the State of Texas. Shortfalls in the number of required new hires, if any, may result in the State penalizing the Company over the incentive period and such penalties over the incentive period cannot in the aggregate exceed the original \$0.5 million payment made by the State. Although the Company does not expect to pay back this amount entirely based on its expected hiring in the State, it is also unable to estimate how much of the incentive the Company will retain, if any, since the Company can potentially end up paying back the entire incentive payment over the incentive period if it is unable to meet and maintain contractual hiring requirements. Accordingly, the Company has recorded \$0.4 million of the incentive payment as a noncurrent liability and \$0.1 million as a current liability in the accompanying consolidated balance sheets at December 31, 2011 and June 30, 2012

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Indemnifications

Indemnification provisions in our third-party service provider agreements provide that the Company will indemnify, hold harmless, and reimburse the indemnified parties on a case-by-case basis for losses suffered or incurred by the indemnified parties in connection with any claim by any third party as a result of the Company's website, advertising, marketing, payment processing, collection or customer service activities. The maximum potential amount of future payments the Company could be required to make under these indemnification provisions is undeterminable. The Company has never paid a claim, nor has the Company been sued in connection with these indemnification provisions. At December 31, 2011, and June 30, 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 June 30, 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 six months ended June 30, 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Market or (ii) a date specified by the vote of the holders of at least a majority of the then outstanding shares of Series A.

Redemption

The holders of the Series A are entitled to request that the Company redeem their shares on or after February 9, 2014, which is the date of earliest possible redemption. If the Series A shareholders request redemption, the Company can deny such request. However, in such event, the Series A have certain rights to take control of the Company's Board of Directors and approve such redemption. The redemption amount at February 9, 2014 is an amount per share in cash equal to (i) \$5.98471, plus (ii) \$0.4788, per annum, accruing on a daily basis, or a total of \$71.2 million.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, including a merger or consolidation, as defined, the holders of shares of Series A then outstanding are entitled to be paid out of the assets available for distribution to its shareholders before any payment will be made to the holders of common stock or any other class or series of stock ranking on liquidation junior to the Series A by reason of their ownership thereof, an amount per share of Series A equal to the Series A original issue price of \$5.98471 multiplied by 1.25 (the "Base Liquidation Amount"), plus any dividends declared but unpaid thereon. If upon liquidation, dissolution, or winding up of the Company, the assets available for distribution to its shareholders are insufficient to pay the holders of shares of Series A the full aforesaid preferential amount to which they are entitled, the holders of shares of Series A will share ratably in any distribution of the remaining assets available for distribution in proportion to the respective amounts, which would otherwise be payable in respect of the shares of Series A held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

After the payment of all preferential amounts required to be paid to the holders of Series A, the remaining assets available for distribution to the Company's shareholders will be distributed among the holders of the shares of Series A and common stock, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to common stock immediately prior to such dissolution, liquidation or winding up of the Company; provided, however, that if and to the extent that the aggregate per share amount to be distributed to the holders of Series A would exceed the Series A original issue price of \$5.98471 multiplied by two, the Base Liquidation Amount will be reduced on a dollar-for-dollar basis by an amount equal to such excess amount; provided that in no event will the Base Liquidation Amount be reduced below zero.

Voting

Each holder of outstanding shares of Series A is entitled to cast the number of votes equal to the number of whole shares of common stock into, which the shares of Series A held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter. Holders of Series A will vote together with the holders of common stock as a single class.

As long as there are 2,542,667 shares of Series A outstanding, the Company will not: Amend, alter or repeal any provision of the Restated Certificate of Incorporation or the Company's By-laws in a manner that adversely affects that rights, preferences, privileges and other restrictions of the Series A; increase or decrease the number of authorized shares of Series A; authorize or enter into any transaction or series of related transactions (i) for the sale, exclusive license or other disposition of a substantial portion of the assets of the Company, (ii) for the acquisition of any equity interests or all or substantially all of the assets

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

of another entity, including by merger, in each case, where the fair market value of the consideration paid or issued by the Company in connection with the transaction exceeds \$5,000,000, (iii) for the merger, consolidation or other reorganization with or into another entity, (iv) for the voluntary dissolution or liquidation of the Company, or (iv) otherwise constituting a change of control, as defined; authorize, designate, issue or reclassify any equity security senior to or on parity with the Series A, with regard to redemption, liquidation preference, voting rights or dividends; Increase the size of the Board of Directors; pay or declare dividends on, make distributions with respect to, or repurchase any shares of capital stock of the Company; incur any aggregate indebtedness for borrowed money in excess of \$5,000,000; increase the number of shares available for grant under the Company's 2000 Stock Option Plan or 2007 Stock Option Plan or authorize or establish any new plan or arrangement providing for the grant or issuance of shares of common stock, options or convertible securities to directors, employees or consultants of the Company; or Issue, or commit to issue, any additional shares of Series A.

Board of Directors

The holders of the Series A, exclusively and as a separate class, are entitled to elect two directors of the Company. The holders of the Series A and common stock, exclusively and as a separate class, are entitled to elect all remaining directors.

Reserve for Unissued Shares of Common Stock

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock plus shares granted and available for grant under the Company's stock option plan.

The amount of such shares of common stock reserved for these purposes at December 31, 2010, December 31, 2011 and June 30, 2012 (unaudited) is as follows (in thousands):

| | <u>December 31,</u> | | <u>June 30,</u> |
|--|---------------------|---------------|-----------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| | | | (unaudited) |
| Common stock issued | 20,944 | 21,186 | 21,412 |
| Conversion of preferred stock—Series A | 15,256 | 15,256 | 15,256 |
| Outstanding stock options, including restricted stock units | 4,752 | 4,933 | 5,003 |
| Additional shares available for grant under the Company's 2010 Stock Option plan | 116 | 616 | 218 |
| Total | <u>41,068</u> | <u>41,991</u> | <u>41,889</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 June 30, 2012 there were approximately 616,000 and 218,000 (unaudited) shares of common stock, respectively, available for grant

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

under the 2010 Plan. Under the terms of the Plans, both incentive and non-qualified stock options have been and may be granted with exercise prices not less than the fair value of the underlying common stock on the date of grant. Options granted pursuant to these plans vest over periods of up to four years and expire ten years from the grant date. If a 2000 Plan option expires, such as upon termination of employment, becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased shares will become available for future grant or sale under the 2000 Plan or the 2010 Plan. If a 2010 Plan option expires, such as after employment termination, becomes unexercisable without having been exercised in full, or is surrendered pursuant to an option exchange program, the unpurchased shares will become available for future grant or sale under the 2010 Plan. If the employee does not exercise vested 2000 Plan options within 30 days of termination, these options will expire and are not able to be issued as new grants under the 2000 Plan. If the employee does not exercise vested 2010 Plan options within 30 days of termination, these options will expire and revert back to the 2010 Plan's option pool. The Company's policy is to issue new common shares upon the exercise of stock options.

The exercise prices of all options granted under the Plans were based on the estimated fair market value of the Company's common stock as determined by the Board of Directors at the date of grant. The Company recorded stock-based compensation cost in the following categories on the accompanying consolidated statements of operations (in thousands):

| | Year Ended December 31, | | | Six Months Ended June 30, | |
|---|----------------------------|-----------------|---------------|------------------------------|---------------------|
| | 2009 | 2010 | 2011 | 2011 (unaudited) | 2012 (unaudited) |
| Cost of services | \$ 200 | \$ 178 | \$ 155 | \$ 82 | \$ 67 |
| Sales and marketing | 124 | 46 | 56 | 21 | 135 |
| Technology and development | 114 | 155 | 133 | 64 | 75 |
| General and administrative | 699 | 929 | 600 | 288 | 402 |
| Total | 1,137 | 1,308 | 944 | 455 | 679 |
| Amount capitalized to internal use software | 20 | 12 | 6 | 3 | 4 |
| Total stock-based compensation cost | \$ 1,157 | \$ 1,320 | \$ 950 | \$ 458 | \$ 683 |

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 six months ended June 30, 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) | (226) | 1.72 | | |
| Cancelled/forfeited (unaudited) | (40) | 4.36 | | |
| Outstanding at June 30, 2012 (unaudited) | 4,953 | \$ 3.09 | 6.7 | \$ 39,116 |
| 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 June 30, 2012 (unaudited) | 4,875 | \$ 3.06 | 6.7 | \$ 38,659 |
| Exercisable at June 30, 2012 (unaudited) | 2,969 | \$ 1.78 | 5.4 | \$ 27,390 |

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 six months ended June 30, 2011 and 2012 was \$0.9 million (unaudited) and \$1.7 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 June 30, 2012, total remaining stock-based compensation expense for unvested award is \$3.7 million (unaudited), which is expected to be recognized over a weighted-average period of 3.1 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 six months ended June 30, 2012 was \$4.20 (unaudited). There were no stock option grants during the six months ended June 30, 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 six months ended June 30, 2011 and 2012 were \$0.95 (unaudited) and \$1.07 (unaudited) for a total fair value of \$0.5 million (unaudited) and \$0.4 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 six months ended June 30, 2011 and 2012 (unaudited). The

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 six months ended June 30, 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 six months ended June 30, 2011 and 2012 (unaudited), compensation expense related to the restricted stock was insignificant.

Note 9. Income Taxes

During the six months ended June 30, 2011 and 2012, the Company recorded an income tax provision of \$0.1 million (unaudited) and \$1.2 million (unaudited), respectively.

For the six months ended June 30, 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 | <u>\$ (311)</u> | <u>\$ (282)</u> | <u>\$ 5,998</u> |

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> |

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 | <u>—</u> | <u>6,498</u> |
| Deferred tax assets—noncurrent | 5,841 | 604 |
| Valuation allowance—noncurrent | (5,841) | (174) |
| Net deferred tax assets—noncurrent | <u>\$ —</u> | <u>\$ 430</u> |

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

The activity in the valuation allowance for the years ended December 31, 2009, 2010 and 2011 was as follows (in thousands):

| | <u>Balance at beginning of period</u> | <u>Increase / (decrease)</u> | <u>Balance at end of period</u> |
|-------------------|---|----------------------------------|-------------------------------------|
| 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

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

loss carryforwards may be subject to an annual limitation based on changes in ownership, as defined by Section 382 of the Internal Revenue Code of 1986.

During 2011, the Company realized excess windfall tax benefits of \$0.3 million from stock option exercises. These benefits reduced income taxes payable and were recorded as an increase to additional paid-in capital in the accompanying consolidated balance sheets as of December 31, 2011. In accordance with the reporting requirements under ASC 718, the Company did not include \$0.5 million excess windfall tax benefits resulting from stock option exercises as components of the Company's gross deferred tax assets and corresponding valuation allowance disclosures, as tax attributes related to those windfall tax benefits should not be recognized until they result in a reduction of taxes payable. The tax effected amount of gross unrealized net operating loss carryforwards excluded under ASC 718 was \$0.5 million at December 31, 2011. When realized, those excess windfall tax benefits are credited to additional paid-in capital.

As of December 31, 2010 and 2011, the Company had approximately \$1.0 million and \$1.2 million of unrecognized tax benefits, respectively, which if recognized, would affect the effective income tax rate.

The following table summarizes the changes in unrecognized tax benefits (in thousands):

| | Gross Unrealized Tax Benefits |
|---|-------------------------------------|
| Balance at December 31, 2008 | \$ 616 |
| Additions for tax positions related to the current year | 196 |
| Balance at December 31, 2009 | 812 |
| Additions for tax positions related to the current year | 201 |
| Balance at December 31, 2010 | 1,013 |
| Additions for tax positions related to the current year | 201 |
| Balance at December 31, 2011 | \$ 1,214 |

During all years presented the Company recognized interest and penalties related to unrecognized tax benefits within the provision for income taxes on the consolidated statements of operations. There were no significant changes in unrecognized tax benefits during the six months ended June 30, 2012. The amount of interest and penalties accrued as of December 31, 2010, December 31, 2011 and June 30, 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.

LEGALZOOM.COM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 six months ended June 30, 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-founders and stockholders is also a partner. Such fees paid to this law firm for 2009 were insignificant. During the six months ended June 30, 2011, such fees were \$166,000 (unaudited) and were insignificant for the six months ended June 30, 2012 (unaudited).

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.

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 six months ended June 30, 2012, the Company evaluated subsequent events through July 29, 2012.

Our online legal platform enables us to deliver services at scale with a compelling combination of quality, customer care and value.



SMALL BUSINESS SERVICES

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



CONSUMER SERVICES

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



SUBSCRIPTION SERVICES

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





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 June 30, 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 June 30, 2009 through June 30, 2012, we issued to our directors, officers, employees, consultants and other service providers an aggregate of 498,113 shares of our common stock at per share purchase prices ranging from \$0.03 to \$1.79 pursuant to exercises of options under our 2000 Stock Option Plan.
2. From June 30, 2009 through June 30, 2012, we granted to our directors, officers, employees, consultants and other service providers options to purchase 2,990,663 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 June 30, 2009 through June 30, 2012, we issued to our directors, officers, employees, consultants and other service providers an aggregate of 1,979,306 shares of our common stock at per share prices ranging from \$1.14 to \$3.23 pursuant to exercises of options under our 2010 Stock Incentive Plan.
4. From June 30, 2009 through June 30, 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> |
|---------------------------|---|
| 1.1# | Form of Underwriting Agreement. |
| 3.1# | Restated Certificate of Incorporation of LegalZoom.com, Inc., as currently in effect. |
| 3.2# | Form of Amended and Restated Certificate of Incorporation of LegalZoom.com, Inc. to be in effect upon completion of the offering. |
| 3.3# | Bylaws of LegalZoom.com, Inc., as currently in effect. |
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| 5.1# | Opinion of Sheppard, Mullin, Richter & Hampton LLP. |
| 10.1+# | 2000 Stock Option Plan, as amended, and forms of award agreements. |
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| 10.3+ | 2012 Equity Incentive Plan and forms of award agreements. |
| 10.4+# | Form of Indemnification Agreement by and between LegalZoom.com, Inc. and each of its directors and executive officers. |
| 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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| 10.14# | 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 29, 2012. |
| 23.3 | Consent of nominated director Daniel Cooperman (included in Exhibit 10.40). |
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| 99.1# | Confidential Draft #1. |
| 99.2# | Consent of L.E.K. Consulting LLC. |
| 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.

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* To be filed by amendment.

+ Indicates a management contract or compensatory plan.

Previously filed.

[FORM OF]
 FOURTH CERTIFICATE OF AMENDMENT
 OF THE
 RESTATED CERTIFICATE OF INCORPORATION OF
 LEGALZOOM.COM, INC.
 a Delaware Corporation

LegalZoom.com, Inc., (the “**Corporation**”) a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: The Corporation’s Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on February 9, 2007, as amended by that certain Certificate of Amendment to the Restated Certificate of Incorporation filed with the Secretary of State of Delaware on February 25, 2010, as further amended by that certain Second Certificate of Amendment to the Restated Certificate of Incorporation filed with the Secretary of State of Delaware on July 29, 2011 and as further amended by that certain Third Certificate of Amendment to the Restated Certificate of Incorporation filed with the Secretary of State of Delaware on September 29, 2011 (collectively, the “**Restated Certificate of Incorporation**”).

SECOND: The second paragraph of Article FOURTH shall be deleted and replaced with the following:

“Effective upon the filing of the Fourth Amendment of the Restated Certificate of Incorporation pursuant to the General Corporation Law of the State of Delaware (the “**Effective Time**”), each three (3) shares of the Corporation’s common stock, par value \$0.001 per share (the “**Old Common Stock**”), issued and outstanding immediately prior to the Effective Time, will be automatically reclassified as and converted into two (2) shares of common stock, par value \$0.001 per share, of the Corporation (the “**New Common Stock**”) (the “**Reverse Stock Split**”). Any stock certificate that, immediately prior to the Effective Time, represented shares of the Old Common Stock will, from and after the Effective Time, automatically and without the necessity of presenting the same for exchange, represent the number of shares of the New Common Stock as equals the product obtained by dividing the number of shares of Old Common Stock represented by such certificate immediately prior to the Effective Time by one and one-half (1.5). No fractional share of Common Stock shall be issued as a result of the Reverse Stock Split.”

THIRD: This Fourth Certificate of Amendment of the Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 141, 228 and 242 of the General Corporation Law of the State of Delaware, by approval of the Board of Directors of the Corporation and by the affirmative vote of the holders of at least a majority of the outstanding stock of the Corporation entitled to vote.

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IN WITNESS WHEREOF, the undersigned has caused this Fourth Certificate of Amendment of Restated Certificate of Incorporation to be duly executed as of the day of , 2012.

LegalZoom.com, Inc.

By:

 Charles E. Rampenthal
 Secretary and General Counsel

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[FORM OF]

THIRD AMENDMENT TO THE BYLAWS OF
LEGALZOOM.COM, INC.

This Third Amendment to the Bylaws (the "Third Amendment") of LegalZoom.com, Inc., a Delaware corporation (the "Corporation") is effective as of , 2012. All capitalized terms not defined herein shall have the meaning respectively assigned to them under the Bylaws of the Corporation (the "Bylaws").

The Bylaws are hereby amended as follows:

1. The first full sentence of Article III, Section 1 shall be deleted and replaced in its entirety with the following:

“The number of directors which shall constitute the whole Board shall be set at eight members, unless otherwise provided in the Certificate of Incorporation.”
2. Except as otherwise provided herein, all other terms and conditions of the Bylaws will remain in full force and effect.

[Remainder of page intentionally left blank]

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

- a) That I am the duly elected and acting Secretary of LegalZoom.com, Inc., a Delaware corporation; and
- b) That the foregoing Third Amendment to the Bylaws together with the original Bylaws adopted February 1, 2007, the First Amendment to the Bylaws adopted on February 16, 2010 and the Second Amendment to the Bylaws adopted on October 14, 2010 constitute the Bylaws of LegalZoom.com, Inc. as of the date first written above.

IN WITNESS WHEREOF, I have hereunto subscribed by name as of this day of , 2012.

By: _____
Charles E. Rampenthal
Secretary

**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

EFFECTIVE AS OF JULY 19, 2012

**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

SECTION 1. INTRODUCTION.

The Company's Board of Directors adopted this LegalZoom.com, Inc. 2012 Equity Incentive Plan effective on the Effective Date conditioned on and subject to obtaining Company stockholder approval of the Plan within twelve months of the Effective Date.

The purpose of the Plan is to promote the long-term success of the Company and the creation of stockholder value by offering Selected Employees an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, and to encourage such Selected Employees to continue to provide services to the Company and to attract new individuals with outstanding qualifications.

The Plan seeks to achieve this purpose by providing for Awards in the form of Options (which may constitute Incentive Stock Options or Nonstatutory Stock Options), Stock Appreciation Rights, Restricted Stock Grants, Stock Units, Other Equity Awards and/or Cash Awards.

Capitalized terms shall have the meaning provided in Section 2 unless otherwise provided in this Plan or any applicable Award Agreement.

SECTION 2. DEFINITIONS.

(a) "Affiliate" means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity. For purposes of determining an individual's "Continuous Service," this definition shall include any entity other than a Subsidiary, if the Company, a Parent and/or one or more Subsidiaries own not less than 50% of such entity.

(b) "Award" means any award of an Option, SAR, Restricted Stock Grant, Stock Unit, Other Equity Award or Cash Award under the Plan.

(c) "Award Agreement" means an agreement between the Company and a Selected Employee evidencing the award of an Option, SAR, Restricted Stock Grant, Stock Unit, Other Equity Award or Cash Award as applicable.

(d) "Board" means the Board of Directors of the Company, as constituted from time to time.

(e) "Cash Award" means a cash incentive opportunity awarded under this Plan, to a Covered Employee that is (i) payable only in cash, (ii) not an Option, SAR, Restricted Stock Grant, Stock Unit or Other Equity Award, (iii) paid based on achievement of Performance Goal(s) and (iv) intended to qualify as performance-based compensation under Code Section 162(m).

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(f) "Cashless Exercise" means, to the extent that an Award Agreement so provides and as permitted by applicable law and in accordance with any procedures established by the Committee, an arrangement whereby payment of some or all of the aggregate Exercise Price may be made all or in part by delivery of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company. Cashless Exercise may also be utilized to satisfy an Option's tax withholding obligations as provided in Section 16(b).

(g) "Cause" means, with respect to a Participant and except as may otherwise be provided in the Participant's employment agreement or applicable Award Agreement (and in such case the employment agreement or Award Agreement shall govern as to the definition of Cause): (i) the Participant's dishonesty, incompetence or gross negligence in the discharge of the Participant's duties; (ii) the Participant's theft, embezzlement, fraud, breach of confidentiality, or unauthorized disclosure or use of inside information, recipes, processes, customer and employee lists, trade secrets, or other Company proprietary information; (iii) the Participant's willful material violation of any law, rule, or regulation of any governing authority or of the Company's policies and procedures, including without limitation the Company's Code of Business Conduct and Ethics and Insider Trading Policy; (iv) the Participant's material breach of any agreement with the Company; (v) the Participant's intentional conduct which is injurious to the reputation, business or assets of the Company; (vi) the Participant's solicitation of one or more Employees to either terminate their Service or to work for any business entity that is not affiliated with the Company; and/or (vii) any other act or omission by a Participant that, in the opinion of the Board, could reasonably be expected to materially adversely affect the Company's or a Parent's or a Subsidiary's or an Affiliate's business, financial condition, prospects and/or reputation. In each of the foregoing subclauses (i) through (vii), whether or not a "Cause" event has occurred will be determined by the Company's chief human resources officer or other person performing that function or, in the case of Participants who are directors or Officers or Section 16 Persons, the Committee or the Board, each of whose determination shall be final, conclusive and binding. The Board or Committee may also in its discretion determine that a Participant's Continuous Service may be deemed to have been terminated for Cause if, after the Participant's Continuous Service has terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, violation of material Company policies or breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant.

(h) "Change in Control" except as may otherwise be provided in a Participant employment agreement or applicable Award Agreement (and in such case the employment agreement or Award Agreement shall govern as to the definition of Change in Control), means the consummation of any one or more of the following:

(i) 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 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 percent (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;

(ii) 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 percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(iii) 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);

(iv) The dissolution or liquidation of the Company; or

(v) Any transaction or series of related transactions that has the substantial effect of any one or more of the foregoing.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions. In addition, an IPO shall not constitute a Change in Control.

(i) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder.

(j) "Committee" means a committee described in Section 3.

(k) "Common Stock" means the Company's common stock, \$0.001 par value per Share, and any other securities into which such shares are changed, for which such shares are exchanged or which may be issued in respect thereof.

(l) "Company" means LegalZoom.com, Inc., a Delaware corporation.

(m) "Consultant" means an individual or entity which performs bona fide services to the Company, a Parent, a Subsidiary or an Affiliate, other than as an Employee or Non Employee Director.

(n) "Continuous Service" means uninterrupted service as an Employee, Non Employee Director or Consultant. Continuous Service will be deemed terminated as soon as the entity to which Continuous Service is being provided is no longer either (i) the Company, (ii) a Parent, (iii) a Subsidiary or (iv) an Affiliate. A Participant's

Continuous Service does not terminate if he or she is a common-law employee and goes on a bona fide leave of absence that was approved by the Company in writing and the terms of the leave provide for continued service crediting, or when continued service crediting is required by applicable law. However, for purposes of determining whether an Employee's outstanding ISOs are eligible to continue to qualify as ISOs (and not become NSOs), an Employee's Continuous Service will be treated as terminating three (3) months after such Employee went on leave, unless such Employee's right to return to active work is guaranteed by law or by a contract. Continuous Service terminates in any event when the approved leave ends, unless such Employee immediately returns to active work. The Committee determines which leaves count toward Continuous Service, and when Continuous Service commences and terminates for all purposes under the Plan. For avoidance of doubt, a Participant's Continuous Service shall not be deemed terminated if the Committee determines that (i) a transition of employment to service with a partnership, joint venture or corporation not meeting the requirements of a Subsidiary or Parent or Affiliate in which the Company or a Subsidiary or Parent or Affiliate is a party is not considered a termination of Continuous Service, (ii) the Participant transfers between service as an Employee and service as a Consultant or other personal service provider (or vice versa), or (iii) the Participant transfers between service as an Employee and that of a Non Employee Director (or vice versa). The Committee may determine whether any Company transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in termination of Continuous Service for purposes of any affected Awards, and the Committee's decision shall be final, conclusive and binding.

(o) "Covered Employees" means those individuals whose compensation is (or may be) subject to the deduction limitations of Code Section 162(m).

(p) "DGCL" means the Delaware General Corporation Law.

(q) "Disability" means, except as may otherwise be provided in a Participant employment agreement or applicable Award Agreement (and in such case the employment agreement or Award Agreement shall govern as to the definition of Disability), the following:

(i) For all ISOs, the permanent and total disability of a Participant within the meaning of Section 22(e)(3) of the Code;

(ii) For all Awards which are considered nonqualified deferred compensation under Code Section 409A and for which payment can be made on account of the Participant's disability, the disability of a Participant within the meaning of Section 409A of the Code; or

(iii) For all other Awards, the Participant's medically determinable physical or mental incapacitation such that for a continuous period of not less than twelve (12) months, a person is unable to engage in any substantial gainful activity or which can be expected to result in death.

Any question as to the existence of that person's physical or mental incapacitation as to which the person or person's representative and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the person and the Company. If the person and the Company cannot

agree as to a qualified independent physician, each shall appoint such a physician and those two (2) physicians shall select a third (3rd) who shall make such determination in writing. The determination of Disability made in writing to the Company and the person shall be final and conclusive for all purposes of the Awards.

(r) "Effective Date" means July 19, 2012.

(s) "Employee" means any individual who is a common-law employee of the Company, or of a Parent, or of a Subsidiary or of an Affiliate. An employee who is also serving as a member of the Board is an Employee for purposes of this Plan.

(t) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(u) "Exercise Price" means, in the case of an Option, the amount for which a Share may be purchased upon exercise of such Option, as specified in the applicable Award Agreement. "Exercise Price," in the case of a SAR, means an amount, as specified in the applicable Award Agreement, which is subtracted from the Fair Market Value in determining the amount payable to a Participant upon exercise of such SAR.

(v) "Fair Market Value" means the market price of a Share, determined by the Committee as follows:

(i) If the Shares were traded on a stock exchange (such as the NYSE, NYSE Amex, the NASDAQ Global Market or NASDAQ Capital Market) at the time of determination, then the Fair Market Value shall be equal to the regular session closing price for such stock as reported by such exchange (or the exchange or market with the greatest volume of trading in the Shares) on the date of determination, or if there were no sales on such date, on the last date preceding such date on which a closing price was reported;

(ii) If the Shares were traded on the OTC Bulletin Board at the time of determination, then the Fair Market Value shall be equal to the last-sale price reported by the OTC Bulletin Board for such date, or if there were no sales on such date, on the last date preceding such date on which a sale was reported; and

(iii) If neither of the foregoing provisions is applicable, then the Fair Market Value shall be determined by the Committee in good faith using a reasonable application of a reasonable valuation method as the Committee deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported by the applicable exchange or the OTC Bulletin

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Board, as applicable, or a nationally recognized publisher of stock prices or quotations (including an electronic on-line publication). Such determination shall be conclusive and binding on all persons.

(w) "Fiscal Year" means the Company's fiscal year.

(x) "GAAP" means United States generally accepted accounting principles as established by the Financial Accounting Standards Board.

(y) "Incentive Stock Option" or "ISO" means an incentive stock option described in Code Section 422.

(z) "IPO" means an initial public offering by the Company of its equity securities pursuant to an effective registration statement filed with the SEC.

(aa) "ISO Limit" means the maximum aggregate number of Shares that are permitted to be issued pursuant to the exercise of ISOs granted under the Plan as described in Section 5(a).

(bb) "Net Exercise" means, to the extent that an Award Agreement so provides and as permitted by applicable law, an arrangement pursuant to which the number of Shares issued to the Optionee in connection with the Optionee's exercise of the Option will be reduced by the Company's retention of a portion of such Shares. Upon such a net exercise of an Option, the Optionee will receive a net number of Shares that is equal to (i) the number of Shares as to which the Option is being exercised minus (ii) the quotient (rounded down to the nearest whole number) of the aggregate Exercise Price of the Shares being exercised divided by the Fair Market Value of a Share on the Option exercise date. The number of Shares covered by clause (ii) will be retained by the Company and not delivered to the Optionee. No fractional Shares will be created as a result of a Net Exercise and the Optionee must contemporaneously pay for any portion of the aggregate Exercise Price that is not covered by the Shares retained by the Company under clause (ii). The number of Shares delivered to the Optionee may be further reduced if Net Exercise is utilized under Section 16(b) to satisfy applicable tax withholding obligations.

(cc) "Non Employee Director" means a member of the Board who is not an Employee.

(dd) "Nonstatutory Stock Option" or "NSO" means a stock option that is not an ISO.

(ee) "NYSE" means the New York Stock Exchange.

(ff) "Officer" means an individual who is an officer of the Company within the meaning of Rule 16a-1(f) of the Exchange Act.

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(gg) "Option" means an ISO or NSO granted under the Plan entitling the Optionee to purchase a specified number of Shares, at such times and applying a specified Exercise Price, as provided in the applicable Award Agreement.

(hh) "Optionee" means an individual, estate or other entity that holds an Option.

(ii) “Other Equity Award” means an award (other than an Option, SAR, Stock Unit, Restricted Stock Grant or Cash Award) which derives its value from the value of Shares and/or from increases in the value of Shares.

(jj) “Outside Director” means a Non Employee Director who is considered an “outside director” for purposes of Section 162(m) of the Code.

(kk) “Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the Effective Date shall be considered a Parent commencing as of such date.

(ll) “Participant” means an individual or estate or other entity that holds an Award.

(mm) “Performance Criteria” means the criteria (and adjustments) that the Committee selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(A) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) annual revenue, (ii) earnings before interest, taxes, depreciation and amortization, or EBITDA, (iii) earnings per share, (iv) stock price, (v) operating cash flow, (vi) net income, (vii) profit margins, operating margins, gross margins or cash margins, (viii) revenue growth, (ix) pre- or after-tax income (before or after allocations of corporate overhead and bonuses), (x) return on equity, (xi) total shareholder return, (xii) return on assets or net assets, (xiii) appreciation in and/or maintenance of the price of the Common Stock, (xiv) market share, (xv) gross profits, (xvi) economic value-added models or equivalent metrics, (xvii) comparisons with various stock market indices, (xviii) reductions in costs, (xix) cash flow or cash flow per share, (xx) return on capital (including return on total capital or return on invested capital), (xxi) cash flow return on investment, (xxii) improvement in or attainment of expense levels or working capital levels, (xxiii) year-end cash, (xxiv) debt reductions, (xxv) stockholder equity, (xxvi) regulatory or litigation achievements, (xxvii) implementation, completion or attainment of measurable

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objectives with respect to business development, new products or services, budgets, regulatory or business risks, acquisitions, divestitures or recruiting and maintaining personnel, (xxviii) earnings, (xxix) expenses, (xxx) cost of goods sold, (xxxi) working capital, (xxxii) price/earnings ratio, (xxxiii) debt or debt-to-equity, (xxxiv) accounts receivable, (xxxv) writeoffs, (xxxvi) assets, (xxxvii) liquidity, (xxxviii) operations, (xxxix) research or related milestones, (xl) intellectual property (e.g., patents), (xli) product development, (xlii) information technology, (xliii) financings, (xliv) product quality control, (xlv) management, (xlvi) human resources, (xlvii) corporate governance, (xlviii) compliance program, (xlix) internal controls, (lxi) policies and procedures, (xlxii) accounting and reporting, (xlxiii) strategic alliances, (xlxiv) licensing and partnering, and (xlxv) site, plant or building development, or (xlxvi) any combination of the foregoing, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or index. Such Performance Goals also may be based solely by reference to the Company’s performance or the performance of a Parent, Subsidiary, Affiliate, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. Financial performance targets are approved by the Company’s Chief Executive Officer and the Committee at or near the beginning of each year.

(B) The Committee may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to reorganizations or restructuring programs or divestitures or acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to asset write-downs or the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under GAAP; (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary

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corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company’s core, on-going business activities; (xiv) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions and/or items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence; or (xv) litigation or claim judgments or settlements. For all Awards intended to qualify as performance-based compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

(nn) “Performance Goals” means for a Performance Period, one or more goals established in writing by the Committee for the Performance Period based upon one or more Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Parent, Subsidiary, Affiliate, division, business unit, or an individual. The achievement of each Performance Goal shall be determined in accordance with GAAP to the extent applicable.

(oo) “Performance Period” means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, an Award.

(pp) “Plan” means this LegalZoom.com, Inc. 2012 Equity Incentive Plan as it may be amended from time to time.

(qq) “Prior Equity Compensation Plans” means the LegalZoom.com, Inc. 2000 Stock Option Plan and the LegalZoom.com, Inc. 2010 Stock Incentive Plan, and their predecessor plans and any other Company nonqualified equity compensation plans.

(rr) “Re-Load Option” means a new Option or SAR that is automatically granted to a Participant as result of such Participant’s exercise of an Option or SAR.

(ss) “Re-Price” means that the Company has lowered or reduced the Exercise Price of outstanding Options and/or outstanding SARs and/or outstanding Other Equity Awards for any Participant(s) in a manner described by SEC Regulation S-K Item 402(d)(2)(viii) (or as described in any successor provision(s) or definition(s)). For avoidance of doubt, Re-Price also includes any exchange of Options or SARs for other Awards or cash.

(tt) “Restricted Stock Grant” means Shares awarded under the Plan as provided in the applicable Award Agreement.

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(uu) “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(vv) “SEC” means the Securities and Exchange Commission.

(ww) “Section 16 Persons” means those Officers, directors or other persons who are subject to Section 16 of the Exchange Act.

(xx) “Securities Act” means the Securities Act of 1933, as amended.

(yy) “Selected Employee” means an Employee, Consultant, or Non Employee Director who has been selected by the Committee to receive an Award under the Plan.

(zz) “Separation From Service” has the meaning provided to such term under Code Section 409A and the regulations promulgated thereunder.

(aaa) “Share” means one share of Common Stock.

(bbb) “Share Limit” means the maximum aggregate number of Shares that are permitted to be issued under the Plan as described in Section 5(a).

(ccc) “Specified Employee” means a Participant who is considered a “specified employee” within the meaning of Code Section 409A.

(ddd) “Stock Appreciation Right” or “SAR” means a stock appreciation right awarded under the Plan which provides the holder with a right to potentially receive, in cash and/or Shares, value with respect to a specific number of Shares, as provided in the applicable Award Agreement.

(eee) “Stock Unit” means a bookkeeping entry representing the equivalent of one Share, as awarded under the Plan, as provided in the applicable Award Agreement.

(fff) “Stockholder Approval Date” means the date that the Company’s stockholders approve this Plan.

(ggg) “Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the Effective Date shall be considered a Subsidiary commencing as of such date.

(hhh) “Substitute Awards” means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Parent or any Subsidiary or any Affiliate or with which the Company or any Parent or any Subsidiary or any Affiliate combines.

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(iii) “Termination Date” means the date on which a Participant’s Continuous Service terminates.

(jjj) “10-Percent Shareholder” means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its Parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

SECTION 3. ADMINISTRATION.

(a) Committee Composition. A Committee (or Committees) appointed by the Board (or its Compensation Committee) shall administer the Plan. Unless the Board provides otherwise, the Board’s Compensation Committee (or a comparable committee of the Board) shall be the Committee. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

To the extent required to enable Awards to be exempt from liability under Section 16(b) of the Exchange Act or to qualify as performance-based compensation under Code Section 162(m), the Committee shall have membership composition which enables (i) Awards to Section 16 Persons to qualify as exempt from liability under Section 16(b) of the Exchange Act and (ii) Awards to Covered Employees to qualify as performance-based compensation as provided under Code Section 162(m).

The Board or the Committee may also appoint one or more separate committees of the Board, each composed of directors of the Company who need not qualify under Rule 16b-3 or Code Section 162(m), that may administer the Plan with respect to Selected Employees who are not Section 16 Persons or Covered Employees, respectively, may grant Awards under the Plan to such Selected Employees and may determine all terms of such Awards. To the extent permitted by applicable law, the Board may also appoint a committee, composed of one or more officers of the Company, that may authorize Awards to Employees (who are not Section 16 Persons or Covered Employees) within parameters specified by the Board and consistent with any limitations imposed by applicable law.

Notwithstanding the foregoing, the Board shall constitute the Committee and shall administer the Plan with respect to all Awards granted to Non Employee Directors.

(b) Authority of the Committee. Subject to the provisions of the Plan, the Committee shall have full authority and discretion to take any actions it deems necessary or advisable for the administration of the Plan. Such actions shall include without limitation:

(i) determining Selected Employees who are to receive Awards under the Plan;

(ii) determining the type, number, vesting requirements, Performance Goals (or other objective/subjective goals (if any)) and their degree of

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satisfaction, and other features and conditions of such Awards and amending such Awards;

(iii) correcting any defect, supplying any omission, or reconciling or clarifying any inconsistency in the Plan or any Award Agreement;

(iv) accelerating the vesting or extending the post-termination exercise term, or waiving restrictions, of Awards at any time and under such terms and conditions as it deems appropriate;

(v) permitting or denying, in its discretion, a Participant's request to transfer an Award;

(vi) permitting or requiring, in its discretion, a Participant to use Cashless Exercise, Net Exercise and/or Share withholding with respect to the payment of any Exercise Price and/or applicable tax withholding;

(vii) Re-Pricing outstanding Awards;

(viii) interpreting the Plan and any Award Agreements;

(viv) making all other decisions relating to the operation of the Plan; and

(x) granting Awards to Selected Employees who are foreign nationals on such terms and conditions different from those specified in the Plan, which may be necessary or desirable to foster and promote achievement of the purposes of the Plan, and adopting such modifications, procedures, and/or subplans (with any such subplans attached as appendices to the Plan) and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions to ensure the viability of the benefits from Awards granted to Participants employed in such countries or jurisdictions, or to meet the requirements that permit the Plan to operate in a qualified or tax efficient manner, and/or comply with applicable foreign laws or regulations.

The Committee may adopt such rules or guidelines, as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final, conclusive and binding on all persons. The Committee's decisions and determinations need not be uniform and may be made selectively among Participants in the Committee's sole discretion. The Committee's decisions and determinations will be afforded the maximum deference provided by applicable law.

(c) Indemnification. To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, or any persons (including without limitation Employees and Officers) who are delegated by the Board or Committee to

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perform administrative functions in connection with the Plan, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award Agreement, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

SECTION 4. GENERAL.

(a) General Eligibility. Only Employees, Consultants, and Non Employee Directors shall be eligible for designation as Selected Employees by the Committee.

(b) Incentive Stock Options. Only Selected Employees who are common-law employees of the Company, a Parent or a Subsidiary shall be eligible for the grant of ISOs. In addition, a Selected Employee who is a 10-Percent Shareholder shall not be eligible for the grant of an ISO unless the requirements set forth in Section 422(c)(5) of the Code are satisfied. If and to the extent that any Shares are issued under a portion of any Option that exceeds the \$100,000 limitation of Section 422 of the Code, such Shares shall not be treated as issued under an ISO notwithstanding any designation otherwise. Certain decisions, amendments, interpretations and actions by the Company or Committee and certain actions by a Participant may cause an Option to cease to qualify as an ISO pursuant to the Code and by accepting an Option Award, the Participant agrees in advance to such disqualifying action(s).

(c) Buyout of Awards. The Committee may at any time (i) offer to buy out for a payment in cash or cash equivalents (including without limitation Shares valued at Fair Market Value that may or may not be issued from this Plan) an Award previously granted or (ii) authorize a Participant to elect to cash out an Award previously granted, in either case at such time and based upon such terms and conditions as the Committee shall establish.

(d) Restrictions on Shares. Any Shares issued pursuant to an Award shall be subject to such Company policies, rights of repurchase, rights of first refusal and other transfer restrictions as the Committee may determine. Such restrictions shall apply in addition to any restrictions that may apply to holders of Shares generally and shall also comply to the extent necessary with applicable law. In no event shall the Company be required to issue fractional Shares under this Plan.

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(e) No Rights as a Stockholder. A Participant, or a transferee of a Participant, shall have no rights as a stockholder (including without limitation voting rights or dividend or distribution rights) with respect to any Common Stock covered by an Award until such person becomes entitled to receive such Common Stock, has satisfied any applicable withholding or tax obligations relating to the Award and the Common Stock has been issued to the Participant. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such Common Stock is issued, except as expressly provided in Section 13.

(f) Termination of Continuous Service. Unless the applicable Award Agreement or employment agreement provides otherwise (and in such case, the Award or employment agreement shall govern as to the consequences of a termination of Continuous Service for such Awards), the following rules shall govern the vesting, exercisability and term of outstanding Awards held by a Participant in the event of termination of such Participant's Continuous Service (in all cases subject to the term of the Option or SAR or Other Equity Award as applicable):

(i) if the Continuous Service of a Participant is terminated for Cause, then all of his/her then-outstanding Options, SARs, and unvested portions of all other Awards shall terminate and be forfeited immediately without consideration as of the Termination Date (except for repayment of any amounts the Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards);

(ii) if the Continuous Service of Participant is terminated due to Participant's death or Disability, then the vested portions of his/her then-outstanding Options/SARs/Other Equity Awards may be exercised by such Participant or his or her personal representative within twelve months after the Termination Date and all unvested portions of all then-outstanding Awards shall be forfeited without consideration as of the Termination Date (except for repayment of any amounts the Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards); and

(iii) if the Continuous Service of Participant is terminated for any reason other than for Cause or death or Disability, then the vested portion of his/her then-outstanding Options/SARs/Other Equity Awards may be exercised by such Participant or his or her personal representative within three months after the Termination Date and all unvested portions of all then-outstanding Awards shall be forfeited without consideration as of the Termination Date (except for repayment of any amounts the Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards).

(g) Code Section 409A. Notwithstanding anything in the Plan to the contrary, the Plan and Awards granted hereunder are intended to be exempt from or comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent

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with such intention. In the event that any provision of the Plan or an Award Agreement is determined by the Committee to not comply with the applicable requirements of Code Section 409A or the applicable regulations and other guidance issued thereunder, the Committee shall have the authority to take such actions and to make such changes to the Plan or an Award Agreement as the Committee deems necessary to comply with such requirements. Any payment made pursuant to any Award shall be considered a separate payment and not one of a series of payments for purposes of Code Section 409A. Notwithstanding the foregoing or anything elsewhere in the Plan or an Award Agreement to the contrary, if upon a Participant's Separation From Service he/she is then a Specified Employee, then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such Separation From Service under this Plan until the earlier of (i) the first business day of the seventh month following the Participant's Separation From Service, or (ii) ten (10) days after the Company receives written confirmation of the Participant's death. Any such delayed payments shall be made without interest. While it is intended that all payments and benefits provided under the Plan or an Award will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under the Plan or an Award are exempt from or compliant with Code Section 409A. In no event whatsoever shall the Company be liable if a payment or benefit under the Plan or an Award is challenged by any taxing authority or for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or any damages for failing to comply with Code Section 409A. The Participant will be entirely responsible for any and all taxes on any benefits payable to such Participant as a result of the Plan or an Award.

(h) Suspension or Termination of Awards. If at any time (including after a notice of exercise has been delivered) the Committee (or the Board), reasonably believes that a Participant has committed an act of Cause (which includes a failure to act), the Committee (or Board) may suspend the Participant's right to exercise any Award (or vesting or settlement of any Award) pending a determination of whether there was in fact an act of Cause. If the Committee (or the Board) determines a Participant has committed an act of Cause, neither the Participant nor his or her estate shall be entitled to exercise any outstanding Award whatsoever and all of Participant's outstanding Awards shall then terminate without consideration. Any determination by the Committee (or the Board) with respect to the foregoing shall be final, conclusive and binding on all interested parties.

(i) Electronic Communications. Subject to compliance with applicable law and/or regulations, an Award Agreement or other documentation or notices relating to the Plan and/or Awards may be communicated to Participants (and executed by Participants) by electronic media.

(j) Unfunded Plan. The Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Participants who are granted Awards under this Plan, any such accounts will be used merely as a bookkeeping convenience. The

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Company shall not be required to segregate any assets which may at any time be represented by Awards, nor shall this Plan be construed as providing for such segregation, nor shall the Company or the Committee be deemed to be a trustee of stock or cash to be awarded under the Plan.

(k) Liability of Company. The Company (or members of the Board or Committee) shall not be liable to a Participant or other persons as to: (a) the non-issuance or sale of Shares as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder; and (b) any unexpected or adverse tax consequence or any tax consequence expected, but not realized, by any Participant or other person due to the grant, receipt, exercise or settlement of any Award granted hereunder.

(l) Reformation. In the event any provision of this Plan shall be held illegal or invalid for any reason, such provisions will be reformed by the Board if possible and to the extent needed in order to be held legal and valid. If it is not possible to reform the illegal or invalid provisions then the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

(m) Payment of Non Employee Director Cash Fees with Equity Awards. If the Board affirmatively decides to authorize such a process, each Non Employee Director may elect to receive a Restricted Stock Grant (or Stock Units) issued under the Plan in lieu of payment of all or a portion of his or her annual cash retainer and/or any other cash fees including without limitation meeting fees, committee service fees and participation fees. Any such elections made by a Non-Employee Director shall be effected no later than the time permitted by applicable law and in accordance with the Company's insider trading policies and/or other policies. The aggregate grant date fair market value of any Restricted Stock Grants or Stock Units issued pursuant to this Section 4(m) is intended to be equivalent to the value of the foregone cash fees. Any cash fees not elected to be received as a Restricted Stock Grant or Stock Units shall be payable in cash in accordance with the Company's standard payment procedures. The Board in its discretion shall determine the terms, conditions and procedures for implementing this Section 4(m) and may also modify or terminate its operation at any time.

(n) Successor Provision. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as amended from time to time, both before and after the Effective Date and including any successor provisions.

(o) No Re-Load Options. Notwithstanding anything to the contrary, Re-Load Options may not be awarded without the approval of Company stockholders.

(p) Governing Law. This Plan and (unless otherwise provided in the Award Agreement) all Awards shall be construed in accordance with and governed by the laws of the State of Delaware, but without regard to its conflict of law provisions. The

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Committee may provide that any dispute as to any Award shall be presented and determined in such forum as the Committee may specify, including through binding arbitration. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Delaware to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

(q) Assignment or Transfer of Awards. Except as otherwise provided under the applicable Award Agreement and then only to the extent permitted by applicable law, no Award shall be transferable by the Participant other than by will or by the laws of descent and distribution. No Award or interest therein may be transferred, assigned, pledged or hypothecated by the Participant during his or her lifetime, whether by operation of law or otherwise, nor may an Award be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law, nor may an Award be made subject to execution, attachment or similar process. Any act in violation of this Section 4(q) shall be null and void.

SECTION 5. SHARES SUBJECT TO PLAN AND SHARE LIMITS.

(a) Basic Limitations. The Common Stock issuable under the Plan shall be authorized but unissued Shares or treasury Shares or reacquired shares, bought on the market or otherwise. The maximum number of Shares that are issued under this Plan cannot exceed the Share Limit as may be adjusted under Sections 5(b) and 13. For purposes of the Plan and subject to adjustment as provided in Sections 5(b) and 13, the Share Limit is 2,700,000 Shares. For purposes of the Plan and subject to adjustment as provided in Sections 5(b) and 13, the ISO Limit cannot exceed 2,700,000 Shares.

(b) Additional Shares. Subject to adjustment as provided in Section 13, the Share Limit and ISO Limit set forth in Section 5(a) shall be each increased on January 1, 2013 and on each subsequent January 1 through and including January 1, 2022, by a number of Shares (the "Annual Increase") equal to the lesser of (i) five percent (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 the Board.

(c) Share Accounting. This Section 5(c) describes the Share accounting process under the Plan for Awards which are not entirely settled with the maximum number of Shares originally subject to the Award and describes how many of such Shares do not count toward the Share Limit and therefore become available again for future issuance under the Plan. If Awards are forfeited or are terminated for any reason (including the Company's repurchase of unvested Shares from either an Option that was early exercised or from a Restricted Stock Grant), then the forfeited/terminated/repurchased Shares underlying such Awards shall not be counted toward the Share Limit. If exercised SARs or Stock Units are settled in Shares, then only the number of Shares actually issued in settlement of such SARs or Stock Units shall be counted toward the Share Limit. If a Participant pays the Exercise Price by Net Exercise or by surrendering previously owned Shares (or by stock attestation) and/or, as permitted

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or required by the Committee, pays any withholding tax obligation with respect to an Award by Net Exercise or by electing to have Shares withheld or surrendering previously owned Shares (or by stock attestation), the surrendered Shares and the Shares withheld to pay taxes shall not be counted toward the Share Limit. Any Substitute Awards including without limitation any Shares that are delivered and any Awards that are granted by, or become obligations of, the Company, as a result of the assumption by the Company of, or in substitution for, outstanding awards previously granted by another entity (as provided in Sections 6(e), 8(f), 9(e) or 10(e)) shall not be counted toward the Share Limit or ISO Limit.

(d) Substitute Awards. Substitute Awards shall not count toward the Share Limit, nor shall Shares subject to a Substitute Award again be available for Awards under the Plan as provided in Section 5(c) above. Additionally, in the event that a company acquired by the Company or any Parent or any Subsidiary or any Affiliate or with which the Company or any Parent or any Subsidiary or any Affiliate combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not count toward the Share Limit; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Board members prior to such acquisition or combination.

(e) Dividend Equivalents. Any dividend equivalents distributed under the Plan shall not be counted against the Share Limit. Dividend equivalents will not be paid (or accrue) on unexercised Options or unexercised SARs.

SECTION 6. TERMS AND CONDITIONS OF OPTIONS.

(a) Award Agreement. Each Award of an Option under the Plan shall be evidenced by an Award Agreement between the Optionee and the Company. Such Option shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan (including without limitation any Performance Goals). The provisions of the various Award Agreements entered into under the Plan need not be identical. The Award Agreement shall also specify whether the Option is an ISO and if not specified then the Option shall be an NSO.

(b) Number of Shares. An Award Agreement shall specify the number of Shares that are subject to the Option and shall provide for adjustment of such number in accordance with Section 13.

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(c) Exercise Price. An Option's Exercise Price shall be established by the Committee and set forth in an Award Agreement. Except with respect to outstanding stock options being assumed or Options being granted in exchange for cancellation of options granted by another issuer as provided under Section 6(e), the Exercise Price of an Option shall not be less than 100% of the Fair Market Value (110% for 10-Percent Shareholders in the case of ISOs) of a Share on the date of grant of the Option.

(d) Exercisability and Term. Subject to Section 3(b)(v), an Option may be exercised during the lifetime of the Participant only by the Participant or by the guardian or legal representative of the Participant. An Award Agreement shall specify the date when all or any installment of the Option is to become vested and/or exercisable. The Award Agreement shall also specify the term of the Option; provided that the term of an Option shall in no event exceed ten years from its date of grant (and may be for a shorter period of time than ten years). No Option can be exercised after the expiration date specified in the applicable Award Agreement. An Award Agreement may provide for accelerated vesting in the event of the Participant's death, or Disability or other events. Notwithstanding anything to the contrary, an ISO that is granted to a 10-Percent Shareholder shall have a maximum term of five years. Notwithstanding any other provision of the Plan, no Option can be exercised after the expiration date provided in the applicable Award Agreement. An Award Agreement may permit an Optionee to exercise an Option before it is vested (an "early exercise"), subject to the Company's right of repurchase at the original Exercise Price of any Shares acquired under the unvested portion of the Option which right of repurchase shall lapse at the same rate the Option would have vested had there been no early exercise. An Award Agreement may also provide that the Company may determine to issue an equivalent value of cash in lieu of issuing some or all of the Shares that are being purchased upon an Option's exercise. In no event shall the Company be required to issue fractional Shares upon the exercise of an Option and the Committee may specify a minimum number of Shares that must be purchased in any one Option exercise.

(e) Modifications or Assumption of Options. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding Options or may accept the cancellation of outstanding stock options (whether granted by the Company or by another issuer) in return for the grant of new Options for the same or a different number of Shares and at the same or a different Exercise Price. For avoidance of doubt, the Committee may Re-Price outstanding Options. No modification of an Option shall, without the consent of the Optionee, impair his or her rights or increase his or her obligations under such Option.

SECTION 7. PAYMENT FOR OPTION SHARES.

(a) General Rule. The entire Exercise Price of Shares issued upon exercise of Options shall be payable in cash (or check) at the time when such Shares are purchased by the Optionee, except as follows and if so provided for in an applicable Award Agreement:

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(i) In the case of an ISO granted under the Plan, payment shall be made only pursuant to the express provisions of the applicable Award Agreement. The Award Agreement may specify that payment may be made in any form(s) described in this Section 7.

(ii) In the case of an NSO granted under the Plan, the Committee may, in its discretion at any time, accept payment in any form(s) described in this Section 7.

(b) Surrender of Stock. To the extent that the Committee makes this Section 7(b) applicable to an Option in an Award Agreement, payment for all or a part of the Exercise Price may be made with Shares which have already been owned by the Optionee for such duration as shall be specified by the Committee. Such Shares shall be valued at their Fair Market Value on the date when the new Shares are purchased under the Plan.

(c) Cashless Exercise. To the extent that the Committee makes this Section 7(c) applicable to an Option in an Award Agreement, payment for all or a part of the Exercise Price may be made through Cashless Exercise.

(d) Net Exercise. To the extent that the Committee makes this Section 7(d) applicable to an Option in an Award Agreement, payment for all or a part of the Exercise Price may be made through Net Exercise.

(e) Other Forms of Payment. To the extent that the Committee makes this Section 7(e) applicable to an Option in an Award Agreement, payment may be made in any other form that is consistent with applicable laws, regulations and rules and approved by the Committee.

SECTION 8. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

(a) Award Agreement. Each Award of a SAR under the Plan shall be evidenced by a Award Agreement between the Participant and the Company. Such SAR shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any Performance Goals). An Award Agreement may provide for a maximum limit on the amount of any payout notwithstanding the Fair Market Value on the date of exercise of the SAR. The provisions of the various Award Agreements entered into under the Plan need not be identical. SARs may be granted in consideration of a reduction in the Participant's other compensation.

(b) Number of Shares. An Award Agreement shall specify the number of Shares to which the SAR pertains and is subject to adjustment of such number in accordance with Section 13.

(c) Exercise Price. An Award Agreement shall specify the Exercise Price. Except with respect to outstanding stock appreciation rights being assumed or SARs being granted in exchange for cancellation of stock appreciation rights granted by another

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issuer as provided under Section 8(f), the Exercise Price of a SAR shall not be less than 100% of the Fair Market Value on the date of grant of the SAR.

(d) Exercisability and Term. Subject to Section 3(b)(v), a SAR may be exercised during the lifetime of the Participant only by the Participant or by the guardian or legal representative of the Participant. An Award Agreement shall specify the date when all or any installment of the SAR is to become exercisable. The Award Agreement shall also specify the term of the SAR which shall not exceed ten years from the date of grant of the SAR (and may be for a shorter period of time than ten years). No SAR can be exercised after the expiration date specified in the applicable Award Agreement. An Award Agreement may provide for accelerated exercisability in the event of the Participant's death, or Disability or other events and may provide for expiration prior to the end of its term in the event of the termination of the Participant's Continuous Service. A SAR granted under the Plan may provide that it will be exercisable only in the event of a Change in Control.

(e) Exercise of SARs. If, on the date when a SAR expires, the Exercise Price under such SAR is less than the Fair Market Value on such date but any portion of such SAR has not been exercised or surrendered, then such SAR may automatically be deemed to be exercised as of such date with respect to such portion to the extent so provided in the applicable Award Agreement. Upon exercise of a SAR, the Participant (or any person having the right to exercise the SAR after Participant's death) shall receive from the Company (i) Shares, (ii) cash or (iii) any combination of Shares and cash, as the Committee shall determine. The amount of cash and/or the Fair Market Value of Shares received upon exercise of SARs shall, in the aggregate, be equal to the amount by which the Fair Market Value (on the date of surrender) of the Shares subject to the SARs exceeds the Exercise Price of the Shares.

(f) Modification or Assumption of SARs. Within the limitations of the Plan, the Committee may modify, extend or assume outstanding SARs or may accept the cancellation of outstanding SARs (including stock appreciation rights granted by another issuer) in return for the grant of new SARs for the same or a different number of Shares and at the same or a different Exercise Price. For avoidance of doubt, the Committee may Re-Price outstanding SARs. No modification of a SAR shall, without the consent of the Participant, impair his or her rights or increase his or her obligations under such SAR.

SECTION 9. TERMS AND CONDITIONS FOR RESTRICTED STOCK GRANTS.

(a) Award Agreement. Each Restricted Stock Grant awarded under the Plan shall be evidenced by an Award Agreement between the Participant and the Company. Each Restricted Stock Grant shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions that are not inconsistent with the Plan (including without limitation any Performance Goals). The provisions of the Award Agreements entered into under the Plan need not be identical.

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(b) Number of Shares and Payment. An Award Agreement shall specify the number of Shares to which the Restricted Stock Grant pertains and is subject to adjustment of such number in accordance with Section 13. Restricted Stock Grants may be issued with or without cash consideration under the Plan.

(c) Vesting Conditions. Each Restricted Stock Grant may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Award Agreement. An Award Agreement may provide for accelerated vesting in the event of the Participant's death, or Disability or other events.

(d) Voting and Dividend Rights. The holder of a Restricted Stock Grant (irrespective of whether the Shares subject to the Restricted Stock Grant are vested or unvested) awarded under the Plan shall have the same voting, dividend and other rights as the Company's other stockholders. However, any dividends received on Shares that are unvested (whether such dividends are in the form of cash or Shares) shall be subject to the same vesting conditions and restrictions as the Restricted Stock Grant with respect to which the dividends were paid. Such additional Shares issued as dividends that are subject to the Restricted Stock Grant shall not count toward the Share Limit.

(e) Modification or Assumption of Restricted Stock Grants. Within the limitations of the Plan, the Committee may modify or assume outstanding Restricted Stock Grants or may accept the cancellation of outstanding Restricted Stock Grants (including stock granted by another issuer) in return for the grant of new Restricted Stock Grants for the same or a different number of Shares. No modification of a Restricted Stock Grant shall, without the consent of the Participant, impair his or her rights or increase his or her obligations under such Restricted Stock Grant.

SECTION 10. TERMS AND CONDITIONS OF STOCK UNITS.

(a) Award Agreement. Each grant of Stock Units under the Plan shall be evidenced by an Award Agreement between the Participant and the Company. Such Stock Units shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan (including without limitation any Performance Goals). The provisions of the various Award Agreements entered into under the Plan need not be identical. Stock Units may be granted in consideration of a reduction in the Participant's other compensation.

(b) Number of Shares and Payment. An Award Agreement shall specify the number of Shares to which the Stock Unit Award pertains and is subject to adjustment of such number in accordance with Section 13. To the extent that an Award is granted in the form of Stock Units, no cash consideration shall be required of the Award recipients.

(c) Vesting Conditions. Each Award of Stock Units may or may not be subject to vesting. Vesting shall occur, in full or in installments, upon satisfaction of the conditions specified in the Award Agreement. An Award Agreement may provide for accelerated vesting in the event of the Participant's death, or Disability or other events.

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(d) Voting and Dividend Rights. The holders of Stock Units shall have no voting rights. Prior to settlement or forfeiture, any Stock Unit awarded under the Plan may, at the Committee's discretion, carry with it a right to dividend equivalents. Such right entitles the holder to be credited with an amount equal to all cash or Common Stock dividends paid on one Share while the Stock Unit is outstanding. Dividend equivalents may be converted into additional Stock Units. Settlement of dividend equivalents may be made in the form of cash, in the form of Shares, or in a combination of both. Prior to vesting of the Stock Units, any dividend equivalents accrued on such unvested Stock Units shall be subject to the same vesting conditions and restrictions as the Stock Units to which they attach.

(e) Modification or Assumption of Stock Units. Within the limitations of the Plan, the Committee may modify or assume outstanding Stock Units or may accept the cancellation of outstanding Stock Units (including stock units granted by another issuer) in return for the grant of new Stock Units for the same or a different number of Shares. No modification of a Stock Unit shall, without the consent of the Participant, impair his or her rights or increase his or her obligations under such Stock Unit.

(f) Form and Time of Settlement of Stock Units. Settlement of vested Stock Units may be made in the form of (a) cash, (b) Shares or (c) any combination of both, as determined by the Committee. The actual number of Stock Units eligible for settlement may be larger or smaller than the number included in the original Award. Methods of converting Stock Units into cash may include (without limitation) a method based on the average Fair Market Value of Shares over a series of trading days. Except as otherwise provided in an Award Agreement or a timely completed deferral election, vested Stock Units shall be settled within thirty days after vesting. The Award Agreement may provide that distribution may occur or commence when all vesting conditions applicable to the Stock Units have been satisfied or have lapsed, or it may be deferred, in accordance with applicable law, to a later specified date. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Stock Units is settled, the number of such Stock Units shall be subject to adjustment pursuant to Section 13.

(g) Creditors' Rights. A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Agreement.

SECTION 11. OTHER AWARDS

The Committee may in its discretion issue Other Equity Awards to Selected Employees and/or Cash Awards to Covered Employees. The terms and conditions of any such Awards shall be evidenced by an Award Agreement between the Participant and the Company. Settlement of Other Equity Awards may be in the form of Shares and/or cash as determined by the Committee.

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SECTION 12. CODE SECTION 162(M).

(a) Applicability. The provisions of Sections 12(b) and 12(c) shall apply to an Award if and only if all of the following items (i) through (iii) in this Section 12(a) are true as of the date of grant of such Award:

- (i) the Company is a "publicly held corporation" within the meaning of Code Section 162(m);
- (ii) the deduction limitations of Code Section 162(m) are applicable to Awards granted to Covered Employees under this Plan; and
- (iii) the Award is intended to qualify as "performance-based compensation" under Code Section 162(m).

(b) Administration. Awards issued in accordance with this Section 12 shall be granted by and administered by a Committee whose composition satisfies the "outside director" requirements under Code Section 162(m) with respect to performance-based compensation. If Performance Goals are included in Awards in order to enable such Awards to qualify as performance-based compensation under Code Section 162(m), then such Awards will be subject to the achievement of such Performance Goals that will be established and administered pursuant to the requirements of Code Section 162(m) and as described in this Section 12(b). To the extent required by Code Section 162(m), the Committee shall certify in writing the degree to which the Performance Goals have been satisfied before any Shares underlying an Award or any Award payments are released to a Covered Employee with respect to a Performance Period. Without limitation, the approved minutes of a Committee meeting shall constitute such written certification.

Notwithstanding satisfaction of any completion of any Performance Goal, to the extent specified at the time of grant of an Award, the number of Shares, Options, SARs, Restricted Stock Units, or Other Equity Awards or the value of a Cash Award or any other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine. For avoidance of doubt, Awards with Performance Goals or performance objectives (if any) that are granted to Selected Employees who are not Covered Employees or any Awards to Covered Employees which are not intended to qualify as performance-based compensation under Code Section 162(m) need not comply with the requirements of Code Section 162(m) or this Section 12.

(c) Limits. Awards intended to qualify as performance-based compensation under Code Section 162(m) will be limited to the following amounts.

- (i) Limits on Options and SARs. No Selected Employee shall receive Options and/or SARs to purchase Shares during any Fiscal Year that in the aggregate cover in excess of 2,000,000 Shares.
- (ii) Limits on Restricted Stock Grants and Stock Units. No Selected Employee shall receive Restricted Stock Grants and/or

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Stock Units during any Fiscal Year that in the aggregate cover in excess of 2,000,000 Shares.

(iii) Limits on Other Equity Awards. No Selected Employee shall receive Other Equity Awards during any Fiscal Year that in the aggregate cover in excess of 2,000,000 Shares.

(iv) Limit on Total Amount of All Awards Other than Cash Awards. No Selected Employee shall receive Awards (excluding Cash Awards) during any Fiscal Year in excess of the aggregate amount of 2,000,000 Shares, whether such Awards are in the form of Options, SARs, Restricted Stock Grants, Stock Units and/or Other Equity Awards.

(v) Increased Limits. The numerical limits expressed in the foregoing subparts (i) through (iii) shall in each case be multiplied by a factor of two (and the limit in the foregoing subpart (iv) shall be increased to 4,500,000 Shares) with respect to Awards (other than Cash Awards) granted to a Selected Employee during the Fiscal Year of the Selected Employee's commencement of employment with the Company or during the first Fiscal Year that the Selected Employee becomes a Covered Employee.

(vi) Limit on Cash Awards. The maximum aggregate value of Cash Awards that may be received by any one Covered Employee with respect to any Fiscal Year is \$4 million.

SECTION 13. ADJUSTMENTS.

(a) Adjustments. In the event of a subdivision of the outstanding Shares, a declaration of a dividend payable in Shares, a declaration of a dividend payable in a form other than Shares in an amount that has a material effect on the value of Shares, a combination or consolidation of the outstanding Shares (by reclassification or otherwise) into a lesser number of Shares, a stock split, a reverse stock split, a reclassification or other distribution of the Shares without the receipt of consideration by the Company, of or on the Common Stock, a recapitalization, a combination, a spin-off or a similar occurrence, the Committee shall make equitable and proportionate adjustments, taking into consideration the accounting and tax consequences, to:

- (1) the Share Limit and ISO Limit and the various Share numbers referenced in Section 5(a) and the Code Section 162(m) Share limits specified in Section 12(c);
- (2) the Share number referenced in clause (ii) of the Annual Increase specified in Section 5(b);
- (3) the number and kind of securities available for Awards (and which can be issued as ISOs) under Section 5;

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- (4) the number and kind of securities covered by each outstanding Award;
 - (5) the Exercise Price under each outstanding Option and SAR; and
 - (6) the number and kind of outstanding securities issued under the Plan.

(b) Participant Rights. Except as provided in this Section 13, a Participant shall have no rights by reason of any issue by the Company of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class. If by reason of an adjustment pursuant to this Section 13, a Participant's Award covers additional or different shares of stock or securities, then such additional or different shares and the Award in respect thereof shall be subject to all of the terms, conditions and restrictions which were applicable to the Award and the Shares subject to the Award prior to such adjustment.

(c) Fractional Shares. Any adjustment of Shares pursuant to this Section 13 shall be rounded down to the nearest whole number of Shares. Under no circumstances shall the Company be required to authorize or issue fractional shares. To the extent permitted by applicable law, no consideration shall be provided as a result of any fractional shares not being issued or authorized.

SECTION 14. EFFECT OF A CHANGE IN CONTROL.

(a) Merger or Reorganization. In the event that there is a Change in Control and/or the Company is a party to a merger or acquisition or reorganization or similar transaction, outstanding Awards shall be subject to the merger agreement or other applicable transaction agreement. Such agreement may provide, without limitation, that subject to the consummation of the applicable transaction, for the assumption (or substitution) of outstanding Awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for accelerated vesting or for their cancellation with or without consideration, in all cases without the consent of the Participant and outstanding Awards do not have to all be uniformly treated the same way.

(b) Acceleration of Vesting. Except as otherwise provided in the applicable Award Agreement (and in such case the applicable Award Agreement shall govern), in the event that a Change in Control occurs and there is no assumption, substitution or continuation of Awards pursuant to Section 14(a), the Committee in its discretion may provide that some or all Awards shall vest and become exercisable as of immediately before such Change in Control. For avoidance of doubt, "substitution" includes, without limitation, an Award being replaced by a cash award that provides an equivalent intrinsic value (wherein intrinsic value equals the difference between the market value of a share and any exercise price).

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SECTION 15. LIMITATIONS ON RIGHTS.

(a) Retention Rights. Neither the Plan nor any Award granted under the Plan shall be deemed to give any individual a right to remain in Continuous Service as an Employee, Consultant, or Non Employee Director or to receive any other Awards under the Plan. The Company and its Parents and Subsidiaries and Affiliates reserve the right to terminate the Continuous Service of any person at any time, and for any reason, subject to applicable laws, the Company's Certificate of Incorporation and Bylaws and a written employment agreement (if any).

(b) Regulatory Requirements. Any other provision of the Plan notwithstanding, the obligation of the Company to issue Shares or other securities under the Plan shall be subject to all applicable laws, rules and regulations and such approval by any regulatory body as may be required. The Company reserves the right to restrict, in whole or in part, the delivery of Shares or other securities pursuant to any Award prior to the satisfaction of all legal requirements relating to the issuance of such Shares or other securities, to their registration, qualification or listing or to an exemption from registration, qualification or listing.

(c) Dissolution. To the extent not previously exercised or settled, Options, SARs, unvested Stock Units and unvested Restricted Stock Grants shall terminate immediately prior to the dissolution or liquidation of the Company and shall be forfeited to the Company (except for repayment of any amounts a Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards).

(d) Clawback Policy. The Company may (i) cause the cancellation of any Award, (ii) require reimbursement of any Award by a Participant and (iii) effect any other right of recoupment of equity or other compensation provided under this Plan or otherwise in accordance with Company policies as may be adopted and/or modified from time to time by the Company and/or applicable law (each, a "Clawback Policy"). In addition, a Participant may be required to repay to the Company certain previously paid compensation, whether provided under this Plan or an Award Agreement or otherwise, in accordance with the Clawback

Policy. By accepting an Award, a Participant is also agreeing to be bound by the Company's Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and is further agreeing that all of the Participant's Awards (and/or awards issued under any of the Prior Equity Compensation Plans) may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.

SECTION 16. TAXES.

(a) General. A Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations (including without limitation federal, state, local and foreign taxes) that arise in connection with his or her Award. The Company shall not be required to issue any Shares or make any cash payment under the Plan until such obligations are satisfied and the Company shall, to the

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maximum extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant.

(b) Share Withholding. The Committee in its discretion may permit or require a Participant to satisfy all or part of his or her withholding or income tax obligations by having the Company withhold all or a portion of any Shares that otherwise would be issued to him or her or by surrendering all or a portion of any Shares that he or she previously acquired (or by stock attestation). Such Shares shall be valued based on the value of the actual trade or, if there is none, the Fair Market Value as of the previous day. Any payment of taxes by assigning Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the SEC. The Committee may also, in its discretion, permit or require a Participant to satisfy withholding tax obligations related to an Award through a sale of Shares underlying the Award or, in the case of Options, through Net Exercise or Cashless Exercise. The number of Shares that are withheld from an Award pursuant to this section may also be limited by the Committee, to the extent necessary, to avoid liability-classification of the Award (or other adverse accounting treatment) under applicable financial accounting rules including without limitation by requiring that no amount may be withheld which is in excess of minimum statutory withholding rates. The Committee, in its discretion, may permit or require other forms of payment of applicable tax withholding.

SECTION 17. DURATION AND AMENDMENTS.

(a) Term of the Plan. The Plan is effective on the Effective Date provided that any Awards granted before the Stockholder Approval Date shall be expressly conditioned upon and subject to stockholder approval of this Plan. If the Stockholder Approval Date does not occur before the first anniversary of the Effective Date then the Plan shall terminate on such first anniversary and any outstanding Awards previously granted shall then be forfeited without consideration (except for repayment of any amounts a Participant had paid to the Company to acquire unvested Shares underlying the forfeited Awards). If the Stockholder Approval Date occurs before the first anniversary of the Effective Date, then the Plan shall terminate on the day before the tenth anniversary of the Effective Date. In all cases, the Plan may be terminated on any earlier date other than what is specified above pursuant to Section 17(b). This Plan will not in any way affect outstanding awards that were issued under the Prior Equity Compensation Plans or other Company equity compensation plans. No new awards may be granted under any of the Prior Equity Compensation Plans as of the effective date of the IPO.

(b) Right to Amend or Terminate the Plan. The Board may amend or terminate the Plan at any time and for any reason. No Awards shall be granted under the Plan after the Plan's termination. An amendment of the Plan shall be subject to the approval of the Company's stockholders only to the extent required by applicable laws, regulations or rules. In addition, no such amendment or termination shall be made which would impair the rights of any Participant, without such Participant's written consent, under any then-outstanding Award, provided that no such Participant consent shall be required with respect to any amendment or alteration if the Committee determines in its sole discretion that such amendment or alteration either (i) is required or advisable in

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order for the Company, the Plan or the Award to satisfy or conform to any law or regulation or to meet the requirements of any accounting standard, or (ii) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated. In the event of any conflict in terms between the Plan and any Award Agreement, the terms of the Plan shall prevail and govern.

SECTION 18. EXECUTION.

To record the adoption of this Plan by the Board, the Company has caused its duly authorized Officer to execute this Plan on behalf of the Company.

LEGALZOOM.COM, INC.

By: _____
Title: Chief Executive Officer

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GRANT NO.

**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK GRANT AGREEMENT

The Company hereby awards a Restricted Stock Grant (the "Restricted Stock") to the Participant named below. The terms and conditions of the Restricted Stock Grant are set forth in this cover sheet, in the attached Restricted Stock Grant Agreement and in the LegalZoom.com, Inc. 2012 Equity Incentive Plan, as it may be amended from time to time. This cover sheet is incorporated into and a part of the attached Restricted Stock Grant Agreement (together, the "Agreement").

Date of Award:

Name of Participant:

Number of Shares of Restricted Stock Awarded:

Amount Paid by Participant for the Shares of Restricted Stock Awarded: \$

Aggregate Fair Market Value of Restricted Stock on Date of Award: \$

Vesting Calculation Date:

Vesting Schedule:

By signing this cover sheet, you agree to all of the terms and conditions described in the attached Restricted Stock Grant Agreement and in the Plan and the Plan's prospectus. You specifically acknowledge that you have carefully read the section entitled "Code Section 83(b) Election" and the attachment entitled "Section 83(b) Elections" and you further acknowledge that you are solely responsible for filing any Code Section 83(b) election, and that such election must be filed within thirty (30) days after the Date of Award in order to be effective. You are also acknowledging receipt of this Agreement and a copy of the Plan and the Plan's prospectus, a copy of which is also enclosed.

Company:
By:
Its:

Participant:

Attachments

LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN

RESTRICTED STOCK GRANT AGREEMENT

1. The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by this reference. You and the Company agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement. Unless otherwise defined in this Agreement, certain capitalized terms used in this Agreement are defined in the Plan.

This Agreement, the attached Exhibits and the Plan constitute the entire understanding between you and the Company regarding this Award of Restricted Stock. Any prior agreements, commitments or negotiations concerning this Award are superseded.

2. Award of Restricted Stock

Notwithstanding anything to the contrary, this Award is granted on the condition that the Company's stockholders approve the Plan prior to __, 2013. If the Company's stockholders do not approve the Plan prior to __, 2013, then this Award shall be immediately forfeited without consideration.

The Company awards you the number of shares of Restricted Stock shown on the cover sheet of this Agreement. The Award is subject to the terms and conditions of this Agreement and the Plan. This Award is not intended to constitute a nonqualified deferred compensation under section 409A of the Code and will be interpreted accordingly. You will also be required, as a condition of this Award, to enter into any Company stockholder agreement or other agreements that are applicable to stockholders.

3. Vesting

This Award will vest according to the Vesting Schedule on the attached cover sheet.

4. Escrow

The certificate(s) for the Restricted Stock shall be deposited in escrow with the Secretary of the Company (or his/her designee) to be held in accordance with the provisions of this paragraph. Each deposited certificate shall be accompanied by a duly executed Assignment Separate from Certificate in the form attached hereto as Exhibit A. The deposited certificates shall remain in escrow until such time as the certificates are to be released or otherwise surrendered for cancellation as discussed below. Upon delivery of the certificates to the Company, you shall be issued an instrument of deposit acknowledging the number of Shares of Restricted Stock delivered in escrow to the Secretary of the Company.

All regular cash dividends, if any, on the Restricted Stock shall be paid directly to you and shall not be held in escrow.

The Restricted Stock held in escrow hereunder shall be subject to the following terms and conditions relating to their release from escrow or their surrender to the Company, provided, however, that the minimum number of

Shares released to you in any individual release of Share certificates must be at least twenty-five (25) Shares (unless the release represents your final release of Share certificates from escrow):

When your interest in the Restricted Stock vests, the certificates for such vested Restricted Stock shall be released from escrow and delivered to you, at your request. Upon termination of your Continuous Service

for any reason prior to vesting and in which no vesting is provided upon such termination, any unvested Restricted Stock subject to this Agreement shall be immediately surrendered to the Company.

5. **No Assignment** The Shares subject to this Award shall not be sold, hypothecated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily, involuntarily or by operation of law. If you attempt to do any of these things, this Award will immediately become invalid. However, this shall not preclude a transfer of vested Shares by will or by the laws of descent and distribution. In addition, pursuant to Company procedures, you may designate a beneficiary who will receive any outstanding vested Shares in the event of your death. Regardless of any marital property settlement agreement, the Company is not obligated to recognize your spouse's interest in your Award in any other way.
6. **Code Section 83(b) Election** You represent and warrant that you understand the Federal, state and local income tax consequences of the granting of this Restricted Stock. Under Section 83 of the Code, the Fair Market Value of the Restricted Stock on the date any forfeiture restrictions applicable to such Restricted Stock lapse will be reportable as ordinary income at that time. For this purpose, "forfeiture restrictions" include surrender to the Company of unvested Restricted Stock as described above. You may voluntarily elect to be taxed at the time the Restricted Stock is acquired to the extent that the Fair Market Value of the Restricted Stock exceeds the amount of consideration paid by you (if any) for such Restricted Stock at that time rather than when such Restricted Stock ceases to be subject to such forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the Date of Award. A form for making this election is attached as Exhibit B hereto. Failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by you as the forfeiture restrictions lapse. **YOU ACKNOWLEDGE THAT IT IS YOUR SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER CODE SECTION 83(b), EVEN IF YOU REQUEST THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON YOUR BEHALF. MOREOVER, YOU ARE RELYING SOLELY ON YOUR OWN ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE A CODE SECTION 83(b) ELECTION.**
7. **Leaves of Absence** For purposes of this Award, your Continuous Service does not terminate when you go on a bona fide leave of absence that was approved by the Company in

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writing, if the terms of the leave provide for Continuous Service crediting, or when Continuous Service crediting is required by applicable law. Your Continuous Service terminates in any event when the approved leave ends, unless you immediately return to active work.

The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Award), and when your Continuous Service terminates for all purposes under the Plan.

8. **Voting and Other Rights** Subject to the terms of the Plan and this Agreement, you shall have all the rights and privileges of a shareholder of the Company while the Restricted Stock is held in escrow, including the right to vote and to receive dividends (if any). However, any dividends received on Shares that are unvested (whether such dividends are in the form of cash or Shares) may be subject to the same vesting conditions and restrictions as the Restricted Stock Grant with respect to which the dividends were paid.
9. **Adjustments** In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of outstanding Shares of Restricted Stock covered by this Award may be adjusted (and rounded down to the nearest whole number) pursuant to the Plan.
10. **Merger or Other Reorganization** Pursuant to Section 14(a) of the Plan, your Award shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.
11. **Restrictions on Issuance** The Company will not issue any Restricted Stock or Shares if the issuance of such Restricted Stock or Shares at that time would violate any law or regulation.
12. **Taxes and Withholding** You will be solely responsible for payment of any and all applicable taxes associated with this Award.
- The delivery to you of any Shares will not be permitted unless and until you have satisfied any withholding or other taxes that may be due.
- Any such tax withholding obligations may be settled by the Company withholding and retaining a portion of the Shares from the Shares that would otherwise be deliverable to you as of the vesting date and/or by Shares which have already been owned by you for more than six (6) months and which are surrendered to the Company. Such withheld or surrendered Shares will be applied to pay the withholding obligation by using the aggregate fair market value of the withheld or surrendered Shares as of the date of vesting. If Shares are withheld, then you will be delivered the net amount of vested Shares after the Share withholding has been effected and you will not receive the withheld Shares.
13. **Code Section 409A** This Award will be administered and interpreted to comply with Code Section 409A. Section 4(g) of the Plan will apply to this Award to the extent needed.

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14. **Investment Representation** In the event that you receive Shares as payment pursuant to the settlement of this Award, and such Shares have not

been registered under the Securities Act or any applicable state laws at the time this Award is settled, you shall, if required by the Company, prior to the receipt of such Shares, deliver to the Company an "Investment Representation Statement" in a form prescribed by the Company and shall make such other written representations as are deemed necessary or appropriate by the Company and/or its counsel.

- 15. Restrictions on Resale**
- By signing this Agreement, you agree not to sell, transfer, assign, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Award (each a "Sale Prohibition") at a time when applicable laws, regulations or Company or underwriter trading policies or agreements prohibit the disposition of Shares. The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose a Sale Prohibition, during which any Shares acquired under this Award shall not be sold, if the Company determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities.

If the sale of Shares acquired under this Award is not registered under the Securities Act, but an exemption is available which requires an investment representation or other representation and warranty, you shall represent and agree that the Shares being acquired are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations and warranties as are deemed necessary or appropriate by the Company and its counsel.

- 16. Retention Rights**
- Your Award or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Continuous Service at any time and for any reason.

This Award and the Shares subject to the Award are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal,

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end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

- 17. Legends**
- All certificates representing the Common Stock issued under this Award may, where applicable, have endorsed thereon the following legend and any other legend the Company determines appropriate:

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

- 18. Clawback Policy**
- The Company may (i) cause the cancellation of this Award, (ii) require reimbursement of this Award and (iii) effect any other right of recoupment of equity or other compensation provided under the Plan or otherwise in accordance with the Company's Clawback Policy and/or applicable law. In addition, you may be required to repay to the Company certain previously paid compensation, whether provided under the Plan or this Agreement or otherwise, in accordance with the Clawback Policy. By accepting this Award, you are also agreeing to be bound by the Company's Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and are further agreeing that this Award may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.

- 19. Applicable Law**
- This Agreement will be interpreted and enforced under the laws of the State of Delaware without reference to the conflicts of law provisions thereof.

- 20. Binding Effect; No Third Party Beneficiaries**
- This Agreement shall be binding upon and inure to the benefit of the Company and you and any respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and you and any respective heirs, representatives, successors and permitted assigns. The parties agree that this Agreement shall survive the settlement or termination of the Award.

- 21. Voluntary Participant**
- You acknowledge that you are voluntarily participating in the Plan.

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- 22. No Rights to Future Awards**
- Your rights, if any, in respect of or in connection with this Award or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Award, you expressly acknowledge that there is no obligation on the part of the

Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of Award or any other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.

23. **No Advice Regarding Grant** The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.
24. **No Right to Damages** You will have no right to bring a claim or to receive damages if any portion of the Award is cancelled or expires unexercised. The loss of existing or potential profit in the Award will not constitute an element of damages in the event of the termination of your Continuous Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.
25. **Data Privacy** You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan (“Data”). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.
26. **Other Information** You agree to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the Company’s website at www.legalzoom.com, if the Company wishes to provide such information through its website. You acknowledge that copies of the Plan, Plan

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prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Committee and/or the Board.

27. **Nondisclosure of Confidential Information** You acknowledge that the businesses of the Company is highly competitive and that the Company’s strategies, methods, books, records, and documents, technical information concerning its products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company uses in its business to obtain a competitive advantage over competitors. You further acknowledge that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company in maintaining its competitive position. You acknowledge that by reason of your duties to and association with the Company, you have had and will have access to and have and will become informed of confidential business information which is a competitive asset of the Company. You hereby agree that you will not, at any time during or after employment, make any unauthorized disclosure of any confidential business information or trade secrets of the Company, or make any use thereof, except in the carrying out of services responsibilities. You shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which your legal rights and obligations as a service provider or under this Agreement are at issue; provided, however, that you shall, to the extent practicable and lawful in any such events, give prior notice to the Company of your intent to disclose any such confidential business information in such context so as to allow the Company an opportunity (which you will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company would not be considered confidential to the Company.

The Company will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights to which it may be entitled. You agree and acknowledge that money damages may not be an adequate remedy for breach of the provisions of this Agreement and that the Company may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

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28. **Further Assistance** You agree to provide assistance reasonably requested by the Company in connection with actions taken by you while providing services to the Company, including but not limited to assistance in connection with any lawsuits or other claims against the Company arising from events during the period in which you rendered service to the Company.
29. **Notice** Any notice to be given or delivered to the Company relating to this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice to be given or delivered to you relating to this Agreement shall be

in writing and addressed to you at such address of which you advise the Company in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

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By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and Plan prospectus. Any inconsistency between this Agreement and the Plan shall be resolved by reference to the Plan.

EXHIBIT A

ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED and pursuant to that certain Restricted Stock Grant Agreement dated as of [], the undersigned hereby sells, assigns and transfers unto [] shares of the Common Stock of LegalZoom.com, Inc., a Delaware corporation, standing in the undersigned's name on the books of said corporation represented by certificate No. _____, herewith, and does hereby irrevocably constitute and appoint _____ attorney-in-fact to transfer the said stock on the books of the said corporation with full power of substitution in the premises.

Dated: [Month] [Day], 20

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EXHIBIT B

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

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

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

Social Security No. : _____

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

shares of common stock of LegalZoom.com, Inc.] (the "Company").

3. The date on which the property was transferred is _____, [YEAR].

4. The taxable year to which this election relates is calendar year [YEAR].

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

The shares of stock are subject to the provisions of a Restricted Stock Grant Agreement (the "Agreement") between the undersigned and the Company. The shares of stock are subject to forfeiture under the terms of the Agreement, including, but not limited to, the forfeiture, without consideration, of any unvested shares of Company stock subject to the Agreement in the event that the undersigned's "continuous service" (as defined in the Company's 2012 Equity Incentive Plan) ceases prior to the shares of stock subject to the Agreement becoming fully vested.

6. The Fair Market Value of the property at the time of transfer (determined without regard to any lapse restriction) was \$ _____ per share, [for a total of \$ _____.]

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

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

Dated: _____, [YEAR].

[Taxpayer's Name]

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This memorandum briefly describes certain aspects of Internal Revenue Code section 83 and section 83(b) elections as they exist under current law. A form of election is attached. The effect of making the election is that it permits the employee or consultant to include in his or her gross income, in his or her taxable year in which unvested shares are transferred, the excess, if any, of (i) the Fair Market Value of such shares at the time of transfer (determined without regard to restrictions other than those which will never lapse), over (ii) the amount (if any) paid for such shares.

By making the section 83(b) election, subsequent appreciation in the value of the shares generally will be taxed as a capital gain, rather than as compensation. Also, appreciation that occurs after the transfer but prior to vesting will not be taxed until the shares are sold. Finally, such subsequent appreciation may be deferred if transfer occurs in a tax-free reorganization or may go untaxed altogether if a stepped-up basis results from transfer by reason of death. However, if the shares are forfeited the employees or consultants who made the election can only deduct a loss to the extent the amount received (if any) on forfeiture is less than the amount paid (if any) for such shares. Thus, such employees or consultants are precluded from recovering the tax paid with respect to any reported compensation income. Moreover, any loss recognized will generally be a capital loss which can only offset capital gains plus \$3,000 of ordinary income (\$1,500 in the case of married individuals filing a separate return).

In the absence of an election, the employee or consultant who receives unvested shares does not recognize any income until such shares vest. In the taxable year in which any shares vest such employee or consultant will recognize compensation income equal to the excess, if any, of (i) the Fair Market Value of the vested shares on the vesting date, over (ii) the amount (if any) paid for such shares. If the shares are forfeited the employee or consultant will recognize ordinary loss to the extent the amount received on forfeiture is less than the amount paid for such shares.

The election must be made not later than 30 days after the date of transfer of the shares to the employee or consultant. The election is to be filed with the Internal Revenue Service Center with which the employee or consultant files his or her return. In general, the election is irrevocable.

Each filing should be made by certified mail with the sender's receipt postmarked at the time of mailing to establish proof of filing. Also, one copy of the election should be filed with the company. Finally, one copy of the election must be submitted with the employee's federal income tax returns for the taxable year in which the shares are transferred. Although the election must be made within 30 days of the date of transfer of the shares, the tax, if any, arising out of the election need not be paid until the employee or consultant files his or her tax return for the tax year of transfer (subject to the withholding rules discussed below).

The company should be entitled to a tax deduction for federal income tax purposes equal to the amount, if any, included in the gross income of the employees or consultants receiving the shares. Any deduction is allowed for the taxable year of the company in which or with which ends the taxable year in which the amount was included in the gross income of the employee or consultant.

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While it may be desirable from a tax standpoint for employees and consultants to make an 83(b) election at the time unvested shares are acquired, the matter should be reviewed by each employee or consultant with his or her tax adviser.

The foregoing is intended only as a general summary of the tax consequences of section 83(b) elections.

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**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

STOCK UNIT AGREEMENT

The Company hereby awards Stock Units to the Participant named below. The terms and conditions of the Award are set forth in this cover sheet, in the attached Stock Unit Agreement and in the LegalZoom.com, Inc. 2012 Equity Incentive Plan as it may be amended from time to time (the "Plan"). This cover sheet is incorporated into and a part of the attached Stock Unit Agreement (together, the "Agreement").

Date of Award: _____.

Name of Participant: _____

Participant's Social Security Number: _____ - _____ - _____

Number of Stock Units Awarded: _____

Fair Market Value of a Share on Date of Stock Unit Grant: \$ _____. ____

By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan and the Plan's prospectus. You are also acknowledging receipt of this Agreement and a copy of the Plan and the Plan's prospectus, a copy of which is also enclosed.

Participant: _____
(Signature)

Company: _____
(Signature)

Title: _____

Attachment

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**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

STOCK UNIT AGREEMENT

- 1. The Plan and Other Agreements**

The text of the Plan is incorporated in this Agreement by reference. You and the Company agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement. Unless otherwise defined in this Agreement, certain capitalized terms used in this Agreement are defined in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Award of Stock Units. Any prior agreements, commitments or negotiations are superseded.
- 2. Award of Stock Units**

The Company awards you the number of Stock Units shown on the cover sheet of this Agreement. The Award is subject to the terms and conditions of this Agreement and the Plan.
- 3. Vesting**

If you render Continuous Service to the Company (or its Parent, Subsidiary or Affiliate) through the applicable dates of vesting, you will become incrementally vested as to 25% of the total number of Stock Units awarded (rounded down to the nearest whole number), as shown above on the cover sheet, on each of the first four anniversaries of the Date of Award. Except as provided in the preceding sentence, in the event that your Continuous Service ceases prior to the fourth anniversary of the Date of Award, you will forfeit to the Company without consideration all of the unvested Stock Units subject to this Award.
- 4. Settlement**

To the extent a Stock Unit becomes vested and subject to your satisfaction of any tax withholding obligations as discussed below, each vested Stock Unit will entitle you to receive one Share which will be distributed to you on the applicable vesting date(s) (or the first business day thereafter if the vesting date is not a business day) in exchange for such Stock Unit. Issuance of such Shares shall be in complete satisfaction of such vested Stock Units. Such settled Stock Units shall be immediately cancelled and no longer outstanding and you shall have no further rights or entitlements related to those settled Stock Units.
- 5. Transfer of Award**

You cannot gift, transfer, assign, alienate, pledge, hypothecate, attach, sell, or encumber this Award. If you attempt to do any of these things, this Award will immediately become invalid. You may, however, dispose of this Award in your will or it may be transferred by the laws of descent and distribution. Regardless of

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- any marital property settlement agreement, the Company is not obligated to recognize your spouse's interest in your Award in any other way.
- 6. Investment Representation**

In the event that you receive Shares as payment pursuant to the settlement of this Award, and such Shares have not been registered under the Securities Act or any applicable state laws at the time this Award is settled, you shall, if required by the Company, prior to the receipt of such Shares, deliver to the Company an "Investment Representation Statement" in a form prescribed by the Company and shall make such other written representations as are deemed necessary or appropriate by the Company and/or its counsel.
 - 7. Leaves of Absence**

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

The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Award), and when your Continuous Service terminates for all purposes under the Plan.
 - 8. Stockholder Rights**

As a holder of Stock Units, you shall have no rights other than those of a general creditor of the Company. Subject to the terms of this Agreement, a holder of outstanding Stock Units has none of the rights and privileges of a stockholder of the Company, including no right to vote or to receive dividends (if any). Subject to the terms and conditions of this Agreement, Stock Units create no fiduciary duty of the Company to you and only represent an unfunded and unsecured contractual obligation of the Company. The Stock Units shall not be treated as property or as a trust fund of any kind.

You, or your estate, shall have no rights as a stockholder of the Company with regard to the Award until you have been issued the applicable Shares by the Company and have satisfied all other conditions specified in Section 4(e) of the Plan. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such applicable Shares are issued, except as provided in the Plan.
 - 9. Restrictions on Issuance**

The Company will not issue any Shares if the issuance of such

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Issuance Shares at that time would violate any law or regulation.

Notwithstanding anything to the contrary, this Award is granted on the condition that the Company's stockholders approve the Plan prior to [redacted], 2013. You understand and agree that this Award may not be settled unless the Company's stockholders timely approve the Plan. If the Company's stockholders do not approve the Plan prior to [redacted], 2013 then this Award shall be immediately forfeited without consideration.

10. Withholding Taxes

You will be solely responsible for payment of any and all applicable taxes, including without limitation any penalties or interest based upon such tax obligations, associated with this Award.

The delivery to you of any Shares underlying vested Stock Units will not be permitted unless and until you have satisfied any withholding or other taxes that may be due. Any such tax withholding obligations may be settled in the Company's discretion by the Company withholding and retaining a portion of the Shares from the Shares that would otherwise be deliverable to you under the vesting Stock Units as provided in the next two sentences. Such withheld Shares will be applied to pay the withholding obligation by using the aggregate fair market value of the withheld Shares as of the date of settlement. You will be delivered the net amount of vested Shares after the Share withholding has been effected and you will not receive the withheld Shares. The Company will not deliver any fractional number of Shares.

11. Code Section 409A

This Award will be administered and interpreted to comply with Code Section 409A. Section 4(g) of the Plan will apply to this Award to the extent needed.

12. Restrictions on Resale

By signing this Agreement, you agree not to sell, transfer, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Award (each a "Sale Prohibition") at a time when applicable laws, regulations or Company or underwriter trading policies prohibit the sale or disposition of Shares.

The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose a Sale Prohibition, if the Company

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determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. The Company may issue stop/transfer instructions and/or appropriately legend any stock certificates issued pursuant to this Award in order to ensure compliance with the foregoing.

If the sale of Shares acquired under this Award is not registered under the Securities Act, but an exemption is available which requires an investment representation or other representation and warranty, you shall represent and agree that the Shares being acquired are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations and warranties as are deemed necessary or appropriate by the Company and its counsel.

You may also be required, as a condition of this Award, to enter into any Company stockholder agreement or other agreements that are applicable to stockholders.

13. Retention Rights

Your Award or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Continuous Service at any time and for any reason.

This Award and the Shares subject to the Award are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. Adjustments

In the event of a stock split, a stock dividend or a similar change in the Company stock, both (i) the Vesting Price and (ii) the number of outstanding Stock Units covered by this Award may be adjusted

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(and rounded down to the nearest whole number) pursuant to the Plan. Your Stock Units shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.

15. Legends

All certificates representing the Shares issued under this Award (if any) may, where applicable, have endorsed thereon the following legends and any other legends the Company determines appropriate:

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

“THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”

16. Clawback Policy The Company may (i) cause the cancellation of this Award, (ii) require reimbursement of this Award and (iii) effect any other right of recoupment of equity or other compensation provided under the Plan or otherwise in accordance with the Company’s Clawback Policy and/or applicable law. In addition, you may be required to repay to the Company certain previously paid compensation, whether provided under the Plan or this Agreement or otherwise, in accordance with the Clawback Policy. By accepting this Award, you are also agreeing to be bound by the Company’s Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and are further agreeing that this Award may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.

17. Applicable Law This Agreement will be interpreted and enforced under the laws of

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the State of Delaware without reference to the conflicts of law provisions thereof.

18. Binding Effect; No Third Party Beneficiaries This Agreement shall be binding upon and inure to the benefit of the Company and you and any respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and you and any respective heirs, representatives, successors and permitted assigns. The parties agree that this Agreement shall survive the settlement or termination of the Award.

19. Notice Any notice to be given or delivered to the Company relating to this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice to be given or delivered to you relating to this Agreement shall be in writing and addressed to you at such address of which you advise the Company in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

20. Voluntary Participant You acknowledge that you are voluntarily participating in the Plan.

21. No Rights to Future Awards Your rights, if any, in respect of or in connection with this Award or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Award, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.

22. Future Value The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value after the Date of Award, the Award could have little or no value. If you obtain Shares under this Award, the value of the Shares acquired upon settlement may subsequently increase or decrease in value.

23. No Advice Regarding Award The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the

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Plan.

24. No Right to Damages You will have no right to bring a claim or to receive damages if any portion of the Award is cancelled or expires. The loss of existing or potential profit in the Award will not constitute an element of damages in the event of the termination of your Continuous Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.

25. Data Privacy You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone

number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan (“Data”). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.

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26. **Other Information** You agree to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the Company’s website at www.legalzoom.com, if the Company wishes to provide such information through its website. You acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Committee and/or the Board.
27. **Nondisclosure of Confidential Information** You acknowledge that the businesses of the Company is highly competitive and that the Company’s strategies, methods, books, records, and documents, technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company uses in their business to obtain a competitive advantage over competitors. You further acknowledge that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company in maintaining its competitive position. You acknowledge that by reason of your duties to and association with the Company, you have had and will have access to and have and will become informed of confidential business information which is a competitive asset of the Company. You hereby agree that you will not, at any time during or after employment, make any unauthorized disclosure of any confidential business information or trade secrets of the Company, or make any use thereof, except in the carrying out of services responsibilities. You shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which your legal rights and obligations as a service provider or under this Agreement are at issue; provided, however, that you shall, to the extent practicable and lawful in any such events, give prior notice to the Company of your intent to disclose any such confidential business information in such context so as to allow the Company an opportunity (which you will not oppose) to obtain such protective orders or similar relief with respect thereto

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as may be deemed appropriate. Any information not specifically related to the Company would not be considered confidential to the Company.

The Company will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights to which it may be entitled. You agree and acknowledge that money damages may not be an adequate remedy for breach of the provisions of this Agreement and that the Company may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

28. **Further Assistance** You agree to provide assistance reasonably requested by the Company in connection with actions taken by you while providing services to the Company, including but not limited to assistance in connection with any lawsuits or other claims against the Company arising from events during the period in which you rendered service to the Company.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and Plan prospectus. Any inconsistency between this Agreement and the Plan shall be resolved by reference to the Plan.

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**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

NONSTATUTORY STOCK OPTION AGREEMENT

The Company hereby grants an Option to purchase Shares to the Optionee named below. The terms and conditions of the Option are set forth in this cover sheet, in the attached Nonstatutory Stock Option Agreement and in the LegalZoom.com, Inc. 2012 Equity Incentive Plan as it may be amended from time to time. This cover sheet is incorporated into and a part of the attached Nonstatutory Stock Option Agreement (together, the “Agreement”).

Date of Option Grant: _____.

Name of Optionee: _____

Number of Shares Covered by Option: _____

Exercise Price per Share: \$____.____

Fair Market Value of a Share on Date of Option Grant: \$____.____

Expiration Date: _____. Option will expire earlier as a result of certain events, including your Separation From Service, as provided in this Agreement.

Vesting Calculation Date: _____.

Vesting Schedule: _____.

By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan and the Plan's prospectus. You are also acknowledging receipt of this Agreement and a copy of the Plan and the Plan's prospectus, a copy of which is also enclosed.

Optionee: _____
(Signature)

Company: _____
(Signature)

Title: _____

Attachment

**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

NONSTATUTORY STOCK OPTION AGREEMENT

- 1. **The Plan and Other Agreements** The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded.
- 2. **Nonstatutory Stock Option** This Option is not intended to be an Incentive Stock Option under section 422 of the Code and will be interpreted accordingly.

This Option is not intended to be deferred compensation under section 409A of the Code and will be interpreted accordingly.
- 3. **Vesting** This Option is only exercisable before it expires and only with respect to the vested portion of the Option. This Option will vest according to the Vesting Schedule described in the cover sheet of this Agreement.
- 4. **Term** Your Option will expire in all cases no later than the close of business at Company headquarters on the Expiration Date, as shown on the cover sheet. Your Option may expire earlier if your Continuous Service terminates, as described in Sections 5, 6 and 7 below or on the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company. You are solely responsible for determining whether and when to exercise any vested portion of this Option and also for keeping track of when your Option expires and when it therefore can no longer be exercised. The Company has no obligation (and does not intend) to provide you with any further notice of your Option's expiration dates. The Company will have no liability to you or to any other person if all or any portion of your Option is not exercised before it expires for any reason.
- 5. **Termination of Continuous Service - General** If, while the Option is outstanding, your Continuous Service terminates for any reason, other than being terminated by the Company for Cause or due to your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is three (3) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change

no event is the Option exercisable after the Expiration Date.

- 6. Termination of Continuous Service for Cause** If your Continuous Service is terminated by the Company for Cause or if you commit an act(s) of Cause while this Option is outstanding, as determined by the Committee in its sole discretion, then you shall immediately forfeit all rights to your Option without consideration, including any vested portion of the Option, and the entire Option shall immediately expire, and any rights, payments and benefits with respect to the Option shall be subject to reduction or recoupment in accordance with the Clawback Policy and the Plan. For avoidance of doubt, your Continuous Service shall also be deemed to have been terminated for Cause by the Company if, after your Continuous Service has otherwise terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, your violation of Company policies or breach of confidentiality or other restrictive covenants or conditions that may apply to you prior to or after your Termination Date.
- 7. Termination of Continuous Service due to Death or Disability** If your Continuous Service terminates because of your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is six (6) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date. If your Continuous Service terminated due to your death, then your estate may exercise the vested portion of your Option during the foregoing post-Continuous Service exercise period.
- 8. Leaves of Absence** For purposes of this Option, your Continuous Service does not terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing, if the terms of the leave provide for Continuous Service crediting, or when Continuous Service crediting is required by applicable law. Your Continuous Service terminates in any event when the approved leave ends unless you immediately return to active work.
- The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Option), and when your Continuous Service terminates for all purposes under the Plan.
- 9. Notice of Exercise** When you wish to exercise this Option, you must notify the

Company by filing a "Notice of Exercise" form at the address given on the form. Your notice must specify how many Shares you wish to purchase. Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse's names as community property or as joint tenants with right of survivorship). The notice can only become effective after it is received by the Company.

If someone else wants to exercise this Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.

- 10. Form of Payment** When you submit your notice of exercise, you must include payment of the aggregate Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:
- Cash, your personal check, a cashier's check or a money order.
 - Shares which have already been owned by you for more than six (6) months (or such other duration of time determined by the Company) and which are surrendered to the Company. The Fair Market Value of the Shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.
 - To the extent a public market for the Shares exists as determined by the Company, by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.
 - To the extent approved by the Committee in its discretion and with all terms and conditions determined by the Committee, payment may be made in another form of legal consideration acceptable to the Committee.

- 11. Withholding Taxes** You will be solely responsible for payment of any and all applicable taxes associated with this Option.
- You will not be allowed to exercise this Option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Option exercise or sale of Shares acquired under this Option.
- To the extent a public market for the Shares exists as determined by the Company, such withholding taxes may be settled by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the

Company in payment of the withholding taxes.

To the extent approved by the Committee in its discretion and with all terms and conditions determined by the Committee, payment of withholding taxes may be made in another form of legal consideration acceptable to the Committee.

12. Code Section 409A

This Award will be administered and interpreted to comply with Code Section 409A. Section 4(g) of the Plan will apply to this Award to the extent needed.

13. Investment Representation

In the event that you receive Shares as payment pursuant to the exercise of this Award, and such Shares have not been registered under the Securities Act or any applicable state laws at the time this Award is exercised, you shall, if required by the Company, prior to the receipt of such Shares, deliver to the Company an "Investment Representation Statement" in a form prescribed by the Company and shall make such other written representations as are deemed necessary or appropriate by the Company and/or its counsel.

14. Restrictions on Exercise and Resale

Notwithstanding anything to the contrary, this Option is granted on the condition that the Company's stockholders approve the Plan prior to [redacted], 2013. You understand and agree that this Option may not be exercised unless the Company's stockholders timely approve the Plan. If the Company's stockholders do not approve the Plan prior to [redacted], 2013, then this Option shall be immediately forfeited without consideration.

By signing this Agreement, you agree not to (i) exercise this Option ("Exercise Prohibition"), or (ii) sell, transfer, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Option (each a "Sale Prohibition") at a time when applicable laws, regulations or Company or underwriter trading policies prohibit the exercise or disposition of Shares. The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law or regulation. The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose an Exercise Prohibition and/or Sale Prohibition, if the Company determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the

Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. The Company may issue stop/transfer instructions and/or appropriately legend any stock certificates issued pursuant to this Option in order to ensure compliance with the foregoing. Any such Exercise Prohibition shall not alter the vesting schedule set forth in this Agreement other than to limit the periods during which this Option shall be exercisable.

If the sale of Shares under the Plan is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Shares being acquired upon exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

You may also be required, as a condition of exercise of this Option, to enter into any Company stockholder agreement or other agreements that are applicable to stockholders.

15. Transfer of Option

Prior to your death, only you may exercise this Option. You cannot gift, transfer, assign, alienate, pledge, hypothecate, attach, sell, or encumber this Option. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will or it may be transferred by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your Option in any other way.

16. Retention Rights

Your Option or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Continuous Service at any time and for any reason.

This Option and the Shares subject to the Option are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any

17. **Stockholder Rights** You, or your estate, shall have no rights as a stockholder of the Company with regard to the Option until you have been issued the applicable Shares by the Company and have satisfied all other conditions specified in Section 4(e) of the Plan. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such applicable Shares are issued, except as provided in the Plan.
18. **Adjustments** In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Shares covered by this Option (rounded down to the nearest whole number) and the Exercise Price per Share may be adjusted pursuant to the Plan. Your Option shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.
19. **Legends** All certificates representing the Shares issued under this Award (if any) may, where applicable, have endorsed thereon the following legends and any other legends the Company determines appropriate:
- “THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.”
- “THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”
20. **Clawback Policy** The Company may (i) cause the cancellation of this Award, (ii) require reimbursement of this Award and (iii) effect any other right of recoupment of equity or other compensation provided under the Plan or otherwise in accordance with the Company’s Clawback Policy and/or applicable law. In addition, you may be required to repay to the Company certain previously paid compensation, whether provided under the Plan or this Agreement or otherwise, in accordance with the Clawback Policy. By accepting this Award, you are also agreeing to be bound by the
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- Company’s Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and are further agreeing that this Award may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.
21. **Applicable Law** This Agreement will be interpreted and enforced under the laws of the State of Delaware without reference to the conflicts of law provisions thereof.
22. **Binding Effect; No Third Party Beneficiaries** This Agreement shall be binding upon and inure to the benefit of the Company and you and any respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and you and any respective heirs, representatives, successors and permitted assigns. The parties agree that this Agreement shall survive the settlement or termination of the Award.
23. **Voluntary Participant** You acknowledge that you are voluntarily participating in the Plan.
24. **No Rights to Future Awards** Your rights, if any, in respect of or in connection with this Option or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Option, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of Options or any other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.
25. **Future Value** The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value after the Date of Option Grant, the Option will have little or no value. If you exercise the Option and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price.
26. **No Advice Regarding Grant** The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

27. **No Right to Damages** You will have no right to bring a claim or to receive damages if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of the termination of your Continuous Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.
28. **Data Privacy** You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan (“Data”). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.
29. **Other Information** You agree to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the Company’s website at www.legalzoom.com, if the Company wishes to provide such information through its website. You acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Committee and/or the Board.
30. **Nondisclosure of Confidential Information** You acknowledge that the businesses of the Company is highly competitive and that the Company’s strategies, methods, books, records, and documents, technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company

uses in their business to obtain a competitive advantage over competitors. You further acknowledge that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company in maintaining its competitive position. You acknowledge that by reason of your duties to and association with the Company, you have had and will have access to and have and will become informed of confidential business information which is a competitive asset of the Company. You hereby agree that you will not, at any time during or after employment, make any unauthorized disclosure of any confidential business information or trade secrets of the Company, or make any use thereof, except in the carrying out of services responsibilities. You shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which your legal rights and obligations as a service provider or under this Agreement are at issue; provided, however, that you shall, to the extent practicable and lawful in any such events, give prior notice to the Company of your intent to disclose any such confidential business information in such context so as to allow the Company an opportunity (which you will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company would not be considered confidential to the Company.

The Company will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights to which it may be entitled. You agree and acknowledge that money damages may not be an adequate remedy for breach of the provisions of this Agreement and that the Company may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

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31. **Further Assistance** You agree to provide assistance reasonably requested by the Company in connection with actions taken by you while providing services to the Company, including but not limited to assistance in connection with any lawsuits or other claims against the Company arising from events during the period in which you rendered service to the Company.

32. **Notice**

Any notice to be given or delivered to the Company relating to this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice to be given or delivered to you relating to this Agreement shall be in writing and addressed to you at such address of which you advise the Company in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and Plan prospectus. Any inconsistency between this Agreement and the Plan shall be resolved by reference to the Plan.

**LEGALZOOM.COM, INC.
NOTICE OF EXERCISE OF NONSTATUTORY STOCK OPTION BY OPTIONEE**

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

Re: Exercise of Nonstatutory Stock Option to Purchase Shares of Company Stock

[PRINT NAME OF OPTIONEE]

Pursuant to the Nonstatutory Stock Option Agreement dated _____, _____ between _____ LegalZoom.com, Inc., a Delaware corporation, (the "Company") and me, made pursuant to the 2012 Equity Incentive Plan (the "Plan"), I hereby request to purchase _____ Shares (whole number only and must be not less than twenty-five Shares or the remaining number of vested Shares subject to this Option) of common stock of the Company (the "Shares"), at the exercise price of \$_____ per Share. I am hereby making full payment of the aggregate exercise price by one or more of the following forms of payment in accordance with the whole number percentages that I have provided below. I further understand and agree that I will timely satisfy any and all applicable tax withholding obligations as a condition of this Option exercise.

| Percentage of Payment | Form of Payment As Provided In the Nonstatutory Stock Option Agreement |
|-----------------------|---|
| % | Cash/My Personal Check/Cashier's Check/Money Order (payable to "_____ LegalZoom.com, Inc.") |
| % | Surrender of vested Shares (Valued At Their Fair Market Value) Owned By Me For More Than Six (6) Months |
| 100% | |

- Check one: The Shares certificate is to be issued and registered in my name only.
- The Shares certificate is to be issued and registered in my name and my spouse's name.

[PRINT SPOUSE'S NAME, IF CHECKING SECOND BOX]

Check one (if checked second box above):

- Community Property **or** Joint Tenants With Right of Survivorship

I acknowledge that I have received, understand and continue to be bound by all of the terms and conditions set forth in the Plan, Plan prospectus and in the Nonstatutory Stock Option Agreement.

Dated: _____

(Optionee's Signature)

(Spouse's Signature)**

**Spouse must sign this Notice of Exercise if listed above.

(Full Address)

(Full Address)

***THIS NOTICE OF EXERCISE MAY BE REVISED BY THE COMPANY AT ANY TIME WITHOUT NOTICE.**

The Company hereby grants an Option to purchase Shares to the Optionee named below. The terms and conditions of the Option are set forth in this cover sheet, in the attached Incentive Stock Option Agreement and in the LegalZoom.com, Inc. 2012 Equity Incentive Plan as it may be amended from time to time. This cover sheet is incorporated into and a part of the attached Incentive Stock Option Agreement (together, the "Agreement").

Date of Option Grant: _____.

Name of Optionee: _____

Number of Shares Covered by Option: _____

Exercise Price per Share: \$____.____

Fair Market Value of a Share on Date of Option Grant: \$____.____

Expiration Date: _____. Option will expire earlier as a result of certain events, including your Separation From Service, as provided in this Agreement.

Vesting Calculation Date: _____.

Vesting Schedule: _____

By signing this cover sheet, you agree to all of the terms and conditions described in the Agreement and in the Plan and the Plan's prospectus. You are also acknowledging receipt of this Agreement and a copy of the Plan and the Plan's prospectus, a copy of which is also enclosed.

Optionee: _____
(Signature)

Company: _____
(Signature)

Title: _____

Attachment

**LEGALZOOM.COM, INC.
2012 EQUITY INCENTIVE PLAN**

INCENTIVE STOCK OPTION AGREEMENT

- 1. The Plan and Other Agreements** The text of the Plan is incorporated in this Agreement by reference. Certain capitalized terms used in this Agreement are defined in the Plan.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this Option. Any prior agreements, commitments or negotiations concerning this Option are superseded.
- 2. Incentive Stock Option** This Option is intended to be an Incentive Stock Option under section 422 of the Code and will be interpreted accordingly.

If you cease to be an employee of the Company, a Subsidiary or of a Parent but continue to provide Continuous Service, this Option will be treated as a Nonstatutory Stock Option on the day after the date that is three (3) months after you cease to be an employee of the Company (and any Subsidiary or any Parent): (i) even if you continue to provide Continuous Service after your employment has terminated or (ii) if your termination of employment was for any reason other than due to your death or Disability. In addition, to the extent that all or part of this Option exceeds the \$100,000 limitation rule of section 422(d) of the Code, this Option or the lesser excess part will be treated as a Nonstatutory Stock Option.

This Option is not intended to be deferred compensation under section 409A of the Code and will be interpreted accordingly.
- 3. Vesting** This Option is only exercisable before it expires and only with respect to the vested portion of the Option. This Option will vest according to the Vesting Schedule described in the cover sheet of this Agreement.
- 4. Term** Your Option will expire in all cases no later than the close of business at Company headquarters on the Expiration Date, as shown on the cover sheet. Your Option may expire earlier if your Continuous Service terminates, as described in Sections 5, 6 and 7 below or on the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company. You are solely responsible for determining whether and when to exercise any vested portion of this Option and also for keeping track of when your Option expires and when it therefore can no longer be exercised. The Company has no obligation (and does not intend) to provide you with any further notice of your Option's expiration dates. The Company will have no liability to you or to any other person if all or any portion of your Option is

not exercised before it expires for any reason.

5. **Termination of Continuous Service - General** If, while the Option is outstanding, your Continuous Service terminates for any reason, other than being terminated by the Company for Cause or due to your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is three (3) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or reorganization or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date.
6. **Termination of Continuous Service for Cause** If your Continuous Service is terminated by the Company for Cause or if you commit an act(s) of Cause while this Option is outstanding, as determined by the Committee in its sole discretion, then you shall immediately forfeit all rights to your Option without consideration, including any vested portion of the Option, and the entire Option shall immediately expire, and any rights, payments and benefits with respect to the Option shall be subject to reduction or recoupment in accordance with the Clawback Policy and the Plan. For avoidance of doubt, your Continuous Service shall also be deemed to have been terminated for Cause by the Company if, after your Continuous Service has otherwise terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, your violation of Company policies or breach of confidentiality or other restrictive covenants or conditions that may apply to you prior to or after your Termination Date.
7. **Termination of Continuous Service due to Death or Disability** If your Continuous Service terminates because of your death or Disability, then the unvested portion of your Option shall be forfeited without consideration and shall immediately expire on your Termination Date and the vested portion of your Option will expire at the earlier of (i) the close of business at Company headquarters on the date that is six (6) months after your Termination Date, (ii) the Expiration Date set forth in the attached cover sheet and further described in Section 4 above, or (iii) the date on which the Option is cancelled (and not substituted or assumed) pursuant to a Change in Control or merger or acquisition or similar transaction involving the Company. In no event is the Option exercisable after the Expiration Date. If your Continuous Service terminated due to your death, then your estate may exercise the vested portion of your Option during the foregoing post-Continuous Service exercise period.
8. **Leaves of Absence** For purposes of this Option, your Continuous Service does not

terminate when you go on a *bona fide* leave of absence that was approved by the Company in writing, if the terms of the leave provide for Continuous Service crediting, or when Continuous Service crediting is required by applicable law. For income tax purposes, if the period of leave exceeds three (3) months and your right to reemployment is not provided either by statute or by contract, then this Option will be treated as a Nonstatutory Stock Option if the exercise of this Option occurs after the expiration of six (6) months from the commencement of such leave of absence. Your Continuous Service terminates in any event when the approved leave ends unless you immediately return to active work.

The Company determines which leaves count for this purpose (along with determining the effect of a leave of absence on vesting of the Option), and when your Continuous Service terminates for all purposes under the Plan.

9. **Notice of Exercise** When you wish to exercise this Option, you must notify the Company by filing a "Notice of Exercise" form at the address given on the form. Your notice must specify how many Shares you wish to purchase. Your notice must also specify how your Shares should be registered (in your name only or in your and your spouse's names as community property or as joint tenants with right of survivorship). The notice can only become effective after it is received by the Company.
- If someone else wants to exercise this Option after your death, that person must prove to the Company's satisfaction that he or she is entitled to do so.
10. **Form of Payment** When you submit your notice of exercise, you must include payment of the aggregate Exercise Price for the Shares you are purchasing. Payment may be made in one (or a combination) of the following forms:
- Cash, your personal check, a cashier's check or a money order.
 - Shares which have already been owned by you for more than six (6) months (or such other duration of time determined by the Company) and which are surrendered to the Company. The Fair Market Value of the Shares, determined as of the effective date of the Option exercise, will be applied to the Exercise Price.
 - To the extent a public market for the Shares exists as determined by the Company, by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the aggregate Exercise Price.
-
- To the extent approved by the Committee in its discretion and with all terms and conditions determined by the Committee, payment may be made in another form of legal consideration acceptable to the

11. **Withholding Taxes** You will be solely responsible for payment of any and all applicable taxes associated with this Option.
- You will not be allowed to exercise this Option unless you make acceptable arrangements to pay any withholding or other taxes that may be due as a result of the Option exercise or sale of Shares acquired under this Option.
- To the extent a public market for the Shares exists as determined by the Company, such withholding taxes may be settled by Cashless Exercise through delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of the withholding taxes.
- To the extent approved by the Committee in its discretion and with all terms and conditions determined by the Committee, payment of withholding taxes may be made in another form of legal consideration acceptable to the Committee.
12. **Code Section 409A** This Award will be administered and interpreted to comply with Code Section 409A. Section 4(g) of the Plan will apply to this Award to the extent needed.
13. **Investment Representation** In the event that you receive Shares as payment pursuant to the exercise of this Award, and such Shares have not been registered under the Securities Act or any applicable state laws at the time this Award is exercised, you shall, if required by the Company, prior to the receipt of such Shares, deliver to the Company an "Investment Representation Statement" in a form prescribed by the Company and shall make such other written representations as are deemed necessary or appropriate by the Company and/or its counsel.
14. **Restrictions on Exercise and Resale** *Notwithstanding anything to the contrary, this Option is granted on the condition that the Company's stockholders approve the Plan prior to [redacted], 2013. You understand and agree that this Option may not be exercised unless the Company's stockholders timely approve the Plan. If the Company's stockholders do not approve the Plan prior to [redacted], 2013, then this Option shall be immediately forfeited without consideration.*
- By signing this Agreement, you agree not to (i) exercise this Option ("Exercise Prohibition"), or (ii) sell, transfer, dispose of, pledge, hypothecate, make any short sale of, or otherwise effect a similar transaction of any Shares acquired under this Option (each a "Sale Prohibition") at a time when applicable laws, regulations

or Company or underwriter trading policies prohibit the exercise or disposition of Shares. The Company will not permit you to exercise this Option if the issuance of Shares at that time would violate any law or regulation. The Company shall have the right to designate one or more periods of time, each of which generally will not exceed one hundred eighty (180) days in length (provided however, that such period may be extended in connection with the Company's release (or announcement of release) of earnings results or other material news or events), and to impose an Exercise Prohibition and/or Sale Prohibition, if the Company determines (in its sole discretion) that such limitation(s) is needed in connection with a public offering of Shares or to comply with an underwriter's request or trading policy, or could in any way facilitate a lessening of any restriction on transfer pursuant to the Securities Act or any state securities laws with respect to any issuance of securities by the Company, facilitate the registration or qualification of any securities by the Company under the Securities Act or any state securities laws, or facilitate the perfection of any exemption from the registration or qualification requirements of the Securities Act or any applicable state securities laws for the issuance or transfer of any securities. The Company may issue stop/transfer instructions and/or appropriately legend any stock certificates issued pursuant to this Option in order to ensure compliance with the foregoing. Any such Exercise Prohibition shall not alter the vesting schedule set forth in this Agreement other than to limit the periods during which this Option shall be exercisable.

If the sale of Shares under the Plan is not registered under the Securities Act, but an exemption is available which requires an investment or other representation, you shall represent and agree at the time of exercise that the Shares being acquired upon exercise of this Option are being acquired for investment, and not with a view to the sale or distribution thereof, and shall make such other representations as are deemed necessary or appropriate by the Company and its counsel.

You may also be required, as a condition of exercise of this Option, to enter into any Company stockholder agreement or other agreements that are applicable to stockholders.

If you sell or otherwise dispose of any of the Shares acquired pursuant to the exercise of this Option on or before the later of (i) the date that is two years after the Date of Option Grant or (ii) the date that is one year after the applicable exercise of this Option, then you shall within ten days of any and all such sales or dispositions provide the Company with written notice of such transactions including without limitation the date of each disposition, the number of Shares that you disposed of in each transaction and their original Date of Option Grant, and the

amount of proceeds you received from each disposition.

15. **Transfer of Option** Prior to your death, only you may exercise this Option. You cannot gift, transfer, assign, alienate, pledge,

hypothecate, attach, sell, or encumber this Option. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will or it may be transferred by the laws of descent and distribution. Regardless of any marital property settlement agreement, the Company is not obligated to honor a notice of exercise from your spouse, nor is the Company obligated to recognize your spouse's interest in your Option in any other way.

- 16. Retention Rights** Your Option or this Agreement does not give you the right to be retained by the Company (or any Parent or any Subsidiaries or Affiliates) in any capacity. The Company (or any Parent and any Subsidiaries or Affiliates) reserves the right to terminate your Continuous Service at any time and for any reason.
- This Option and the Shares subject to the Option are not intended to constitute or replace any pension rights or compensation and are not to be considered compensation of a continuing or recurring nature, or part of your normal or expected compensation, and in no way represent any portion of your salary, compensation or other remuneration for any purpose, including but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.
- 17. Stockholder Rights** You, or your estate, shall have no rights as a stockholder of the Company with regard to the Option until you have been issued the applicable Shares by the Company and have satisfied all other conditions specified in Section 4(e) of the Plan. No adjustment shall be made for cash or stock dividends or other rights for which the record date is prior to the date when such applicable Shares are issued, except as provided in the Plan.
- 18. Adjustments** In the event of a stock split, a stock dividend or a similar change in the Company stock, the number of Shares covered by this Option (rounded down to the nearest whole number) and the Exercise Price per Share may be adjusted pursuant to the Plan. Your Option shall be subject to the terms of the agreement of merger, liquidation or reorganization in the event the Company is subject to such corporate activity.
- 19. Legends** All certificates representing the Shares issued under this Award (if any) may, where applicable, have endorsed thereon the following legends and any other legends the Company determines appropriate:
- “THE SHARES REPRESENTED BY THIS CERTIFICATE
-
- ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND OPTIONS TO PURCHASE SUCH SHARES SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER, OR HIS OR HER PREDECESSOR IN INTEREST. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY AND WILL BE FURNISHED UPON WRITTEN REQUEST TO THE SECRETARY OF THE COMPANY BY THE HOLDER OF RECORD OF THE SHARES REPRESENTED BY THIS CERTIFICATE.”
- “THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, PLEDGED, OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED.”
- 20. Clawback Policy** The Company may (i) cause the cancellation of this Award, (ii) require reimbursement of this Award and (iii) effect any other right of recoupment of equity or other compensation provided under the Plan or otherwise in accordance with the Company's Clawback Policy and/or applicable law. In addition, you may be required to repay to the Company certain previously paid compensation, whether provided under the Plan or this Agreement or otherwise, in accordance with the Clawback Policy. By accepting this Award, you are also agreeing to be bound by the Company's Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and are further agreeing that this Award may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.
- 21. Applicable Law** This Agreement will be interpreted and enforced under the laws of the State of Delaware without reference to the conflicts of law provisions thereof.
- 22. Binding Effect; No Third Party Beneficiaries** This Agreement shall be binding upon and inure to the benefit of the Company and you and any respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and you and any respective heirs, representatives, successors and permitted assigns. The parties agree that this Agreement shall survive the settlement or termination of the Award.
- 23. Voluntary Participant** You acknowledge that you are voluntarily participating in the Plan.
-
- 24. No Rights to Future Awards** Your rights, if any, in respect of or in connection with this Option or any other Awards are derived solely from the discretionary decision of the Company to permit you to participate in the Plan and to benefit from a discretionary future Award. By accepting this Option, you expressly acknowledge that there is no obligation on the part of the Company to continue the Plan and/or grant any additional Awards to you or benefits in lieu of Options or any other Awards even if Awards have been granted repeatedly in the past. All decisions with respect to future Awards, if any, will be at the sole discretion of the Committee.

25. **Future Value** The future value of the underlying Shares is unknown and cannot be predicted with certainty. If the underlying Shares do not increase in value after the Date of Option Grant, the Option will have little or no value. If you exercise the Option and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price.
26. **No Advice Regarding Grant** The Company has not provided any tax, legal or financial advice, nor has the Company made any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.
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27. **No Right to Damages** You will have no right to bring a claim or to receive damages if any portion of the Option is cancelled or expires unexercised. The loss of existing or potential profit in the Option will not constitute an element of damages in the event of the termination of your Continuous Service for any reason, even if the termination is in violation of an obligation of the Company or a Parent or a Subsidiary or an Affiliate to you.
28. **Data Privacy** You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by the Company for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company holds certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, cancelled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan (“Data”). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere and that the recipient country may have different data privacy laws and protections than your country. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any Shares acquired under the Plan.
29. **Other Information** You agree to receive shareholder information, including copies of any annual report, proxy statement and periodic report, from the Company’s website at www.legalzoom.com, if the Company wishes to provide such information through its website. You acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are also available upon written or telephonic request to the Committee and/or the Board.
30. **Nondisclosure of Confidential Information** You acknowledge that the businesses of the Company is highly competitive and that the Company’s strategies, methods, books, records, and documents, technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company

uses in their business to obtain a competitive advantage over competitors. You further acknowledge that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company in maintaining its competitive position. You acknowledge that by reason of your duties to and association with the Company, you have had and will have access to and have and will become informed of confidential business information which is a competitive asset of the Company. You hereby agree that you will not, at any time during or after employment, make any unauthorized disclosure of any confidential business information or trade secrets of the Company, or make any use thereof, except in the carrying out of services responsibilities. You shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which your legal rights and obligations as a service provider or under this Agreement are at issue; provided, however, that you shall, to the extent practicable and lawful in any such events, give prior notice to the Company of your intent to disclose any such confidential business information in such context so as to allow the Company an opportunity (which you will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company would not be considered confidential to the Company.

The Company will be entitled to enforce its rights under this Agreement specifically, to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights to which it may be entitled. You agree and acknowledge that money damages may not be an adequate remedy for breach of the provisions of this Agreement and that the Company may in its sole discretion apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

- 31. Further Assistance** You agree to provide assistance reasonably requested by the Company in connection with actions taken by you while providing services to the Company, including but not limited to assistance in connection with any lawsuits or other claims against the Company arising from events during the period in which you rendered service to the Company.
- 32. Notice** Any notice to be given or delivered to the Company relating to this Agreement shall be in writing and addressed to the Company at its principal corporate offices. Any notice to be given or delivered to you relating to this Agreement shall be in writing and addressed to you at such address of which you advise the Company in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

By signing the cover sheet of this Agreement, you agree to all of the terms and conditions described above and in the Plan and Plan prospectus. Any inconsistency between this Agreement and the Plan shall be resolved by reference to the Plan.

**LEGALZOOM.COM, INC.
NOTICE OF EXERCISE OF INCENTIVE STOCK OPTION BY OPTIONEE**

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

Re: Exercise of Incentive Stock Option to Purchase Shares of Company Stock

[PRINT NAME OF OPTIONEE]

Pursuant to the Incentive Stock Option Agreement dated _____, _____ between LegalZoom.com, Inc., a Delaware corporation, (the "Company") and me, made pursuant to the 2012 Equity Incentive Plan (the "Plan"), I hereby request to purchase _____ Shares (whole number only and must be not less than twenty-five Shares or the remaining number of vested Shares subject to this Option) of common stock of the Company (the "Shares"), at the exercise price of \$ _____ per Share. I am hereby making full payment of the aggregate exercise price by one or more of the following forms of payment in accordance with the whole number percentages that I have provided below. I further understand and agree that I will timely satisfy any and all applicable tax withholding obligations as a condition of this Option exercise.

| Percentage of Payment | Form of Payment As Provided In the Incentive Stock Option Agreement |
|-----------------------|---|
| % | Cash/My Personal Check/Cashier's Check/Money Order (payable to "LegalZoom.com, Inc.") |
| % | Surrender of vested Shares (Valued At Their Fair Market Value) Owned By Me For More Than Six (6) Months |
| 100% | |

- Check one: The Shares certificate is to be issued and registered in my name only.
- The Shares certificate is to be issued and registered in my name and my spouse's name.

[PRINT SPOUSE'S NAME, IF CHECKING SECOND BOX]

Check one (if checked second box above):

- Community Property **or** Joint Tenants With Right of Survivorship

I acknowledge that I have received, understand and continue to be bound by all of the terms and conditions set forth in the Plan, Plan prospectus and in the Incentive Stock Option Agreement.

Dated: _____

(Optionee's Signature)

(Spouse's Signature)**

**Spouse must sign this Notice of Exercise if listed above.

(Full Address)

(Full Address)

***THIS NOTICE OF EXERCISE MAY BE REVISED BY THE COMPANY AT ANY TIME WITHOUT NOTICE.**

LEGALZOOM.COM, INC. 2012 MANAGEMENT INCENTIVE PLAN

This LegalZoom.com, Inc. 2012 Management Incentive Plan was adopted by the Company's Board of Directors on the Effective Date and is effective as of the Effective Date.

1. Overview and Eligibility. The purpose of this Plan is to motivate and reward selected Eligible Officers for superior performance by making a portion of their total compensation dependent on the achievement of specified performance objectives for a Performance Period. The Plan seeks to accomplish this objective by awarding performance-based cash Bonuses. Only Eligible Officers who are affirmatively selected by the Committee may become Participants in the Plan.

2. Bonus, Payment and Taxes.

2.1 Committee Award of a Bonus Opportunity. The Committee may from time to time, in its sole discretion, award a Bonus opportunity to a Participant that is subject to satisfying specified conditions. The Committee, in its discretion, shall: (i) select the Participants, if any, who will be eligible to earn a Bonus, (ii) determine the Bonus amounts and targets, (iii) establish any Performance Goal(s) with respect to a Bonus along with any associated Performance Period(s), and (iv) prescribe all other terms and conditions of a Participant's Bonus opportunity. The terms and conditions may be different for different Participants.

2.2 Bonus Payment. Subject to the Committee's discretion and the terms of this Plan and any applicable Employment Agreement, the payment of a Bonus (or any portion thereof) will generally require that a Participant must remain in service as a Company (or Parent, Subsidiary or Affiliate) employee through the last date of the applicable Performance Period. However, in the event of a Participant's Separation from Service by reason of a Qualifying Termination, death, Disability, retirement, or leave of absence approved by the Company, or in the event of hardship or other special circumstances of a Participant, or in the event of a Change in Control, the Committee may in its sole discretion take any action that it deems to be equitable under the circumstances or in the best interests of the Company. Bonus amounts that have been earned will be paid in cash. Such earned Bonus amounts (if any) shall be paid to Participants (i) on any date designated by the Committee and which occurs during the 2 ½ month period immediately following the end of the Performance Period in which the applicable Bonus amount was earned or (ii) upon an earlier Change in Control if such earlier-in-time payment would not cause the imposition of taxes under Code Section 409A.

2.3 Taxes and Withholding. The Company (including without limitation members of the Board or Committee) shall not be liable to any Participant or other persons as to any unexpected or adverse tax consequence realized by a Participant and each Participant shall be solely responsible for the timely payment of all taxes arising from this Plan that are imposed on the Participant. All Bonus payments will be reduced by any legally required withholding and will also be

1

subject to reduction under Sections 4 and/or 6. The Company shall have the right to withhold from any payment to a Participant under this Plan, in cash, all federal, state, city or other taxes as shall be required pursuant to any statute or governmental regulations or ruling. In connection with such withholding, the Company may make any arrangement consistent with this Plan, as it may deem appropriate.

3. Code Section 162(m). If the Company becomes a publicly held corporation as a result of an IPO, the Plan is intended to be exempt from the compensation deduction limitations imposed by Code Section 162(m) until the Company's first meeting of stockholders, in which Board members are elected, after the close of the third calendar year that follows the year of the IPO. On and after the date, if any, that compensation paid under the Plan is subject to the compensation deduction limits imposed by Code Section 162(m), then the following subsections 3.1 through 3.6 shall apply with respect to any Bonuses (i) for Participants who are or could be Covered Employees and (ii) which are intended to constitute "qualified performance-based compensation" within the meaning of Code Section 162(m):

3.1 Committee Composition. The voting members of the Committee administering the Participant's Bonus shall consist solely of two or more Outside Directors.

3.2 Establishment of Goals. By no later than the latest time permitted by Code Section 162(m) (generally, not later than after 25% of the Performance Period has elapsed and in any event not later than 90 days after the commencement of the Performance Period) and while the achievement of the Performance Goal(s) remains substantially uncertain within the meaning of Code Section 162(m), the Committee shall establish, in writing, the (i) specific Performance Goal(s) for a Participant which must be achieved in order for such Participant to earn a Bonus (or designated portion thereof) and (ii) formula for computing the Participant's Bonus (or designated portion thereof) if such Performance Goal(s) is achieved.

3.3 No Positive Discretion. After the establishment of a Participant's Performance Goal(s), the Committee will not have discretion to increase the amount of the Bonus that would otherwise be payable to a Participant based on achievement of the Performance Goal(s). The amount of the Bonus actually paid to a Participant may, in the sole discretion of the Committee, be less than the amount otherwise payable to the Participant based on attainment of the Performance Goal(s) for the Performance Period as determined in accordance with Section 3.2.

3.4 Committee Certification. No Bonus shall be paid to a Participant unless and until the Committee certifies in writing the extent to which the Performance Goal(s) applicable to a Participant have been achieved or exceeded. Without limitation, the approved minutes of a Committee meeting shall constitute such written certification.

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3.5 Performance Adjustment. The Committee may adjust the evaluation of performance under a Performance Goal(s) (to the extent permitted by this Plan and Code Section 162(m)) to remove the effects of certain events including without limitation the following: (i) items related to a change in or provisions under tax law, accounting principles or other such laws or provisions affecting reported results; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to

reorganizations or restructuring programs or divestitures or acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to asset write-downs or the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under GAAP; (ix) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; (xiv) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions and/or items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence; or (xv) litigation or claim judgments or settlements.

3.6 Tax Deductibility. Notwithstanding anything to the contrary in this Plan (including without limitation subsections 3.1 through 3.5), the Committee shall not take any action that would cause a Bonus payment to a Covered Employee to fail to be tax deductible by the Company due to Code Section 162(m).

4. Limitation on Payments. No one Participant may receive Bonus payments that in the aggregate exceed \$4 million in any Fiscal Year under this Plan. Except as may otherwise be provided in a Participant's Employment Agreement (and in such case such Employment Agreement shall govern as to any conflicting provisions contained in this Section 4), in the event that it is determined that any payment or distribution of any type to or for the Participant's benefit (whether under this Plan or otherwise) made by the Company, by any of its affiliates, by any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of Internal Revenue Code ("Code") Section 280G ("Section 280G"), and the regulations thereunder) or by any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are collectively referred to as the "Excise Tax"), then such payments or distributions shall be payable as to such lesser amount which would result in no portion of such payments or distributions being subject to the Excise Tax.

If a reduction in the Total Payments constituting "parachute payments" is necessary so that no portion of such Total Payments is subject to the excise tax under Section 4999 of the Code, the

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reduction shall occur in the following order: (1) reduction of cash payments for which the full amount is treated as a parachute payment; (2) cancellation of accelerated vesting (or, if necessary, payment) of cash awards for which the full amount is not treated as a parachute payment; (3) cancellation of any accelerated vesting of equity awards; and (4) reduction of any continued employee benefits. In selecting the equity awards (if any) for which vesting will be reduced under clause (3) of the preceding sentence, awards shall be selected in a manner that maximizes the after-tax aggregate amount of Total Payments provided to the Participant, provided that if (and only if) necessary in order to avoid the imposition of an additional tax under Code Section 409A, awards instead shall be selected in the reverse order of the date of grant. For the avoidance of doubt, for purposes of measuring an equity compensation award's value to a Participant, such award's value shall equal the then aggregate fair market value of the vested shares underlying the award less any aggregate exercise price less applicable taxes. Also, if two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis. In no event shall the Participant have any discretion with respect to the ordering of payment reductions.

However, notwithstanding the foregoing, if the imposition of such Excise Tax could be avoided by approval of stockholders as described in Section 280G(b)(5)(B), then such Participant must request the Company to solicit a vote of such stockholders (described in Section 280G(b)(5)(B)) and in which case such Participant will cooperate and execute any such waivers of compensation as may be necessary to enable the stockholder vote (if the Company in its discretion elects to solicit its stockholders) to comply with the requirements specified under Section 280G and the regulations promulgated thereunder. Any reduction in Total Payments required in connection with the stockholder vote shall be effected in the same manner provided in the preceding paragraph.

In no event will the Company be required to gross up any payment or benefit to a Participant to avoid the effects of the Excise Tax or to pay any regular or excise taxes arising from the application of the Excise Tax.

All mathematical determinations and all determinations of whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G) that are required to be made under this Section 4, shall be made by a nationally recognized independent audit firm selected by the Company (the "Accountants"), who shall provide their determination, together with detailed supporting calculations regarding the amount of any relevant matters, both to the Company and to such Participant. Such determination shall be made by the Accountants using reasonable good faith interpretations of the Code. As expressly permitted by Q/A #32 of the Section 280G regulations, with respect to performing any present value calculations that are required in connection with this Section 4, the Participant and the Company each affirmatively elect to utilize the Applicable Federal Rates ("AFR") that are in effect as of the Effective Date and the Accountants shall therefore use such AFRs in their determinations and calculations. Any determination by the Accountants shall be binding upon the Company and the Participant, absent manifest error.

5. Administration, Amendment and Termination. The Plan will be administered by the Committee. The Committee has the authority, without limitation, to select Participants and determine Performance Goals, Bonus amounts and Performance Periods, to certify the

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calculation of the amount of the Bonus payable to each Participant in respect of each Performance Period, to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Bonus in the manner and to the extent that the Committee shall deem desirable to carry it into effect, to interpret the provisions of the Plan, and to make rules and regulations necessary or desirable to administer the Plan. The decisions of the Committee are final and binding on all Participants and other persons in all matters pertaining to the Plan. All decisions and determinations by the Committee shall be afforded the maximum deference permitted by applicable law. Further guidelines, procedures and mechanics of the Plan's administration may be promulgated by resolutions of the Committee. The Plan may be amended or terminated by the Board at any time provided that any such amendment or termination will not adversely affect any outstanding Bonus opportunity without the Participant's written consent. In the event any provision of this Plan shall be held illegal or invalid for any reason, such provisions will be reformed by the Committee if possible and to the extent needed in order to be held legal and valid. If it is not possible to reform the illegal or invalid provisions then the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

6. **Clawback.** The Company may (i) cause the cancellation of any equity awards, Bonus or other compensation, (ii) require reimbursement of any of a Participant's equity awards, Bonus or other compensation and (iii) effect any other right of recoupment of equity or other compensation provided under this Plan, a Participant's Employment Agreement (if any) or otherwise in accordance with Company policies as may be adopted and/or modified from time to time by the Company and/or applicable law (each, a "**Clawback Policy**"). In addition, a Participant may be required to repay to the Company certain previously paid compensation, whether provided under this Plan or otherwise, in accordance with the Clawback Policy. By accepting a Bonus, a Participant is also agreeing to be bound by the Company's Clawback Policy which may be amended from time to time by the Company in its discretion (including without limitation to comply with applicable laws or stock exchange requirements) and is further agreeing that all of a Participant's Bonus(es), cash compensation, and/or equity awards issued under any of the Company's equity and/or incentive compensation plans may be unilaterally amended by the Company to the extent needed to comply with the Clawback Policy.

7. **Indemnification.** To the maximum extent permitted by applicable law, each member of the Committee, or of the Board, or any persons (including without limitation Company employees and officers) who are delegated by the Board or Committee to perform administrative functions in connection with the Plan, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan, and (ii) from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, by

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contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

8. **Integration.** This Plan represents the entire plan as to the matters described herein. This Plan shall supersede all prior or contemporaneous plans or arrangements or understandings between the Company and any Participant, whether written or oral, express or implied, with respect to any subject covered by this Plan.

9. **No Other Rights.** Participation in the Plan does not guarantee that any Bonus payments will ever be made under this Plan and a Participant has no rights or entitlement to any Bonus except as provided herein or in an applicable Employment Agreement. Participation in the Plan does not constitute a contract of or guarantee of employment, nor guarantee participation in any other Company incentive plan or arrangement nor provide any rights as an interest holder or holder of any other equity interest in the Company. Participation in the Plan in one Performance Period does not guarantee or entitle such Participant to become a Participant in any other Performance Period and there is no obligation for uniformity of treatment of Participants under the Plan. This Plan does not in any way alter or modify any Employment Agreement between the Company and a Participant. The adoption of this Plan by the Board (i) does not create any limitation on the power of the Committee or the Board to adopt other cash or equity-based compensation programs outside of this Plan and (ii) shall not be construed as creating any limitations on the power of the Board or the Committee to adopt such other incentive arrangements as either may deem desirable, including, without limitation, cash or equity-based compensation arrangements, either tied to performance or otherwise, and any such other arrangements as may be either generally applicable or applicable only in specific cases. Except as specifically provided by the Committee, the Company shall not be liable for the loss of existing or potential profit from a Bonus opportunity in the event of the termination of employment of any Participant.

10. **Unfunded and No Liability.** The Plan shall be unfunded. Although bookkeeping accounts may be established with respect to the Participants, any such accounts will be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets which may at any time be represented by Bonus amounts, nor shall this Plan be construed as providing for such segregation, nor shall the Company or Board or Committee be deemed to be a trustee of cash to be awarded under the Plan. The Company (or members of the Board or Committee) shall not be liable to a Participant or other persons as to any unexpected or adverse tax consequence realized by any Participant or other person due to the grant or receipt of any Bonus amount. A payment will not be made under the Plan if such payment would violate applicable securities laws or other laws.

11. **Code Section 409A.** Notwithstanding anything in the Plan to the contrary, the Plan and the payments granted hereunder are intended to be exempt from or comply with the requirements of Code Section 409A and shall be interpreted in a manner consistent with such intention. In the event that any provision of the Plan or a Bonus is determined by the Committee to not comply with the applicable requirements of Code Section 409A or the applicable regulations and other guidance issued thereunder, the Committee shall have the authority to take such actions and to make such changes to the Plan or a Bonus as the Committee deems necessary to comply with such requirements. Any payment made pursuant to the Plan shall be considered

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a separate payment and not one of a series of payments for purposes of Code Section 409A. Notwithstanding the foregoing or anything elsewhere in the Plan to the contrary, if upon a Participant's Separation From Service he/she is then a Specified Employee, then solely to the extent necessary to comply with Code Section 409A and avoid the imposition of taxes under Code Section 409A, the Company shall defer payment of "nonqualified deferred compensation" subject to Code Section 409A payable as a result of and within six (6) months following such Separation From Service under this Plan until the earlier of (i) the first business day of the seventh month following the Participant's Separation From Service, or (ii) ten (10) days after the Company receives written confirmation of the Participant's death. Any such delayed payments shall be made without interest. While it is intended that all payments and benefits provided under the Plan or a Bonus will be exempt from or comply with Code Section 409A, the Company makes no representation or covenant to ensure that the payments under the Plan or a Bonus are exempt from or compliant with Code Section 409A. In no event whatsoever shall the Company be liable if a payment under the Plan or a Bonus is challenged by any taxing authority or for any additional tax, interest or penalties that may be imposed on a Participant by Code Section 409A or any damages for failing to comply with Code Section 409A. The Participant will be entirely responsible for any and all taxes on any benefits payable to such Participant as a result of the Plan or a Bonus.

12. **Assignment.** The Company may assign this Plan and any Bonus obligations (without the consent of any Participant) to any Successor Company or other successor (whether by amalgamation, reorganization, merger, consolidation, sale of assets, purchase or otherwise) to all or substantially all of the equity, assets or business of the Company, and this Plan will be binding upon and inure to the benefit of such successors and assigns, including any successor entity. No Participant may assign any Bonus or any Participant obligations hereunder.

13. **Notice.** Any and all notices required or permitted to be given to a Participant or the Company pursuant to the provisions of this Plan will be in writing, and will be effective and deemed to provide such party sufficient notice hereunder on the earliest of the following: (i) at the time of personal delivery, if

delivery is in person; (ii) one (1) business day after deposit with an express overnight courier for United States deliveries, or two (2) business days after such deposit for deliveries outside of the United States; (iii) three (3) business days after deposit in the United States mail by certified mail (return receipt requested) for United States deliveries. All notices that the Company is required to or may desire to give a Participant that are not delivered personally will be sent with postage and/or other charges prepaid and properly addressed to Participant at his/her home address of record with the Company, or at such other address as Participant may from time to time designate by one of the indicated means of notice herein. All notices that a Participant is required to or may desire to give to the Company that are not delivered personally will be sent with postage and/or other charges prepaid and properly addressed to the Company's General Counsel at its principal office, or at such other office as the Company may from time to time designate by one of the indicated means of notice herein.

14. Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware (except its choice-of-law provisions).

15. Successor Provisions. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as

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amended from time to time, both before and after the Effective Date and including any successor provisions.

16. Definitions. The following defined terms shall have the below meanings in this Plan.

“*Affiliate*” means any entity other than a Subsidiary, if the Company and/or one or more Subsidiaries own not less than 50% of such entity.

“*Board*” means the Company's board of directors.

“*Bonus*” means a conditional right to receive cash performance-based bonus compensation that may be awarded under the Plan by the Committee to a Participant and which may be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Committee may establish. The Committee may require a Participant to execute an acknowledgement regarding the Bonus (and its terms and conditions) as a condition of providing the Participant with a Bonus opportunity.

“*Cause*” means, with respect to a Participant, except as may otherwise be provided in a Participant's Employment Agreement (and in such case such Employment Agreement shall govern as to the definition of Cause and the procedures for determining Cause), any one or more of the following: (i) commission of fraud, (ii) a good faith determination by the Board (or a committee of members of the Board), whose determination shall be conclusive and binding, that a Participant willfully failed to follow the lawful written directions of the Board, or a committee of the Board, or such Participant's direct report, (iii) engagement in willful misconduct which is materially detrimental to the Company, (iv) willful and repeated failure or refusal to materially comply with the Participant's Confidential Information and Employee Invention Assignment Agreement, Employment Agreement (if any), the Company's insider trading policy, or any other reasonable policies of the Company where non-compliance would be materially detrimental to the Company, or (v) commission of an unlawful or criminal act (serious in nature) which the Board reasonably believes would reflect adversely on the Company. In each of the foregoing subclauses (i) through (v), whether or not a “Cause” event has occurred will be determined by the Board whose determination shall be final, conclusive and binding. A Participant's service shall also be deemed to have terminated for Cause if, after the Participant's service has terminated, facts and circumstances are discovered that would have justified a termination for Cause, including, without limitation, violation of material Company policies or breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant.

“*Change in Control*” means, with respect to a Participant, except as may otherwise be provided in a Participant's Employment Agreement (and in such case the Employment Agreement shall govern as to the definition of Change in Control), the consummation of any of the following:

(i) Any “person” (as such term is used in Section 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

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Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (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;

(ii) 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 percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation;

(iii) 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);

(iv) The dissolution or liquidation of the Company; or

(v) Any transaction or series of related transactions that has the substantial effect of any one or more of the foregoing.

A transaction shall not constitute a Change in Control if its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions. In addition, an IPO shall not constitute a Change in Control.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*Committee*” means a committee of Board members as selected by the Board. If none is selected, then the Compensation Committee of the Board shall constitute the Committee except as required under Section 3.

“Company” means LegalZoom.com, Inc., a Delaware corporation.

“Covered Employees” means those individuals whose compensation is subject to the deduction limitations of Code Section 162(m).

“Disability” means, with respect to a Participant, except as may otherwise be provided in a Participant’s Employment Agreement (and in such case such Employment Agreement shall govern as to the definition of Disability), the Participant’s medically determinable physical or mental incapacitation such that for a continuous period of not less than twelve (12) months, such Participant is unable to engage in any substantial gainful activity or which can be expected to result in death.

“Effective Date” means [].

“Eligible Officer” means any individual who is a Company “officer” within the meaning of Rule 16a-1(f) of the Securities Exchange Act of 1934 as amended.

“Employment Agreement” means, with respect to a Participant, an operative employment agreement that was entered into by and between the Company and Participant.

“Fiscal Year” means the Company’s fiscal year.

“GAAP” means United States generally accepted accounting principles as established by the Financial Accounting Standards Board.

“Good Reason” means, with respect to a Participant, except as may otherwise be provided in a Participant’s Employment Agreement (and in such case such Employment Agreement shall govern as to the definition of Good Reason), any one or more of the following: (1) a material diminution in Participant’s base salary, except for reductions that are comparable to reductions generally applicable to similarly situated executives of the Company, (2) a material diminution in Participant’s authority, duties, reporting or responsibilities, or (3) a material change in the geographic location at which Participant must perform services to the Company, which shall be defined to be a relocation of Participant’s principal workplace to a new location that is more than fifty miles away from Participant’s workplace location as of the later of the Effective Date or the commencement of Participant’s employment with the Company. A Participant must provide written notice to the Company describing the existence of any Good Reason condition(s) within thirty (30) days of the date of the initial existence of the condition(s) or else such Participant will be deemed to have waived any Good Reason with respect to such condition(s). Upon the Company’s receipt of such written notice, the Company shall then have sixty (60) days during which it may cure or remedy the condition(s). If the Company does cure or remedy the condition(s) during such sixty (60) day period then Good Reason will be deemed to have not occurred with respect to such condition(s). If the Company does not cure or remedy the condition(s) during such sixty (60) day period then Good Reason will be deemed to exist for purposes of this Plan and Participant’s employment with the Company shall be automatically terminated for Good Reason as of the day following the expiration of the sixty (60) day cure/remedy period.

“IPO” means an initial public offering by the Company of its common shares pursuant to an effective registration statement filed with the Securities and Exchange Commission.

“Outside Director” has the meaning provided to such term by Code Section 162(m) and its regulations.

“Parent” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company, if each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the Effective Date shall be considered a Parent commencing as of such date.

“Participant” means an individual who (i) is a Eligible Officer and (ii) has been affirmatively selected by the Committee to participate in the Plan.

“Performance Goals” means one or more objective performance targets established for a Participant which may be described in terms of Company-wide objectives and/or objectives that are related to the performance of the individual Participant or a Parent, Subsidiary, Affiliate,

division, department or function within the Company or entity in which the Participant is employed, and such targets may be applied either individually, alternatively or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years’ results or to a designated comparison group, in each case as specified by the Committee. Any Performance Goals that are included in a Bonus in order to make such Bonus qualify as performance-based compensation under Code Section 162(m) shall be limited to one or more of the following target objectives: (i) annual revenue, (ii) earnings before interest, taxes, depreciation and amortization, or EBITDA, (iii) earnings per share, (iv) stock price, (v) operating cash flow, (vi) net income, (vii) profit margins, operating margins, gross margins or cash margins, (viii) revenue growth, (ix) pre- or after-tax income (before or after allocations of corporate overhead and bonuses), (x) return on equity, (xi) total shareholder return, (xii) return on assets or net assets, (xiii) appreciation in and/or maintenance of the price of the Common Stock, (xiv) market share, (xv) gross profits, (xvi) economic value-added models or equivalent metrics, (xvii) comparisons with various stock market indices, (xviii) reductions in costs, (xix) cash flow or cash flow per share, (xx) return on capital (including return on total capital or return on invested capital), (xxi) cash flow return on investment, (xxii) improvement in or attainment of expense levels or working capital levels, (xxiii) year-end cash, (xxiv) debt reductions, (xxv) stockholder equity, (xxvi) regulatory or litigation achievements, (xxvii) implementation, completion or attainment of measurable objectives with respect to business development, new products or services, budgets, regulatory or business risks, acquisitions, divestitures or recruiting and maintaining personnel, (xxviii) earnings, (xxix) expenses, (xxx) cost of goods sold, (xxxi) working capital, (xxxii) price/earnings ratio, (xxxiii) debt or debt-to-equity, (xxxiv) accounts receivable, (xxxv) writeoffs, (xxxvi) assets, (xxxvii) liquidity, (xxxviii) operations, (xxxix) research or related milestones, (xl) intellectual property (e.g., patents), (xli) product development, (xlii) information technology, (xliii) financings, (xliv) product quality control, (xlv) management, (xlvi) human resources, (xlvii) corporate governance, (xlviii) compliance program, (xlix) internal controls, (lxi) policies and procedures, (lxii) accounting and reporting, (lxiii) strategic alliances, (lxiv) licensing and partnering, and (lxv) site, plant or building development, or (lxvi) any combination of the foregoing, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or index. The Performance Goals may differ from Participant to Participant. With respect to Bonuses that are intended to constitute Code Section 162(m) qualified performance-based compensation, the selection and adjustment of applicable Performance Goals, and the establishment of targets, shall occur in compliance with the rules of Code Section 162(m). Awards issued to Participants who are not Covered Employees (or

which are not intended to qualify as performance-based compensation under Code Section 162(m)) do not have to utilize the above Performance Goal criteria and may take into account other (or no) factors.

“Performance Period” means any period of time as determined by the Committee, in its sole discretion. The Committee may establish different Performance Periods for different Participants and the Committee may establish concurrent or overlapping Performance Periods.

“Plan” means this LegalZoom.com, Inc. 2012 Management Incentive Plan, as it may be amended from time to time by the Company.

“Separation from Service” has the meaning provided to such term by Code Section 409A and its regulations.

“Specified Employee” means a Participant who is considered a “specified employee” within the meaning of Code Section 409A and its regulations.

“Subsidiary” means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the Effective Date shall be considered a Subsidiary commencing as of such date.

“Successor Company” means the surviving company, the successor company, the acquiring company or its parent, as applicable, in connection with a Change in Control.

“Qualifying Termination” means a termination of a Participant’s employment with the Company either by the Participant for Good Reason or by the Company without Cause (excluding due to Participant’s death or Disability).

IN WITNESS WHEREOF, a duly authorized officer of the Company has executed this Plan below.

LEGALZOOM.COM, INC.

By: _____
Title: _____

LEGALZOOM.COM, INC. 2012 MANAGEMENT INCENTIVE PLAN

ACKNOWLEDGEMENT OF PARTICIPATION

Pursuant to the LegalZoom.com, Inc. 2012 Management Incentive Plan, the Company hereby informs the Participant named below that he/she has been selected to be a Participant in the Plan for Fiscal Year 2012 and is eligible to earn a Bonus subject to Participant timely executing and delivering to the Company this acknowledgement (the “Acknowledgement”). The entire text of the Plan is incorporated in this Acknowledgement by reference. The governing terms and conditions of Participant’s participation in the Plan are set forth herein and Participant agrees to be bound by such terms and conditions. Certain capitalized terms used in this Acknowledgement are defined in the Plan. This Acknowledgement, the Plan and any applicable Employment Agreement between the Company and the Participant constitute the entire understanding between the Participant and the Company regarding the Bonus opportunity described below. This Bonus opportunity satisfies the Company’s obligation under Section 3(b) in the Employment Agreement to provide an annual bonus opportunity to Participant for Fiscal Year 2012. Any prior agreements, commitments or negotiations concerning this Bonus opportunity are superseded except as provided in the Plan.

Name of Participant: _____

Performance Period for Bonus: Fiscal Year 2012

[INSERT BONUS AMOUNTS AND TARGETS]

This Acknowledgement will be interpreted and enforced under the laws of the State of Delaware.

By signing below, the Participant agrees to all of the terms and conditions described in this Acknowledgement and in the Plan.

Participant: _____
(Signature)

Company: _____
(Signature)

Title: _____

July 23, 2012

Mr. Daniel Cooperman

Re: LegalZoom.com, Inc. Amended and Restated Offer Letter

Dear Dan:

We are very pleased to provide you with this Amended and Restated Offer Letter setting forth the terms and conditions of your position as a member of the Board of Directors (the "Board") of LegalZoom.com, Inc. (the "Company"). The terms of this Amended and Restated Offer Letter hereby amend and restate in its entirety that certain Offer Letter, dated as of June 21, 2012, between you and the Company. This offer, which is subject to the approval of each of the current members of our Board, is based on the following terms and conditions:

Start Date: 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 two (2) years.

Committees: You acknowledge and agree that, in order to meet SEC and NYSE rules, you will be required to serve on one or more of the Board's Audit Committee, Compensation Committee and/or Nominating and Governance Committee, and that such committee assignments will be as agreed between you and the Company, and that you will be compensated for service on any committee as provided herein.

Cash Compensation: In consideration of your services as a member of the Board, you will receive a \$25,000 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain a member of the Board.

In consideration for your services as Chair of the Audit Committee, if applicable, you will receive a \$15,000 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain the Audit Committee Chair.

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In consideration for your services as Chair of the Compensation Committee, if applicable, you will receive a \$7,500 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain the Compensation Committee Chair.

In consideration for your services as Chair of the Nominating and Governance Committee, if applicable, you will receive a \$5,000 annual cash retainer to be paid in arrears in equal quarterly installments for so long as you remain the Nominating and Governance Committee Chair.

All or a portion of your annual cash retainer may be deferred into a stock unit account. The election for deferring your annual cash retainer must be made in writing within thirty (30) days of joining the Board and prior to the start of the new calendar year for subsequent elections or earlier as necessary to comply with Internal Revenue Code §409A.

You will receive \$1,000 per meeting for each Board and committee meeting that you attend, to be paid in arrears on a quarterly basis.

Equity Compensation Grants: In connection with the Company's initial public offering, if you are then serving on the Board, you will receive both inducement and annual compensatory equity grants (in the form of restricted stock units and stock options which will each be subject to vesting conditions) in accordance with the Company's non-employee director compensation program.

Stock Ownership Guidelines: In order to promote long-term alignment of directors and stockholders interests, the Company requires that you hold five times your annual cash retainer (excluding any cash retainer for service on a committee or as a committee chair or other service-related fees). You are expected to attain or exceed the stock ownership guideline amount within five (5) years of the Effective Date, and to remain at or above the guideline.

Responsibilities: As a director of the Company, your duties and responsibilities will be those reasonably and customarily associated with such position, including, without limitation, attendance at all regular and special meetings of the Board and, if you are a member of a committee of the Board, attendance at all regular and special meetings of such committee.

No Legal Services Provided: We confirm that you will be providing services as a member of the board of directors in your individual capacity, and will not be providing or called upon to provide legal services to the Company.

Expenses: The Company will reimburse you for all reasonable, out-of-pocket costs and expenses incurred by you in connection with attending Board meetings and, if you are a member of a committee of the Board,

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committee meetings.

Confidentiality: As a condition of this offer, you will be required to preserve the Company's proprietary and confidential information and you must comply with the Company's policies and procedures. Accordingly, as a pre-condition to your appointment to the Board, you are required to execute the Nondisclosure Agreement enclosed herewith.

Indemnification: In the interest of retaining and attracting qualified individuals to provide services to the Company, the Company has or will enter into an Indemnification Agreement with each of its directors and executive officers. An Indemnification Agreement will be provided to you to sign upon your acceptance.

Your engagement as a member of the Board is contingent on all of the following: (a) formal acceptance of this offer, (b) completion of a background, credit and reference check satisfactory to the Board and (c) a determination by the Board that you meet the independence requirements of the NYSE. This offer to serve as a member of the Board shall be at the will of the Board, which means that this relationship can be terminated at any time by either party. Upon accepting our offer to join the Board you agree we will have the right to mention your name and other customary information in documents we file with the Securities and Exchange Commission, press releases and other business documentation as appropriate, including, inclusion of such information in our registration statement and the related prospectus naming you as a person about to become a member of the Board and such other information regarding you as is required to be included therein under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

To accept this offer, please sign the acknowledgment at the end of this letter acknowledging and agreeing to the terms and conditions of your service as a member of the Board of the Company.

[Signature page follows]

We sincerely hope that you decide to join the Board of Directors of the Company. Please contact me with any questions regarding the foregoing.

Sincerely,

LEGALZOOM.COM, INC.

By: /s/ John Suh
John Suh
Chief Executive Officer and Director

ACKNOWLEDGED AND AGREED TO BY:

/s/ Daniel Cooperman
Daniel Cooperman

Date: July 23, 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.

**TWELFTH AMENDMENT
TO LOAN AND SECURITY AGREEMENT**

This Twelfth Amendment to Loan and Security Agreement (this "Amendment") is entered into as of July 23, 2012, by and between COMERICA BANK ("Bank") and LEGALZOOM.COM, INC., a Delaware corporation ("Borrower").

RECITALS

A. Borrower and Bank are parties to that certain Loan and Security Agreement dated as of October 31, 2008, as amended from time to time including by that certain First Amendment to Loan and Security Agreement dated as of February 24, 2009, that certain Second Amendment to Loan and Security Agreement dated as of March 6, 2009, that certain Third Amendment to Loan and Security Agreement dated as of July 7, 2009, that certain Fourth Amendment to Loan and Security Agreement dated as of July 27, 2009, that certain Fifth Amendment to Loan and Security Agreement dated as of January 8, 2010, that certain Sixth Amendment and Waiver to Loan and Security Agreement dated as of October 29, 2010, that certain Seventh Amendment to Loan and Security Agreement dated as of March 1, 2011, that certain Eighth Amendment to Loan and Security Agreement dated as of May 17, 2011, that certain Ninth Amendment to Loan and Security Agreement dated as of July 20, 2011, that certain Tenth Amendment to Loan and Security Agreement dated as of December 9, 2011 and that certain Eleventh Amendment to Loan and Security Agreement dated as of April 6, 2012 (collectively, the "Agreement").

B. Borrower has requested that Bank amend the Agreement as provided herein. Subject to and on the terms and conditions set forth herein, Bank is willing to amend the Agreement in accordance with the terms of this Amendment, provided that the conditions set forth herein are satisfied, and all security interests and liens under the Loan Documents shall continue to exist and remain in full force and effect.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Section 6.6 of the Agreement is hereby amended and restated in its entirety to read as follows:

"6.6 Accounts. At all times when the aggregate dollar value of Borrower's and its Subsidiaries' total deposit, securities, investment and operating account balances at all financial institutions is greater than or equal to Thirty Million Dollars (\$30,000,000), Borrower and its Subsidiaries shall maintain deposit, securities, investment and operating accounts with Bank or Bank's Affiliates (covered by satisfactory control agreements in favor of Bank) with an aggregate dollar value of not less than Twenty Million Dollars (\$20,000,000). At all times when the aggregate dollar value of Borrower's and its Subsidiaries' total deposit, securities, investment and operating account balances at all financial institutions is less than Thirty Million Dollars (\$30,000,000), Borrower and its Subsidiaries shall maintain deposit, securities, investment and operating accounts with Bank or Bank's Affiliates (covered by satisfactory control agreements in favor of Bank) with an aggregate dollar value that is not less than two-thirds (2/3) of the aggregate dollar value of its and their deposit, securities, investment and operating accounts at all financial institutions."

2. No course of dealing on the part of Bank or its officers, nor any failure or delay in the exercise of any right by Bank, shall operate as a waiver thereof, and any single or partial exercise of any such right shall not preclude any later exercise of any such right. Bank's failure at any time to require strict performance by Borrower of any provision shall not affect any right of Bank thereafter to demand strict compliance and performance. Any suspension or waiver of a right must be in writing signed by an officer of Bank.

3. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrower ratifies

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and reaffirms the continuing effectiveness of all promissory notes, guaranties, security agreements, mortgages, deeds of trust, environmental agreements, and all other instruments, documents and agreements entered into in connection with the Agreement, and specifically ratifies and confirms the pledge of the equity interests in each of its Subsidiaries. Borrower hereby further affirms its absolute and unconditional promise to pay to Bank the Advances, other Credit Extensions all other amounts due under the Letters of Credit and the other Loan Documents (including, without limitation, the Obligations), at the times and in the amounts provided for therein. Borrower confirms and agrees that the obligations of Borrower to Bank under the Agreement as supplemented hereby are secured by and entitled to the benefits of the Loan Documents. The parties agree that this Amendment shall be deemed to be one of the Loan Documents under the Agreement. Nothing in this Amendment shall constitute a satisfaction of Borrower's Obligations.

4. In order to induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

4.1 The representations and warranties contained in the Agreement and the other Loan Documents were true and correct in all material respects when made and continue to be true and correct in all material respects as of the date of this Amendment, except to the extent that such representations and warranties relate expressly to an earlier date only, in which case, they remain true and correct in all material respects as of such earlier date.

4.2 Both before and immediately after giving effect to this Amendment and the other transactions contemplated hereby, no Event of Default, or other event or circumstance that with the giving of notice or the passage of time could become an Event of Default, has occurred and is continuing.

4.3 The execution, delivery, and performance by Borrower of this Amendment and the other documents, instruments and agreements to which Borrower is a party delivered or to be delivered to Bank in connection herewith (i) are within the corporate powers of Borrower and have been duly authorized by all necessary corporate action on the part of Borrower, (ii) do not require any governmental or third party consents, except those which have been duly obtained and are in full force and effect, (iii) do not and will not conflict with any requirement of law, Borrower's or any Guarantor's articles or certificate of incorporation, bylaws, operating agreement, partnership agreement, minutes or resolutions, (iv) after giving effect to this Amendment, do not result in any breach of or constitute a default under any agreement or instrument to which Borrower, any Guarantor or any of their respective Subsidiaries is a party or by which they or any of their respective properties are bound, and (v) do not result in or require the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature upon any of the assets or properties of Borrower or any Guarantor, other than those in favor of Bank.

4.4 This Amendment and the other instruments and agreements delivered or to be delivered to Bank in connection herewith have been duly executed and delivered by Borrower and constitutes the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their respective terms, except to the extent that (i) enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors, (ii) enforcement may be subject to general principles of equity, and (iii) the availability of the remedies of specific performance and injunctive relief may be subject to the discretion of the court before which any proceedings for such remedies may be brought.

5. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

(a) this Amendment, duly executed by Borrower;

(b) affirmations of guaranty and security agreements duly executed by each of CREATINGWILL.COM, LLC, a Delaware limited liability company, LEGALZOOM.COM TEXAS, LLC, a Texas limited liability company, LZ FINANCIAL SERVICES LLC, a Delaware limited liability company, UNITED STATES CORPORATION AGENTS, INC., a California corporation, UNITED STATES CORPORATION AGENTS, INC., a Nevada corporation, and UNITED STATES CORPORATION AGENTS, INC., a Maryland corporation;

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(c) an amount equal to all Bank Expenses incurred through the date of this Amendment, which amounts may be debited from any of Borrower's accounts with Bank; and

(d) such other documents, instruments and certificates, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

6. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

[Remainder of Page Left Blank]

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IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

LEGALZOOM.COM, INC

By: /s/ Fred J. Krupica

Title: CFO

COMERICA BANK

By: /s/ Paula J. Howell

Title: SVP

[Signature Page to Twelfth Amendment to Loan and Security Agreement]

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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 29, 2012

QuickLinks

[Exhibit 23.2](#)

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