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

FORM 10-Q
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________
Commission file number: 000-30141

LIVEPERSON, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-3861628**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
475 Tenth Avenue, 5th Floor **New York, New York**	**10018**
(Address of Principal Executive Offices)	(Zip Code)

(212) 609-4200

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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 definition 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 ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On May 6, 2014, 54,199,640 shares of the registrant's common stock were outstanding.

LIVEPERSON, INC.
March 31, 2014
FORM 10-Q
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FORWARD-LOOKING STATEMENTS

STATEMENTS IN THIS REPORT ABOUT LIVEPERSON, INC. THAT ARE NOT HISTORICAL FACTS ARE FORWARD-LOOKING STATEMENTS BASED ON OUR CURRENT EXPECTATIONS, ASSUMPTIONS, ESTIMATES AND PROJECTIONS ABOUT LIVEPERSON AND OUR INDUSTRY. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL FUTURE EVENTS OR RESULTS TO DIFFER MATERIALLY FROM SUCH STATEMENTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. IT IS ROUTINE FOR OUR INTERNAL PROJECTIONS AND EXPECTATIONS TO CHANGE AS THE YEAR OR EACH QUARTER IN THE YEAR PROGRESS, AND THEREFORE IT SHOULD BE CLEARLY UNDERSTOOD THAT THE INTERNAL PROJECTIONS AND BELIEFS UPON WHICH WE BASE OUR EXPECTATIONS MAY CHANGE PRIOR TO THE END OF EACH QUARTER OR THE YEAR. ALTHOUGH THESE EXPECTATIONS MAY CHANGE, WE ARE UNDER NO OBLIGATION TO INFORM YOU IF THEY DO. OUR COMPANY POLICY IS GENERALLY TO PROVIDE OUR EXPECTATIONS ONLY ONCE PER QUARTER, AND NOT TO UPDATE THAT INFORMATION UNTIL THE NEXT QUARTER. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN THE PROJECTIONS OR FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED IN PART II, ITEM 1A, “RISK FACTORS.”

Part I. Financial Information

Item 1. Financial Statements

LIVEPERSON, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	March 31, 2014	December 31, 2013
	(Unaudited)	(Note 1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 79,373	$ 91,906
Accounts receivable, net of allowance for doubtful accounts of $926 and $1,165 as of March 31, 2014 and December 31, 2013, respectively	28,936	29,489
Prepaid expenses and other current assets	9,363	6,361
Deferred tax assets, net	4,360	5,426
Total current assets	122,032	133,182
Property and equipment, net	17,481	17,618
Intangibles, net	12,130	13,088
Goodwill	33,124	32,724
Deferred tax assets, net	6,897	6,243
Other assets	4,952	2,235
Total assets	$ 196,616	$ 205,090
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 11,686	$ 10,139
Accrued expenses	20,475	25,419
Deferred revenue	7,620	8,747
Total current liabilities	39,781	44,305
Deferred revenue, net of current	—	468
Other liabilities	850	1,264
Total liabilities	40,631	46,037
Commitments and contingencies (See Note 11)		
STOCKHOLDERS' EQUITY (See Note 12):		
Common stock	54	54
Additional paid-in capital	242,207	244,621
Accumulated deficit	(86,073)	(85,279)
Accumulated other comprehensive loss	(203)	(343)
Total stockholders' equity	155,985	159,053
Total liabilities and stockholders' equity	$ 196,616	$ 205,090

See Notes to Condensed Consolidated Financial Statements (unaudited).

LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Revenue	$ 47,828	$ 42,496
Costs and expenses [1] [2]:		
Cost of revenue	11,735	10,134
Sales and marketing	18,395	14,478
General and administrative	9,499	10,238
Product development	8,951	8,021
Amortization of purchased intangibles	190	224
Total costs and expenses	48,770	43,095
Loss from operations	(942)	(599)
Other (expense) income	(83)	34
Loss before benefit from income taxes	(1,025)	(565)
Benefit from income taxes	(231)	(333)
Net loss	$ (794)	$ (232)
Net loss per share of common stock:		
Basic	$ (0.01)	$ 0.00
Diluted	$ (0.01)	$ 0.00
Weighted-average shares used to compute net loss per share:		
Basic	54,666,535	55,864,045
Diluted	54,666,535	55,864,045
[1] Amounts include stock compensation expense, as follows:		
Cost of revenue	$ 360	$ 420
Sales and marketing	814	746
General and administrative	843	1,015
Product development	680	870
[2] Amounts include depreciation expense, as follows:		
Cost of revenue	$ 1,397	$ 1,580
Sales and marketing	207	22
General and administrative	200	262
Product development	177	186

See Notes to Condensed Consolidated Financial Statements (unaudited).

LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013
Net loss	$ (794)	$ (232)
Foreign currency translation adjustment	140	40
Comprehensive loss	$ (654)	$ (192)

See Notes to Condensed Consolidated Financial Statements (unaudited).

LIVEPERSON, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31,	
	2014	2013
OPERATING ACTIVITIES:		
Net loss	$ (794)	$ (232)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	2,697	3,051
Depreciation	1,981	2,050
Amortization of purchased intangibles	1,058	418
Deferred income taxes and other non-cash tax items	(76)	352
Provision for doubtful accounts, net	271	—
Changes in operating assets and liabilities:		
Accounts receivable	48	(798)
Prepaid expenses and other current assets	(3,930)	(2,600)
Other assets	460	24
Accounts payable	1,114	(1,550)
Accrued expenses	(3,828)	(1,580)
Deferred revenue	(1,586)	220
Other liabilities	(414)	(11)
Net cash used in operating activities	(2,999)	(656)
INVESTING ACTIVITIES:		
Purchases of property and equipment, including capitalized software	(1,456)	(1,664)
Investment in technology licenses	(3,174)	—
Acquisition of NexGraph	(125)	—
Acquisition of domains	—	(50)
Net cash used in investing activities	(4,755)	(1,714)
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock in connection with the exercise of options	2,978	1,347
Repurchase of common stock	(7,841)	(7,428)
Net cash used in financing activities	(4,863)	(6,081)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	84	(55)
CHANGE IN CASH AND CASH EQUIVALENTS	(12,533)	(8,506)
CASH AND CASH EQUIVALENTS - Beginning of the period	91,906	103,339
CASH AND CASH EQUIVALENTS - End of the period	$ 79,373	$ 94,833
SUPPLEMENTAL DISCLOSURE OF OTHER CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 1,037	$ 34
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of property and equipment recorded in accounts payable	$ 1,174	$ 1,648
Acquisition cost in connection with NexGraph recorded in accrued expenses	$ 375	$ —

See Notes to Condensed Consolidated Financial Statements (unaudited).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Description of Business and Basis of Presentation

LivePerson, Inc. (the "Company" or "LivePerson") was incorporated in the State of Delaware in November 1995 and the LivePerson service was introduced in November 1998. In April 2000, the Company completed an initial public offering and is currently traded on the Nasdaq Global Select Market and the Tel Aviv Stock Exchange. LivePerson is headquartered in New York City with offices in Amsterdam, Atlanta, London, Melbourne, San Francisco, Santa Monica, Tokyo and Tel Aviv.

LivePerson provides online engagement solutions offering a cloud-based platform which enables businesses to proactively connect with consumers through chat, voice and content delivery, across multiple channels and screens, including websites, social media, tablets and mobile devices. The Company's engagements are driven by insights derived from a broad set of consumer and business data, including historical, behavioral, operational, and third party data. Each engagement is based on proprietary analytics and a real-time understanding of consumer needs and business objectives. The Company's products, coupled with its domain knowledge and industry expertise, have been proven to maximize the effectiveness of the online channel — by increasing sales, as well as consumer satisfaction and loyalty ratings for their customers, while also enabling their customers to reduce consumer service costs.

LivePerson monitors and analyzes valuable online consumer behavioral data on behalf of its customers. Spanning the breadth of an online visitor session starting from an initial keyword search, through actions on their customer's website, and even into a shopping cart and an executed sale, this data enables the Company to develop unique insights into consumer behavior during specific transactions within a customer's user base.

The Company's primary revenue source is from the sale of LivePerson services to businesses of all sizes. The Company also offers an online marketplace that connects independent service providers ("Experts") who provide information and knowledge for a fee via real-time chat with individual consumers ("Users").

Basis of Presentation

The accompanying condensed consolidated financial statements as of March 31, 2014 and for the three months ended March 31, 2014 and 2013 are unaudited. In the opinion of management, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the consolidated financial position of LivePerson as of March 31, 2014, and the consolidated results of operations, comprehensive loss and cash flows for the interim periods ended March 31, 2014 and 2013. The financial data and other information disclosed in these notes to the condensed consolidated financial statements related to these periods are unaudited. The results of operations for any interim period are not necessarily indicative of the results of operations for any other future interim period or for a full fiscal year. The condensed consolidated balance sheet at December 31, 2013 has been derived from audited consolidated financial statements at that date.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2013, included in the Company's Annual Report on Form 10-K filed with the SEC on March 14, 2014.

Reclassification

For comparability, certain 2013 amounts have been reclassified where appropriate, to conform to the financial presentation in 2014.

Principles of Consolidation

The condensed consolidated financial statements include the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from management's estimates.

2. Revenue Recognition

The majority of the Company's revenue is generated from monthly service revenues and related professional services from the sale of the LivePerson services. Because the Company provides its application as a service, the Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 605-10-S99, "Revenue Recognition" and ASC 605-25, "Revenue Recognition with Multiple-Element Arrangements." The Company charges a monthly fee, which varies by type of service, the level of customer usage and website traffic, and in some cases, the number of orders placed via the Company's online engagement solutions.

For certain of the Company's larger customers, the Company may provide call center labor through an arrangement with one or more of several qualified vendors. For most of these customers, the Company passes the fee it incurs with the labor provider and its fee for the hosted services through to its customers in the form of a fixed fee for each order placed via the Company's online engagement solutions. For these Pay for Performance ("PFP") arrangements, in accordance with ASC 605-45, "Principal Agent Considerations," the Company records revenue for transactions in which it acts as an agent on a net basis, and revenue for transactions in which it acts as a principal on a gross basis.

The Company also sells certain of the LivePerson services directly via Internet download. These services are marketed as LiveEngage for small to medium-sized businesses ("SMBs"), and are paid for almost exclusively by credit card. Credit card payments accelerate cash flow and reduce the Company's collection risk, subject to the merchant bank's right to hold back cash pending settlement of the transactions. Sales of LiveEngage may occur with or without the assistance of an online sales representative, rather than through face-to-face or telephone contact that is typically required for traditional direct sales.

The Company recognizes monthly service revenue based upon the fee charged for the LivePerson services, provided that there is persuasive evidence of an arrangement, no significant Company obligations remain, collection of the resulting receivable is probable and the amount of fees to be paid is fixed or determinable. The Company's service agreements typically have twelve month terms and, in some cases, are terminable or may terminate upon 30 to 90 days' notice without penalty. When professional service fees add value to the customer on a standalone basis, the Company recognizes professional service fees upon completion and customer acceptance in accordance with FASB Accounting Standards Update 2009-13. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) best estimated selling price. If a professional services arrangement does not qualify for separate accounting, the Company recognizes the fees, and the related labor costs, ratably over the contracted period.

For revenue generated from online transactions between Experts and Users, the Company recognizes revenue net of the Expert fees in accordance with ASC 605-45, "Principal Agent Considerations," due primarily to the fact that the Expert is the primary obligor. Additionally, the Company performs as an agent without any risk of loss for collection, and is not involved in selecting the Expert or establishing the Expert's fee. The Company collects a fee from the User and retains a portion of the fee, and then remits the balance to the Expert. Revenue from these transactions is recognized when there is persuasive evidence of an arrangement, no significant Company obligations remain, collection of the resulting receivable is probable and the amount of fees to be paid is fixed and determinable.

3. Net Loss Per Share

The Company calculates earnings per share ("EPS") in accordance with the provisions of ASC 260-10 and the guidance of SEC Staff Accounting Bulletin ("SAB") No. 98. Under ASC 260-10, basic EPS excludes dilution for common stock equivalents and is computed by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. All options, warrants or other potentially dilutive instruments issued for nominal consideration are required to be included in the calculation of basic and diluted net income attributable to common stockholders. Diluted EPS is calculated using the treasury stock method and reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and resulted in the issuance of common stock.

Diluted net loss per common share for the three months ended March 31, 2014 does not include the effect of options to purchase 9,678,582 of common stock as the effect of their inclusion is anti-dilutive. Diluted net loss per common share for the three months ended March 31, 2013 does not include the effect of options to purchase 9,783,043 of common stock as the effect of their inclusion is anti-dilutive.

A reconciliation of shares used in calculating basic and diluted earnings per share follows:

	Three Months Ended March 31,	
	2014	2013
Basic	54,666,535	55,864,045
Effect of assumed exercised options	—	—
Diluted	54,666,535	55,864,045

4. Segment Information

The Company accounts for its segment information in accordance with the provisions of ASC 280-10, "Segment Reporting." ASC 280-10 establishes annual and interim reporting standards for operating segments of a company. ASC 280-10 requires disclosures of selected segment-related financial information about products, major customers, and geographic areas based on the Company's internal accounting methods. The Company is organized into two operating segments for purposes of making operating decisions and assessing performance. The Business segment facilitates real-time online interactions – chat, voice and content delivery across multiple channels and screens for global corporations of all sizes. The Consumer segment facilitates online transactions between Experts and Users and sells its services to consumers. Both segments currently generate their revenue primarily in the U.S. The chief operating decision makers evaluate performance, make operating decisions, and allocate resources based on the operating income of each segment. The reporting segments follow the same accounting polices used in the preparation of the Company's condensed consolidated financial statements which are described in the summary of significant accounting policies. The Company allocates cost of revenue, sales and marketing and amortization of purchased intangibles to the segments, but it does not allocate product development expenses, general and administrative expenses and income tax expense because management does not use this information to measure performance of the operating segments. There are currently no inter-segment sales.

Summarized financial information by segment for the three months ended March 31, 2014, based on the Company's internal financial reporting system utilized by the Company's chief operating decision makers, follows (amounts in thousands):

	Business	Consumer	Corporate	Consolidated
Revenue:				
Hosted services – Business	$ 39,680	$ —	$ —	$ 39,680
Hosted services – Consumer	—	3,910	—	3,910
Professional services	4,238	—	—	4,238
Total revenue	43,918	3,910	—	47,828
Cost of revenue	11,220	515	—	11,735
Sales and marketing	16,918	1,477	—	18,395
Amortization of purchased intangibles	190	—	—	190
Unallocated corporate expenses	—	—	18,450	18,450
Operating income (loss)	$ 15,590	$ 1,918	$ (18,450)	$ (942)

Summarized financial information by segment for the three months ended March 31, 2013, based on the Company's internal financial reporting system utilized by the Company's chief operating decision makers, follows (amounts in thousands):

	Business	Consumer	Corporate	Consolidated
Revenue:				
Hosted services – Business	$ 36,144	$ —	$ —	$ 36,144
Hosted services – Consumer	—	3,620	—	3,620
Professional services	2,732	—	—	2,732
Total revenue	38,876	3,620	—	42,496
Cost of revenue	9,536	598	—	10,134
Sales and marketing	13,206	1,272	—	14,478
Amortization of purchased intangibles	224	—	—	224
Unallocated corporate expenses	—	—	18,259	18,259
Operating income (loss)	$ 15,910	$ 1,750	$ (18,259)	$ (599)

Geographic Information

The Company is domiciled in the United States and has international operations in the United Kingdom, Asia-Pacific, Latin America and Western Europe, particularly France and Germany. The following table presents the Company’s revenues attributable to domestic and foreign operations for the periods presented (amounts in thousands):

	Three Months Ended March 31,	
	2014	**2013**
United States	$ 31,098	$ 28,639
Other Americas [1]	2,150	1,967
Total Americas	33,248	30,606
EMEA [2]	10,515	7,921
APAC [3]	4,065	3,969
Total revenue	$ 47,828	$ 42,496

[1] Canada, Latin America and South America
[2] Europe, the Middle East and Africa (“EMEA”)
[3] Asia-Pacific (“APAC”)

The following table presents the Company's long-lived assets by geographic region for the periods presented (amounts in thousands):

	March 31, 2014	December 31, 2013
United States	$ 38,757	$ 34,422
Israel	21,332	22,580
Australia	9,317	9,827
Netherlands	3,628	3,540
United Kingdom	1,550	1,539
Total long-lived assets	$ 74,584	$ 71,908

No individual customer accounted for 10% or more of consolidated revenue in the three months ended March 31, 2014 and 2013. One customer accounted for approximately 15% and 12% of accounts receivable at March 31, 2014 and December 31, 2013, respectively.

5. Goodwill and Intangible Assets

Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2014 are as follows (amounts in thousands):

	Business	Consumer	Total
Balance as of December 31, 2013	$ 24,700	$ 8,024	$ 32,724
Adjustments to goodwill:			
NexGraph acquisition	400	—	400
Balance as of March 31, 2014	$ 25,100	$ 8,024	$ 33,124

The changes in the carrying amount of goodwill for the year ended December 31, 2013 are as follows (amounts in thousands):

	Business	Consumer	Total
Balance as of December 31, 2012	$ 24,621	$ 8,024	$ 32,645
Adjustments to goodwill:			
Adjustments to Engage acquisition	79	—	79
Balance as of December 31, 2013	$ 24,700	$ 8,024	$ 32,724

Intangible Assets

Intangible assets are summarized as follows (see Note 8) (amounts in thousands):

	As of March 31, 2014			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period
Amortizing intangible assets:				
Technology	$ 18,533	$ (8,547)	$ 9,986	3.8 years
Customer relationships	5,061	(3,314)	1,747	3.5 years
Trade names	725	(725)	—	2.7 years
Non-compete agreements	586	(494)	92	1.2 years
Patents	475	(200)	275	11.0 years
Other	285	(255)	30	3.0 years
Total	$ 25,665	$ (13,535)	$ 12,130	

	As of December 31, 2013			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period
Amortizing intangible assets:				
Technology	$ 18,533	$ (7,678)	$ 10,855	3.8 years
Customer relationships	5,061	(3,148)	1,913	3.5 years
Trade names	725	(725)	—	2.7 years
Non-compete agreements	486	(486)	—	1.2 years
Patents	475	(189)	286	11.0 years
Other	285	(251)	34	3.0 years
Total	$ 25,565	$ (12,477)	$ 13,088	

Amortization expense is calculated on a straight-line basis over the estimated useful life of the asset. Aggregate amortization expense for intangible assets was $1.1 million and $0.4 million for the three months ended March 31, 2014 and 2013, respectively. For the three months ended March 31, 2014, a portion of this amortization is included in cost of revenue. Estimated amortization expense for the next five years are as follows (amounts in thousands):

	Estimated Amortization Expense
2014	$ 3,175
2015	3,771
2016	3,326
2017	1,745
2018	43
Thereafter	70
Total	$ 12,130

6. Property and Equipment

The following table presents the detail of property and equipment for the periods presented (amounts in thousands):

	March 31, 2014	December 31, 2013
Computer equipment and software	$ 47,422	$ 45,790
Furniture, equipment and building improvements	8,118	7,906
	55,540	53,696
Less: accumulated depreciation	(38,059)	(36,078)
Total	$ 17,481	$ 17,618

7. Accrued Liabilities

The following table presents the detail of accrued liabilities for the periods presented (amounts in thousands):

	March 31, 2014	December 31, 2013
Payroll and other employee related costs	$ 8,420	$ 13,090
Professional services and consulting and other vendor fees	6,691	6,769
Sales commissions	1,502	1,778
Contingent earnout (Note 8)	1,620	1,660
Other	2,242	2,122
Total	$ 20,475	$ 25,419

8. Acquisitions

Amadesa Ltd.

On May 31, 2012, the Company acquired technology assets from Amadesa, Ltd., an Israeli-based start-up, for aggregate cash consideration of approximately $10.3 million. The acquisition provides the Company with sophisticated, machine-learning predictive modeling that it expects to leverage across multiple engagement channels, enhancing its real-time intelligent engagement platform. The asset was allocated to “Intangibles, net” on the Company’s balance sheet and is being amortized over its expected period of benefit. The acquisition did not have a material impact on the Company’s reported operating results. Total acquisition costs incurred were approximately $0.5 million and are included in “Intangibles, net” on the Company’s consolidated balance sheets.

LookIO, Inc.

On June 13, 2012, the Company acquired LookIO, Inc., a start-up that provides mobile engagement solutions. The transaction was accounted for under the purchase method of accounting and, accordingly, the operating results of LookIO, Inc. were included in the Company’s consolidated results of operations from the date of acquisition. The acquisition did not have a material impact on the Company’s reported operating results.

The purchase price was approximately $2.9 million, which included the issuance of 109,517 shares of the Company’s common stock valued at approximately $2.0 million, based on the quoted market price of the Company’s common stock on the day of closing, and a cash payment of $0.9 million. Total acquisition costs incurred were approximately $0.2 million and were included in general and administrative expenses in the Company’s consolidated statements of operations. The acquisition adds plug-and-play mobile engagement capabilities to LivePerson’s platform allowing its customers to connect with consumers on mobile devices. All 109,517 shares are included in the weighted average shares outstanding used in basic and diluted net income (loss) per share as of the acquisition date. The purchase price was allocated based on management’s estimate of fair values, taking into account all relevant information available. A substantial amount of the purchase price was allocated to intangibles (technology) and the excess was allocated to goodwill. The goodwill is not deductible for income tax purposes. The intangible asset is being amortized over its expected period of benefit. In addition to the purchase price, certain founders can earn an additional 30,422 shares of LivePerson common stock by achieving an employment milestone by providing continued services through a specified date. The Company valued these shares at approximately $0.6 million, based on the quoted market price of the Company’s common stock on the day of closing. In accordance with ASC 805-10, the Company is accruing this contingent compensation ratably over the requisite employment period.

Management's allocation of the purchase price in connection with the LookIO acquisition is as follows (amounts in thousands):

Intangible assets (technology)	$	767
Goodwill		2,405
		3,172
Deferred tax liability		(288)
Total purchase price consideration	$	2,884

Engage Pty Ltd.

On November 9, 2012, the Company acquired all outstanding shares of Engage Pty Ltd. ("Engage"), an Australian provider of cloud-based customer contact solutions. The transaction was accounted for under the purchase method of accounting and, accordingly, the operating results of Engage were included in the Company's consolidated results of operations from the date of acquisition. The acquisition did not have a material impact on the Company's reported operating results.

The purchase price was approximately $10.6 million. The total acquisition costs incurred in the year ended December 31, 2012 were approximately $0.5 million and are included in general and administrative expenses in the Company's consolidated statements of operations for the same period. The acquisition enhances the Company's ability to offer intelligent engagement solutions to businesses in the Asia Pacific region. Of the total purchase price, $0.8 million was allocated to the net book values of the acquired assets and assumed liabilities. The historical carrying amounts of such assets and liabilities approximated their fair values. All receivables acquired are expected to be collectible. The purchase price in excess of the fair value of the net book values of the assets acquired and liabilities assumed was allocated to intangible assets based on management's best estimate of fair values, taking into account all relevant information available at the time of acquisition, and the excess was allocated to goodwill. The goodwill is not deductible for tax purposes. The intangible assets are being amortized over their expected period of benefit. The purchase price includes approximately $1.6 million of potential earn-out consideration for the shareholders if certain revenue targets are achieved. The earn-out is payable in shares of LivePerson common stock. The Company recorded the contingent earn-out as part of the purchase price. In accordance with ASC 480, the Company has classified this amount as a liability and the amount is included in accrued expenses in the March 31, 2014 balance sheet, due to the variable number of shares that will be issued if and when the targets are achieved. The Company will assess the earn-out calculation in future periods and any future adjustments will affect operating income.

Management's preliminary allocation of the purchase price in connection with the Engage acquisition is as follows (amounts in thousands):

Cash	$	386
Accounts receivable		3,454
Other current assets		57
Property and equipment		432
Other assets		104
Intangible assets		3,600
Goodwill		6,152
		14,185
Liabilities assumed		(2,632)
Deferred tax liability		(962)
Total purchase price consideration	$	10,591

The components of the intangible assets listed in the above table are as follows (amounts in thousands):

	Weighted Average Useful Life (Months)		Amount
Technology	36	$	768
Trade-name	12		95
Customer relationships	48		2,661
Non-compete agreements	12		76
		$	3,600

NexGraph LLC

In March 2014, the Company acquired all the outstanding shares of NexGraph LLC ("NexGraph"), a company focused on analytic solutions, in exchange for aggregate cash consideration of $0.5 million. This transaction was accounted for as an asset purchase. The $0.1 million was allocated to Intangibles, net and $0.4 million was allocated to Goodwill.

9. Fair Value Measurements

The Company measures its cash equivalents at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs reflect: quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs reflecting the Company's assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company's assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy as of March 31, 2014 and December 31, 2013, are summarized as follows (amounts in thousands):

	March 31, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash equivalents:								
Money market funds	$ 9,000	$ —	$ —	$ 9,000	$ 13,674	$ —	$ —	$ 13,674
Total assets	$ 9,000	$ —	$ —	$ 9,000	$ 13,674	$ —	$ —	$ 13,674
Liabilities:								
Contingent earn-out	$ —	$ —	$ 1,620	$ 1,620	$ —	$ —	$ 1,660	$ 1,660
Total liabilities	$ —	$ —	$ 1,620	$ 1,620	$ —	$ —	$ 1,660	$ 1,660

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. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions based on the best information available.

The Company's only asset that is measured at fair value on a recurring basis is money market funds, based on quoted market prices in active markets and therefore classified as level 1 within the fair value hierarchy. The Company's only liability that is measured at fair value on a recurring basis is the contingent earn-out and is classified as level 3 within the fair value hierarchy. On a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. Long-lived tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. The Company uses an income approach and inputs that constitute level 3. During the third quarter of each year, the Company evaluates goodwill for impairment at the reporting unit level. The Company uses a combination of discounted cash flows and other qualitative factors in accordance with ASU No. 2011-08 to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This measurement is classified based on level 3 input.

The contingent earn-out of $1.6 million is based on the potential earn-out consideration if certain revenue targets are achieved in connection with the acquisition of Engage and is recorded in accrued expenses in the condensed consolidated balance sheets as of March 31, 2014 and December 31, 2013. There was a $40,000 change in the fair value of this level 3 liability during 2014.

10. Investments

In February 2014, the Company made a cost method investment in technology licenses in the amount of $3.2 million. The Company will receive access to patents as well as certain consulting services from the company holding the patents. This transaction was accounted for as an asset purchase. The net asset was allocated to other assets.

11. Commitments and Contingencies

Contractual Obligations

The Company leases facilities and certain equipment under agreements accounted for as operating leases. These leases generally require the Company to pay all executory costs such as maintenance and insurance. Rental expense for operating leases for the three months ended March 31, 2014 and 2013 was approximately $2.2 million and $2.5 million, respectively.

Employee Benefit Plans

The Company has a 401(k) defined contribution plan covering all eligible employees. The Company provides for employer matching contributions equal to 50% of employee contributions, up to the lesser of 5% of eligible compensation or $6,000. Matching contributions are deposited into the employee's 401(k) account and are subject to 5 year graded vesting. Salaries and related expenses include $0.3 million and $0.2 million of employer matching contributions for the three months ended March 31, 2014 and 2013, respectively.

12. Stockholders' Equity

Common Stock

As of March 31, 2014, there were 100,000,000 shares of common stock authorized, 54,167,076 shares issued and outstanding. As of December 31, 2013, there were 100,000,000 shares of common stock authorized, 54,484,760 shares issued and outstanding. The par value for common shares is $0.001.

Preferred Stock

As of March 31, 2014 and December 31, 2013, there were 5,000,000 shares of preferred stock authorized, zero shares issued and outstanding. The par value for preferred shares is $0.001.

Stock-Based Compensation

The Company follows FASB ASC 718-10, "Stock Compensation," which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. ASC 718-10 requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized.

The following table summarizes stock-based compensation expense related to employee stock options under ASC 718-10 included in Company's statements of operations for the periods presented (amounts in thousands):

	Three Months Ended March 31,	
	2014	2013
Cost of revenue	$ 360	$ 420
Sales and marketing expense	814	746
Product development expense	680	870
General and administrative expense	843	1,015
Total stock based compensation included in costs and expenses	$ 2,697	$ 3,051

The per share weighted average fair value of stock options granted during the three months ended March 31, 2014 and 2013 was $6.25 and $6.68, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Dividend yield	0.0%	0.0%
Risk-free interest rate	1.5%	0.9%
Expected life (in years)	5	5
Historical volatility	53.7%	58.7%

A description of the methods used in the significant assumptions used to estimate the fair value of stock-based compensation awards follows:

Dividend yield – The Company uses 0% as it has never issued dividends and does not anticipate issuing dividends in the near term.

Risk-free interest rate – The Company uses the market yield on U.S. Treasury securities at five years with constant maturity, representing the current expected life of stock options in years.

Expected life – The Company uses historical data to estimate the expected life of a stock option.

Historical volatility – The Company uses a trailing five year from grant date to determine volatility.

During 1998, the Company established the Stock Option and Restricted Stock Purchase Plan (the “1998 Plan”). Under the 1998 Plan, the Board of Directors could issue incentive stock options or nonqualified stock options to purchase up to 5,850,000 shares of common stock. The 2000 Stock Incentive Plan (the “2000 Plan”) succeeded the 1998 Plan. Under the 2000 Plan, the options which had been outstanding under the 1998 Plan were incorporated in the 2000 Plan increasing the number of shares available for issuance under the plan by approximately 4,150,000, thereby reserving for issuance 10,000,000 shares of common stock in the aggregate.

The Company established the 2009 Stock Incentive Plan (as amended and restated, the “2009 Plan”) as a successor to the 2000 Plan. Under the 2009 Plan, the options which had been outstanding under the 2000 Plan were incorporated into the 2009 Plan and the Company increased the number of shares available for issuance under the plan by 6,000,000. The Company amended the 2009 stock incentive plan (the “Amended 2009 Plan”) effective June 7, 2012. The Amended 2009 Plan increased the number of shares authorized for issuance under the plan by an additional 4,250,000, thereby reserving for issuance 23,817,744 shares of common stock in the aggregate. Options to acquire common stock granted thereunder have 10-year terms. As of March 31, 2014, approximately 14,300,000 shares of common stock were reserved for issuance under the 2009 Plan (taking into account all option exercises through March 31, 2014).

As of March 31, 2014, there was approximately $28.3 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of approximately 1.9 years.

In June 2010, the Company’s stockholders approved the 2010 Employee Stock Purchase Plan with 1,000,000 shares of common stock initially reserved for issuance. As of March 31, 2014, approximately 662,000 shares of common stock were reserved for issuance under the Employee Stock Purchase Plan (taking into account all share purchases through March 31, 2014).

A summary of the Company’s stock option activity and weighted average exercise prices follows:

	Options	Weighted Average Exercise Price
Options outstanding at December 31, 2013	9,724,193	$ 10.86
Options granted	563,500	13.22
Options exercised	(222,083)	9.17
Options cancelled	(387,028)	14.25
Options outstanding at March 31, 2014	9,678,582	10.90
Options exercisable at March 31, 2014	4,205,765	$ 8.94

The total value of stock options exercised during the three months ended March 31, 2014 was approximately $0.8 million. The total intrinsic value of options exercisable at March 31, 2014 was approximately $17.0 million. The total intrinsic value of nonvested options at March 31, 2014 is approximately $6.4 million. The total intrinsic value of all outstanding options at March 31, 2014 is $23.3 million.

A summary of the status of the Company's nonvested shares as of December 31, 2013, and changes during the three months ended March 31, 2014 is as follows:

	Options	Weighted Average Grant-Date Fair Value
Nonvested Shares at December 31, 2013	5,633,701	$ 6.90
Granted	563,500	6.25
Vested	(337,356)	5.83
Cancelled	(387,028)	7.23
Nonvested Shares at March 31, 2014	5,472,817	$ 6.28

Stock Repurchase Program

On December 10, 2012, the Company's Board of Directors approved a stock repurchase program through June 30, 2014. Under the stock repurchase program, the Company is authorized to repurchase shares of its common stock, in the open market or privately negotiated transactions, at times and prices considered appropriate by the Board of Directors depending upon prevailing market conditions and other corporate considerations. On March 13, 2014, the Company's Board of Directors increased the aggregate purchase price of the stock repurchase program from $30.0 million to $40.0 million. There were 650,789 shares repurchased under this program during 2014. As of March 31, 2014, approximately $5.4 million remained available for purchase under the program.

13. Legal Matters

The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where the Company assesses the likelihood of loss as probable.

From time to time, the Company is involved in or subject to legal, administrative and regulatory proceedings, claims, demands and investigations arising in the ordinary course of business, including direct claims brought by or against the Company with respect to intellectual property, contracts, employment and other matters, as well as claims brought against the Company's customers for whom the Company has a contractual indemnification obligation. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. In addition, in the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosures related to such matter as appropriate and in compliance with ASC 450. The accruals or estimates, if any, resulting from the foregoing analysis, are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, the Company will, as applicable, adjust the accrual in the period the determination is made, disclose an estimate of the additional loss or range of loss, indicate that the estimate is immaterial with respect to its financial statements as a whole or, if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which are prepared in conformity with accounting principles generally accepted in the United States of America. As such, we are required to make certain estimates, judgments and assumptions that management believes are reasonable based upon the information available. We base these estimates on our historical experience, future expectations and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments that may not be readily apparent from other sources. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. These estimates and assumptions relate to estimates of the carrying amount of goodwill, intangibles, stock based-compensation, valuation allowances for deferred income taxes, accounts receivable, the expected term of a customer relationship, accruals and other factors. We evaluate these estimates on an ongoing basis. Actual results could differ from those estimates under different assumptions or conditions, and any differences could be material.

Overview

LivePerson provides online engagement solutions offering a cloud-based platform which enables businesses to pro-actively connect with consumers and an online marketplace providing information and knowledge. We are organized into two operating segments: Business and Consumer. The Business segment facilitates real-time online interactions — chat, voice and content delivery, across multiple channels and screens for global corporations of all sizes. The Consumer segment facilitates online transactions between independent service providers ("Experts") and individual consumers ("Users") seeking information and knowledge for a fee via real-time chat. We were incorporated in the State of Delaware in November 1995 and the LivePerson service was introduced initially in November 1998.

In order to sustain growth in these segments, our strategy is to expand our position as the leading provider of online engagement solutions that facilitate real-time assistance and expert advice. To accomplish this, we are focused on the following current initiatives:

- *Expanding Business with Existing Customers and Adding New Customers.* We are expanding our sales capacity by adding enterprise and midmarket sales agents. We have also expanded our efforts to retain existing SMB customers through increased interaction with them during the early stages of their usage of our services.
- *Introducing New Products and Capabilities.* We are investing in product marketing, research and development and executive personnel to support our expanding efforts to build and launch new products and capabilities to support existing customer deployments, and to further penetrate our total addressable market. These investments are initially focused in the areas of online marketing engagement and chat transcript text analysis. Over time, we expect to develop and launch additional capabilities that leverage our existing market position as a leader in proactive, intelligence-driven online engagement.
- *Expanding our International Presence.* We continue to increase our investment in sales and support personnel in the United Kingdom, Asia-Pacific, Latin America and Western Europe, particularly France and Germany. We are also working with sales and support partners as we expand our investment in the Asia-Pacific region. We continue to improve the multi-language and translation capabilities within our hosted solutions to further support international expansion.

Key Metrics

Financial overview of the three months ended March 31, 2014 compared to the three months ended March 31, 2013:

- Total revenue increased 13% to $47.8 million from $42.5 million.
- Revenue from our Business segment increased 13% to $43.9 million from $38.9 million.
- Gross profit margin decreased to 75.5% from 76.2%.
- Cost and expenses increased 13% to $48.8 million from $43.1 million.
- Net loss increased to $0.8 million from net loss of $0.2 million.
- Bookings increased 20% to $9.0 million in the three months ended March 31, 2014 from $7.5 million in the comparable periods in 2013. We include in our bookings metrics new contractual commitments from either new or existing midmarket and/or enterprise customers for recurring subscription based fees, but exclude from such amounts non-recurring fees such as one time implementation costs or one time consulting fees. The bookings metric generally does not include or represent usage based and/or pay-for-performance based contracts, month-

to-month contracts or transaction-based services. Accordingly, while we believe that bookings is a relevant metric in providing management with insight into certain recent activity in our business, there is no assurance that bookings amounts will be recognized as revenue in future periods, based on our revenue recognition policy, potential customer cancellations, delays in implementations or otherwise.

- Average deal size for new bookings in the three months ended March 31, 2014 was $82,000 with average deal size for new customers of $139,000 and average deal size for existing customers requesting additional products or expanded access to current products of $65,000. Average deal size for new bookings in the three months ended March 31, 2013 was $50,500 with average deal size for new customers of $51,000 and average deal size for existing customers requesting additional products or expanded access to current products of $50,300. Similar to our bookings metric, average deal size generally represents new contractual arrangements with committed subscription or base fees from new or existing mid-market or enterprise customers, and does not capture usage and/or pay-for-performance based contracts or fees. Management uses average deal size, being a subset of bookings, as a relevant metric in providing management with insight into certain recent activity in our business.

Adjusted EBITDA and Adjusted Net Income

To provide investors with additional information regarding our financial results, we have disclosed adjusted EBITDA and adjusted net income which are non-GAAP financial measures. The tables below present a reconciliation of adjusted EBITDA and adjusted net income to net (loss) income, the most directly comparable GAAP financial measures.

We have included adjusted EBITDA and adjusted net income in this Quarterly Report on Form 10-Q because these are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA and adjusted net income can provide a useful measure for period-to-period comparisons of our core business. Additionally, adjusted EBITDA is a key financial measure used by the compensation committee of our board of directors in connection with the payment of bonuses to our executive officers. Accordingly, we believe that adjusted EBITDA and adjusted net income provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

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

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

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net (loss) income and our other GAAP results. The following table presents a reconciliation of adjusted EBITDA for each of the periods indicated (amounts in thousands):

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Reconciliation of Adjusted EBITDA		
Net loss	$ (794)	$ (232)
Amortization of purchased intangibles	1,058	418
Stock-based compensation	2,697	3,051
Depreciation	1,981	2,050
Benefit from income taxes	(231)	(333)
Other expense (income)	83	(34)
Adjusted EBITDA	$ 4,794	$ 4,920

Our use of adjusted net income 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 amortization are non-cash charges, the assets being amortized may have to be replaced in the future, and adjusted net income does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted net income does not consider the potentially dilutive impact of equity-based compensation;
- other companies, including companies in our industry, may calculate adjusted net income differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted net income alongside other financial performance measures, including various cash flow metrics, net (loss) income and our other GAAP results. The following table presents a reconciliation of adjusted net income for each of the periods indicated (amounts in thousands):

	Three Months Ended March 31,	
	2014	2013
Reconciliation of Adjusted Net Income		
Net loss	$ (794)	$ (232)
Amortization of purchased intangibles	1,058	418
Stock-based compensation	2,697	3,051
Adjusted net income	$ 2,961	$ 3,237

Critical Accounting Policies and Estimates

The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating the reported consolidated financial results include the following:

Revenue Recognition

The majority of our revenue is generated from monthly service revenues and related professional services from the sale of the LivePerson services. Because we provide our application as a service, we follow the provisions of ASC 605-10-S99, “Revenue Recognition” and ASC 605-25, “Revenue Recognition with Multiple-Element Arrangements.” We charge a monthly fee, which varies by type of service, the level of customer usage and website traffic, and in some cases, the number of orders placed via our online engagement solutions.

For certain of our larger customers, we may provide call center labor through an arrangement with one or more of several qualified vendors. For most of these customers, we pass the fee we incur with the labor provider and our fee for the hosted services through to our customers in the form of a fixed fee for each order placed via our online engagement solutions. For these Pay for Performance (“PFP”) arrangements, in accordance with ASC 605-45, “Principal Agent Considerations,” we record revenue for transactions in which we act as an agent on a net basis, and revenue for transactions in which we act as a principal on a gross basis.

We also sell certain of the LivePerson services directly via Internet download. These services are marketed as LiveEngage for small to medium-sized businesses (“SMBs”), and are paid for almost exclusively by credit card. Credit card payments accelerate cash flow and reduce our collection risk, subject to the merchant bank's right to hold back cash pending settlement of the transactions. Sales of LiveEngage may occur with or without the assistance of an online sales representative, rather than through face-to-face or telephone contact that is typically required for traditional direct sales.

We recognize monthly service revenue based upon the fee charged for the LivePerson services, provided that there is persuasive evidence of an arrangement, no significant Company obligations remain, collection of the resulting receivable is probable and the amount of fees to be paid is fixed or determinable. Our service agreements typically have twelve month terms and are terminable or may terminate upon 30 to 90 days’ notice without penalty. When professional service fees add value to the customer on a standalone basis, we recognize professional service fees upon completion and customer acceptance in accordance with FASB Accounting Standards Update 2009-13. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. If a professional services arrangement does not qualify for separate accounting, we recognize the fees, and the related labor costs, ratably over the contracted period.

For revenue generated from online transactions between Experts and Users, we recognize revenue net of Expert fees in accordance with ASC 605-45, “Principal Agent Considerations,” due primarily to the fact that the Expert is the primary obligor.

Additionally, we perform as an agent without any risk of loss for collection, and are not involved in selecting the Expert or establishing the Expert's fee. We collect a fee from the consumer and retain a portion of the fee, and then remit the balance to the Expert. Revenue from these transactions is recognized when there is persuasive evidence of an arrangement, no significant Company obligations remain, collection of the resulting receivable is probable and the amount of fees to be paid is fixed or determinable.

Stock-Based Compensation

We follow ASC 718-10, "Stock Compensation," which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. ASC 718-10 requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). Incremental compensation costs arising from subsequent modifications of awards after the grant date must be recognized.

As of March 31, 2014, there was approximately $28.3 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of approximately 1.9 years.

Accounts Receivable

Our customers are located primarily in the United States. We perform ongoing credit evaluations of our customers' financial condition (except for customers who purchase the LivePerson services by credit card via Internet download) and have established an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information that we believe to be reasonable, although they may change in the future. If there is a deterioration of a customer's credit worthiness or actual write-offs are higher than our historical experience, our estimates of recoverability for these receivables could be adversely affected. Although our large number of customers limits our concentration of credit risk we do have several large customers. If we experience a significant write-off from one of these large customers, it could have a material adverse impact on our condensed consolidated financial statements. No single customer accounted for or exceeded 10% of our total revenue in the three months ended March 31, 2014. One customer accounted for approximately 15% and 12% of accounts receivable as of March 31, 2014 and December 31, 2013, respectively. We decreased our allowance for doubtful accounts by $0.2 million in the three months ended March 31, 2014.

A large portion of receivables are due from larger corporate customers that typically have longer payment cycles.

Goodwill

In accordance with ASC 350, "Goodwill and Other Intangible Assets," goodwill and indefinite-lived intangible assets are not amortized, but reviewed for impairment upon the occurrence of events or changes in circumstances that would reduce the fair value below its carrying amount. Goodwill is required to be tested for impairment at least annually. In September 2011, the FASB issued ASU No. 2011-08, Intangibles — Goodwill and Other (Topic 350). ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. If it is determined that the fair value of a reporting unit is more likely than not to be less than its carrying value (including unrecognized intangible assets) than it is necessary to perform the second step of the goodwill impairment test. The second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. We perform internal valuation analysis and consider other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions including projected future cash flows (including timing), discount rates reflecting the risk inherent in future cash flows, perpetual growth rates, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

In the third quarter of 2013, we determined that it was not more-likely that the fair value of the reporting units are less than their carrying amount. Accordingly, we did not perform the two-step goodwill impairment test.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, "Accounting for the Impairment or Disposal of Long-lived Assets," long-lived assets, such as property, plant and equipment and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. The Company does not have any long-lived assets, including intangible assets, which it considered to be impaired.

Revenue

The majority of our revenue is generated from monthly service revenues and related professional services from the sale of the LivePerson services. We charge a monthly fee, which varies by service and customer usage. The majority of our larger customers also pay a professional services fee related to implementation. A large proportion of our revenue from new customers comes from large corporations. These companies typically have more significant implementation requirements and more stringent data security standards. Such customers also have more sophisticated data analysis and performance reporting requirements, and are likely to engage our professional services organization to provide such analysis and reporting on a recurring basis.

Revenue from our Business segment accounted for 92% and 91% of total revenue for the three months ended March 31, 2014 and 2013, respectively. Revenue attributable to our monthly hosted Business services accounted for 90% and 93% of total Business revenue for the three months ended March 31, 2014 and 2013, respectively. Our service agreements typically have twelve month terms and, in some cases, are terminable or may terminate upon 30 to 90 days' notice without penalty. Given the time required to schedule training for our customers' operators and our customers' resource constraints, we have historically experienced a lag between signing a customer contract and recognizing revenue from that customer. Although this lag typically ranges from 30 to 90 days, it may take more time between contract signing and recognizing revenue in certain situations.

Revenue from our Consumer segment is generated from online transactions between Experts and Users and is recognized net of Expert fees and accounted for approximately 8% and 9% of total revenue for the three months ended March 31, 2014 and 2013, respectively.

We also have entered into contractual arrangements that complement our direct sales force and online sales efforts. These are primarily with call center service companies, pursuant to which LivePerson is paid a commission based on revenue generated by these service companies from our referrals. To date, revenue from such commissions has not been material.

Costs and Expenses

Our cost of revenue consists of:

- compensation costs relating to employees who provide customer support and implementation services to our customers;
- compensation costs relating to our network support staff;
- depreciation of certain hardware and software;
- allocated occupancy costs and related overhead;
- the cost of supporting our infrastructure, including expenses related to server leases, infrastructure support costs and Internet connectivity;
- the credit card fees and related payment processing costs associated with the consumer and SMB services; and
- amortization of certain intangibles.

Our product development expenses consist primarily of compensation and related expenses for product development personnel, allocated occupancy costs and related overhead, outsourced labor and expenses for testing new versions of our software. Product development expenses are charged to operations as incurred.

Our sales and marketing expenses consist of compensation and related expenses for sales personnel and marketing personnel, online marketing, allocated occupancy costs and related overhead, advertising, sales commissions, public relations, promotional materials, travel expenses and trade show exhibit expenses.

Our general and administrative expenses consist primarily of compensation and related expenses for executive, accounting, legal and human resources personnel, allocated occupancy costs and related overhead, professional fees, provision for doubtful accounts and other general corporate expenses.

During the three months ended March 31, 2014, we decreased our allowance for doubtful accounts by approximately $0.2 million to approximately $0.9 million. During 2013, we increased our allowance for doubtful accounts by $0.5 million to approximately $1.2 million, principally due to an increase in the proportion of receivables due from customers with greater credit risk. A larger proportion of receivables are due from larger corporate customers that typically have longer payment cycles. We base our allowance for doubtful accounts on specifically identified credit risks of customers, historical trends and other information that we believe to be reasonable. We adjust our allowance for doubtful accounts when accounts previously reserved have been collected.

Non-Cash Compensation Expense

The net non-cash compensation amounts for the three months ended March 31, 2014 and 2013 consist of:

	Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Stock-based compensation expense related to ASC 718-10	$ 2,697	$ 3,051

Results of Operations

The Company is organized into two operating segments: Business and Consumer. The Business segment facilitates real-time online interactions — chat, voice and content delivery, across multiple channels and screens for global corporations of all sizes. The Consumer segment facilitates online transactions between Experts and Users seeking information and knowledge for a fee via real-time chat.

Comparison of Three Months Ended March 31, 2014 and 2013

Revenue

	Three Months Ended March 31,		
	2014	2013	% Change
	(in thousands)		
Revenue by Segment:			
Business	$ 43,918	$ 38,876	13%
Consumer	3,910	3,620	8%
Total	$ 47,828	$ 42,496	13%

Business revenue increased by 13% to $43.9 million and in the three months ended March 31, 2014, from $38.9 million in the comparable period in 2013. This increase is primarily attributable to increased revenue from existing customers who increased their use of our services in the amount of approximately $2.4 million, net of cancellations; revenue from new customers in the amount of approximately $1.7 million; and, to a lesser extent, to professional services revenue of approximately $1.0 million. Our current revenue growth has been impacted by the necessary lead time required to get our global sales team up to full capacity. In addition, our revenue growth has traditionally been driven by a mix of revenue from new customers as well as expansion from existing customers. The mix of revenue between new and existing customers has been consistent with prior quarters.

Consumer revenue increased by 8% to $3.9 million in the three months ended March 31, 2014, from $3.6 million in the comparable period in 2013. This increase is primarily attributable to a increase in gross revenue as a result of an increase in the price charged per minute partially offset by an decrease in chat minutes.

Cost of Revenue - Business

Cost of revenue consists of compensation costs relating to employees who provide customer service to our customers, compensation costs relating to our network support staff, the cost of supporting our server and network infrastructure, and allocated occupancy costs and related overhead.

	Three Months Ended March 31,		
	2014	2013	% Change
	($ in thousands)		
Cost of revenue - business	$ 11,220	$ 9,536	18 %
Percentage of total revenue	23%	22%	
Headcount (at period end):	218	243	(10)%

Cost of revenue increased by 18% to $11.2 million in the three months ended March 31, 2014, from $9.5 million in the comparable period in 2013. This increase in expense is primarily attributable to an increase in total compensation and related costs for additional and existing customer service and network operations personnel in the amount of approximately $0.7 million, an increase for primary and backup server facilities and allocated overhead related to costs of supporting our server and network infrastructure of approximately $0.2 million as a result of increased revenue and an increase in amortization of purchased intangibles of approximately $0.7 million. This increase in cost of revenue was due to increased investment in enhancing our business continuity capabilities at our hosting facilities. Additionally, costs related to data collection and storage have increased, as we have improved the scope and quality of the analytical reporting to our customers.

Cost of Revenue* - *Consumer

Cost of revenue consists of compensation costs relating to employees who provide customer service to Experts and Users, compensation costs relating to our network support staff, the cost of supporting our server and network infrastructure, credit card and transaction processing fees and related costs, and allocated occupancy costs and related overhead.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	% Change
	($ in thousands)		
Cost of revenue - consumer	$ 515	$ 598	(14)%
Percentage of total revenue	1%	1%	
Headcount (at period end)	12	16	(25)%

Cost of revenue decreased by 14% to $0.5 million in the three months ended March 31, 2014, from $0.6 million in the comparable periods in 2013. This decrease in expense is due to a decrease in total compensation for existing customer service personnel of approximately $0.1 million, directly related to lower headcount.

Product Development

Our product development expenses consist primarily of compensation and related expenses for product development personnel as well as allocated occupancy costs and related overhead and outsourced labor and expenses for testing new versions of our software.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	% Change
	($ in thousands)		
Product development	$ 8,951	$ 8,021	12 %
Percentage of total revenue	19%	19%	
Headcount (at period end):	201	209	(4)%

Product development costs increased by 12% to $9.0 million in the three months ended March 31, 2014, from $8.0 million in the comparable periods in 2013. This increase relates to an increase in compensation and associated costs for additional and existing product development personnel of approximately $0.8 million to expand our product offerings, as well as an increase in outsourced labor expense of approximately $0.1 million as a result of launching the new LiveEngage 2.0 platform. We are increasing our investment in new product development efforts to expand future product offerings. We are also investing in partner programs that enable third-parties to develop value-added software applications for our existing and future customers.

Sales and Marketing* - *Business

Our sales and marketing expenses consist of compensation and related expenses for sales and marketing personnel, as well as advertising, public relations, trade show exhibit expenses and allocated occupancy costs and related overhead.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	% Change
	($ in thousands)		
Sales and marketing - business	$ 16,918	$ 13,206	28%
Percentage of total revenue	35%	31%	
Headcount (at period end):	275	239	15%

Sales and marketing expenses increased by 28% to $16.9 million in the three months ended March 31, 2014, from $13.2 million in the comparable period in 2013. This increase is due to an increase in compensation and related costs for additional and existing sales and marketing personnel of approximately $4.2 million directly related to expanded headcount and continued investment in our marketing and sales capabilities. The increase in expense as compared to our revenue growth is primarily related to the investment in our global sales team, global expansion and LiveEngage 2.0 product launch.

Sales and Marketing - Consumer

Our sales and marketing expenses consist of compensation and related expenses for marketing personnel, as well as online promotion, public relations and allocated occupancy costs and related overhead.

	Three Months Ended March 31,		
	2014	2013	% Change
	($ in thousands)		
Sales and marketing - consumer	$ 1,477	$ 1,272	16%
Percentage of total revenue	3%	3%	
Headcount (at period end):	5	5	—%

Sales and marketing expenses increased by 16% to $1.5 million in the three months ended March 31, 2014, from $1.3 million in the comparable period in 2013. This increase is primarily attributable to an increase in advertising and online expenses of approximately $0.2 million.

General and Administrative

Our general and administrative expenses consist primarily of compensation and related expenses for executive, accounting, legal, human resources and administrative personnel, professional fees and other general corporate expenses.

	Three Months Ended March 31,		
	2014	2013	% Change
	($ in thousands)		
General and administrative	$ 9,499	$ 10,238	(7)%
Percentage of total revenue	20%	24%	
Headcount (at period end):	93	83	12 %

General and administrative expenses decreased by 7% to $9.5 million in the three months ended March 31, 2014, from $10.2 million in the comparable period in 2013. This decrease is primarily attributable to a decrease in currency exchange rate fluctuations associated with the exchange rate movement of the U.S. dollar against the Pound Sterling of approximately $1.2 million, offset by an increase in compensation and related expenses for additional and existing accounting, legal, human resource and administrative personnel in the amount of approximately $0.6 million.

Amortization of Purchased Intangibles

	Three Months Ended March 31,		
	2014	2013	% Change
	($ in thousands)		
Amortization of purchased intangibles	$ 190	$ 224	(15)%
Percentage of total revenues	—%	1%	

Amortization expense for purchased intangibles was $0.2 million in the three months ended March 31, 2014 and 2013 and relates primarily to acquisition costs recorded as a result of our acquisitions of Engage in November 2012, LookIO in June 2012, Amadesa in May 2012, NuConomy in April 2010 and the purchases of patents in August 2009. Additional amortization expense in the amount of $0.9 million and $0.2 million is included in cost of revenue for the years ended March 31, 2014 and 2013, respectively.

Other (Expense) Income

	Three Months Ended March 31,		
	2014	2013	% Change
	($ in thousands)		
Other (expense) income	$ (83)	$ 34	(344)%

Other expense was $0.1 million in the three months ended March 31, 2014, compared to other income of $34,000 in the three months ended March 31, 2013. Other (expense) income includes financial (expense) income which is a result of currency rate fluctuations associated with exchange rate movement of the U.S. dollar against the New Israeli Shekel, Pound Sterling, and the Euro. Financial expense was $0.1 million in the three months ended March 31, 2014. Financial income $26,000 for the three months ended March 31, 2013. Other income includes interest income which was $14,000 in the three months ended March 31, 2014, compared to $8,000 in the three months ended March 31, 2013 and consists of interest earned on cash and cash equivalents.

Benefit From Income Taxes

	Three Months Ended March 31,		
	2014	2013	% Change
	($ in thousands)		
Benefit from income taxes	$ (231)	$ (333)	(31)%

Our effective tax rate was 23% for the three months ended March 31, 2014, resulting in a benefit from income taxes of $0.2 million. Our effective tax rate was 59% for the three months ended March 31, 2013 resulting in a benefit from income taxes of $0.3 million.

Net Loss

We had a net loss of $0.8 million and $0.2 million for the three months ended March 31, 2014 and 2013, respectively. Revenue increased by approximately $5.3 million while costs and expenses increased by approximately $5.6 million. Other expense increased approximately $0.1 million for the three months ended March 31, 2014. Income tax benefit decreased approximately $0.1 million contributing to a net increase in net loss of approximately $0.6 million for the three months ended March 31, 2014.

Liquidity and Capital Resources

	Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Consolidated Statements of Cash Flows Data:		
Cash flows used in operating activities	$ (2,999)	$ (656)
Cash flows used in investing activities	(4,755)	(1,714)
Cash flows used in financing activities	(4,863)	(6,081)

As of March 31, 2014, we had approximately $79.4 million in cash and cash equivalents, a decrease of approximately $12.5 million from December 31, 2013. This decrease is primarily attributable to cash used to repurchase our common stock, net cash used in investing activities relating to purchases of fixed assets related to the build-out of our co-location facility and net cash used in operating activities. This is partially offset by proceeds from the issuance of common stock in connection with the exercise of stock options by employees. We invest our cash in short-term money market funds.

Net cash used in operating activities was $3.0 million for the three months ended March 31, 2014 and consisted primarily of net loss, non-cash expenses related to ASC 718-10, amortization of purchased intangibles and depreciation and an increase in prepaid expenses and decreases in accrued expenses and deferred revenue, partially offset by an increase in accounts payable. Net cash used in operating activities was $0.7 million for the three months ended March 31, 2013 and consisted primarily of net loss, decreases in accounts payable and accrued expenses, and an increase in accounts receivable and prepaid expenses partially offset by non-cash expenses related to ASC 718-10, amortization of intangibles and depreciation.

Net cash used in investing activities was $4.8 million in the three months ended March 31, 2014, and was due primarily to the purchase of fixed assets for our co-location facilities and our investments in technology assets, and our acquisition of NexGraph. Net cash used in investing activities was $1.7 million in the three months ended March 31, 2013, and was due primarily to the purchase of fixed assets for our co-location facilities.

Net cash used in financing activities was $4.9 million in the three months ended March 31, 2014 and consisted primarily of the repurchase of our common stock offset by the proceeds from the issuance of common stock in connection with the exercise of stock options by employees. Net cash provided by financing activities was $6.1 million for the three months ended March 31, 2013 and consisted primarily of the repurchase of our common stock offset by the proceeds from the issuance of common stock in connection with the exercise of stock options by employees.

We have incurred significant expenses to develop our technology and services, to hire employees in our customer service, sales, marketing and administration departments, and for the amortization of purchased intangible assets, as well as non-cash compensation costs. Historically, we incurred significant quarterly net losses from inception through June 30, 2003, significant negative cash flows from operations in our quarterly periods from inception through December 31, 2002 and negative cash flows from operations of $0.1 million in the three month period ended March 31, 2004. We also incurred a net loss and negative cash flow from operations in the quarterly period ended March 31, 2014 and a net loss in the quarterly periods ended March 31, June 30, September 30 and December 31, 2013. As of March 31, 2014, we had an accumulated deficit of approximately $86.1 million. These losses have been funded primarily through the issuance of common stock in our initial public offering in 2000 and, prior to the initial public offering, the issuance of convertible preferred stock.

We anticipate that our current cash and cash equivalents will be sufficient to satisfy our working capital and capital requirements for at least the next twelve (12) months. However, we cannot assure you that we will not require additional funds prior to such time, and we would then seek to sell additional equity or debt securities through public financings, or seek alternative sources of financing. We cannot assure you that additional funding will be available on favorable terms, when needed, if at all. If we are unable to obtain any necessary additional financing, we may be required to further reduce the scope of our planned sales and marketing and product development efforts, which could materially adversely affect our business, financial condition and operating results. In addition, we may require additional funds in order to fund more rapid expansion, to develop new or enhanced services or products or to invest in or acquire complementary businesses, technologies, services or products.

Contractual Obligations and Commitments

We do not have any special purposes entities, and other than operating leases, which are described below, we do not engage in off-balance sheet financing arrangements.

We lease facilities and certain equipment under agreements accounted for as operating leases. These leases generally require us to pay all executory costs such as maintenance and insurance. Rental expense for operating leases for the three months ended March 31, 2014 and 2013 was approximately $2.2 million and $2.5 million, respectively.

As of March 31, 2014, our principal commitments were approximately $29.9 million under various operating leases, of which approximately $6.6 million is due in 2014. We currently expect that our principal commitments for the year ending December 31, 2014 will not exceed $9.0 million in the aggregate.

Our contractual obligations at March 31, 2014 are summarized as follows:

	Payments due by period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating leases	$ 29,919	$ 6,633	$ 17,491	$ 5,391	$ 404
Total	$ 29,919	$ 6,633	$ 17,491	$ 5,391	$ 404

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Currency Rate Fluctuations

As a result of the expanded scope of our Israeli operations, our currency rate fluctuation risk associated with the exchange rate movement of the U.S. dollar against the New Israeli Shekel (“NIS”) has decreased. During the three months ended March 31, 2014, the U.S. dollar depreciated approximately 5%, as compared to the NIS. During the three months ended March 31, 2014, expenses generated by our Israeli operations totaled approximately $15.7 million. We do not currently hedge our foreign currency risk exposure. We actively monitor the movement of the U.S. dollar against the NIS, Pound Sterling, Euro, AUS dollar and Japanese Yen and have considered the use of financial instruments, including but not limited to derivative financial instruments, which could mitigate such risk. If we determine that our risk of exposure materially exceeds the potential cost of derivative financial instruments, we may in the future enter in to these types of investments. The functional currency of our wholly-owned Israeli subsidiaries, LivePerson Ltd. (formerly HumanClick Ltd.) and Kasamba Ltd., is the U.S. dollar; the functional currency of our operations in the United Kingdom is the Pound Sterling; the functional currency of our operations in the Netherlands and Germany is the Euro; the functional currency of our operations in Australia is the Australian Dollar; and the functional currency of our operations in Japan is the Japanese Yen.

Collection Risk

Our accounts receivable are subject, in the normal course of business, to collection risks. We regularly assess these risks and have established policies and business practices to protect against the adverse effects of collection risks. During the three months ended March 31, 2014, we decreased our allowance for doubtful accounts. During 2013, we increased our allowance for doubtful accounts by $0.5 million to approximately $1.2 million, principally due to an increase in accounts receivable as a result of increased sales and, to a lesser extent, to an increase in the proportion of receivables due from customers with greater credit risk. A larger proportion of receivables are due from larger corporate customers that typically have longer payment cycles. We base our allowance for doubtful accounts on specifically identified credit risks of customers, historical trends and other information that we believe to be reasonable. We adjust our allowance for doubtful accounts when accounts previously reserved have been collected.

Interest Rate Risk

Our investments consist of cash and cash equivalents. Therefore, changes in the market’s interest rates do not affect in any material respect the value of the investments as recorded by us.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial conditions 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.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our “disclosure controls and procedures,” as that term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 31, 2014. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2014 to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2014 identified in connection with the evaluation thereof by our management, including the Chief Executive Officer and Chief Financial Officer, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, have been detected.

Part II. Other Information

Item 1. Legal Proceedings

We routinely assess all of our litigation and threatened litigation as to the probability of ultimately incurring a liability, and record our best estimate of the ultimate loss in situations where we assess the likelihood of loss as probable.

From time to time, we are involved in or subject to legal, administrative and regulatory proceedings, claims, demands and investigations arising in the ordinary course of business, including direct claims brought by or against us with respect to intellectual property, contracts, employment and other matters, as well as claims brought against our customers for whom we have a contractual indemnification obligation. We accrue for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. In addition, in the event we determine that a loss is not probable, but is reasonably possible, and it becomes possible to develop what we believe to be a reasonable range of possible loss, then we will include disclosures related to such matter as appropriate and in compliance with ASC 450. The accruals or estimates, if any, resulting from the foregoing analysis, are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, we will, as applicable, adjust the accrual in the period the determination is made, disclose an estimate of the additional loss or range of loss, indicate that the estimate is immaterial with respect to our financial statements as a whole or, if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made.

Item 1A. Risk Factors

Risks that could have a material and adverse impact on our business, results of operations and financial condition include the following: potential fluctuations in our quarterly revenue and operating results; competition in the markets for online sales, marketing and customer service solutions, and online consumer services; our ability to retain existing clients and attract new clients; risks related to new regulatory or other legal requirements that could materially impact our business; volatility of the value of certain currencies in relation to the U.S. dollar, particularly the currency of regions where we have operations; additional regulatory requirements, tax liabilities, currency exchange rate fluctuations and other risks as we expand internationally and/or as we expand into direct-to-consumer services; impairments to goodwill that result in significant charges to earnings; responding to rapid technological change and changing client preferences; the adverse effect that the global economic downturn may have on our business and results of operations; our ability to retain key personnel, attract new personnel and to manage staff attrition; our ability to expand our operations internationally; risks related to the ability to successfully integrate past or potential future acquisitions; failures or security breaches in our services, those of our third party providers, or in the websites of our customers; risks related to the regulation or possible misappropriation of personal information belonging to our customers' Internet users; technology systems beyond our control and technology-related defects that could disrupt the LivePerson services; privacy concerns relating to the Internet that could result in new legislation or negative public perception; legal liability and/or negative publicity for the services provided to consumers via our technology platforms; risks related to protecting our intellectual property rights or potential infringement of the intellectual property rights of third parties; risks related to technological or other defects distributing our services; increased allowances for doubtful accounts as a result of an increasing amount of receivables due from customers with greater credit risk; delays in our implementation cycles; risks associated with the recent volatility in the capital markets; our ability to secure additional financing to execute our business strategy; risks associated with our current or any future stock repurchase programs, including whether such programs will enhance long-term stockholder value, and whether such stock repurchases could increase the volatility of the price of our common stock and diminish our cash reserves; our ability to license necessary third party software for use in our products and services, and our ability to successfully integrate third party software; changes in accounting principles generally accepted in the United States; our ability to maintain our reputation; risks related to our complex products;

our recognition of revenue from subscriptions; our lengthy sales cycles; risks related to our operations in Israel, and the civil and political unrest in that region; natural catastrophic events and interruption to our business by man-made problems; the high volatility of our stock price; and risks related to our common stock being traded on more than one securities exchange. This list is intended to identify only certain of the principal factors that could have a material and adverse impact on our business, results of operations and financial condition. A more detailed description of each of these and other important risk factors can be found under the caption “Risk Factors” in our most recent Annual Report on Form 10-K filed on March 14, 2014 (the “Form 10-K”).

There are no material changes to the risk factors described in the Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Purchase of Equity Securities by the Issuer

A summary of the Company's repurchase activity for the three months ended March 31, 2014:

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share (1) (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2) (3)
1/1/2014 – 1/31/2014	—	$ —	—	$ 3,284,387
2/1/2014 – 2/28/2014	—	—	—	3,284,387
3/1/2014 – 3/31/2014 (2)	650,789	12.05	650,789	5,443,321
Total	650,789	$ 12.05	650,789	$ 5,443,321

(1) On December 10, 2012, the Company announced that its Board of Directors approved a share repurchase program through June 30, 2014. Under the stock repurchase program, the Company is authorized to repurchase shares of the Company's common stock, in the open market or privately negotiated transactions, at times and prices considered appropriate by the Board of Directors depending upon prevailing market conditions and other corporate considerations.

(2) On March 13, 2014, the Company's Board of Directors increased the aggregate purchase price of the stock repurchase program from $30.0 million to $40.0 million. As of March 31, 2014, approximately $5.4 million remained available for purchases under the program.

(3) Transaction fees related to the share purchases are deducted from the total remaining allowable expenditure amount.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

10.1*	Separation Agreement and General Release between LivePerson and Eli Campo, dated as of December 16, 2013.
10.2*	Employment Agreement between LivePerson and Eran Vanounou, dated as of February 22, 2014
31.1	Certification by Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema Document
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB†	XBRL Taxonomy Extension Label Linkbase Document
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

** These certifications are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

† In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

SIGNATURES

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

LIVEPERSON, INC.
(Registrant)

Date:	May 9, 2014	By:	/s/ ROBERT P. LOCASCIO
		Name:	Robert P. LoCascio
		Title:	Chief Executive Officer (principal executive officer)
Date:	May 9, 2014	By:	/s/ DANIEL R. MURPHY
		Name:	Daniel R. Murphy
		Title:	Chief Financial Officer (principal financial and accounting officer)

EXHIBIT INDEX

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101.PRE†	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement.

** These certifications are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference in any filing we make under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

† In accordance with Rule 406T of Regulation S-T, these XBRL (eXtensible Business Reporting Language) documents are furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release ("Agreement") is entered into by and between LivePerson, Inc. and its wholly owned subsidiary LivePerson Ltd. (referred to individually or together as the context requires, the "Company") and Eli Campo (the "Executive") is made as of December 16, 2013, and will become effective on the date of execution by both parties set forth on the last page hereof (the "Effective Date").

WHEREAS, the Executive received an offer letter from the Company dated December 21, 2006, and entered an employment agreement dated February 21, 2007 with LivePerson, Ltd. (f/k/a HumanClick Ltd), a wholly owned subsidiary of the Company (together, the "Employment Agreement"); and

WHEREAS, the parties mutually desire to terminate their employment relationship as of the Separation Date (defined below) on the terms set forth herein; and

WHEREAS, the parties wish to fully and finally resolve amicably the terms of the separation of their employment relationship and all matters between them, directly or indirectly connected to and/or arising from the employment relationship between them.

NOW, THEREFORE, in consideration of the mutual promises and conditions set forth herein, the Company and the Executive agree as follows:

1. The preface to this Agreement constitutes an integral part hereof.

2. Executive acknowledges that the employment relationship between the parties will cease as of the Separation Date. Executive shall cease to be an employee, officer, agent or representative of the Company (or any of its parents, subsidiaries or affiliates) for any purpose and, accordingly, Executive undertakes not to represent himself, or hold himself out as, an employee, officer, agent or representative of the Company (or any of its parents, subsidiaries or affiliates) after the Separation Date for any purpose.

3. The Executive shall resign from all of his offices in the Company effective as of the Separation Date and shall execute any documents necessary for that purpose. "Separation Date" shall mean February 12, 2014, unless otherwise modified by the parties by mutual agreement.

4. Executive agrees that the only payments and benefits that he is entitled to receive from the Company as of and after the Separation Date are those specified in this Agreement.

5. Within reasonably prompt time following the Effective Date a full and final settlement of accounts will be carried out with the Executive, in the framework of which the Company shall:

   5.1 Pay or otherwise release as described in Sections 5.2 and 5.3 below (i) any accrued, unused vacation days, in accordance with Company policy and applicable law; and (ii) all outstanding statutory benefits and reimbursable expenses owed to Executive on the Effective Date, including, if applicable, outstanding convalescence pay, statutory severance sick leave, annual leave, and all termination benefits, reimbursable travel or business expenses incurred within the Company's applicable policies, car benefits, and all other statutory benefits connected to or arising out of Executive's employment with the Company or its termination, in each case, to the extent such payment is owed to Executive under applicable law. Such items shall be either released as described in Section 5.2 and 5.3 below or registered in the Executive's last pay slip, which shall be the first pay slip following the Effective Date of this Agreement.

   5.2 Send customary release letters addressed to the relevant insurance companies, authorizing to transfer the ownership in the pension insurance policies to the Executive's name, including without limitation, the severance component (the **"Severance Fund"**).

   5.3 Send release letter addressed to the further education fund, authorizing it to release to the Executive all monies accumulated in the further education fund in the Executive's name.

6. In addition, subject to the terms of this Agreement, the Company shall provide the Executive the following mutually agreed benefits, which are additional to statutory benefits owed to Executive under applicable law (the "Additional Benefits") within a reasonably prompt time following the Effective Date of this Agreement:

6.1 Additional severance in the amount of Executive's current base salary rate from the Separation Date through June 16, 2014 for total additional severance in the gross amount of 355,648.35 NIS, less all applicable withholdings and required deductions, which will be paid to Executive in one lump sum in the first regularly scheduled payroll date following the Effective Date of this Agreement,

6.2 Executive will receive the Accelerated Option Consideration, as set forth in Paragraph 7 below, and

6.3 Although Executive will not be an active employee at the time of 20 13 bonus payments, Executive shall be paid his 2013 bonus earned as part of, and in accordance with, Company's 2013 bonus plan and payment policies, and less all applicable withholdings and deductions, except that Company shall waive the requirement that Executive to be an active employee of Company at the time of the 2013 bonus payment. The Company's board of directors has authorized the calculation of Executive's gross bonus amount at 100% of target which is 417,600.00 NIS. Payment will be subject to all standard withholding and deductions, and will be made at the time and in the manner the Company pays 2013 bonuses to all personnel, but no later than March 15, 2014.

7. Executive acknowledges and agrees that, the Company granted the Executive the stock options to purchase shares of Company common stock set forth in Schedule A attached hereto and pursuant to the LivePerson 2009 Stock Incentive Plan or the Company's preceding stock incentive plan (together the **"Options"**). Executive further acknowledges and agrees that, as of the Separation Date, Executive is vested in a total of 250,425 of the Options (the "**Vested Options"**) as detailed in **Schedule A**.

   As a part of the Additional Benefits, the Company agrees that 56,225 shares of unvested options held by Executive on the Separation Date, which represent option shares that (in accordance with their terms) would have vested between the Separation Date and the first anniversary of the Separation Date had the Executive continued to be actively employed by the Company during such period, shall accelerate and become fully vested upon the Effective Date of this Agreement (the **"Accelerated Options"**).

   Further, all Vested Options and Accelerated Options shall remain exercisable by Executive until the first anniversary of the Separation Date, February 12, 2015. Except as expressly set forth in this section, the Vested Option and Accelerated Options and any shares acquired pursuant to their exercise will remain subject to all of the terms and conditions of the stock option agreement evidencing the Option and the Stock Plan. Further, Executive acknowledges and undertakes that he has no other right, title or interest in any Company stock or stock options other than the Vested Option and Accelerated Options described in this Paragraph.

8. Except as otherwise provided herein, Executive's participation and coverage under all employee benefit plans and programs sponsored by or through the Company (or any of its affiliates) (e.g., company car, or any social benefits paid, contributed to or arranged by the Company) will cease as of the Separation Date.

9. In exchange for the Additional Benefits provided for in this Agreement, the receipt and sufficiency of which is hereby acknowledged by the Executive, and upon fulfillment of the Company's obligations described in Sections 5, 6 and 7 above, the Executive hereby forever unconditionally and irrevocably releases and discharges the Company, and each and all of its direct and indirect affiliates, parents, subsidiaries (wholly-owned or not), members, branches, divisions, business units or groups, agencies, predecessors, successors and assigns, any employee benefit plans established or maintained by any of the foregoing entities and each and all of their current and former officers, directors, employees, trustees, plan administrators, agents, attorneys, representatives, partners, advisor's and shareholders (collectively and individually, shall be referred as the **"Released Parties"**), from any and all claims, demands, causes of action, complaints, agreements, promises (express or implied), contracts, undertakings, covenants, guarantees, grievances, liabilities, damages, rights, obligations, expenses, debts and demands whatsoever, in law or equity, whether present or future, whether known or unknown, and of whatsoever kind or nature that the Executive, his heirs, executors, administrators, representatives and assigns ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any alleged or actual matter, omission, act, cause or thing, including, but not limited to, those arising out of his employment with the Company or the termination thereof (the **"Claims"**). The Executive further agrees that he will not institute or authorize any other party, governmental or otherwise, to institute any administrative or legal proceeding seeking compensation or damages on his behalf against the Released Parties relating to or arising out of any Claim.

10. The Executive understands, acknowledges and undertakes that the full receipt of the payments and benefits due or provided to him under this Agreement, including without limitation the Additional Benefits, constitute a full and

final settlement of everything owed to him by the Company, including with respect to salary, overtime payment, vacation pay, severance pay, sick leave, annual leave, redemption of annual leave, travel expenses, reimbursement of expenses, car, recuperation pay, prior notice, payment in lieu of prior notice, commissions, bonuses, social contributions of all kinds (including Pension Insurance, Further Education Fund etc.), benefit plans or programs and every other payment or social benefit whatsoever connected to or arising out of Executive's employment with the Company or its termination, including manner, process and circumstances of termination. Executive further confirms that this Agreement is also a letter of acknowledgment and settlement for severance pay in accordance with section 29 of the Israeli Severance Pay Law, 1963.

In addition, the Executive understands and acknowledges that by signing this Agreement he is waiving and releasing any and all claims he may have concerning the terms and conditions of his employment and the termination of his employment including those prohibiting discrimination on the basis of age, sex, race, color, disability, religion, creed, national origin, ancestry, sexual orientation, gender expression, gender identity, handicap, marital status, domestic violence victim status, citizenship or any other protected factor or characteristic, prohibiting discrimination for requesting or taking a family or medical leave, prohibiting discrimination with regard to benefits or any other terms and conditions of employment, or prohibiting retaliation in connection with any complaint or claim of alleged discrimination or harassment and that he intends to do so. As such, this release includes, but is not limited to, any claims arising under any of the laws of the State of Israel and the United States and any other federal or state constitutions, federal, state or local statutes, or any contract or similar right, including every type of claim under any legal theory and whether or not the claim was known or unknown up through the Effective Date of this Agreement. The Executive further agrees that he will not institute or authorize any other party, governmental or otherwise, to institute any administrative or legal proceeding seeking compensation or damages on his behalf against the Released Parties relating to or arising out of any aspect of his employment or termination.

11. In consideration of the benefits described in this Agreement, the Executive acknowledges and agrees that following the Separation Date he will continue to be obliged (with no limit in time unless expressly indicated otherwise in writing) as follows:

    a. Executive agrees to provide reasonable transition assistance to the Company and to be reasonably available for meetings and consultations and to answer questions for the Company at mutually convenient times from the Separation Date through February 28, 2014.

    b. The Executive agrees, with reasonable notice, to provide information and cooperate with the Company as may be reasonably requested in connection with any claims or legal action in which the Company is or may become a party.

    c. Executive acknowledges and agrees that, at all times in the future, he is bound by confidentiality, intellectual property and non compete obligations under applicable law or agreement, including without limitation the Proprietary Information, Developments and Non-Compete Agreement entered into by and between Executive and the Company on February 22, 2007, and that those provisions are specifically incorporated herein.

    d. Without limiting the foregoing obligations, the Executive recognizes and acknowledges that all non public information pertaining to the software, business, clients, customers or other relationships of the Company is confidential and is a unique and valuable asset of the Company. The Executive will not give to any person, firm, governmental agency or other entity any information concerning the affairs, business, clients, or customers of the Company except as required by law. The Executive will not make use of this type of information for his own purposes or for the benefit of any person or organization other than the Company. All confidential information and intellectual property of the Company the Executive was exposed to or participated are confidential and will remain the property of the Company.

    e. For a twelve (12) month period after the Separation Date, the Executive (directly or indirectly, acting on his own behalf, or for or through or together with others and in whatever capacity) will not actively solicit or induce or attempt to solicit or induce any employee, independent contractor, customer or supplier of the Company to terminate their engagement with the Company or engage in activities that directly compete with the business of the Company.

12. In the event Executive breaches Paragraphs 9, 10, 11 (c), (d) or (e), or 14 of this Agreement, the Company must provide written notice to the Executive specifying the act which has breached this Agreement, and if such breach i

s not remedied within thirty (30) days, or if not capable of being remedied, than the Company will, without limiting its other rights, have the right to terminate any remaining post-employment Additional Benefits described in Section 6. The Executive agrees that the restrictions contained in Paragraphs 9,10, 11(c), (d) or (e), and 14 are essential elements of this Agreement.

13. On or promptly after the Separation Date the Executive will cooperate with the Company to follow the Company's standard practices for return of Company property and equipment in his possession or control including but not limited to, computer equipment (including, but not limited to, computer hardware, software and printers, wireless handheld devices, cellular phones, pagers, etc.), customer information, customer lists, employee lists, Company files , notes, contracts, records, business plans, financial information, specifications, computer-recorded information, software, tangible property, identification badges and keys, and any other materials of any kind which contain or embody any proprietary or confidential material of the Company (and all reproductions thereof). The Executive confirms that as of the Separation Date he has left intact all electronic Company documents, including those that he developed or helped to develop during his employment. The Executive further agrees that he has already cancelled (or transferred to his personal account) and/or will cooperate with the Company to cancel (or transfer to his personal account) all accounts for his benefit, if any, in the Company's name including, but not limited to, credit cards, bank accounts, company car, telephone charge cards, cellular phone accounts, pager accounts, computer accounts, prior to the Separation Date.

14. The Executive agrees that he will not, at any time, knowingly or intentionally disparage, criticize or ridicule the Company, its officers, directors, products, services or business practices.

15. All amounts payable under this Agreement shall be subject to deduction for all federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation and any other required deductions. The parties intend that all payments made under this Agreement will be exempt from, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, the regulations and other guidance there under and any state law of similar effect (collectively "Section 409A"), if applicable, so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply or be exempt. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The Company shall have no liability to Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from Section 409A are not so exempt or compliant. In no event will the Company reimburse Executive for any taxes or other penalties that may be imposed on Executive as a result of Section 409A, and Executive shall indemnify the Company for any liability therefor.

16. All amounts payable under this Agreement shall be subject to deduction for all taxes and compulsory deductions as may be required to be withheld pursuant to any applicable law or regulation and any other required deductions.

17. This Agreement amicably resolves any issues between the parties and they agree that this Agreement shall neither be interpreted nor construed as an admission of any wrongdoing or liability on the part of either the Executive or the Company.

18. This Agreement shall be governed by and construed in accordance with the laws of the State of Israel, except for those terms which, by their nature, relate specifically to the laws of the United States or the actions of the parent company within the United States, which shall be governed by the laws of New York, in each case, without regard to principles of conflicts of laws.

19. The provisions of this Agreement are severable. If any provision of this Agreement is held invalid or unenforceable, such provision shall be deemed deleted from this Agreement and such invalidity or unenforceability shall not affect any other provision of this Agreement, the balance of which will remain in and have its intended full force and effect; provided, however that if such invalid or unenforceable provision may be modified so as to be valid and enforceable as a matter of law, such provision shall be deemed to have been modified so as to be valid and enforceable to the maximum extent permitted by law.

20. The Executive acknowledges that he has been offered adequate time by the Company to review the Agreement and consult with an attorney of his choice if he desires to concerning the waivers contained in and the terms of this Agreement. Prior to executing this Agreement, the Executive shall ensure that the waivers he has made and the terms he has agreed to herein are done knowingly, consciously and with full appreciation that he is forever foreclosed from pursuing any of the rights so waived.

21. The Executive acknowledges that he: (a) has carefully read this Agreement in its entirety; (b) has had a reasonable opportunity to fully consider the terms of this Agreement; (c) has been provided adequate time to consult with an attorney of his choice if he desires to before signing this Agreement; (d) in accordance with Section 20 and clause (c) above, fully understands the significance of all of the terms and conditions of this Agreement; and (e) is signing this Agreement voluntarily and of his own free will and agrees to abide by all the terms and conditions contained herein.

22. [Intentionally Omitted.]

23. This Agreement shall be binding on and shall inure to the benefit of the Executive's heirs, executors, administrators, representatives and assigns and the Company's successors in interest and assigns. The Executive may not assign any of his rights or duties hereunder, except with the written consent of the Company. The Executive covenants and represents that he has not assigned or attempted to assign any rights or claims he may have against the Company at any time prior to signing this Agreement.

24. The parties agree that this Agreement contains all terms agreed between the parties relating to the termination of Executive's employment with the Company and supersedes and cancels any and all prior agreement or understanding on the subjects covered herein, and no agreements, representations or statements of either party not contained in this Agreement shall bind that party. Notwithstanding the foregoing, the Executive acknowledges that nothing herein supersedes any pre-existing duties of confidentiality, or the assignment of any invention or intellectual property or proprietary rights to the Company. This Agreement can be modified only in writing signed by both parties.

25. Executive agrees that this Agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one agreement. Execution of a facsimile or scanned image shall have the same force and effect as execution of an original, and a facsimile or scanned image of a signature shall be deemed an original and valid signature.

IN WITNESS WHEREOF, the parties have executed this Separation Agreement and General Release.

Eli Campo		LivePerson, Inc., on behalf of itself and LivePerson, Ltd.	
By:	/s/ ELI CAMPO	By:	/s/ DANIEL R. MURPHY
Name:	Eli Campo	Name:	Daniel R. Murphy
Date:	2/22/2014	Date:	2/21/2014

SCHEDULE A

Options

Grant Date	Original Shares Issued	Shares Vested	Shares not yet vested	Exercised 2010	Exercised 2011	Remaining Shares	Remaining Shares Vested	Remaining Shares Unvested	Remaining Unvested Shares Vesting in 12 mo.
2/21/2007	300,000	300,000	—	—	225,000	75,000	75,000	—	N/A
4/1/2008	27,000	27,000	—	13,500	6,750	6,750	6,750	—	N/A
3/5/2009	100,000	100,000	—	—	—	100,000	100,000	—	N/A
6/17/2010	24,900	18,675	6,225		—	24,900	18,675	6,225	6,225
9/4/2012	200,000	50,000	150,000			200,000	50,000	150,000	50,000
Totals:	**651,900**	**495,675**	**156,225**	**13,500**	**231,750**	**406,650**	**250,425**	**156,225**	**56,225**

November 7, 2013

Eran Vanounou

Hagai 9 Street

Ramat-gan Israel

Dear Eran:

I am pleased to offer you the position of Chief Technology Officer at LivePerson, based in Ra'anana, Israel with your approximate scheduled start date toward the end of January 2014, to be mutually agreed and finalized by Employee and Company. This letter confirms the key terms and conditions of our employment offer to you:

- You will be paid salary at a rate of 104,000 NIS (gross) per month according to our standard Israel payroll practices as they may exist from time to time

- You will be eligible to participate in the LivePerson bonus plan as it exists from time to time under terms comparable to other LivePerson employees of similar role and responsibility. Your annual target bonus will be US**$130,000**. Achievement of your bonus target and actually payout will be based upon the Company's financial performance as well as individual MBOs applicable to the relevant fiscal year, all to be further detailed in your annual bonus plan and pursuant at all times to the Company's then-current bonus practices. Bonus payments will be made in local currency, to be converted from US dollars to NIS at the time of payment. During your first year of employment, your annual target bonus will be prorated for actual months of service during the year. LivePerson reserves the right to amend or terminate its bonus plan or any terms or criteria thereunder, and corresponding policies, at any time.

- You will be granted an unvested option to purchase **110,000** shares of LivePerson common stock which grant and strike price will be set and subject to approval by the LivePerson Board of Directors on the first option grant date following your employment start date, which is expected to occur in February 2014. This option will be granted under the terms and conditions of the LivePerson 2009 Stock Incentive Plan and the Notice of Grant of Stock Option and Stock Option Agreement in effect as of your start date (the "Plan Documents"), which will be issued to you at the time of the grant. This option will vest in equal increments of 25% annually over four (4) years, beginning on the first anniversary of the grant date, subject to your continued service to the Company through each vesting date and the terms of the Plan Documents.

- Your direct employment will be with the Company's subsidiary in Israel, LivePerson Ltd. With respect to the duties and responsibilities of your role you will also take direction from and have full obligations to LivePerson, Inc. (the parent company of LivePerson Ltd.).

- You will be eligible for vacation in accordance with LivePerson's vacation policy as it exists from time to time. Under the current policy, you will accrue vacation at the rate of 1.85 days vacation per month (22 days per full year), subject to the LivePerson vacation policy, as it may be amended from time to time.

- You will be eligible to enroll in the applicable local LivePerson health and other benefits programs on the first day of the first full calendar month of your employment subject to the terms and conditions of the applicable plans and policies as they may exist from time to time and as further described in the attached Rider A, your direct employment contract with the Company's subsidiary LivePerson Ltd ("Israel Employment Terms).

- In connection with your acceptance of the position and employment with the Company, you will be covered by the relevant insurance and indemnification policies and practices of the Company and its subsidiary LivePerson Ltd to the same extent such policies apply to all employees or to all employees of similar role and responsibility, including without limitation the Company's Directors and Officers Insurance policies and standard indemnification agreements and practices.

- This offer is made contingent upon your successful completion of the Company's pre-employment procedures, including reference and background verification of your prior employment and other information provided by you during the interview process, as well as proof of identity and authorization to work under applicable laws, In addition, this offer is made contingent upon your execution of the Company's standard Israel Employment Contract, Code of Conduct, Confidential Information and Invention Assignment Agreement, and similar agreements required of all employees, and your ability to start employment within a reasonable time from the target start date set forth above acceptable to Company.

- By signing this letter you confirm that to the best of your knowledge you are not subject to any agreement, with a prior employer or otherwise, which would prohibit, limit or otherwise be inconsistent with your employment at LivePerson or prevent you from performing your obligations to LivePerson following your start date with LivePerson. Additionally, please be advised that it is LivePerson's corporate policy not to obtain or use any confidential, proprietary information or trade secrets of its competitors or others, unless it is properly obtained from sources permitted to disclose such information. By signing this letter below, you are acknowledging that you have been advised of this policy and that you accept and will abide by it during your employment with LivePerson, and you are also agreeing that you will not use or disclose any confidential or proprietary information of LivePerson to any third party, including any previous or subsequent employer.

- Your employment with LivePerson is at-will and may be terminated by you or LivePerson at any time with or without cause subject only to the provisions below and in the attached Rider A.

- In the event that your employment is terminated by the Company without Cause, and provided that within sixty (60) days following your termination date you timely execute and do not revoke a separation and release agreement drafted by and satisfactory to the Company (the "Separation Agreement"), the Company will provide you with 120 days notice, or at the Company's option, 120 days of your then-current base salary, payable in accordance with the Company's standard payment procedures and subject to your Israel Employment Terms. For the avoidance of doubt, the foregoing severance shall not be paid in the event that your employment is terminated due to your voluntary resignation except as required by applicable law. In the event that you at any time wish to voluntarily terminate your employment you will provide the Company with at least 120 days notice as set forth in your Israel Employment Terms. For clarification, the severance provisions above will apply in the event that your employment is terminated by Company or any successor to Company unless your employment is terminated due to one or more of the circumstances described in the definition of "Cause" below.

- For purposes hereof, "Cause" shall mean a determination by the Company (which determination shall not be arbitrary or capricious) that: (i) you materially failed to perform your specified or fundamental duties to the Company or any of its subsidiaries, (ii) you were convicted of, or pled nolo contendere to, a felony (regardless of the nature of the felony), or any other crime involving dishonesty, fraud, or moral turpitude, (iii) you engaged in or acted with gross negligence or willful misconduct (including but not limited to acts of fraud, criminal activity or professional misconduct) in connection with the performance of your duties and responsibilities to the Company or any of its subsidiaries, (iv) you failed to substantially comply with the rules and policies of the Company or any of its subsidiaries governing employee conduct or with the lawful directives of the Board of Directors. or (v) you breached any non-disclosure. Non-solicitation or other restrictive covenant obligation to the Company or any of its subsidiaries.

- This letter shall not be construed as an agreement (either express or implied) to employ you, or for any guaranteed term of employment, and shall in no way alter the Company's policy of employment at-will, under which both the Company and you remain free to end the employment relationship for any reason, at any time, with or without cause or notice (except as expressly provided above). This letter, together with the terms and conditions of your Israel Employment Terms, the Code of Conduct, the Confidential Information and Invention Assignment Agreement, and all similar Company agreements and policies applicable to all employees or applicable to all employees of similar role and responsibility, comprise the complete terms of your employment with the Company.

Please indicate your acceptance of this offer by signing below and returning one copy to me. You will also receive additional information about LivePerson as well as some forms and documents that you must complete prior to your start date. Your employment is contingent upon the return of the requested material. If you have any questions, please do not hesitate to contact me.

LivePerson is a dynamic organization with tremendous growth opportunities. We look forward to you joining us and hope that you share our excitement for the opportunity it presents to everyone on the team.

Sincerely,

/s/ Robert LoCascio
Robert LoCascio
CEO

Accepted by:	/s/ Eran Vanounou	11/7/2013
	Name	Date

RIDER A

Employment Contract with LivePerson Ltd

RIDER A

(Manager)

EMPLOYMENT AGREEMENT

Constituting also Notice to the Employee as required by law

Signed on November 7, 2013

Between: Eran Vanounou (Hereinafter the **"Employee"**)

And: Liveperson Ltd
I.D number 512796756
(Hereinafter the **"Company"**)

1. **Employment**

The Company agrees to employ the Employee in the position of Chief Technology Officer and the Employee agrees to perform services and be employed by the Company in said position in accordance with the terms and conditions set forth in this Agreement, together with the attached offer letter (the "Offer Letter").

The Employee's direct manager will be the CEO of LivePerson, Inc., (the parent company of Company) and the Employee will report to him/her directly.

2. **Term of Agreement**

2.1. The term of this Agreement shall commence on the Employee's start date of employment toward the end of January, 2014, with precise date to be finalized by Employee and Company, and shall continue until a written notice of termination is given, as provided in this Agreement below.

2.2. The Employee's regular place of employment shall be in the Company's Offices in Israel, located at Ra'anana, and might include travel and periods of work abroad according to the requirements of the job.

3. **The Employee's Undertakings**

3.1. During the entire Term, the Employee shall provide his/her services and shall be bound by his/her obligations under the position in accordance with directives received from the General Manager of the Company and shall report to his/her direct manager.

3.2. During the entire Term, the Employee will devote, subject to the provisions of this Agreement, all of his/her working time toward fulfilling his\her obligations and duties to the Company and will carry out his\her job faithfully and devotedly, in accordance with the objectives of the Company, as defined by the Company's Board of Directors, from time to time.

3.3. The Employee shall notify the Company immediately of every matter or transaction in which he\she has a significant personal interest and/or which might create a conflict of interest with his/her position in the Company.

4. **Compensation**

4.1. As a base salary for the Employee's services to the Company, the Company will pay the Employee the amount of 104,000 NIS (gross) per month. The salary will be adjusted to the cost of living in accordance with the then applicable law (`Tosefet Yoker").

4.2. Since the Employee is employed in a managerial position, the Employee declares and agrees, that the Hours of Work and Rest Law ,5711-1951 does not apply to him/her. Therefore, the Employee is not entitled to any compensation for working overtime hours, and his/her Compensation includes compensation for any overtime work that should be required from time to time, all according to the Company's needs and demands.

4.3. Therefore, the Employee agrees and confirms, that if he/she shall raise a demand contradicting the aforementioned and claim payments for overtime work, his/her salary shall be recalculated at 80% of his/her salary according to the Agreement, and the Employee shall be obliged to refund the difference to the Company.

4.4. Compensation will also include the stock options and bonus eligibility described in the Offer Letter and subject to the terms and conditions set forth therein.

5. **Company Car/ Expenses**

5.1. The Employee shall have the option to choose, for his/her use, a vehicle, in an operational leasing plan, in the same terms and conditions that shall be applicable to the Company's employees, at the relevant date, and according to the vehicle procedure which exists in the Company and constitutes as an unseparateble part of this Agreement herein. In the event that the Employee chooses to take such vehicle, he/she agrees to the deduction of a monthly amount as detailed in the vehicle procedure (including for the purpose of social contributions). All tax consequences of the Employee's benefits under this section shall be borne by the Employee, and shall be deducted from the Employee's Compensation.

5.2. The Employee confirms that he is aware that the Company is engaging with the leasing company in a multiple year program and in case he/she shall decide to receive a vehicle he/she undertakes to maintain the vehicle throughout the leasing period. If the Employee decides to return the vehicle within the leasing period,, as determined in the vehicle agreement, he/she shall be liable for the full payment which the Company shall pay the leasing company, and such payment shall be deduced from his/her salary. Maintenance payments for the vehicle shall be borne by the Company, excluding traffic and/or parking fines which shall be borne by the Employee and excluding any other sum, as determined in the Company's vehicle procedure.

5.3. The Employee undertakes to pay such fines and/or payments, immediately upon the receipt of any such fines and/or payments.

5.4. The Employee hereby agrees that the Company shall be entitled to deduct, from any sum due to the Employee, the sums which are due by the Employee, including for traffic fines and/or other payments related to the vehicle and/or to the driver of the vehicle.

5.5. The Company shall participate in the Employee's transport expenses to work and back, in the sum of 1,000 NIS per month.

6. **Severance Pay and Managers' Insurance**

6.1 The Company shall pay and deduct (as detailed hereinafter) from the Employee's Monthly Salary defined in section 4 above, on behalf of the Employee, the following amounts to a Managers' Insurance Policy (the **"Managers' Insurance"**), and/or a comprehensive pension plan(**"Pension Plan"**), according to the Employee's choice, (severally or jointly, as applicable, the **"Insurance"**) through an insurance company according to the Employee's choice, to be divided as follows:

6.1.1 **Managers' Insurance**: The Company shall pay a sum of up to 13.3% of the Employee's Monthly Salary towards the Insurance, of which 8.33% will be on account of severance pay and 5% on account of pension fund payments (the **"Tagmulim"**) and up to a further 2.5% of the Employee's Monthly Salary on account of disability pension payments. The Company shall deduct 5% from the Employee's Monthly Salary to be paid on behalf of the Employee towards such Insurance.

6.1.2 Pension Plan: The Company shall pay a sum of up to 14.3% but not less than 13.33% of the Employee's Monthly Salary towards the Pension Plan, of which 8.33% will be on account of severance pay and 6% on account of pension fund payments (the "Tagmulim"). The Company shall deduct 5.5% from the Employee's Monthly Salary to be paid on behalf of the Employee towards such Insurance.

6.1.3 The Parties hereby accept the terms of the General Approval Regarding Employer Payments to Pension Fund and Insurance Policy In Lieu of Severance Pay and declare that the payments specified in this subsection 6.1 are in lieu of all the Company's obligations under the Severance Pay Law, 5723-1963. The General Approval Regarding Employer Payments to Pension Fund and Insurance Policy En Lieu of Severance Pay is attached as appendix A herewith and constitutes an integral part hereof.

7. **Study Fund Contributions**

The Company shall pay a sum equal to 7.5% of Employee's Monthly Salary and shall deduct 2.5% from the Employee's Salary to be paid on behalf of the Employee to the Study Fund in which the Company participates.

8. Recreation Payment

Recreation payment ("D'mei Havra'a") shall be paid as required by law.

9. Vacation and Sick Leave

9.1 The Employee shall be entitled to an annual paid vacation of 22 days per year. The Employee shall use all of his/her vacation days and the annual vacation can be accumulated only up to one year and a half. The Employee will be entitled to a vacation at the dates that suit his/her needs, but only upon advance coordination and prior approval of such vacation with his/her supervisor.

9.2 The Employee shall be entitled to up to 18 days per year as Sick Leave according to the then prevailing applicable law.

10. Termination of Agreement

10.1 The Company and the Employee shall both have the right to terminate the Employee's employment with the Company at any time during the Term upon giving a prior written notice of 120 days.

During the Termination Notice Period, the Employee will continue to provide his/her services and cooperate with his/her replacement unless the Company terminates the employer-employee relationship prior to the end of the Termination Notice Period. During the Termination Notice Period, the Company will continue to pay the Employee all payments and honor all commitments owed to the Employee in accordance with this Agreement. Without derogating from any of the Company's rights, the Company may elect to terminate the Employment forthwith, and to pay the Employee the payments then due to him/her under any applicable law in lieu of an Early Notice Period. Such payments shall be calculated solely on the basis of the Compensation.

10.2 The Company may terminate the Employee's employment immediately for cause. For purposes of this Agreement, termination for "cause" shall mean a determination by the Company (which determination shall not be arbitrary or capricious) that: (i) you materially failed to perform your specified or fundamental duties to the Company or any of its subsidiaries, (ii) you were convicted of, or pled no contest to, a felony (regardless of the nature of the felony), or any other crime involving dishonesty, fraud, or moral turpitude, (iii) you engaged in or acted with gross negligence or willful misconduct (including but not limited to acts of fraud, criminal activity or professional misconduct) in connection with the performance of your duties and responsibilities to the Company or any of its subsidiaries, (iv) you failed to substantially comply with the rules and policies of the Company or any of its subsidiaries governing employee conduct or with the lawful directives of the Board of Directors, or (v) you breached any non-disclosure, non-solicitation or other restrictive covenant obligation to the Company or any of its subsidiaries. If the employment of the Employee is terminated for cause, then the Employee shall only be entitled to severance pay in the amount required by law, if required.

10.3 In the event of any termination of his/her employment, for whatever reason, the Employee will promptly deliver to the Company all (i) documents, data, records and other information pertaining to his/her employment or any Proprietary Information (as defined in Section 12 below) or any Company Inventions (as defined in Section 11 below), and (ii) any other equipment belonging to the Company in the Employee's possession or under his/her control (including without limitation the Company car), and the Employee will not take with him/her any documents or data, or any reproduction or excerpt of any documents or data, containing or pertaining to his/her employment or any Proprietary Information or Company Inventions.

10.4 The undertakings of the Employee herein with respect to Proprietary Information, Disclosure and Assignment of Inventions and Non-Competition shall survive the end or termination, for any reason, of this Agreement, and shall survive the termination of the Employee's employment with the Company,

11. **Confidentiality and Proprietary Information**

11.1. During the Term and thereafter the Employee shall preserve the confidentiality of all information related to the business and activities of the Company, including all information relating to its technology, products, suppliers and clients, and shall not reveal any such information to a third party of any kind.

11.2 All right, title and interest in and to any of the products, materials, methods, processes, techniques, know-how, data, information and other results whatsoever, discovered or occurring in the course of or arising from the performance of the work of the Employee under the Agreement, and for a period of 6 (six) months following the termination of the employment under this Agreement, and any rights in respect thereof, either registered title and copyrights or not, and all said rights the extent they derive from the work of the Employee under this Agreement, and in and to any drawings, plans, diagrams, specifications, and other documents containing any said information, shall vest in the Company exclusively.

11.3 The Employee undertakes not to use or disclose any confidential information or trade secrets, if any, of any former employer or other third party to whom the Employee has an obligation of confidentiality, and the Employee will not bring onto the premises of the Company or use or disclose any unpublished documents or any property belonging to any former employer or other third party to whom the Employee has an obligation of confidentiality unless consented to in writing by that former employer or other third party. The Employee acknowledges that in the performance of his duties he must only use information which is generally known and used by persons with training and experience comparable to his own, which is common knowledge in the industry or otherwise legally in the public domain, or which is otherwise provided or developed by the Company.

11.4 In addition, and without derogating from the above, and with accordance to section 134 to the Patents Law, 5727 - 1967 (hereinafter: the Patents Law), the Employee hereby gives up on all and any right and/or payment of royalties and/or payments of compensation and/or any payment and/or any right with regards to all and any service invention as defined in section 132 of the Patents Law or any other invention the Employee may invent during his employment.

12. **Non-competition**

12.1 The Employee agrees that during the term of this Agreement and any extensions hereof and for a period of one (1) year after he/she ceases to be employed by the Company he/she will not, for his/her own account or as an employee, officer, director, partner, joint venture, shareholder, investor, consultant or otherwise (except as an investor in a corporation whose stock is publicly traded and in which Employee holds less than 5% of the outstanding shares) interest himself in or engage in any Competitive Activity anywhere in the world. For the purpose of this clause, "Competitive Activity" shall mean the development, production, sales and/or marketing of any product that competes with any product developed and/or produced by the Company, or is in the process of being developed and/or produced by the Company, during the Employee's employment.

12.2 The Employee agrees that during a period of one year from termination of this Agreement or any extension hereof he shall not employ directly or indirectly any individual then employed by the Company.

12.3 The Employee acknowledges that the restricted period of time and geographical area specified under paragraph 12.1 hereof are reasonable, in view of the nature of the business in which the Company is engaged, the Employee's knowledge of the Company's Business and products and the Compensation he/she receives.

12.4 Notwithstanding anything contained in paragraph 12.3 to the contrary, if the period of time or the geographical area specified under paragraph 12.1 and 12.2 hereof should be determined to be unreasonable in any judicial proceeding, then the period of time and area of the restriction shall be reduced so that this Agreement may be enforced in such area and during such period of time as shall be determined to be reasonable by such judicial proceeding.

12.5 The Employee acknowledges that the Compensation he/she receives hereunder is paid, inter alia, as consideration for his/her undertaking contained in this section.

13. Miscellaneous

13.1 Any tax consequences and/or national security payments arising from or in connection to this Agreement shall be borne solely by the Employee.

13.2 This Agreement represents the entire agreement of the Parties and may be amended only by a written amendment executed by both parties.

13.3 This Agreement shall be governed by the law of the state of Israel.

In WITNESS WHEREOF, the parties have signed this Agreement on the date set forth above.

/s/ Robert LoCascio	/s/ Eran Vanounou
The Company	The Employee

Appendix A

General Authorization (Combined Version) Regarding Employee Payments to a Pension Fund and Insurance Fund In Lieu Of Severance Pay In Accordance with the Severance Pay Law 5723-1963

updated as of Feb. 18, 2001

By virtue of my authority under Section 14 of the Severance Pay Law 5723-1963[1] (hereinafter, "The Law"), I hereby confirm that payments made by an employer beginning on the date this authorization is publicized, for his employee, for a comprehensive pension in a provident fund for benefit payments, which is not an insurance fund as implied in the Income Tax Regulations (Rules for Approving and Managing Provident Funds) 5724-1964[2] (hereinafter, "A Pension Fund"); or for manager's insurance that includes an option for benefit payments or a combination of payments into a benefits scheme and a non-benefits scheme[3] in the said insurance fund (hereinafter, "Insurance Fund"), including payments that were made as a combination of payments to a Pension Fund and an Insurance Fund, whether or not the Insurance Fund has a benefits scheme (hereinafter, "Employer Payments"), shall be in lieu of the severance pay to which the said employee is entitled against the wages from which the said payments were paid and the period for which they were paid (hereinafter, "The Exempted Salary"), and provided the following conditions shall be present:

1. Employer payments -

(A) to a Pension Fund are not less than 14 1/3 of the Exempted Salary, or 12% of the Exempted Salary if the employer pays for his employee, in addition to this, supplementary severance payments into a severance pay fund or an Insurance Fund under the name of the employee, at a rate of 2 1/3% of the Exempted Salary. If, in addition to the 12%, the employer does not pay the said 2 1/3%, his payments shall be only in lieu of the 72% of the employee's severance pay.

(B) to an Insurance Fund are not less than one of the following:

(1) 13 1/3% of the Exempted Salary, if the employer pays for his employee additional monthly income supplement benefits in the case of an employee's inability to work, through a plan approved by the Supervisor for Capital Markets, Insurance and Savings in the Ministry of Finance, at a rate necessary to guarantee at least 75% of the Exempted Salary, or at a rate of 2.5% of the Exempted Salary, whichever is lower (hereinafter, "Payment for the Loss of Ability to Work Insurance");

(2) 11% of the Exempted Salary, if the employer paid an additional payment for the Loss of Ability to Work Insurance, and in such case the employer's payments shall be in lieu of 72% of the employee's severance compensation only; if, in addition to such payments, the employer has also paid payments for the supplement of severance pay to a Severance Pay Fund or an Insurance Fund under the name of the employee at a rate of 2 1/3% of the Exempted Salary, the employer's payments shall be in lieu of 100% of the employee's severance pay.

2. Not later than three months from the commencing of the performance of the employer's payments a written agreement shall be prepared between the employer and the employee, which shall include:

(A) The employee's agreement to an arrangement in accordance with this authorization, in wording that specifies the employer's payments and the Pension fund, as relevant; the said agreement shall also include the wording of this authorization;

(B) [5]The employer's prior waiver of any right he may have to a financial reimbursement from his payments, unless the employee's right to severance pay is rescinded by a judicial decree, by virtue of paragraphs 16 or 17 of the Law,[6] and if rescinded or that the employee withdrew funds from the Pension Fund or from the Insurance Fund not for a qualifying incident; in this regard, a "qualifying incident" - death, disability or retirement at the age of 60 or older.

(C) This authorization shall not derogate from the employee's right to severance pay under the law, collective agreement, and expansion order or employment contract, for wages exceeding the Exempted Salary.

[1] Legal Code 5723, p. 136.
[2] Collection of Regulations 5724, p. 1302.
[3] Amendment: Gazette 4970, p. 1949, 5761 (Mar. 12, 2001).
[4] Amendment: Gazette 4970, p. 1949, 5761 (Mar. 12, 2001).
[5] Amendment: Gazette 4803, 5760 (Aug. 23, 1999).
[6] Amendment: Gazette 4970, p. 1949, 5761 (Mar. 12, 2001).

(-)
Eliyahu Yishai
Minister of Labor and Social Affairs

/s/ Robert LoCascio

The Company

/s/ Eran Vanounou

The Employee

CERTIFICATIONS

I, Robert P. LoCascio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LivePerson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 9, 2014	By:	/s/ ROBERT P. LOCASCIO
		Name:	Robert P. LoCascio
		Title:	Chief Executive Officer (principal executive officer)

Exhibit 31.2

CERTIFICATIONS

I, Daniel R. Murphy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LivePerson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 9, 2014	By:	/s/ DANIEL R. MURPHY
		Name:	Daniel R. Murphy
		Title:	Chief Financial Officer (principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert P. LoCascio, Chief Executive Officer of LivePerson, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2014, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	May 9, 2014	By:	/s/ ROBERT P. LOCASCIO
		Name:	Robert P. LoCascio
		Title:	Chief Executive Officer (principal executive officer)

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel R. Murphy, Chief Financial Officer of LivePerson, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2014, as filed with the Securities and Exchange Commission (the “Report”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	May 9, 2014	By:	/s/ DANIEL R. MURPHY
		Name:	Daniel R. Murphy
		Title:	Chief Financial Officer (principal financial officer)

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference.