AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 28, 2000

REGISTRATION NO. 333-95689

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

LIVEPERSON, INC.
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	7379	13-3861628
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

462 SEVENTH AVENUE
10TH FLOOR
NEW YORK, NY 10018-7606
(212) 277-8950
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

ROBERT P. LOCASCIO
CHIEF EXECUTIVE OFFICER
LIVEPERSON, INC.
462 SEVENTH AVENUE
10TH FLOOR
NEW YORK, NY 10018-7606
(212) 277-8950
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code of Agent for Service)

Copies to:

BRIAN B. MARGOLIS, ESQ. MATTHEW F. HERMAN, ESQ. BROBECK, PHLEGER & HARRISON LLP 1633 BROADWAY, 47TH FLOOR NEW YORK, NY 10019 (212) 581-1600	DEANNA L. KIRKPATRICK, ESQ. DAVIS POLK & WARDWELL 450 LEXINGTON AVENUE NEW YORK, NY 10017 (212) 450-4000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MARCH 28, 2000

PROSPECTUS

4,000,000 SHARES

[LOGO]

COMMON STOCK

This is an initial public offering of common stock by LivePerson, Inc. LivePerson is selling 4,000,000 shares of common stock. The estimated initial public offering price is between $13.00 and $15.00 per share.

Prior to this offering, there has been no public market for our common stock. We have applied to have our common stock approved for quotation on the Nasdaq National Market under the symbol LPSN.

	PER SHARE	TOTAL
Initial public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds to LivePerson, before expenses	$	$

LivePerson has granted the underwriters an option for a period of 30 days to purchase up to 600,000 additional shares of our common stock.

INVESTING IN THE COMMON STOCK INVOLVES A HIGH DEGREE OF RISK.

SEE "RISK FACTORS" BEGINNING ON PAGE 7.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CHASE H&Q

THOMAS WEISEL PARTNERS LLC

PAINEWEBBER INCORPORATED

, 2000

INSIDE FRONT COVER:

- --Entire page contains a photograph of an overturned, empty shopping cart in the foreground, occupying most of the lower half of the page. The shopping cart appears alone in a dusty field, with other empty shopping carts in the background. The text on the page is superimposed over the photograph.

- --Title text reading: " 2/3 of all online shopping carts are abandoned. *"

- --Upper-left quarter of page contains text reading:

"How can you convert an online shopper into a buyer?" (bold text)
"Human interaction." (bold text)

"LivePerson's clients believe in the value of real-time sales and customer service on the Web. Through an easy-to-use text dialogue window, they can interact with their customers at crucial moments to solve problems and assist in closing sales. And with low upfront costs, we've made it simple to add live customer service to your site."

- --Left middle of page contains the LivePerson Web site address: "www.liveperson.com"

- --Right middle of page contains the LivePerson logo

- --Bottom right of page includes footnote: "* The Forrester Report: "Making Net Shoppers Loyal" (June 1999)"

LEFT PAGE OF GATEFOLD:

- --Upper left of page contains picture of woman typing on a computer, with the following text to the right of the picture:

"Enabling Live Online Customer Service" (bold text)
"LivePerson technology changes the way Web site owners communicate with their customers."

- --Center and center-right of page contains screen shot of the LivePerson Web site homepage, with screen shot of sample text dialogue window superimposed over homepage, indicating button on homepage which leads to the text dialogue window. The following text is above the screen shots:

"Real-time Interaction" (bold text)
"LivePerson enables its clients to interact with their customers on a one-to-one basis, answering questions and solving problems in real time."

RIGHT PAGE OF GATEFOLD:

- --Upper left of page contains the following text:

"LivePerson is an Outsourced Solution" (bold text)
" - LivePerson hosts, upgrades and maintains the service"
" - The LivePerson service is easy to install"
" - Our clients' information technology resources are free to focus on other priorities"

- --Lower half of page contains a Y-shaped schematic of the LivePerson service, with diagrams one and two, two and three, and diagram two and the data collection diagram, respectively, linked by two-way arrows. The description of each diagram is as follows:

- --Diagram one is labeled "1. Internet user" and contains an illustration of an Internet user viewing a LivePerson client Web site, with the text dialogue window linked to the LivePerson icon on the client Web page. Underneath the diagram is the following text: "Internet users click on the LivePerson icon"

- --Diagram two is labeled "2. LivePerson" and contains an illustration of computers labeled "LivePerson Servers."

- --The data collection diagram is a cylinder labeled "LivePerson Data Collection" with the following text alongside it: "Both users and operators are linked through LivePerson's server facilities"

- --Diagram three is labeled "3. Operator" and is an illustration of an operator using a computer, with a supervisor standing over the operator. Underneath the diagram is the following text: "Customer service operators chat in real-time with Internet users"

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We have applied for federal registration of the marks "Live Person" and "LivePerson Give Your Site a Pulse". "LivePerson" is a common law trademark of ours. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY MAY NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING "RISK FACTORS" AND THE FINANCIAL STATEMENTS AND THE RELATED NOTES, BEFORE MAKING AN INVESTMENT DECISION.

LIVEPERSON

LivePerson is a provider of technology that facilitates real-time sales and customer service for companies doing business on the Internet. We are an application service provider and we offer our proprietary real-time interaction technology as an outsourced service. Our service appears as a LivePerson-branded or custom-created icon on our clients' Web sites. When an Internet user clicks on the icon, a pop-up dialogue window appears, enabling our clients to communicate directly with Internet users via text-based chat. Our clients can respond to Internet user inquiries in real time, and can thereby enhance their online shopping experiences. Our technology requires no software or hardware installation by our clients or their Internet users.

Based on feedback received from our clients, we believe that our service offers our clients the opportunity to increase sales, reduce customer service costs and increase responsiveness to Internet user needs and preferences. Because we are an application service provider and provide our clients with a service rather than an in-house technology solution, our clients can devote their information technology resources to other priorities. We offer low start-up costs, currently $1,000 per client, and reasonable ongoing monthly fees, currently $250 per operator access account, or seat. We can implement our LivePerson service immediately following a two-hour training session. Upgrades to the LivePerson service are automatic because they are installed on our servers, without requiring action by either our clients or Internet users. We also offer our clients the ability to add capacity whenever requested.

We currently have more than 450 clients. Our service benefits companies of all sizes doing business on the Internet, including online retailers, online service providers and traditional offline businesses with a Web presence. Our largest clients in the first two months of 2000 were GMAC's ditech.com, Homelender.com, MyHome.com, National Discount Brokers, Neiman Marcus, ShopNow, TradeCapture.com and WhatsHotNow.

Prospective investors should be aware that investing in our common stock involves many risks, which are described more fully in the section "Risk Factors" beginning on page 7. In particular, we face risks including, but not limited to, the facts that:

- we have an unproven business model and will rely on revenue from the LivePerson service for substantially all of our revenue for the forseeable future;

- we have a limited operating history related to the LivePerson service and a history of significant losses, including a net loss of $9.8 million in 1999;

- we have an accumulated deficit of approximately $9.8 million as of December 31, 1999;

- we anticipate incurring losses in the foreseeable future which may be substantial; and

- we operate in an emerging and highly competitive marketplace with relatively low barriers to entry.

We plan to enhance our current position as a provider of real-time sales and customer service technology for companies doing business on the Internet. The key elements of our strategy include:

- strengthening our market position by significantly expanding our installed client base;

- adding features and functionality to our live interaction platform to increase the value of our service to our clients and their reliance on its benefits;

- continuing to build brand awareness;

- continuing to develop our technological capabilities by devoting significant resources to network architecture and software design;

- seeking opportunities to form strategic alliances and make acquisitions where appropriate; and

- expanding our international presence.

Prospective investors should also be aware of the risks related to achieving these strategic objectives which are described more fully in "Risk Factors."

Our business was incorporated in the State of Delaware in November 1995 under the name Sybarite Interactive Inc. Prior to November 1998, we generated programming revenue from services primarily related to Web-based community programming and media design. In 1998, we shifted our core business focus to the development of the LivePerson service and phased out our programming and media design business, which last generated revenue in December 1999 and is not expected to generate any future revenue. Following our introduction of the LivePerson service in November 1998, we changed our name in January 1999 to Live Person, Inc., and on March 8, 2000 to LivePerson, Inc. Our principal executive offices are located at 462 Seventh Avenue, 10th Floor, New York, New York 10018-7606. Our telephone number is (212) 277-8950. The address of our Web site is www.liveperson.com. Information contained on our Web site does not constitute part of this prospectus.

THE OFFERING

Common stock offered by LivePerson.....	4,000,000 shares
Common stock to be outstanding after this offering.....	29,323,804 shares
Use of proceeds.....	General corporate purposes, including sales and marketing activities, the hiring of additional personnel, product development costs and working capital, and strategic alliances and acquisitions, if any.
Proposed Nasdaq National Market symbol.....	LPSN

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of March 8, 2000 and excludes:

- 10,000,000 shares of common stock reserved for issuance under our 2000 Stock Incentive Plan, of which 5,528,970 shares are issuable upon the exercise of stock options outstanding as of March 8, 2000 with a weighted average exercise price of $2.28 per share;

- 94,500 shares of common stock reserved for issuance upon the exercise of stock options with an exercise price of $1.60 per share granted outside of the predecessor to our 2000 Stock Incentive Plan;

- 450,000 shares of common stock reserved for issuance under our 2000 Employee Stock Purchase Plan; and

- 542,968 shares of common stock issuable upon the exercise of warrants outstanding as of March 8, 2000, with a weighted average exercise price of $1.60 per share.

Unless otherwise indicated, all information in this prospectus:

- reflects the automatic conversion of all of our outstanding shares of convertible preferred stock, including the series D redeemable convertible preferred stock, at a two-for-three ratio, whereby each two shares of preferred stock are convertible into three shares of common stock, into an aggregate of 17,962,273 shares of our common stock upon the closing of this offering;

- reflects a three-for-two stock split of shares of our common stock effected on March 8, 2000;

- assumes the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws, each as contemplated to be in effect as of the closing of this offering; and

- assumes no exercise of the underwriters' over-allotment option.

SUMMARY FINANCIAL INFORMATION

THE TABLE BELOW SETS FORTH SUMMARY FINANCIAL INFORMATION FOR THE PERIODS INDICATED. IT IS IMPORTANT THAT YOU READ THIS INFORMATION TOGETHER WITH THE SECTION ENTITLED "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND OUR FINANCIAL STATEMENTS AND THE RELATED NOTES INCLUDED ELSEWHERE IN THIS PROSPECTUS.

	YEAR ENDED DECEMBER 31,			
	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA:				
Revenue:				
Service revenue	$ --	$ --	$ 1	$ 600
Programming revenue	11	245	378	39
Total revenue	11	245	379	639
Total operating expenses	42	251	399	10,889
Loss from operations	(31)	(6)	(20)	(10,250)
Net loss	(30)	(6)	(20)	(9,777)
Basic and diluted net loss per share	$ 0.00	$ 0.00	$ 0.00	$ (1.38)
Weighted average basic and diluted shares outstanding	7,092,000	7,092,000	7,092,000	7,092,000
Pro forma:				
Net loss				$ (9,777)
Non-cash preferred stock dividend				(37,421)
Pro forma net loss attributable to common stockholders				(47,198)
Pro forma basic and diluted net loss per share				$ (3.05)
Shares used in pro forma basic and diluted net loss per share				15,465,304

Shares used in computing pro forma basic and diluted net loss per share include the shares used in computing basic and diluted net loss per share adjusted for the conversion of our series A convertible preferred stock, series B convertible preferred stock and series C redeemable convertible preferred stock to common stock at a two-for-three ratio, whereby each two shares of preferred stock are convertible into three shares of common stock, as if the conversion occurred at the date of their original issuance.

In connection with the issuance of our series D redeemable convertible preferred stock, we recorded a non-cash preferred stock dividend of $37.4 million, which relates to the beneficial conversion feature associated with such preferred stock.

The pro forma balance sheet data summarized below give effect to:

- the receipt of net proceeds of approximately $17.9 million from the sale of our series D redeemable convertible preferred stock on January 27, 2000; and
- the automatic conversion into common stock of all of our outstanding convertible preferred stock (including our series D redeemable convertible preferred stock) at a two-for-three ratio upon the closing of this offering.

The pro forma as adjusted balance sheet data summarized below give effect to our receipt of the estimated net proceeds from the sale of the 4,000,000 shares of common stock offered hereby at an assumed initial public offering price of $14.00 per share (the mid-point of the range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED

			(IN THOUSANDS)
BALANCE SHEET DATA:			
Cash and cash equivalents	$14,944	$32,844	$83,924
Working capital	13,380	31,280	82,360
Total assets	19,570	37,470	88,550
Redeemable convertible preferred stock	18,990	--	--
Total stockholders' equity (deficit)	(2,046)	34,844	85,924

RISK FACTORS

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW, TOGETHER WITH THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING AN INVESTMENT DECISION. AS A RESULT OF THE FOLLOWING RISKS, THE MARKET PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

RISKS RELATED TO OUR BUSINESS

WE HAVE A LIMITED OPERATING HISTORY PROVIDING THE LIVEPERSON SERVICE AND EXPECT TO ENCOUNTER DIFFICULTIES FACED BY EARLY STAGE COMPANIES IN NEW AND RAPIDLY EVOLVING MARKETS.

We have only a limited operating history providing the LivePerson service upon which to base an evaluation of our current business and future prospects. We began offering the LivePerson service in November 1998; accordingly, the revenue and income potential of our business and the related market are unproven. As a result of our limited operating history as a provider of real-time sales and customer service technology for companies doing business on the Internet, we have only one year of historical financial data relating to the LivePerson service upon which to forecast revenue and results of operations.

In addition, because this market is relatively new and rapidly evolving, we have limited insight into trends that may emerge and affect our business. Before investing in us, you should evaluate the risks, expenses and problems frequently encountered by companies such as ours that are in the early stages of development and that are entering new and rapidly changing markets. These risks include our ability to:

- attract more clients and retain existing clients;

- sell additional seats, which generate monthly fees, and other services to our existing clients;

- effectively market and maintain our brand name;

- respond effectively to competitive pressures;

- continue to develop and upgrade our technology; and

- attract, integrate, retain and motivate qualified personnel.

If we are unsuccessful in addressing some or all of these risks, our business, financial condition and results of operations would be materially and adversely affected.

OUR ANNUAL REVENUE HAS NEVER EXCEEDED $640,000, WE HAD AN ACCUMULATED DEFICIT OF $9.8 MILLION AS OF DECEMBER 31, 1999 AND WE EXPECT TO INCUR SIGNIFICANT LOSSES FOR THE FORESEEABLE FUTURE.

We have not achieved profitability and, as we expect to continue to incur significant operating expenses and to make significant capital expenditures, we expect to continue to experience significant losses and negative cash flow for the foreseeable future. We recorded a net loss of $20,000 for the year ended December 31, 1998 (the year in which we commenced offering the LivePerson service) and a net loss of approximately $9.8 million for the year ended December 31, 1999. As of December 31, 1999, our accumulated deficit was approximately $9.8 million. Even if we do achieve profitability, we cannot assure you that we can sustain or increase profitability on a quarterly or annual basis in the future. Failure to achieve or maintain profitability may materially and adversely affect the market price of our common stock.

WE HAVE AN UNPROVEN BUSINESS MODEL AND MAY NOT GENERATE SUFFICIENT REVENUE FOR OUR BUSINESS TO SURVIVE.

Our business model is based on the delivery of real-time sales and customer service technology to companies doing business on the Internet, a largely untested business. Sales and

customer service historically have been provided primarily in person or by telephone. Our business model assumes that companies doing business on the Internet will choose to provide sales and customer service via the Internet. Our business model also assumes that many companies will recognize the benefits of an outsourced application, that Internet users will choose to engage a customer service representative in a live text-based interaction, that this interaction will maximize sales opportunities and enhance the online shopping experience and that companies will seek to have their online sales and customer service technology provided by us. If any of these assumptions is incorrect, our business may be harmed.

WE EXPECT THAT ALL OF OUR REVENUE WILL COME FROM THE LIVEPERSON SERVICE FOR THE FORESEEABLE FUTURE AND IF WE ARE NOT SUCCESSFUL IN SELLING THE SERVICE, OUR REVENUE WILL NOT INCREASE AND MAY DECLINE.

The success of our business currently depends, and for the foreseeable future will continue to substantially depend, on the sale of only one service. Revenue related to the LivePerson service, which will account for all of our revenue for the forseeable future, is comprised of initial non-refundable set-up fees and ongoing monthly fees. Ongoing monthly fees, in turn, result from the sale of seats to new clients and the sale of additional seats to existing clients. In 1999, revenue from monthly fees has accounted for more than 90% of LivePerson service revenue. We introduced our LivePerson service in November 1998, and we currently have more than 450 clients. We cannot be certain that there will be client demand for our service or that we will be successful in penetrating the market for real-time sales and customer service technology. A decline in the price of, or fluctuation in the demand for, the LivePerson service, is likely to cause our revenue to decline. In addition, if our clients were to reduce the number of seats used or fail to purchase additional seats, our revenue might not increase.

THE SUCCESS OF OUR BUSINESS REQUIRES THAT CLIENTS CONTINUE TO USE THE LIVEPERSON SERVICE AND PURCHASE ADDITIONAL SEATS.

Our LivePerson service agreements typically have no termination date and are terminable upon 30 to 90 days' notice without penalty. If a significant number of our clients, or any one client with a significant number of seats, were to terminate these service agreements, reduce the number of seats purchased or fail to purchase additional seats, our results of operations may be negatively and materially affected. We cannot assure you that we will experience high client retention rates. Our client retention rates may decline as a result of a number of factors, including competition, consolidation in the Internet industry or termination of operations by a significant number of our clients. Dissatisfaction with the nature or quality of our services could also lead clients to terminate our service. We depend on monthly fees from the LivePerson service for substantially all our revenue. If our retention rate declines, our revenue could decline unless we are able to obtain additional clients or alternate revenue sources. Further, because of the historically small number of seats sold in initial orders, we depend on sales to new clients and sales of additional seats to our existing clients.

OUR QUARTERLY REVENUE AND OPERATING RESULTS ARE SUBJECT TO SIGNIFICANT FLUCTUATIONS WHICH MAY ADVERSELY AFFECT THE TRADING PRICE OF OUR COMMON STOCK.

We expect our quarterly revenue and operating results to fluctuate significantly in the future due to a variety of factors, including the following factors which are in part within our control, and in part outside of our control:

- market acceptance by companies doing business on the Internet of real-time sales and customer service technology;

- our clients' business success;

- our clients' demand for seats;

- our ability to attract and retain clients;

- the amount and timing of capital expenditures and other costs relating to the expansion of our operations, including those related to acquisitions;

- the introduction of new services by us or our competitors; and

- changes in our pricing policies or the pricing policies of our competitors.

Our revenue and results may also fluctuate significantly in the future due to the following factors that are entirely outside of our control:

- seasonal factors affecting our clients' businesses;

- economic conditions specific to the Internet, electronic commerce and online media; and

- general economic conditions.

Many of our clients' businesses are seasonal. Our clients' demand for real-time sales and customer service technology in general and their demand for seats, in particular, may be seasonal as well. As a result, our future revenue and profits may vary from quarter to quarter.

We do not believe that period-to-period comparisons of our operating results are meaningful. You should not rely upon these comparisons as indicators of our future performance.

Due to the foregoing factors, it is possible that our results of operations in one or more future quarters may fall below the expectations of securities analysts and investors. If this occurs, the trading price of our common stock would decline.

COMPETITION FOR PERSONNEL IN OUR INDUSTRY IS INTENSE.

We may be unable to retain our key employees or attract, integrate or retain other highly qualified employees in the future. We have experienced, and expect to continue to experience, difficulty in hiring highly-skilled employees with appropriate qualifications. As we continue to increase our client base and expand our operations, we expect that we will hire additional technical personnel, client services personnel and sales and marketing personnel. There is significant competition for qualified employees in our industry, particularly employees with technical backgrounds. If we do not succeed in attracting new personnel or retaining and motivating our current personnel, or if we are unable to outsource certain functions, our business, results of operations and financial condition will be materially and adversely affected.

WE MAY NOT BE ABLE TO EFFECTIVELY MANAGE OUR EXPANDING OPERATIONS.

Since the launch of the LivePerson service in November 1998, we have grown rapidly. This growth has placed a significant strain on our managerial, operational, technical and financial resources. In 2000, we intend to replace our existing accounting and other back-office systems at a cost of approximately $1.0 million. The new systems will have to be integrated with our operations, controls and procedures. If we are not able to successfully integrate these new systems with our existing systems, or if we incur significant costs in order to achieve such integration, our business could be harmed. In order to manage our growth, we must also continue to implement new or upgraded operating and financial systems, procedures and controls. Our failure to expand our operations in an efficient manner could cause our expenses to grow, our revenue to decline or grow more slowly than expected and could otherwise have a material adverse effect on our business, results of operations and financial condition.

Further, as a result of our growth, the number of our employees grew from six at December 31, 1998 to 125 at March 8, 2000. In the area of technology, we grew from one employee at December 31, 1998, to 19 employees at December 31, 1999 and to 46 employees at March 8, 2000. We expect to nearly double our existing technology personnel in the remainder of the year; however we cannot assure you that we will grow by this amount. We also cannot assure you that we will be successful in integrating these new employees or that such integration will not distract valuable management resources.

In addition, in January 2000, we hired our Chief Operating Officer, Dean Margolis, and our Chief Technology Officer, James L. Reagan, who do not have significant experience working with us or with each other. The process of integrating new members of our senior management team can be time-consuming and may distract other members of management from the operation of our business. If members of our senior management are unable to work together successfully or manage our growth, our business will be harmed.

OUR REPUTATION DEPENDS, IN PART, ON FACTORS WHICH ARE ENTIRELY OUTSIDE OF OUR CONTROL.

Our service appears as a LivePerson-branded or custom-created icon on our clients' Web sites. When an Internet user clicks on the icon, a pop-up dialogue window appears, which, in nearly all cases, displays the slogan "Powered by LivePerson." The customer service operators who respond to the inquiries of our clients' Internet users are employees or agents of our clients; they are not employees of LivePerson. As a result, we have no way of controlling the actions of these operators. In addition, an Internet user may not know that the operator is an employee or agent of our client, rather than a LivePerson employee. If an Internet user were to have a negative experience in a LivePerson-powered real-time dialogue, it is possible that this experience could be attributed to us, which could diminish our brand and harm our business. Finally, we believe the success of our service depends on the prominent placement of the icon on the client's Web site, over which we also have no control.

WE MAY BE UNABLE TO CONTINUE TO BUILD AWARENESS OF THE LIVEPERSON BRAND NAME.

Building recognition of our brand is critical to establishing the advantage of being among the first application service providers to provide real-time sales and customer service and to attracting new clients. If we fail to successfully promote and maintain our brand or incur significant expenses in promoting our brand without an associated increase in our revenue, our business, results of operations and financial condition may be materially and adversely affected.

WE ARE DEPENDENT ON TECHNOLOGY SYSTEMS THAT ARE BEYOND OUR CONTROL.

The success of the LivePerson service depends in part on our clients' online services as well as the Internet connections of visitors to their Web sites, both of which are outside of our control. As a result, it may be difficult to identify the source of problems if they occur. In the past, we have experienced problems related to connectivity which have resulted in slower than normal response times to Internet user chat requests and messages and interruptions in service. The LivePerson service relies both on the Internet and on our connectivity vendors for data transmission. Therefore, even when connectivity problems are not caused by the LivePerson service, our clients or Internet users may attribute the problem to us. This could diminish our brand and harm our business, divert the attention of our technical personnel from our product development efforts or cause significant client relations problems.

In addition, we rely on two Web hosting services for Internet connectivity to deliver our service, power, security and technical assistance. They have, in the past, experienced problems that have resulted in slower than normal response times and interruptions in service. If we are unable to continue utilizing the services of our existing Web hosting providers or if our Web hosting services experience interruptions or delays, it is possible that our business could be harmed.

Our service also depends on many third parties for hardware and software, which products could contain defects. Problems arising from our use of such hardware or software could require us to incur significant costs or divert the attention of our technical personnel from our product development efforts. To the extent any such problems require us to replace such hardware or software, we may not be able to do so on acceptable terms, if at all.

TECHNOLOGICAL DEFECTS COULD DISRUPT OUR SERVICE, WHICH COULD HARM OUR BUSINESS AND REPUTATION.

We face risks related to the technological capabilities of the LivePerson service. We expect the number of simultaneous chats between our clients' operators and Internet users over our system to increase significantly as we expand our client base. Our network hardware and software may not be able to accommodate this additional volume. Additionally, we must continually upgrade our software to improve the features and functionality of the LivePerson service in order to be competitive in our market. If future versions of our software contain undetected errors, our business could be harmed. As a result of major software upgrades at LivePerson, our client sites have, from time to time, experienced slower than normal response times and interruptions in service. If we experience system failures or degraded response times, our reputation and brand could be harmed. We may also experience technical problems in the process of installing and initiating the LivePerson service on new Web hosting services. These problems, if unremedied, could harm our business.

The LivePerson service also depends on complex software which may contain defects, particularly when we introduce new versions onto our servers. We may not discover software defects that affect our new or current services or enhancements until after they are deployed. It is possible that, despite testing by us, defects may occur in the software. These defects could result in:

- damage to our reputation;
- lost sales;
- delays in or loss of market acceptance of our products; and
- unexpected expenses and diversion of resources to remedy errors.

WE MAY BE UNABLE TO RESPOND TO THE RAPID TECHNOLOGICAL CHANGE AND CHANGING CLIENT PREFERENCES IN THE ONLINE SALES AND CUSTOMER SERVICE INDUSTRY AND THIS MAY HARM OUR BUSINESS.

If we are unable, for technological, legal, financial or other reasons, to adapt in a timely manner to changing market conditions in the online sales and customer service industry or our clients' or Internet users' requirements, our business, results of operations and financial condition would be materially and adversely affected. Business on the Internet is characterized by rapid technological change. In addition, the market for online sales and customer service technology is relatively new. Sudden changes in client and Internet user requirements and preferences, frequent new product and service introductions embodying new technologies, such as broadband communications, and the emergence of new industry standards and practices could render the LivePerson service and our proprietary technology and systems obsolete. The rapid evolution of these products and services will require that we continually improve the performance, features and reliability of the LivePerson service. Our success will depend, in part, on our ability to:

- enhance the features and performance of the LivePerson service;
- develop and offer new services that are valuable to companies doing business on the Internet and Internet users; and
- respond to technological advances and emerging industry standards and practices in a cost-effective and timely manner.

If any of our new services, including upgrades to the LivePerson service, do not meet our clients' or Internet users' expectations, our business may be harmed. Updating our technology may require significant additional capital expenditures and could materially and adversely affect our business, results of operations and financial condition.

IF WE ARE NOT COMPETITIVE IN THE MARKET FOR REAL-TIME SALES AND CUSTOMER SERVICE TECHNOLOGY, OUR BUSINESS COULD BE HARMED.

There are no substantial barriers to entry in the real-time sales and customer service technology market, other than the ability to design and build scalable software and, with respect to outsourced solution providers, the ability to design and build scalable network architecture. Established or new entities may enter this market in the near future, including those that provide real-time interaction online, with or without the user's request.

We compete directly with companies focused on technology that facilitates real-time sales and customer service interaction. Our competitors include customer service enterprise software providers such as eGain Communications Corp., eShare Technologies, Inc., Kana Communications, Inc. and WebLine Communications (a part of Cisco Systems' applications technology group), some of which are beginning to offer hosted solutions. Furthermore, many of our competitors offer a broader range of customer relationship management products and services than we currently offer. We may be disadvantaged and our business may be harmed if companies doing business on the Internet choose sales and customer service technology from such providers.

We also face potential competition from larger enterprise software companies such as Oracle Corporation and Siebel Systems. In addition, established technology companies, including IBM, Hewlett-Packard and Microsoft, may also leverage their existing relationships and capabilities to offer real-time sales and customer service applications.

Finally, we face competition from clients and potential clients that choose to provide a real-time sales and customer service solution in-house as well as, to a lesser extent, traditional offline customer service solutions, such as telephone call centers.

We believe that competition will increase as our current competitors increase the sophistication of their offerings and as new participants enter the market. Many of our current and potential competitors have:

- longer operating histories;
- larger client bases;
- greater brand recognition;
- more diversified lines of products and services; and
- significantly greater financial, marketing and other resources.

These competitors may enter into strategic or commercial relationships with larger, more established and better-financed companies. These competitors may be able to:

- undertake more extensive marketing campaigns;
- adopt more aggressive pricing policies; and
- make more attractive offers to businesses to induce them to use their products or services.

Any delay in the general market acceptance of the real-time sales and customer service solution business model would likely harm our competitive position. Delays would allow our competitors additional time to improve their service or product offerings, and would also provide time for new competitors to develop real-time sales and customer service applications and solicit prospective clients within our target markets. Increased competition could result in pricing pressures, reduced operating margins and loss of market share.

IF WE DO NOT SUCCESSFULLY INTEGRATE POTENTIAL FUTURE ACQUISITIONS, OUR BUSINESS COULD BE HARMED.

In the future, we may acquire or invest in complementary companies, products or technologies. Acquisitions and investments involve numerous risks to us, including:

- difficulties in integrating operations, technologies, products and personnel with LivePerson;

- diversion of financial and management resources from efforts related to the LivePerson service or other then-existing operations;

- risks of entering new markets beyond providing real-time sales and customer service technology for companies doing business on the Internet;

- potential loss of either our existing key employees or key employees of any companies we acquire; and

- our inability to generate sufficient revenue to offset acquisition or investment costs.

These difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations. Furthermore, we may incur debt or issue equity securities to pay for any future acquisitions. The issuance of equity securities could be dilutive to our existing stockholders.

WE COULD FACE ADDITIONAL REGULATORY REQUIREMENTS, TAX LIABILITIES AND OTHER RISKS AS WE EXPAND INTERNATIONALLY.

We intend to expand internationally. There are risks related to doing business in international markets, such as changes in regulatory requirements, tariffs and other trade barriers, fluctuations in currency exchange rates and adverse tax consequences. In addition, there are likely to be different consumer preferences and requirements in specific international markets. Furthermore, we may face difficulties in staffing and managing any foreign operations. One or more of these factors could harm any future international operations.

OUR BUSINESS AND PROSPECTS WOULD SUFFER IF WE ARE UNABLE TO PROTECT AND ENFORCE OUR INTELLECTUAL PROPERTY RIGHTS.

Our success and ability to compete depend, in part, upon the protection of our intellectual property rights relating to the technology underlying the LivePerson service. We currently have a U.S. patent application pending relating to such technology and have not filed applications outside the U.S. It is possible that:

- our pending patent application may not result in the issuance of a patent;

- any patent issued may not be broad enough to protect our intellectual property rights;

- any patent issued could be successfully challenged by one or more third parties, which could result in our loss of the right to prevent others from exploiting the invention claimed in the patent;

- current and future competitors may independently develop similar technology, duplicate our service or design around any patent we may have; and

- effective patent protection may not be available in every country in which we do business.

We also rely upon copyright, trade secret and trademark law, written agreements and common law to protect our proprietary technology, processes and other intellectual property, to the extent that protection is sought or secured at all. We currently have one patent application pending. To the extent that the invention described in our U.S. patent application was made public prior to the filing of the application, we may not be able to obtain patent protection in certain foreign countries. We currently have a common law trademark, "LivePerson", and three pending U.S. trademark applications. The trademark examiner assigned to our applications has

issued non-final office actions with respect to our applications, requesting additional information and making initial refusals. However, no final determinations as to the registrability of the marks have been made. We are in the process of responding to these office actions prior to their respective deadlines, but ultimately we may not be able to secure registration of our trademarks. In addition, we do not have any trademarks registered outside the U.S., nor do we have any trademark applications pending outside the U.S. We cannot assure you that any steps we might take will be adequate to protect against infringement and misappropriation of our intellectual property by third parties. Similarly, we cannot assure you that third parties will not be able to independently develop similar or superior technology, processes or other intellectual property. The unauthorized reproduction or other misappropriation of our intellectual property rights could enable third parties to benefit from our technology without paying us for it. If this occurs, our business, results of operations and financial condition would be materially and adversely affected. In addition, disputes concerning the ownership or rights to use intellectual property could be costly and time-consuming to litigate, may distract management from operating our business and may result in our loss of significant rights.

OUR PRODUCTS AND SERVICES MAY INFRINGE UPON INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES AND ANY INFRINGEMENT COULD REQUIRE US TO INCUR SUBSTANTIAL COSTS AND MAY DISTRACT OUR MANAGEMENT.

Although we attempt to avoid infringing known proprietary rights of third parties, we are subject to the risk of claims alleging infringement of third-party proprietary rights. If we infringe upon the rights of third parties, we may not be able to obtain licenses to use those rights on commercially reasonable terms. In that event, we would need to undertake substantial reengineering to continue offering our service. Any effort to undertake such reengineering might not be successful. In addition, any claim of infringement could cause us to incur substantial costs defending against the claim, even if the claim is invalid, and could distract our management from our business. Furthermore, a party making such a claim could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products. If any of these events occurred, our business, results of operations and financial condition would be materially and adversely affected.

WE CANNOT PREDICT OUR FUTURE CAPITAL NEEDS TO EXECUTE OUR BUSINESS STRATEGY AND WE MAY NOT BE ABLE TO SECURE ADDITIONAL FINANCING.

We believe that the net proceeds from this offering, together with the proceeds from the sale of our series D redeemable convertible preferred stock, and our current cash and cash equivalents, will be sufficient to fund our working capital and capital expenditure requirements for at least the next 12 months. To the extent that we require additional funds to support our operations or the expansion of our business, or to pay for acquisitions, we may need to sell additional equity, issue debt or convertible securities or obtain credit facilities through financial institutions. In the past, we have obtained financing principally through the sale of preferred stock, common stock and warrants. If additional funds are raised through the issuance of debt or preferred equity securities, these securities could have rights, preferences and privileges senior to holders of common stock. The terms of any debt securities could impose restrictions on our operations. If additional funds are raised through the issuance of additional equity or convertible securities, our stockholders could suffer dilution. We cannot assure you that additional funding, if required, will be available to us in amounts or on terms acceptable to us. If sufficient funds are not available or are not available on acceptable terms, our ability to fund our expansion, take advantage of acquisition opportunities, develop or enhance our services or products, or otherwise respond to competitive pressures would be significantly limited. Those limitations would materially and adversely affect our business, results of operations and financial condition.

OUR BUSINESS IS DEPENDENT ON A FEW KEY EMPLOYEES, INCLUDING OUR CHIEF EXECUTIVE OFFICER, ROBERT P. LOCASCIO.

Our future success depends to a significant extent on the continued services of our senior management team, including Robert P. LoCascio, our founder and Chief Executive Officer. The loss of the services of any member of our senior management team, in particular Mr. LoCascio, could have a material and adverse effect on our business, results of operations and financial condition.

WE MAY BE LIABLE IF THIRD PARTIES MISAPPROPRIATE PERSONAL INFORMATION BELONGING TO OUR CLIENTS' INTERNET USERS.

We maintain dialogue transcripts of the text-based chats between our clients and Internet users and store on our servers information supplied voluntarily by these Internet users in exit surveys which follow the chats. We provide this information to our clients to allow them to perform Internet user analyses and monitor the effectiveness of our service. Some of the

information we collect in text-based chats and exit surveys may include personal information, such as contact and demographic information. If third parties were able to penetrate our network security or otherwise misappropriate personal information relating to our clients' Internet users or the text of customer service inquiries, we could be subject to liability. We could be subject to negligence claims or claims for misuse of personal information. These claims could result in litigation which could have a material adverse effect on our business, results of operations and financial condition. We may incur significant costs to protect against the threat of security breaches or to alleviate problems caused by such breaches.

PROBLEMS RESULTING FROM THE YEAR 2000 PROBLEM COULD REQUIRE US TO INCUR UNANTICIPATED EXPENSES, DIVERT MANAGEMENT'S TIME AND ATTENTION, AND DISRUPT OUR BUSINESS.

Many currently installed computer systems and software products produced before January 1, 2000 were coded to accept or recognize only two-digit entries in the date code field. These systems may interpret the date code "00" as the year 1900 rather than as the year 2000. As a result, computer systems and software in use today may need to be upgraded or replaced to comply with Year 2000 requirements or risk system failure or miscalculations causing disruptions of normal business activities. We are not aware of any material Year 2000 problems that have harmed or threaten to harm our business, but we cannot assure you that no such problems will emerge. Our failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, aspects of our normal business activities or operations. In addition, a significant Year 2000 problem involving the LivePerson service, including our hosting facilities or equipment provided to us by third-party vendors, could cause our clients to consider seeking alternate solutions or cause an unmanageable burden on our internal client service and network support staff. Any significant Year 2000 problem could require us to incur significant unanticipated expenses to remedy these problems and could divert management from other tasks of operating our business, which would harm our business, results of operations and financial condition. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Year 2000" for more detailed information regarding the Year 2000 issue.

DATA AND PROJECTIONS INCLUDED IN THIS PROSPECTUS RELATING TO THE GROWTH OF THE INTERNET ARE BASED ON ASSUMPTIONS THAT COULD TURN OUT TO BE INCORRECT, AND ACTUAL RESULTS COULD BE MATERIALLY DIFFERENT.

This prospectus contains various third-party data and projections, including those relating to Internet business activity. Our actual results or circumstances may be materially different from the data or projections, and the market that we address, namely real-time sales and customer service for companies doing business on the Internet, may not grow. The failure of this market to grow and, more generally, the failure of Internet business activity to grow as projected, may cause the market price of our common stock to decline.

RISKS RELATED TO OUR INDUSTRY

WE ARE DEPENDENT ON CONTINUED GROWTH IN THE USE OF THE INTERNET AS A MEDIUM FOR COMMERCE.

We cannot be sure that a sufficiently broad base of consumers will adopt, and continue to use, the Internet as a medium for commerce. Our long-term viability depends substantially upon the widespread acceptance and development of the Internet as an effective medium for consumer

commerce. Use of the Internet to effect retail transactions is at an early stage of development. Convincing our clients to offer real-time sales and customer service technology may be difficult.

Demand for recently introduced services and products over the Internet is subject to a high level of uncertainty. Few proven services and products exist. The development of the Internet into a viable commercial marketplace is subject to a number of factors, including:

- continued growth in the number of users;
- concerns about transaction security;
- continued development of the necessary technological infrastructure;
- development of enabling technologies;
- uncertain and increasing government regulation; and
- the development of complementary services and products.

WE DEPEND ON THE CONTINUED VIABILITY OF THE INFRASTRUCTURE OF THE INTERNET.

To the extent that the Internet continues to experience growth in the number of users and frequency of use by consumers resulting in increased bandwidth demands, we cannot assure you that the infrastructure for the Internet will be able to support the demands placed upon it. The Internet has experienced outages and delays as a result of damage to portions of its infrastructure. Outages or delays, including those resulting from Year 2000 problems, could adversely affect online sites, email and the level of traffic on the Internet. We also depend on Internet service providers that provide our clients and Internet users with access to the LivePerson service. In the past, users have experienced difficulties due to system failures unrelated to our service. In addition, the Internet could lose its viability due to delays in the adoption of new standards and protocols required to handle increased levels of Internet activity. Insufficient availability of telecommunications services to support the Internet also could result in slower response times and negatively impact use of the Internet generally, and our clients' sites (including the LivePerson pop-up dialogue window) in particular. If the use of the Internet fails to grow or grows more slowly than expected, if the infrastructure for the Internet does not effectively support growth that may occur or if the Internet does not become a viable commercial marketplace, we may not achieve profitability and our business, results of operations and financial condition will suffer.

WE MAY BECOME SUBJECT TO BURDENSOME GOVERNMENT REGULATION AND LEGAL UNCERTAINTIES.

Laws and regulations directly applicable to Internet communications, commerce and advertising are becoming more prevalent. Recently, the United States Congress enacted Internet legislation relating to issues such as children's privacy, copyright and taxation. The children's privacy legislation imposes restrictions on the collection, use and distribution of personal identification information obtained online from children under the age of 13. The copyright legislation establishes rules governing the liability of Internet service providers and Web site publishers for the copyright infringement of Internet users. The tax legislation places a moratorium on certain forms of Internet taxes for three years; however, this moratorium does not apply to sales and use taxes. Additionally, the European Union recently adopted a directive addressing data privacy which imposes restrictions on the collection, use and processing of personal data. Existing legislation and any new legislation could hinder the growth in use of the Internet generally and decrease the acceptance of the Internet as a medium for communication, commerce and advertising. The laws governing the Internet remain largely unsettled, even in areas where legislation has been enacted. It may take several years to determine whether and

how existing laws such as those governing intellectual property, taxation and personal privacy apply to the Internet and Internet services. In addition, the growth and development of the market for Internet commerce may prompt calls for more stringent consumer protection laws, both in the U.S. and abroad, which may impose additional burdens on companies conducting business online. Our business, results of operations and financial condition could be materially and adversely affected if we do not comply with recent legislation or laws or regulations relating to the Internet that are adopted or modified in the future.

For example, the LivePerson service allows our clients to capture and save information about Internet users, possibly without their knowledge. Additionally, our service uses a tool, commonly referred to as a "cookie," to uniquely identify each of our clients' Internet users. To the extent that additional legislation regarding Internet user privacy is enacted, such as legislation governing the collection and use of information regarding Internet users through the use of cookies, the effectiveness of the LivePerson service could be impaired by restricting us from collecting information which may be valuable to our clients. The foregoing could harm our business, results of operations and financial condition.

SECURITY CONCERNS COULD HINDER COMMERCE ON THE INTERNET.

User concerns about the security of confidential information online has been a significant barrier to commerce on the Internet and online communications. Any well-publicized compromise of security could deter people from using the Internet or other online services or from using them to conduct transactions that involve the transmission of confidential information. If Internet commerce is inhibited as a result of such security concerns, our business would be harmed.

RISKS RELATED TO THIS OFFERING

AFTER THIS OFFERING, OUR EXECUTIVE OFFICERS, DIRECTORS AND 5% OR GREATER STOCKHOLDERS WILL EXERCISE CONTROL OVER ALL MATTERS REQUIRING A STOCKHOLDER VOTE.

After this offering, our executive officers, directors and existing stockholders who each own greater than 5% of the common stock that was outstanding immediately before this offering and their affiliates, each of whom is listed in "Principal Stockholders," will, in the aggregate, beneficially own approximately 70.7% of our outstanding common stock. As a result, these stockholders will be able to exercise control over all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership could also have the effect of delaying or preventing a change in control.

OF OUR TOTAL OUTSTANDING SHARES, 25,323,804 ARE RESTRICTED FROM IMMEDIATE RESALE PURSUANT TO CONTRACTUAL AGREEMENTS AND PROVISIONS OF LAWS, BUT MAY BE SOLD INTO THE MARKET IN THE NEAR FUTURE. THE SALE OF THESE SHARES COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DROP SIGNIFICANTLY, EVEN IF OUR BUSINESS IS DOING WELL.

After this offering, we will have outstanding 29,323,804 shares of common stock. Of these shares, the 4,000,000 shares sold in this offering will be freely tradable except for any shares purchased by our "affiliates" as that term is used in Rule 144 of the Securities Act, who are generally those persons who directly or indirectly control LivePerson, such as our directors, executive officers, and significant stockholders. Affiliates may only sell their shares pursuant to the requirements of Rule 144 or in a registered public offering. Unless sold earlier pursuant to a registered public offering, the remaining 25,323,804 shares will become available for resale in the public market at various times in the future, including 20,586,962 shares that are eligible for

resale following the expiration of the 180-day lock-up agreements entered into among the underwriters and such stockholders. Chase Securities Inc. may waive the restrictions imposed in such agreements at any time. The following table illustrates the shares eligible for sale in the public market:

NUMBER OF SHARES	DATE
4,000,000	After the date of this prospectus, freely tradable shares sold in this offering and shares saleable under Rule 144(k) that are not subject to the 180-day lock-up
0	After 90 days from the date of this prospectus, shares saleable under Rule 144 or Rule 701 that are not subject to the 180-day lock-up
20,586,962	After 180 days from the date of this prospectus, the 180-day lock-up is released and these shares are saleable under Rule 144 (subject, in some cases, to volume limitations), Rule 144(k) or Rule 701
4,736,842	After 180 days from the date of this prospectus, restricted securities that are held for less than one year are not yet saleable under Rule 144

As restrictions on resale end, the market price of our stock could drop significantly if the holders of restricted shares sell them or are perceived by the market as intending to sell them. For more detailed information, see "Shares Eligible for Future Sale."

THERE HAS BEEN NO PRIOR MARKET FOR OUR COMMON STOCK AND OUR STOCK PRICE MAY EXPERIENCE EXTREME PRICE AND VOLUME FLUCTUATIONS.

Prior to this offering, investors could not buy or sell our common stock publicly. An active public market for our common stock may not develop or be sustained after the offering. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. The market price of our common stock may decline below the initial public offering price after this offering.

Fluctuations in market price and volume are particularly common among securities of Internet and other technology companies. The market price of our common stock may fluctuate significantly in response to the following factors, some of which are beyond our control:

- variations in our quarterly operating results;
- changes in market valuations of Internet and other technology companies;
- our announcements of significant client contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- our failure to complete significant sales;
- additions or departures of key personnel;
- future sales of our common stock; and
- changes in financial estimates by securities analysts.

In the past, companies that have experienced volatility in the market price of their common stock have been the object of securities class action litigation. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and distract management from other aspects of operating our business.

WE MAY SPEND A SUBSTANTIAL PORTION OF THE NET PROCEEDS OF THIS OFFERING IN WAYS WITH WHICH YOU MAY NOT AGREE.

The net proceeds of this offering are not allocated for specific uses. Our management will have broad discretion to spend the net proceeds from this offering in ways with which you may not agree. The failure of our management to apply these funds effectively could result in unfavorable returns. This could have a material and adverse effect on our business, results of operations and financial condition, and could cause the price of our common stock to decline.

ANTI-TAKEOVER PROVISIONS IN OUR CHARTER DOCUMENTS AND DELAWARE LAW MAY MAKE IT DIFFICULT FOR A THIRD PARTY TO ACQUIRE US.

Provisions of our amended and restated certificate of incorporation, such as our staggered board of directors, the manner in which director vacancies may be filled and provisions regarding the calling of stockholder meetings, could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. In addition, provisions of our amended and restated bylaws, such as advance notice requirements for stockholder proposals, and applicable provisions of Delaware law, such as the application of business combination limitations, could impose similar difficulties. Further, our amended and restated certificate of incorporation and our amended and restated bylaws may not be amended without the affirmative vote of at least 66.67% of our board of directors or without the affirmative vote of not less than 66.67% of the outstanding shares of our capital stock entitled to vote generally in the election of directors (considered for this purpose as a single class) cast at a meeting of our stockholders called for that purpose.

INVESTORS PURCHASING SHARES IN THIS OFFERING WILL SUFFER IMMEDIATE AND SUBSTANTIAL DILUTION.

Investors purchasing shares in this offering will incur immediate and substantial dilution in pro forma net tangible book value, in the amount of $11.06 per share. To the extent outstanding options to purchase common stock are exercised, there will be further dilution. Please see "Dilution."

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements which involve risks and uncertainties. These forward-looking statements, which are usually accompanied by words such as "may," "might," "will," "should," "could," "intends," "estimates," "predicts," "potential," "continue," "believes," "anticipates," "plans," "expects" and similar expressions, relate to, without limitation, statements about our market opportunities, our strategy, our competition, our projected revenue and expense levels and the adequacy of our available cash resources. This prospectus also contains forward-looking statements attributed to third parties relating to their estimates regarding Internet business activity. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. Our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of various factors, including the risk factors described above and included elsewhere in this prospectus. We undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of the shares of common stock in this offering of $51.1 million, assuming an initial public offering price of $14.00 per share (the mid-point of the range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be $58.9 million.

The primary purposes of this offering are to create a public market for our common stock and facilitate future access to public capital markets. We presently intend to use the proceeds for general corporate purposes, including sales and marketing activities, the hiring of additional personnel, product development costs and working capital. We also believe opportunities may exist to expand our current business through strategic alliances and acquisitions, and we may utilize a portion of the proceeds for such purposes. We are not currently a party to any contracts or letters of intent with respect to any strategic alliances or acquisitions.

Pending such uses, we intend to invest the net proceeds of this offering in short-term, interest-bearing, investment-grade securities.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our capital stock since our inception. We intend to retain future earnings, if any, to finance the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Consequently, stockholders will need to sell shares of common stock to realize a return on their investment, if any.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, and capitalization as of December 31, 1999:

- on an actual basis;
- on a pro forma basis to give effect to:
  - the receipt of net proceeds of approximately $17.9 million from the sale of our series D redeemable convertible preferred stock on January 27, 2000; and
  - the automatic conversion into common stock of all of our outstanding convertible preferred stock (including the series D redeemable convertible preferred stock) at a two-for-three ratio upon the closing of this offering;
- on a pro forma as adjusted basis to give effect to the sale of 4,000,000 shares of common stock by us in this offering at an assumed initial public offering price of $14.00 per share (the mid-point of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The information set forth in the table below is based on shares outstanding as of December 31, 1999, and excludes:

- 10,000,000 shares of common stock reserved for issuance under our 2000 Stock Incentive Plan, of which 5,528,970 shares are issuable upon the exercise of stock options outstanding as of March 8, 2000 with a weighted average exercise price of $2.28 per share;
- 93,750 shares of common stock issued upon the exercise of options since December 31, 1999;
- 94,500 shares of common stock reserved for issuance upon the exercise of stock options with an exercise price of $1.60 per share granted outside of the predecessor to our 2000 Stock Incentive Plan;
- 450,000 shares of common stock reserved for issuance under our 2000 Employee Stock Purchase Plan;
- 542,968 shares of common stock issuable upon the exercise of warrants outstanding as of March 8, 2000, with a weighted average exercise price of $1.60 per share; and
- 175,781 shares of common stock issued upon the exercise of warrants since December 31, 1999.

This information should be read in conjunction with our financial statements and the related notes to those statements included in this prospectus.

	DECEMBER 31, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(DOLLARS IN THOUSANDS)		
Cash and cash equivalents	$14,944	$32,844	$ 83,924
Series C redeemable convertible preferred stock, $.001 par value; actual--5,132,433 shares authorized, issued and outstanding; pro forma and pro forma as adjusted--no shares authorized, issued or outstanding	$18,990	$ --	$ --
Series D redeemable convertible preferred stock, $.001 par value; actual, pro forma and pro forma as adjusted--no shares authorized, issued or outstanding	--	--	--
Stockholders' equity (deficit):			
Series A convertible preferred stock, $.001 par value; actual--2,541,667 shares authorized, issued and outstanding; pro forma and pro forma as adjusted--no shares authorized, issued or outstanding	3	--	--
Series B convertible preferred stock, $.001 par value; actual--1,142,857 shares authorized, issued and outstanding; pro forma and pro forma as adjusted--no shares authorized, issued or outstanding	1	--	--
Preferred stock, $.001 par value, actual and pro forma--no shares authorized, issued or outstanding; pro forma as adjusted--5,000,000 shares authorized and no shares issued or outstanding	--	--	--
Common stock, $.001 par value; actual--30,000,000 shares authorized and 7,092,000 shares issued and outstanding; pro forma--100,000,000 shares authorized and 25,054,273 shares issued and outstanding; pro forma as adjusted--100,000,000 shares authorized and 29,054,273 shares issued and outstanding	7	25	29
Additional paid-in capital	12,420	49,296	100,372
Deferred compensation	(4,644)	(4,644)	(4,644)
Accumulated deficit	(9,833)	(9,833)	(9,833)
Total stockholders' equity (deficit)	(2,046)	34,844	85,924
Total capitalization	$16,944	$34,844	$ 85,924

DILUTION

Our pro forma net tangible book value as of December 31, 1999 was $34.2 million, or $1.37 per share. Pro forma net tangible book value per share is determined by dividing the amount of our pro forma tangible net worth (pro forma total tangible assets less total liabilities) by the number of shares of our common stock outstanding after giving pro forma effect to the receipt of net proceeds of approximately $17.9 million from the sale of our series D redeemable convertible preferred stock on January 27, 2000 and to the automatic conversion of each outstanding share of our convertible preferred stock into common stock at a two-for-three ratio upon the closing of this offering. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by investors in this offering and the net tangible book value per share of common stock immediately after the completion of this offering. After giving effect to our sale of 4,000,000 shares offered hereby at an assumed initial public offering price of $14.00 per share (the mid-point of the range set forth on the cover page of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses and the application of the estimated net proceeds therefrom, our pro forma net tangible book value as of December 31, 1999 would have been $85.3 million, or $2.94 per share. This represents an immediate increase in pro forma net tangible book value of $1.57 per share to existing stockholders and an immediate dilution in pro forma net tangible book value of $11.06 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....		$ 14.00
Pro forma net tangible book value per share at December 31, 1999.....	$ 1.37	
Increase per share attributable to new investors.....	1.57	
Pro forma net tangible book value per share after this offering.....		2.94
Dilution per share to new investors.....		$ 11.06

The following table sets forth, on a pro forma basis as of December 31, 1999, after giving effect to the automatic conversion of all outstanding shares of preferred stock into common stock upon the closing of this offering, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid to us by existing stockholders and by new investors who purchase shares of common stock in this offering, before deducting the estimated underwriting discounts and commissions and estimated offering expenses, assuming an initial public offering price of $14.00 per share (the mid-point of the range set forth on the cover page of this prospectus):

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders.....	25,054,273	86.2%	$41,600,000	42.6%	$ 1.66
New investors.....	4,000,000	13.8	56,000,000	57.4	14.00
Total.....	29,054,273	100.0%	$97,600,000	100.0%	

The foregoing tables and calculations assume no exercise of any stock options or warrants outstanding as of December 31, 1999. Specifically, these tables and calculations exclude:

- 10,000,000 shares of common stock reserved for issuance under our 2000 Stock Incentive Plan, of which 5,528,970 shares are issuable upon the exercise of stock options outstanding as of March 8, 2000 with a weighted average exercise price of $2.28 per share;

- 93,750 shares of common stock issued upon the exercise of options since December 31, 1999;

- 94,500 shares of common stock reserved for issuance upon the exercise of stock options with an exercise price of $1.60 per share granted outside of the predecessor to our 2000 Stock Incentive Plan;

- 450,000 shares of common stock reserved for issuance under our 2000 Employee Stock Purchase Plan;

- 542,968 shares of common stock issuable upon the exercise of warrants outstanding as of March 8, 2000, with a weighted average exercise price of $1.60 per share; and

- 175,781 shares of common stock issued upon the exercise of warrants since December 31, 1999.

To the extent that any of these options or warrants are exercised, there will be further dilution to new investors.

SELECTED FINANCIAL DATA

The selected balance sheet data as of December 31, 1998 and 1999 and the selected statement of operations data for each of the years in the three-year period ended December 31, 1999 have been derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data as of December 31, 1996 and 1997 and the statement of operations data for 1996 have been derived from our audited financial statements not included in this prospectus. We were incorporated in 1995 but did not commence operations until 1996. Historical results are not indicative of the results to be expected in the future and results of interim periods are not necessarily indicative of results for the entire year. You should read these selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our financial statements and the related notes included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,			
	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA:				
Revenue:				
Service revenue	$ --	$ --	$ 1	$ 600
Programming revenue	11	245	378	39
Total revenue	11	245	379	639
Operating expenses:				
Cost of revenue	6	121	70	856
Product development	--	--	93	1,637
Sales and marketing, exclusive of $0, $0, $0 and $86 reported below as non-cash expenses	--	--	33	3,987
General and administrative, exclusive of $0, $0, $25 and $2,617 reported below as non-cash expenses	36	130	178	1,706
Non-cash expenses	--	--	25	2,703
Total operating expenses	42	251	399	10,889
Loss from operations	(31)	(6)	(20)	(10,250)
Other income (expense):				
Interest income	1	--	--	474
Interest expense	--	--	--	(1)
Total other income (expense), net	1	--	--	473
Net loss	$ (30)	$ (6)	$ (20)	$ (9,777)
Basic and diluted net loss per share	$ 0.00	$ 0.00	$ 0.00	$ (1.38)
Weighted average basic and diluted shares outstanding	7,092,000	7,092,000	7,092,000	7,092,000
Pro forma:				
Net loss				$ (9,777)
Non-cash preferred stock dividend				(37,421)
Pro forma net loss attributable to common stockholders				(47,198)
Pro forma basic and diluted net loss per share				$ (3.05)
Shares used in pro forma basic and diluted net loss per share				15,465,304

Shares used in computing pro forma basic and diluted net loss per share include the shares used in computing basic and diluted net loss per share adjusted for the conversion of our series A convertible preferred stock, series B convertible preferred stock and series C redeemable convertible preferred stock to common stock at a two-for-three ratio as if the conversion occurred at the date of their original issuance.

In connection with the issuance of our Series D redeemable convertible preferred stock, we recorded a non-cash preferred stock dividend of $37.4 million, which relates to the beneficial conversion feature associated with such preferred stock.

	1996	1997	1998	1999
	(IN THOUSANDS)			
BALANCE SHEET DATA:				
Cash and cash equivalents	$ 2	$ 10	$ 107	$ 14,944
Working capital (deficit)	(29)	(35)	(30)	13,380
Total assets	2	30	142	19,570
Redeemable convertible preferred stock	--	--	--	18,990
Total stockholders' equity (deficit)	(29)	(35)	(30)	(2,046)

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

THE FOLLOWING DISCUSSION OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ TOGETHER WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND THE RELATED NOTES, WHICH APPEAR ELSEWHERE IN THIS PROSPECTUS. THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT REFLECT OUR CURRENT PLANS, ESTIMATES AND BELIEFS AND INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH DIFFERENCES INCLUDE THOSE DISCUSSED BELOW AND ELSEWHERE IN THIS PROSPECTUS, PARTICULARLY IN THE SECTION ENTITLED "RISK FACTORS."

OVERVIEW

We are a provider of technology that facilitates real-time sales and customer service for companies doing business on the Internet. We are an application service provider, and we offer our proprietary real-time interaction technology as an outsourced service. We currently generate revenue from the sale of our LivePerson service, which enables our clients to communicate directly with Internet users via text-based chat. Our clients can respond to Internet user inquiries in real time, and can thereby enhance their Internet users' online shopping experience.

Our business was incorporated in the State of Delaware in November 1995 under the name Sybarite Interactive Inc.; however, we did not commence operations until January 1996. We had no significant revenue until 1997, when we began to generate revenue from services primarily related to Web-based community programming and media design.

In 1998, we shifted our core business focus to the development of the LivePerson service and phased out our prior programming efforts, which last generated revenue in December 1999. We introduced the LivePerson service in November 1998.

In January 2000, we completed a private placement of 3,157,895 shares of our series D redeemable convertible preferred stock with an affiliate of, and other entities associated with, Dell Computer Corporation and with NBC Interactive Media, Inc. (a division of NBC) at a purchase price of $5.70 per share. We received net proceeds of approximately $17.9 million from this private placement. Our series D redeemable convertible preferred stock will convert, at a two-for-three ratio, into common stock upon the closing of this offering, whereby each two shares of preferred stock will convert into three shares of common stock. The common stock has an assumed value of $14.00 per share (the mid-point of the range set forth on the cover page of this prospectus). In connection with the issuance of our Series D redeemable convertible preferred stock, we recorded a non-cash preferred stock dividend of $37.4 million, which relates to the beneficial conversion feature associated with such preferred stock.

REVENUE

With respect to the LivePerson service, our clients pay us an initial non-refundable set-up fee, as well as a monthly fee for each seat. Our set-up fee is intended to recover certain costs incurred by us (principally customer service, training and other administrative costs) prior to deployment of our service. Such fees are recorded as deferred revenue and recognized over a period of 24 months, representing the estimated expected term of a client relationship. As a result of recognizing set-up fees in this manner, combined with the fact that we have more seats on an aggregate basis than clients, in 1999 revenue attributable to our monthly service fee accounted for 96% of total LivePerson service revenue. In addition, because we expect the aggregate number of seats to continue to grow, we expect the set-up fee to represent a decreasing percentage of total revenue over time. We do not charge an additional set-up fee if an existing client adds more seats. We recognize monthly service revenue fees as services are provided. Given

the time required to schedule training for our clients' operators and our clients' resource constraints, we have historically experienced a lag between signing a client contract and generating revenue from that client. This lag has generally ranged from one day to 30 days.

We also have begun to enter into contractual arrangements that complement our direct sales force. These are primarily with Web hosting and call center service companies, and are in the form of value-added reseller or referral agreements pursuant to which the parties are paid a commission based on generated revenue. Such commissions are paid and accounted for monthly, as revenue is realized. Commissions generated under such agreements to date have not, as a percentage of total LivePerson service revenue, been material, although we expect such commissions to increase in both absolute terms and as a percentage of total LivePerson service revenue over time.

Prior to November 1998, when the LivePerson service was introduced, we generated revenue from services primarily related to Web-based community programming and media design. Revenue from such services was $245,000 for the year ended December 31, 1997, $378,000 for the year ended December 31, 1998 and $39,000 for the year ended December 31, 1999. As of January 2000, we no longer generate any revenue from these services. Revenue generated from Web-based community programming and media design services is recognized upon completion of the project, provided that no significant obligations remain outstanding and collection of the resulting receivable is probable.

OPERATING EXPENSES

Our cost of revenue associated with programming activity consisted primarily of the personnel expenses associated with outsourced programming and design. We no longer incurred these costs as of December 1998. We began developing the LivePerson service in the third quarter of 1998. We did not allocate development costs of the LivePerson service separately. Accordingly, since November 1998, our cost of revenue has principally been associated with the LivePerson service and has consisted of:

- compensation costs relating to employees who provide customer service to our clients, consisting of 17 people at December 31, 1999;

- compensation costs relating to our network support staff, consisting of five people at December 31, 1999;

- allocated occupancy costs and related overhead; and

- the cost of supporting our infrastructure, including expenses related to leasing space and connectivity for our services, as well as depreciation of certain hardware and software.

Our product development expenses consist primarily of compensation and related expenses for product development personnel, consisting of 15 people at December 31, 1999, allocated occupancy costs and related overhead, 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, consisting of 21 people at December 31, 1999, allocated occupancy costs and related overhead, advertising, sales commissions, marketing programs, 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 and human resources personnel, consisting of 15 people at December 31, 1999, allocated occupancy costs and related overhead, professional fees, provision for doubtful accounts and other general corporate expenses.

In 1999, we increased our allowance for doubtful accounts from $15,000 to $85,000, principally due to an increase in accounts receivable as a result of the growth in our business. We base our allowance for doubtful accounts on specifically identified known doubtful accounts plus a general reserve for potential future doubtful accounts. We adjust our allowance for doubtful accounts when accounts previously reserved have been collected.

NON-CASH EXPENSES

In 1998 and 1999, we recorded an aggregate of $25,000 and $978,000, respectively, of non-cash expense in connection with our grants to consultants of options to acquire an aggregate of 458,010 shares of common stock. The expenses were determined using a Black-Scholes pricing model.

In addition, during May 1999, we issued an option to purchase 94,500 shares of common stock at an exercise price of $1.60 per share to ShopNow.com Inc., a client, in connection with an agreement to provide the LivePerson service to ShopNow for two years. As discussed below, the option was amended in February 2000. The original terms of the option provided that it would vest in or before May 2001, if revenue generated by ShopNow met certain targets. At December 31, 1999, the total value ascribed to this option, using a Black-Scholes pricing model, was $566,000, which was recorded as a deferred cost. In 1999, we amortized $86,000 of this deferred cost.

In February 2000, we amended the option agreement. Under the amendment, the option became fully vested and immediately exercisable. ShopNow has agreed, however, that it will not sell the underlying common stock until the earlier of February 2005 and, if it has met certain amended revenue targets, between May and June 2001. The value ascribed to the option at the time the option agreement was amended, using a Black-Scholes pricing model, was $1.1 million. As a result, in the first quarter of 2000, the value ascribed to the option, less the amount previously amortized ($86,000), was immediately expensed because the options are fully vested and because ShopNow has no continuing performance obligations to complete in order to receive the options.

Through March 8, 2000, we granted stock options to purchase 5,246,085 shares of common stock to employees, of which options to purchase 5,164,710 shares of common stock at a weighted average exercise price of $2.36 remained outstanding at March 8, 2000. Certain of these options were granted at less than the deemed fair value at the date of grant. The deemed fair value of our common stock ranged from $0.67 to $13.00 for the period during which these options were granted. In connection with the granting of these options, we recorded deferred compensation of $6.2 million in 1999 and expect to record additional deferred compensation of $17.9 million in the first quarter of 2000, representing the difference between the deemed fair value of the common stock at the date of grant for accounting purposes and the exercise price of the related options. This amount will be recorded as deferred compensation in our financial statements and will be amortized over the vesting period, typically three to four years, of the applicable options. In 1999, we amortized $1.6 million of deferred compensation. We expect to amortize the remaining deferred compensation annually as follows:

- 2000--$14.4 million, of which $5.2 million is expected to be recorded in the first quarter;
- 2001--$4.9 million;
- 2002--$2.5 million; and
- 2003--$789,000.

In January 1999, we issued 41,667 shares of series A convertible preferred stock in the amount of $50,000 in exchange for consulting services provided by Silicon Alley Venture Partners, LLC.

RESULTS OF OPERATIONS

Due to the phasing out of our programming services and our limited operating history, we believe that comparisons of our 1999 operating results with those of prior periods are not meaningful and that our historical operating results should not be relied upon as indicative of future performance.

COMPARISON OF FISCAL YEARS ENDED DECEMBER 31, 1999 AND 1998

REVENUE. Total revenue increased to $639,000 in 1999, from $379,000 in 1998. Revenue associated with the LivePerson service increased to $600,000 in 1999 from $1,000 in 1998 and revenue associated with Web-based community programming and media design services decreased to $39,000 in 1999 from $378,000 in 1998. We no longer provided these services as of January 2000; accordingly, we believe period-to-period comparisons are not meaningful.

COST OF REVENUE. Cost of revenue increased to $856,000 in 1999, from $70,000 in 1998. This increase was primarily attributable to $279,000 of costs associated with the addition of client services staff as well as $65,000 of depreciation of computer hardware and software. We did not incur any depreciation expense in 1998 because we rented all of our equipment during that period, the total cost of which was not significant.

PRODUCT DEVELOPMENT. Product development costs increased to $1.6 million for 1999, from $93,000 in 1998. This increase was primarily attributable to $809,000 associated with an increase in the number of LivePerson service product development personnel, which grew from four to 15 people in 1999, and $342,000 of technology development activities related to the LivePerson service, consisting of network architecture and software design expenses.

SALES AND MARKETING. Sales and marketing expenses increased to $4.0 million for 1999, from $33,000 in 1998. This increase was primarily attributable to $1.1 million associated with an increase in salaries and related expenses resulting from an increase in sales and marketing personnel, which grew from two to 21 people in 1999, and to an increase in advertising and promotional expenses of $1.9 million, both of which related to the LivePerson service.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased to $1.7 million for 1999, from $178,000 in 1998. This increase was due primarily to $711,000 associated with increases in personnel expenses related to support and administration, occupancy costs, and to an increase of $339,000 in recruitment costs, principally for our officers. The number of our executive, accounting and human resources personnel grew from one to 15 in 1999.

NON-CASH EXPENSES. In 1999, non-cash expenses represented amortization of deferred compensation of $1.6 million and non-cash expense incurred in connection with options and preferred stock issued to non-employees in lieu of payment for services rendered of $1.1 million.

OTHER INCOME. Interest income amounted to $474,000 for 1999, and consists of interest earned on cash and cash equivalents generated by the receipt of proceeds from our preferred stock issuances. Other income in 1998, representing interest earned on cash balances, was less than $500.

NET LOSS. Our net loss increased to $9.8 million for 1999, from $20,000 in 1998.

COMPARISON OF FISCAL YEARS ENDED DECEMBER 31, 1998 AND 1997

REVENUE. Revenue increased to $379,000 in 1998 from $245,000 in 1997. This increase was due to an increase in revenue associated with Web-based community programming and media design.

COST OF REVENUE. Cost of revenue decreased to $70,000 in 1998 from $121,000 in 1997. This decrease was primarily attributable to a reduction of outsourced programming and design and related expenses as we performed more functions internally at lower costs.

PRODUCT DEVELOPMENT. Product development costs increased to $93,000 in 1998 from $0 in 1997. This increase was primarily due to the hiring of our product development staff related to our programming services.

SALES AND MARKETING. Sales and marketing expenses increased to $33,000 in 1998 from $0 in 1997. This increase was primarily due to our initiating the sales and marketing efforts related to our programming services.

GENERAL AND ADMINISTRATIVE. General and administrative costs increased to $178,000 in 1998 from $130,000 in 1997. This increase was primarily due to increases in personnel expenses and occupancy costs incurred as our operations grew.

NET LOSS. Our net loss increased to $20,000 in 1998 from $6,000 in 1997.

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, our financial information for the four most recent quarters ended December 31, 1999. In our opinion, this unaudited information has been prepared on a basis consistent with our annual financial statements and includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the unaudited information for the periods presented. This information should be read in conjunction with the financial statements, including the related notes, included elsewhere in this prospectus. The results of operations for any quarter are not necessarily indicative of results that we may achieve for any subsequent periods.

	QUARTER ENDED			
	MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999
	(IN THOUSANDS)			
Revenue:				
Service revenue	$ 15	$ 26	$ 145	$ 414
Programming revenue	9	23	4	3
Total revenue	24	49	149	417
Operating expenses:				
Cost of revenue	24	51	173	608
Product development	139	147	478	873
Sales and marketing, exclusive of $0, $0, $6 and $80 reported below as non-cash expenses	51	396	1,429	2,111
General and administrative, exclusive of $50, $117, $170 and $2,966 reported below as non-cash expenses	158	189	422	937
Non-cash expenses	50	117	176	2,360
Total operating expenses	422	900	2,678	6,889
Loss from operations	(398)	(851)	(2,529)	(6,472)
Other income (expense):				
Interest income	20	38	199	217
Interest expense	(1)	--	--	--
Total other income (expense), net	19	38	199	217
Net loss	$ (379)	$ (813)	$(2,330)	$(6,255)

Our revenue from the LivePerson service has increased in each of the last four quarters, from $15,000 to $414,000, due primarily to increased market acceptance of our service, which is in part attributable to the growth of our direct sales force. The growth of our sales force has allowed us to solicit more prospective clients and to respond more quickly and effectively to their inquiries. We cannot assure you that we will achieve similar growth in future periods.

Programming revenue, which has decreased from $9,000 to $3,000 during the last four quarters, represents income from business activities which we are no longer pursuing. We do not anticipate any significant programming revenue in the future.

Our total operating expenses have increased significantly in absolute terms in each of the last four quarters, increasing from $422,000 to $5.1 million. As a percentage of revenue, operating expenses declined slightly over the period. We expect our operating expenses to continue to increase as we expand our business.

The increase in our cost of revenue has been primarily due to the addition of client services personnel and the expansion of our technological infrastructure. We expect the cost of our client services department to continue to increase as we continue to hire additional personnel. We also expect to continue to expend significant amounts to expand our technological infrastructure and to incur increased depreciation expenses related to such spending. As a result, we expect cost of revenue as a percentage of revenue to increase in the short term.

Product development costs increased significantly in absolute dollar terms in each of the last four quarters, from $139,000 to $873,000, principally as a result of increased headcount and allocated occupancy costs and related overhead. As a percentage of revenue, however, product development costs in each of the three quarters declined.

Our sales and marketing expense has increased significantly in each of the last four quarters, from $51,000 to $2.1 million, due to increases in the size of our sales and marketing staff and an increase in marketing-related activities. The increase in sales staff headcount is attributable to

the expansion of our sales efforts. The increase in our marketing headcount and related expenses is due to our increasing efforts to enhance our brand recognition. We expect sales and marketing expense to continue to increase as we expand our business.

General and administrative costs increased in absolute dollar terms in each of the last four quarters, from $158,000 to $937,000, principally due to an increase in the number of employees and, to a lesser extent, to professional fees. We expect general and administrative costs to increase in connection with our becoming a public company and as our business grows.

Other income (expense), which is principally comprised of interest income earned on cash and cash equivalents, has increased in each of the last four quarters. The increase, particularly in the third quarter of 2000, is due primarily to interest earned on the net proceeds from the July 1999 private placement of our series C redeemable convertible preferred stock. We expect interest income to increase with the investment of the proceeds from the issuance of our series D redeemable convertible preferred stock and of this offering in short-term, interest-bearing, investment-grade securities, pending our use of such proceeds.

The increase in non-cash compensation expense during 1999 was due to deferred compensation recognized in connection with employee options and compensation expense incurred in connection with options and preferred stock issued to non-employees in lieu of payment for services rendered.

We have experienced substantial increases in our expenses since our introduction of the LivePerson service and we anticipate that our expenses will continue to grow in the future. Although our revenue from the LivePerson service has grown in each of the quarters since its introduction, we cannot assure you that we can sustain this growth or that we will generate sufficient revenue to achieve profitability. Consequently, we believe that period-to-period comparisons of our operating results may not be meaningful, and as a result, you should not rely on them as an indication of future performance.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations principally through cash generated by private placements of our convertible preferred stock. Through December 31, 1999, we have raised a total of $23.5 million in aggregate net proceeds in three private placements. As of December 31, 1999, we had $14.9 million in cash and cash equivalents, an increase of $14.8 million from December 31, 1998. In addition, on January 27, 2000, we issued 3,157,895 shares of series D redeemable convertible preferred stock at $5.70 per share, raising total net proceeds of approximately $17.9 million. Since December 31, 1999 we have entered into two letters of credit, which serve as the security deposits for our new leases of office space, in an aggregate amount of $2.3 million for 2000. We expect to enter into an additional letter of credit for $2.2 million in 2001.

Net cash used in operating activities was $6.0 million for the year ended December 31, 1999. Net cash provided by operating activities was $19,000 and $42,000 for the years ended December 31, 1998 and 1997, respectively. Net cash used in operating activities for the year ended December 31, 1999 consisted primarily of net operating losses, depreciation expense, non-cash compensation and changes in accounts receivable, prepaid expenses and other current assets, security deposits, accounts payable and accrued expenses and deferred revenue. Net cash provided by operating activities for the years ended December 31, 1998 and 1997 was primarily due to changes in accounts receivable, prepaid expenses and other current assets, security deposits, accounts payable and accrued expenses and deferred revenue, partially offset by net operating losses and non-cash compensation charges.

Net cash used in investing activities was $2.6 million for the year ended December 31, 1999 and $0 for each of the years ended December 31, 1998 and 1997. Net cash used in investing activities for the year ended December 31, 1999 was related to purchases of property and equipment. There were no investments in fixed assets for the years ended December 31, 1998 or 1997.

Net cash provided by financing activities was $23.4 million for the year ended December 31, 1999 and $78,000 for the year ended December 31, 1998. Net cash used in financing activities was $34,000 for the year ended December 31, 1997. Net cash provided by financing activities for the year ended December 31, 1999 was attributable to proceeds from the sale of our convertible preferred stock. Net cash provided by financing activities for 1998 was principally attributable to $100,000 in proceeds from the issuance of a note payable, which was converted into 83,333 shares of our series A convertible preferred stock in January 1999. Net cash used in financing activities in 1997 was attributable to an advance made to an officer.

As of December 31, 1999, our principal commitments consisted of $70,000 due per month under operating leases. During the year ending December 31, 2000, we anticipate an increase in capital expenditures and lease commitments consistent with our anticipated growth in operations, infrastructure and personnel. We do not currently expect that our principal commitments for the year ended December 31, 2000 will exceed $5.0 million.

In the first quarter of 2000, we entered into two additional leases for office space, one in San Francisco and one in New York City. The lease for our San Francisco office space, entered into in February 2000, provides for annual aggregate payments of $275,000. In February 2000, we also entered into a sublease for approximately 8,000 square feet in New York City expiring in September 2000, providing for annual aggregate payments of $238,000. In March 2000, we entered into a lease for an aggregate of approximately 83,500 square feet on two floors at a location in New York City. The lease provisions with respect to one floor, consisting of approximately 40,500 square feet, commence in June 2000, with rent of approximately $1.4 million per year in the first three years, $1.5 million per year in years four through seven and $1.6 million per year in years eight through ten. The related security deposit is $2.0 million for the first three years, $1.3 million for years four through seven and $670,000 for years eight through ten. The other floor consists of approximately 43,000 square feet, and the lease provisions relating to that floor commence in August 2001, with rent of approximately $1.5 million per year in the first three years, $1.6 million per year in years four through seven and $1.7 million per year in years eight through ten. The related security deposit is $2.2 million for the first three years, $1.5 million for years four through seven and $747,000 for years eight through ten. At our option, we have provided the security deposit by a letter of credit.

We have incurred significant net losses and negative cash flows from operations since inception, and as of December 31, 1999, had an accumulated deficit of $9.8 million. These losses have been funded primarily through the issuance of our convertible preferred stock. We intend to continue to invest heavily in sales, marketing, promotion, technology and infrastructure development as we grow. As a result, we expect to continue to incur operating losses and negative cash flows for the foreseeable future.

We believe that the net proceeds from the sale of our series D redeemable convertible preferred stock and our current cash and cash equivalents will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. This is regardless of whether or not the anticipated proceeds from this offering are received, and is based on our current business plan. Thereafter, we anticipate that such amounts, together with the net proceeds of this offering and cash generated from operations, if any, will be sufficient to satisfy our liquidity requirements for the next 18 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 or seek alternative sources of financing. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned sales and marketing and product development efforts, which could harm our business, financial condition and operating results.

YEAR 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any computer programs or hardware that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. Prior to January 1, 2000, there was a great deal of concern that this could result in system failures or miscalculations, causing disruptions of operations for any company using such computer programs or hardware, including, among other things, a temporary inability to process transactions, send invoices or engage in normal business activities. Most reports to date, however, are that computer systems are functioning normally and the compliance and remediation work accomplished leading up to the Year 2000 was effective to prevent any problems. Computer experts have warned, however, that there may still be residual consequences. We cannot assure you that any Year 2000 problems will not disrupt our service and thereby result in a decrease in sales of the LivePerson service, an increase in allocation of resources to address Year 2000 problems or an increase in litigation costs.

We designed our internal systems as well as our software, hardware and network architecture to be Year 2000 compliant, and we believe, based on our initial reports, that such systems are Year 2000 compliant.

To date, we have not experienced any significant problems relating to the Year 2000 compliance of our major suppliers. However, we cannot assure you that these suppliers will not experience a Year 2000 problem in the future. In the event that any such suppliers experience a Year 2000 problem, and we are unable to replace it with an alternate source, our business would be harmed.

Our clients' online services may be affected by Year 2000 issues if they need to expend significant resources to remedy a Year 2000 problem that may arise. This may reduce funds available to purchase the LivePerson service.

We have not incurred any significant expenses to date, and we do not anticipate that the total costs associated with our Year 2000 remediation efforts, including both expenses incurred and any to be incurred in the future, will be material.

It remains impossible to determine with complete certainty that all Year 2000 problems that may affect us have been identified or corrected. The number of devices that could be affected and the interactions among these devices are simply too numerous. In addition, no one can accurately predict how many Year 2000 problem-related failures will occur or the severity, duration or financial consequences of these perhaps inevitable failures. As a result, we believe that the following consequences, among others, are possible:

- operational inconveniences and inefficiencies for us, our suppliers and our clients that may divert management's time and attention from ordinary business activities; and

- some clients may postpone their purchases of our service and we will experience a decrease in revenue.

Based on our initial assessment of our Year 2000 readiness, we do not anticipate being required to implement any material aspects of a contingency plan to address Year 2000 readiness of our critical operations.

RECENTLY ISSUED ACCOUNTING STANDARDS

In April 1998, the American Institute of Certified Public Accountants ("AICPA") issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs. SOP 98-5 requires costs of start-up activities and organization costs to be expensed as incurred. We adopted SOP 98-5 on January 1, 1999. As we had not capitalized such costs, the adoption of SOP 98-5 did not have an impact on our consolidated financial statements.

In April 1998, AICPA issued Statement of position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use ("SOP 98-1")." SOP 98-1 provides guidance for determining whether computer software is internal-use software and on accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. It also provides guidance on capitalization of the costs incurred for computer software developed or obtained for internal use. We adopted SOP 98-1 in the first quarter of 1999, which did not have a material effect on our financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. Subsequently, the FASB issued SFAS No. 137 which deferred the effective date of SFAS No. 133. SFAS No. 137 is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. We have not yet analyzed the impact of this pronouncement on our financial statements.

OVERVIEW

LivePerson is a provider of technology that facilitates real-time sales and customer service for companies doing business on the Internet. We change the way Web site owners communicate with Internet users by enabling live text-based chat. Historically, Internet users have had limited ways to communicate with online businesses to inquire about matters such as product features, transaction security and shipping details. The LivePerson service enables our clients to communicate with Internet users via text-based chat. They can respond to these and other Internet user inquiries in real time via text-based chat, and can thereby enhance online shopping experiences.

We are an application service provider, and we offer our proprietary real-time interaction technology as an outsourced service. Our technology requires no software or hardware installation by our clients or Internet users. We can implement our LivePerson service immediately following a two-hour training session. Upgrades to the LivePerson service are automatic because they are installed on our servers, without requiring action by either our clients or Internet users. We also offer our clients the ability to add capacity whenever requested.

Based on feedback received from our clients, we believe that our service offers our clients the opportunity to increase sales by answering Internet user questions and solving Internet user problems at critical points in the buying process. It also enables our clients to reduce customer service costs by allowing them to enhance operating efficiency and to improve Internet user response times. Further, information captured in transcripts of live text-based interactions can be used by our clients to increase their responsiveness to Internet user needs and preferences, thereby improving Internet user satisfaction, loyalty and retention.

We currently have more than 450 clients, including numerous online retailers, online service providers and traditional offline businesses with a Web presence. Our largest clients in the first two months of 2000 were GMAC's ditech.com, Homelender.com, MyHome.com, National Discount Brokers, Neiman Marcus, ShopNow, TradeCapture.com and WhatsHotNow.

INDUSTRY BACKGROUND

The Internet is evolving from primarily a static information source to a widely accepted medium for commerce. Approximately 850,000 businesses currently offer goods, services and information over the Web, according to an eMarketer report of December 1999. Competition among online businesses is intense, with new companies launching commercial Web sites every day. eMarketer estimates that the number of actively maintained business Web sites will grow to 2.3 million worldwide by the year 2002.

To compete effectively in this environment, online businesses are increasingly striving to provide high quality service to attract and retain customers. This increased focus is in turn leading to heightened expectations for online service by Internet users. Whether to ask questions about product features or transaction security, or to get help with completing an online application, Internet users today expect effective, timely answers. Companies that do not provide this level of service risk losing customers to competitors.

Companies are also increasingly focused on gathering information to improve responsiveness and increase the rate of conversion from Web visitor to buyer. Online shoppers have many purchasing options, with easy access to competitive pricing, feature and distribution information. According to a Forrester Research report of June 1999, 70% of all online merchants experience sales conversion rates of less than 2%. In this environment, online businesses that collect substantial information about Internet users are better able to serve them effectively. Internet

users feedback provides Web site owners with input on product and service offerings, preferences and Web site usability.

LIMITATIONS OF EXISTING SALES AND CUSTOMER SERVICE SOLUTIONS. Online businesses currently use several methods to provide service and support to, and gather information from, Internet users. Common methods include toll-free telephone call centers, email response systems and listings of frequently asked questions and answers.

Telephone support, while similar in some ways to an in-store experience, typically requires that a person using the Internet with a single telephone line log off the Web. Internet users, who know that competition is literally a mouse-click away, may prefer to move quickly to a competitor's Web site rather than take the time to place a telephone call and face a potentially lengthy wait time.

Email support eliminates the need for the Internet user to log off to make a telephone call and may result in lower telecommunication and support costs for online businesses; however, email does not satisfy the real-time needs of Internet users who desire communication at key points in the shopping process.

Frequently asked questions, though available to Internet users on demand, are typically general in content and may also be unsuitable for transactions involving expensive or complex products and services. Internet users may desire the comfort of an active communication with a customer service representative before actually making such a purchase. In addition, because frequently asked questions provide only one-way communication, they provide a limited means for companies to gather Internet user feedback.

In order to provide high quality service to Internet users, companies require an interaction solution that:

- provides real-time responses;
- maximizes sales opportunities;
- strengthens relationships with Internet users;
- allows companies to gather information to remain responsive to Internet user needs;
- can be implemented quickly and easily; and
- can be operated in a cost-effective manner.

THE LIVEPERSON SOLUTION

LivePerson is a provider of technology that facilitates real-time sales and customer service for companies doing business on the Internet. We are an application service provider offering this technology as an outsourced service to companies of all sizes. Our technology enables our clients to interact with customers in real time at the user's request through live text-based chat. This improves Web site communication and enhances the online shopping experience.

To implement the LivePerson service, our clients simply place a LivePerson-branded or custom-created icon on one or more pages of their Web sites and give their operators access to our service via the Internet. When an Internet user browsing a client's Web site desires assistance, the user simply clicks on the icon. This causes a pop-up dialogue window to appear on the user's screen. The Internet user and our client's operator then engage in a real-time online conversation in this dialogue window. The operator may incorporate graphics and links to Web pages into the dialogue window. Our service enables this live conversation by linking the Internet user and our clients' operators through our proprietary technology, which resides on our servers.

We create and store conversation transcripts and related data, and we also enable our clients to generate optional Internet user exit surveys, which our clients can use to collect additional information about Internet users. Stored data include the Internet user's name, browser type, Internet Protocol (IP) address and responses to exit surveys, the operator's identity and time stamps for each chat transmission. In addition, we provide our clients with tools to analyze the stored information. These tools include summary reports of the number of chats in certain periods and the duration of such chats, filters to sort data from exit surveys, statistical summaries of those data and statistical summaries of operator performance.

We believe the LivePerson service gives our clients the opportunity to:

- MAXIMIZE SALES OPPORTUNITIES. Our clients are able to respond to Internet user inquiries in real time. Live interaction with Internet users creates opportunities to:

  - answer questions on demand and resolve Internet user issues as they occur;

  - assist in closing sales that might otherwise have been abandoned without direct one-to-one real-time interaction; and

  - market additional products and services in order to increase average order sizes.

- STRENGTHEN RELATIONSHIPS WITH INTERNET USERS. Personalized service generates increased Internet user satisfaction. Our service enables our clients to build relationships with Internet users and offers our clients the opportunity to market to Internet users on a one-to-one basis. Furthermore, transcripts from LivePerson conversations and optional exit surveys often provide relevant Internet user data and valuable real-time feedback. Our clients may then use this information to modify product offerings and marketing efforts, improve Web site navigation and refine their frequently asked questions listings.

- REDUCE OPERATING COSTS. Our clients' experience has shown that a single operator can interact with as many as four users simultaneously. As a result, an operator can provide service to more Internet users, thereby reducing costs per interaction. In addition, our clients can create pre-formatted responses to Internet user questions, allowing them to improve response time and operator efficiency. An operator can simply choose and, where appropriate, slightly modify a pre-formatted response to answer many questions.

Because we are an application service provider and provide our clients with a service rather than an in-house technology solution, we provide our clients with the following additional benefits:

- LOW SET-UP COSTS AND REASONABLE ONGOING FEES. We charge our clients a low set-up fee and reasonable ongoing monthly fees.

- EFFECTIVE USE OF INTERNAL RESOURCES. Because the LivePerson service is an outsourced application, our clients can devote their information technology resources to other priorities.

- RAPID DEPLOYMENT. We provide the technology needed to facilitate real-time sales and customer service without plug-ins or customization. Our clients do not need to install any hardware or software in order to immediately provide the LivePerson service, other than any hardware or software they might need to install in order to connect to the Internet generally. In addition, our clients' operators and Internet users can use our service with any standard Web browser.

- AUTOMATIC UPGRADES. We install all upgrades to the LivePerson service on our servers. As a result, upgrades are immediately available for use and require no action by either our clients or Internet users.

- EASE OF EXPANSION. Our clients can add additional operator seats simply by requesting them, enabling the LivePerson service to meet our clients' growth needs.

OUR STRATEGY

Our objective is to enhance our current position as a provider of real-time sales and customer service technology for companies doing business on the Internet. The key elements of our strategy include:

STRENGTHENING OUR MARKET POSITION AND GROWING OUR RECURRING REVENUE BASE. We intend to extend our market position by significantly increasing our installed client base. We intend to capitalize on our growing base of existing clients by selling them additional seats and other services as Internet users are increasingly exposed to the benefits and functionality of live text-based interaction. Increasing our client base will enable us to continue to strengthen our recurring revenue stream. We also believe that greater exposure of Internet users to our service will create additional demand for real-time sales and customer service solutions. We plan to continue expanding into all areas of Internet commerce which could benefit from real-time sales and customer service technology.

INCREASING THE VALUE OF OUR SERVICE TO OUR CLIENTS. We strive to continuously add new features and functionality to our live interaction platform. Because we host our service, we can make new features available immediately to our clients without client or end-user installation of software or hardware. We currently offer a suite of reporting and administrative tools as part of the LivePerson service. Over time, we intend to develop richer tools for appropriate sectors of our client base, while adding further interactive capabilities. We also intend to develop additional services that will provide value to our clients. For example, we intend to provide advisory services to our clients that enable improved reporting capabilities, data storage and bridges to existing client systems. Our clients may use these capabilities to increase productivity, manage call center staffing, develop one-to-one marketing tactics and pinpoint sales opportunities. Through these and other initiatives, we intend to increase the value of our service to clients and their reliance on its benefits, which we believe will result in additional revenue from both new and existing clients over time.

CONTINUING TO BUILD STRONG BRAND RECOGNITION. The LivePerson brand name is prominently displayed on the pop-up dialogue window that appears when an Internet user has requested assistance. We believe that high visibility placement of our brand name will create greater brand awareness and increase demand for the LivePerson service. In addition, we intend to leverage increasing awareness of our brand and our reputation as a provider of real-time sales and customer service technology to become a well-recognized solution for companies doing business on the Internet. We intend to expand our traditional and online marketing activities to achieve these goals.

MAINTAINING OUR TECHNOLOGICAL LEADERSHIP POSITION. We focus on the development of tightly integrated software design and network architecture that is both reliable and scalable. We continue to devote significant resources to technological innovation. Specifically, we plan to expand the features and functionality of our existing service, develop broader applications for our service and create new products and services that will benefit our expanding client base. We evaluate emerging technologies and industry standards and continually update our technology in response to changes in the real-time customer service industry. We believe that these efforts will allow us to effectively anticipate changing client and end-user requirements in our rapidly evolving industry.

EVALUATING STRATEGIC ALLIANCES AND ACQUISITIONS WHERE APPROPRIATE. We intend to seek opportunities to form strategic alliances with or to acquire other companies that will enhance our business. We have entered into selected strategic alliances with customer service call centers and may enter into additional alliances in the future. We have no present plans or commitments with

respect to any strategic alliances or acquisitions and we are not currently engaged in any material negotiations with respect to these opportunities.

EXPANDING OUR INTERNATIONAL PRESENCE. We currently have more than 35 non-U.S. based clients in Europe, Asia, South America and the Middle East, all of which were sold and are serviced by our U.S. offices. We have also translated the user interface for the LivePerson service into a variety of languages, presently including Dutch, French, German, Italian, Portuguese, Spanish and Swedish, and are currently making them available for our international clients. We intend to expand our international presence to better penetrate these markets and are evaluating strategies to implement international expansion.

THE LIVEPERSON SERVICE

The LivePerson service appears on our clients' Web sites as a LivePerson-branded or custom-created icon. An Internet user browsing a client's Web site who desires assistance simply clicks on the icon, causing the LivePerson pop-up dialogue window to appear on the user's screen. An operator prompts the user with an offer of assistance, commencing a live text-based interaction. In many instances, pre-formatted responses are used to respond to Internet user inquiries.

In addition, an operator may offer hyperlinks to other parts of a client's Web site, product photos and graphics in the dialogue window. This allows an operator to easily present additional products or services, thereby maximizing sales opportunities.

The LivePerson technology consists of five integrated components that form a comprehensive real-time interaction platform. We currently offer the features and functionality outlined below to all clients and intend to add more features in the future. These may include additional reporting and administrative tools, new interactive capabilities and data bridges to existing client systems.

[GRAPHIC APPEARS HERE]

The graphic is a three-dimensional diagram surrounded by a box comprised of two layers. The first layer is subdivided into five equal sized cubes numbered 1 to 5 from left to right with the following titles: "Customer Interaction", "Direct Marketing", "Operator Control", "Administrator Control" and "Customer Data Collection" and a sixth cube titled "Future Components" that is raised slightly higher than cubes 1 to 5. The second layer is an undivided layer positioned directly below the first layer labelled "Integrated Network Infrastructure".

[GRAPHIC APPEARS HERE]
The graphic, positioned to the left of the text, is a larger cube positioned upon a smaller three-dimensional cube, with the number 1 in the larger cube.

INTERNET USER INTERACTION. The Internet user interaction component is the core of real-time communication between our clients' operators and Internet users.

- REAL-TIME TEXT-BASED INTERACTION. Real-time text-based interaction is the communication vehicle between our clients' operators and Internet users. Text is currently the preferred method of communication because it requires no special plug-ins or hardware and it can be stored and analyzed.

- IMAGE / LINK / PAGE PRESENTER. An operator may present photographs, images or links to other Web pages or sites in the dialogue window in response to Internet user queries. An operator may also "push" Web pages to an Internet user's screen.

- SHOPPING CART CONVERTER. The shopping cart converter is a pop-up window feature that is often used to help prevent shopping cart abandonment. Typically, after an Internet user has been at a shopping cart for a set period, a pop-up window will appear offering assistance. This enables the Internet user to instantly ask a question before completing or potentially abandoning a transaction.

- EXIT SURVEY. A customizable exit survey is presented to the Internet user after each conversation. The survey can be modified in real time and is used by our clients primarily for gathering Internet user feedback, creating Internet user profiles and quality control.

[GRAPHIC APPEARS HERE]
The graphic, positioned to the left of the text, is a larger cube positioned upon a smaller three-dimensional cube, with the number 2 in the larger cube.

DIRECT MARKETING. The direct marketing component enables Web site owners to classify Internet users and target outbound email to selected groups.

- GROUP PROFILER. The group profiler provides administrators with the power to analyze, profile and classify Internet users based on various data collected in an exit survey. This is used by the administrator to understand Internet user patterns and to create Internet user groups.

- EMAIL TARGETER. Based on information collected in exit surveys, the email targeter allows clients to target sales and marketing campaigns to selected Internet user groups.

[GRAPHIC APPEARS HERE]
The graphic, positioned to the left of the text, is a larger cube positioned upon a smaller three-dimensional cube, with the number 3 in the larger cube.

OPERATOR CONTROL. The operator control component enables operators to efficiently manage interactions with multiple Internet users.

- SKILL-BASED ROUTING. Internet users can be routed to specific operators based on the operator's particular knowledge of specific products or services. For example, many of our clients have specialized operator groups focusing separately on sales or customer service to whom they selectively route inquiries. This routing complements and partially automates the alternative operator transfer capability.

- ALTERNATIVE OPERATOR TRANSFER. The operator can transfer an Internet user to another operator or to an administrator with unique skills or knowledge.

- PRE-FORMATTED RESPONSES. The operator can use and modify pre-formatted responses to assist in responding to an Internet user, rather than manually typing a response. Pre-formatted responses are usually created by administrators and may be accessed and modified on a real-time basis to

continuously improve response time and quality. Operators preview and may edit pre-formatted responses to respond appropriately to Internet user inquiries.

[GRAPHIC APPEARS HERE]
The graphic, positioned to the left of the text, is a larger cube positioned upon a smaller three-dimensional cube, with the number 4 in the larger cube.

ADMINISTRATOR CONTROL. The administrator control component enables administrators to manage operators.

- OPERATOR EVALUATION TOOL. The administrator can view operator call activity by date, time, length and number of dialogues, and operator response time, enabling real time operator evaluation.

- REAL-TIME OPERATOR CONTROL CENTER. The administrator can view the conversations between all operators online and Internet users. Administrators can also participate in conversations to help operators respond to inquiries.

[GRAPHIC APPEARS HERE]
The graphic, positioned to the left of the text, is a larger cube positioned upon a smaller three-dimensional cube, with the number 5 in the larger cube.

INTERNET USER DATA COLLECTION. The Internet user data collection component captures, stores and processes all Internet user information.

- TEXT-BASED TRANSCRIPTS. All textual data, including exit survey data, are archived in an indexed database which can be queried on several criteria. Multiple transcripts from conversations with the same Internet user are saved within one record set, ensuring that an exact history of the Internet user's interaction is accurately maintained. Transcripts of prior conversations can be viewed by operators in real time as they interact with Internet users.

- LAST-PAGE VIEWED TRACKER. The specific page that the Internet user viewed before entering into a LivePerson text-based interaction is captured and saved with the transcript of the dialogue.

- BROWSER / IP ADDRESS TRACKER. The Internet user's browser type and IP address are captured and saved with the transcript of the dialogue.

- EXIT SURVEY ANALYZER. Survey results and summaries can be instantly displayed, queried and graphed.

CLIENTS

We currently have more than 450 clients, including dedicated Internet companies, Fortune 1000 companies and other companies with established commercial Web sites. Our service benefits companies of all sizes doing business on the Internet.

The following is a selected list of clients using the LivePerson service as of March 8, 2000:

Adatom.com	giftpoint.com	MyHome.com
APC	Gifts.com	National Discount Brokers
Babygear.com	GMAC's ditech.com	Neiman Marcus
betmaker.com	Hand Technologies	Playboy.com
clickandmove	Harris Interactive	PlayersOnly.com
CMC Group Plc	HealthAxis.com	Priceline.com
CollegeClub.com	Homelender.com	PrintNation, Inc.
Comtrad Industries	IGoGolf	Professional Shopper
CyBerCorp	IMX Exchange	ScreamingMedia
DigitalWork.com	Internet Financial Network	ShopAtHome
Drake Software Solutions	Intuit	ShopNow
EarthLink	iOwn.com	The boxLot Company
ephones	iQVC	TradeCapture.com
eScore	JB Oxford & Company	USABancShares
evesta.com	Laidlaw Global Services	Warrior Insurance Group
ExpressAutoparts.com	Last Minute Network	WebHosting.com
Financial Times	LookSmart	WhatsHotNow
firstsource.com	M&I Mortgage	ow
Forextrading.com	Miadora	

SALES, CLIENT SUPPORT AND MARKETING

SALES. The sales cycle for the LivePerson service has historically been 30 to 45 days, but has recently been shorter than that. We sell LivePerson primarily via telephone as a monthly fee service. Due to the relatively low start-up costs of the LivePerson service, our experience has shown that purchase approval comes from customer service, sales or marketing managers, and requires little or no involvement on the part of a client's information technology staff.

We sell primarily through a direct sales organization and target companies seeking to improve customer relations and increase Internet commerce activity. Additionally, potential clients have contacted us as a result of our participation in trade shows, press releases, news articles, online and offline advertising campaigns or visits to our Web site. We demonstrate the LivePerson service online and, for larger accounts, we provide in-person service demonstrations.

We also have begun to enter into contractual arrangements that complement our direct sales force. These are primarily with Web hosting and call center service companies, and are in the form of value-added reseller or referral agreements pursuant to which the parties are paid a commission based on generated revenue. Such commissions are paid and accounted for monthly, as revenue is realized. Commissions generated under such agreements to date have not, as a percentage of total LivePerson service revenue, been material, although we expect such commissions to increase in both absolute terms and as a percentage of total LivePerson service revenue over time.

CLIENT SUPPORT. Our client services group assists the client in launching the LivePerson service, and manages our ongoing relationship with the client. Each client is assigned a client services manager who is responsible for day-to-day client interaction.

The following steps are required to launch a new LivePerson client:

- ACCOUNT SETUP. We create operator names and passwords for our client.

- SITE SETUP. Our client places our HTML link on its Web site.

- TRAINING. We provide telephone-based training of operators and administrators.

Setup and training can generally be accomplished within the same day. We also maintain a 24-hour per day / seven-day per week help desk to assist clients with any technical concerns or issues.

MARKETING. Our marketing strategy is focused on building brand awareness of LivePerson as a provider of real-time sales and customer service technology for companies doing business on the Internet. Our marketing targets dedicated Internet companies, Fortune 1000 companies and other companies with established commercial Web sites.

Our strategic advertising campaigns utilize both traditional and online media. Our print advertising focuses on targeted trade publications, including Internet commerce and other categories, while our online advertising targets decision makers of companies doing business on the Internet. We also exhibit prominently at key industry trade shows.

Our marketing strategy also includes aggressive public relations efforts. These initiatives include interviews with media and industry analysts which often result in published articles and studies. They also include speaking engagements and byline articles featuring our executives.

COMPETITION

The market for real-time sales and customer service technology is new and intensely competitive. There are no substantial barriers to entry in this market, other than the ability to design and build scalable software and, with respect to outsourced solution providers, the ability to design and build scalable network architecture. Established or new entities may enter this market in the near future, including those that provide real-time interaction online, with or without the user's request.

We compete directly with companies focused on technology that facilitates real-time sales and customer service interaction. Our competitors include customer service enterprise software providers such as eGain Communications Corp., eShare Technologies, Inc., Kana Communications, Inc. and WebLine Communications (a part of Cisco Systems' applications technology group), some of which are beginning to offer hosted solutions. Furthermore, many of our competitors offer a broader range of customer relationship management products and services than we currently offer. We may be disadvantaged and our business may be harmed if companies doing business on the Internet choose sales and customer service technology from such providers.

We also face potential competition from larger enterprise software companies such as Oracle and Siebel Systems. In addition, established technology companies, including IBM, Hewlett-Packard and Microsoft, may also leverage their existing relationships and capabilities to offer real-time sales and customer service applications.

Finally, we face competition from clients and potential clients that choose to provide a real-time sales and customer service solution in-house as well as, to a lesser extent, traditional offline customer service solutions, such as telephone call centers.

We believe that competition will increase as our current competitors increase the sophistication of their offerings and as new participants enter the market. Many of our current and potential competitors have:

- longer operating histories;

- larger client bases;

- greater brand recognition;

- more diversified lines of products and services; and

- significantly greater financial, marketing and other resources.

These competitors may enter into strategic or commercial relationships with larger, more established and better-financed companies. These competitors may be able to:

- undertake more extensive marketing campaigns;

- adopt more aggressive pricing policies; and

- make more attractive offers to businesses to induce them to use their products or services.

Any delay in the general market acceptance of the real-time sales and customer service solution business model would likely harm our competitive position. Delays would allow our competitors additional time to improve their service or product offerings, and would also provide time for new competitors to develop real-time sales and customer service applications and solicit prospective clients within our target markets. Increased competition could result in pricing pressures, reduced operating margins and loss of market share.

TECHNOLOGY

Three key technological features distinguish the LivePerson service:

- All of our customers share the same servers, databases, and network connections. We are therefore able to accommodate our expanding customer base and increasing system usage without incrementally adding new hardware or network infrastructure.

- Our network, hardware and software are designed to accommodate our clients' demand for high-quality 24-hours per day / seven-days per week service.

- As a hosted service we are able to add additional capacity and new features quickly and efficiently. This has enabled us to immediately provide these benefits simultaneously to our entire client base. In addition, it allows us to maintain a relatively short development and implementation cycle of several weeks.

As an application service provider, we focus on the development of tightly integrated software design and network architecture. We have dedicated significant resources to designing our software and network architecture based on the fundamental principles of reliability and scalability.

SOFTWARE DESIGN. Our software design provides a reliable store-and-forward message delivery solution that actively routes messages between operators and Internet users.

The LivePerson real-time interaction platform can efficiently accommodate additional features and functionality due to its distributed processes, which can be replicated on several servers. In some cases, key processes are run independently to enhance performance. Our software design is also based on open standards. These standard protocols facilitate integration with our clients' legacy and third-party systems, and include:

- Java

- XML (Extensible Mark-up Language)

- HTML (Hypertext Mark-up Language)

- SQL (Structured Query Language)

- Internet Protocol (IP)

NETWORK ARCHITECTURE. The software underlying our service is integrated with a scalable and reliable network architecture. Our network is scalable in that we do not need to incrementally add new hardware or network capacity for each new LivePerson client. This network architecture is supported by data centers that have redundant network connections, servers and other features, ensuring a high level of reliability.

Our network architecture is also based on proprietary packet routing and server clustering techniques and superior network connectivity. Requests are routed among several servers dynamically to ensure uninterrupted service. In addition, we use a "multi-homed" Internet access system, which incorporates multiple direct Internet connections to reduce the impact of latency that may occur on different parts of the Internet. This design enables our clients and Internet users to efficiently connect to our servers.

We also use advanced load-balancing techniques to ensure that each LivePerson conversation is connected at an optimal speed and that no single point of failure can affect the LivePerson service.

GOVERNMENT REGULATION

We are subject to federal, state and local regulation, including laws and regulations applicable to access to or commerce over the Internet. Due to the increasing popularity and use of the Internet and various other online services, it is likely that a number of new laws and regulations will be adopted with respect to the Internet or other online services covering issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. The nature of such legislation and the manner in which it may be interpreted and enforced cannot be fully determined and, therefore, such legislation could subject us and/or our clients or Internet users to potential liability, which in turn could have an adverse effect on our business, results of operations and financial condition. The adoption of any such laws or regulations might also impair the growth of Internet use, which in turn could decrease the demand for our service or increase the cost of doing business or in some other manner have a material adverse effect on our business, results of operations and financial condition. In addition, applicability to the Internet of existing laws governing issues such as intellectual property, taxation and personal privacy is uncertain. The vast majority of such laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies.

As a result of collecting data from live online Internet user dialogues, our clients may be able to analyze the commercial habits of Internet users. Privacy concerns may cause Internet users to avoid online sites that collect such behavioral information and even the perception of security and privacy concerns, whether or not valid, may indirectly inhibit market acceptance of our services. In addition, our clients may be harmed by any laws or regulations that restrict their ability to collect or use this data. Several states have proposed legislation that would govern the collection and use of personal user information gathered online or require online services to establish privacy policies. The Federal Trade Commission has initiated actions against online services regarding the manner in which information is collected from users, used by online services and/or provided to third parties, and has begun investigations into the privacy practices of companies that collect information about individuals on the Internet. The European Union has enacted its own privacy regulations that may result in limits on the collection and use of some user information. Changes to existing domestic or international laws or the passage of new laws intended to address these or other issues, including some recently proposed changes, could create uncertainty in the marketplace that could reduce demand for our services or increase the cost of

doing business as a result of litigation costs or increased service delivery costs, or could in some other manner have a material adverse effect on our business, results of operations and financial condition.

It may take years to determine how existing laws apply to the Internet. Any new legislation or regulation regarding the Internet, or the application of existing laws and regulations to the Internet, could harm us. Additionally, as we expand outside the U.S., the international regulatory environment relating to the Internet could have a material and adverse effect on our business, results of operations and financial condition.

INTELLECTUAL PROPERTY AND PROPRIETARY RIGHTS

We rely upon a combination of patent, copyright, trade secret and trademark law, written agreements and common law to protect our proprietary technology, processes and other intellectual property, to the extent that protection is sought or secured at all. We currently have one U.S. patent application pending. To the extent that the invention described in our U.S. patent application was made public prior to the filing of the application, we may not be able to obtain patent protection in certain foreign countries. In addition, we have a common law trademark, "LivePerson", and three pending U.S. trademark applications. The trademark examiner assigned to our applications has issued non-final office actions with respect to our applications, requesting additional information and making initial refusals. However, no final determinations as to the registrability of the marks have been made. We are in the process of responding with respect to our applications, to these office actions prior to their respective deadlines, but ultimately we may not be able to secure registration of our trademarks. We do not have any trademarks registered outside the U.S., nor do we have any trademark applications pending outside the U.S.

Although we rely on patent, copyright, trade secret and trademark law, written agreements and common law, we believe that factors such as the technological and creative skills of our personnel, new service developments, frequent enhancements and reliable maintenance are more essential to establishing and maintaining a technology leadership position. We cannot assure you that others will not develop technologies that are similar or superior to our technology. We enter into confidentiality and other written agreements with our employees, consultants and strategic partners, and through written agreements, control access to and distribution of our software, documentation and other proprietary information. Despite our efforts to protect our proprietary rights, third parties may, in an unauthorized manner, attempt to copy or otherwise obtain and use our service or technology or otherwise develop a service with the same functionality as our products. Policing unauthorized use of our products is difficult, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology, particularly in foreign countries where the laws may not protect proprietary rights as fully as do the laws of the United States.

Substantial litigation regarding intellectual property rights exists in the software industry. Our service may be increasingly subject to third-party infringement claims as the number of competitors in our industry segment grows and the functionality of services in different industry segments overlaps. Some of our competitors in the market for real-time sales and customer service solutions may have filed or may intend to file patent applications covering aspects of their technology. Although we believe that our service and technology do not infringe upon the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we may be subject to claims alleging infringement of third-party intellectual property rights. Any such claims could require us to spend significant amounts in litigation, distract management from other tasks of operating our business, pay damage awards, delay delivery of the LivePerson service, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of any such

infringement. Therefore, such claims could have a material adverse effect on our business, results of operations and financial condition.

EMPLOYEES

As of March 8, 2000, we had 125 full-time employees. Members of senior management have entered into employment agreements with us, some of which are described in "Management--Employment Agreements." None of our employees are covered by collective bargaining agreements. We believe our relations with our employees are good.

FACILITIES

We currently lease an aggregate of approximately 25,000 square feet at our headquarters location in New York City, consisting of a lease for approximately 17,000 square feet expiring in October 2006 and a sub-lease for approximately 8,000 square feet expiring in September 2000. We also have a lease for an additional, approximately 6,000 square foot location in New York City, expiring in April 2000. In addition, in March 2000, we entered into a lease for an aggregate of approximately 83,500 square feet on two floors at a location in New York City which we expect to occupy in the third quarter of 2000.

We currently maintain offices in San Francisco subleased to us by one of our investors, which we expect to vacate upon relocation to our new facility of approximately 7,850 square feet. We expect to relocate in the second quarter of 2000. The lease for our new facility expires in January 2005.

LEGAL PROCEEDINGS

We are not a party to any material legal proceedings. We may be subject to various claims and legal actions arising in the ordinary course of business.

EXECUTIVE OFFICERS, KEY EMPLOYEES AND DIRECTORS

The executive officers, key employees and directors of LivePerson, and their ages and positions as of March 8, 2000, are:

NAME	AGE	POSITION
Robert P. LoCascio*	31	President, Chief Executive Officer and Chairman of the Board
Dean Margolis*	42	Chief Operating Officer
Timothy E. Bixby*	35	Executive Vice President, Chief Financial Officer, Secretary and Director
Scott E. Cohen*	41	Executive Vice President, Sales/Client Services
James L. Reagan*	34	Chief Technology Officer
Vincent Beese	34	Vice President, Sales
Victor K. Cheng	26	Vice President, Product Management
Dwight D. Foster	37	Vice President, West Coast Sales
Christopher L. Smith	32	Vice President, Client Services
Lawrence A. Wasserman	34	Vice President, Marketing
Richard L. Fields	43	Director
Wycliffe K. Grousbeck	38	Director
Kevin C. Lavan	47	Director
Robert W. Matschullat	52	Director
Edward G. Sim	29	Director

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* Denotes Executive Officer.

ROBERT P. LOCASCIO has been our President, Chief Executive Officer and Chairman of our board of directors since our inception in November 1995. Mr. LoCascio founded our company as Sybarite Interactive Inc., which developed a community-based web software platform known as TOWN. Before founding Sybarite Interactive, through November 1995, Mr. LoCascio was the founder and Chief Executive Officer of Sybarite Media Inc. (known as IKON), a developer of interactive public kiosks that integrated interactive video features with advertising and commerce capabilities. Mr. LoCascio received a B.B.A. from Loyola College.

DEAN MARGOLIS has been our Chief Operating Officer since January 2000. From December 1996 until August 1999, Mr. Margolis was the founder and Chief Executive Officer of Comet Systems, Inc., a Web site tools company which licenses technology that allows a Web site publisher to change the appearance of its cursor. Mr. Margolis was a consultant to several Internet companies between August 1999 and January 2000, and between October 1995 and December 1996. From November 1993 to October 1995, Mr. Margolis was President of Blackberry Technologies, Inc., a software development firm. From April 1989 until November 1993, Mr. Margolis held various sales management positions with ABT Corporation, a project management software company. Mr. Margolis received a M.B.A. and a M.S. from Harvard University, and a B.A. from Columbia University.

TIMOTHY E. BIXBY has been our Chief Financial Officer since June 1999, our Secretary and a director since October 1999 and an Executive Vice President since January 2000. From March 1999 until May 1999, Mr. Bixby was a private investor. From January 1994 until February 1999, Mr. Bixby was Vice President of Finance for Universal Music & Video Distribution Inc., a manufacturer and distributor of recorded music and video products, where he was responsible for internal financial operations, third party distribution deals and strategic business development.

From October 1992 through January 1994, Mr. Bixby was Associate Director, Business Development, with the Universal Music Group. Prior to that, Mr. Bixby spent three years in Credit Suisse First Boston's mergers and acquisitions group as a financial analyst. Mr. Bixby received a M.B.A. from Harvard University and an A.B. from Dartmouth College.

SCOTT E. COHEN has been our Executive Vice President, Sales/Client Services since November 1999 and was our Executive Vice President of Sales from March 1999 until November 1999. Mr. Cohen was a consultant to several Internet companies between January 1999 and March 1999. From February 1998 to December 1998, Mr. Cohen was Senior Vice President, Strategic Alliances and Direct Marketing at 24/7 Media, Inc., an online advertising network. Mr. Cohen was Senior Vice President of Sales for Petry Interactive, Inc. from August 1997 until February 1998, and Vice President of Business Development from November 1996 until August 1997. From November 1992 through November 1996, Mr. Cohen held various positions with companies held by MacAndrews & Forbes Holdings Inc., including Sales Executive and Manager of Business Development at New World Communications Inc. and Director of Real Estate at Revlon Consumer Products Corporation. Mr. Cohen received a M.B.A. from the University of Rochester.

JAMES L. REAGAN has been our Chief Technology Officer since January 2000. Prior to joining us, Mr. Reagan was Vice President, Technology Risk Management for First Union National Bank, from June 1998 through December 1999, where he led the risk management process associated with the strategy, use and deployment of First Union's Internet commerce technology. From September 1996 through June 1998, Mr. Reagan was Director of Strategic Information Technology for AverStar, Inc., a systems and software development company, where he managed strategic information technology products. From February 1985 through September 1996, Mr. Reagan was in the United States Army, where most recently he was a senior project manager in charge of management and operations for military intelligence projects. Mr. Reagan received a M.S. from Bowie State University and a B.A. from the State University of New York.

VINCENT BEESE has been our Vice President, Sales since May 1999. Prior to joining us, from August 1996 through April 1999, Mr. Beese was the Advertising and Alliance Director for AT&T's Interactive Group, concentrating on developing strategic partnerships, as well as Internet commerce and advertising opportunities. Prior to that, from April 1994 through August 1996, Mr. Beese held various positions at BPI Communications Inc. including Marketing Associate and Product Manager for Billboard Electronic Publishing Group, responsible for product development, generating revenue and increasing new subscribers. Mr. Beese received a B.A. from the University of Maryland.

VICTOR K. CHENG has been our Vice President, Product Management since January 2000 and was Assistant to the Chief Executive Officer from September 1999 through January 2000. Prior to joining us, Mr. Cheng founded and was Chief Executive Officer of eHaHa.com, Inc., a Web site serving online communities, from January 1999 through August 1999. From March 1998 through December 1998, Mr. Cheng founded and was Chief Executive Officer of Small Biz Media, Inc., an online purchasing alliance for small businesses. Between September 1995 and February 1998, Mr. Cheng worked for the consulting firm McKinsey & Company, as an Associate from July 1997 through February 1998, and as a Business Analyst between September 1995 and June 1997. Mr. Cheng received a M.A. and a B.A. from Stanford University.

DWIGHT D. FOSTER has been our Vice President, West Coast Sales since August 1999. Prior to joining us, Mr. Foster was Western Region Account Manager for Net Perceptions, Inc., from December 1997 through July 1999, responsible for southern California as well as strategic accounts in the San Francisco area. Prior to that, from November 1996 through December 1997, Mr. Foster was an Account Executive with Careerbuilder.com. From July 1995 through November

1996, Mr. Foster was Director of Business Development for Genwell Corp., a systems integrator. From January 1994 through July 1995, Mr. Foster was Director of Sales and Marketing for RangeStar International, an antenna manufacturer. Mr. Foster received a B.A. from the University of Colorado.

CHRISTOPHER L. SMITH has been our Vice President, Client Services since September 1999. Before joining us, Mr. Smith was Manager of Strategic Development at Comcast Online Communications, a division of Comcast Corporation, from March 1996 to September 1999, responsible for launching and developing InYourTown.com, a network of city guides. Before that, Mr. Smith founded Travel Media Services, Inc., a provider of travel products distributed by television infomercials, serving as President from March 1995 to March 1996. From September 1990 to July 1993, Mr. Smith was a Relationship Manager at The Chase Manhattan Bank, responsible for small and middle market commercial clients. Mr. Smith received a M.B.A. from Columbia University and a B.A. from Duke University.

LAWRENCE A. WASSERMAN has been our Vice President, Marketing since March 1999. Prior to joining us, from March 1998 through January 1999, Mr. Wasserman was Director, U.S. Marketing for Bertelsmann AG, helping develop the business and marketing strategy for their online book retailer, BOL.com. Prior to that, from March 1997 through February 1998, Mr. Wasserman was Director, Interactive Media in the Interactive Media Department for Bertelsmann's Doubleday Direct, Inc. Prior to that, from May 1994 through February 1997, Mr. Wasserman was Director, Current Member Marketing, for Doubleday Direct's Specialty Clubs division. Mr. Wasserman received a M.B.A. from the University of Michigan and a B.S. from the State University of New York.

RICHARD L. FIELDS has been a director since July 1999, having been elected pursuant to the terms of the Second Amended and Restated Stockholders' Agreement dated as of July 19, 1999. Mr. Fields is a Managing Director of the investment banking firm Allen & Company Incorporated, where he has been employed since 1986. Mr. Fields is a director of VoiceStream Wireless Corporation and the Telecommunications Development Fund. Mr. Fields received a J.D. from Harvard University, a M.B.A. from Stanford University and a B.S. from the Massachusetts Institute of Technology.

WYCLIFFE K. GROUSBECK has been a director since July 1999, having been elected pursuant to the terms of the Second Amended and Restated Stockholders' Agreement dated as of July 19, 1999. Mr. Grousbeck has been a General Partner of Highland Capital Partners, Inc. since August 1996 and joined as an Associate in May 1995. Mr. Grousbeck was the founder, and President from September 1993 to May 1995, of Grousbeck Medical Resources Inc., a start-up consumer medical information and research company. Mr. Grousbeck is a director of EXACT Laboratories, Inc., GuruNet Corporation, Mantra Software Corporation and Odyssey Healthcare, Inc. Mr. Grousbeck received a M.B.A. from Stanford University, a J.D. from the University of Michigan and an A.B. from Princeton University.

KEVIN C. LAVAN has been a director since January 2000. Mr. Lavan is currently an Executive Vice President of Wunderman Cato Johnson, the direct marketing and customer relationship marketing division of Young & Rubicam Inc. From February 1997 to March 1999, Mr. Lavan was Senior Vice President of Finance at Young & Rubicam. From January 1995 to February 1997, Mr. Lavan held various positions at Viacom Inc., including Controller, and Chief Financial Officer for Viacom's subsidiary, MTV Networks. Mr. Lavan received a B.S. from Manhattan College.

ROBERT W. MATSCHULLAT has been a director since March 2000. Since October 1995, Mr. Matschullat has been Vice Chairman of the board of directors of The Seagram Company Ltd., and also served as Chief Financial Officer of Seagram from October 1995 to December 1999. Previously, he was Managing Director and Head of Worldwide Investment Banking for Morgan

Stanley & Co., Inc. and a director of Morgan Stanley Group, Inc., from 1991 through October 1995. Mr. Matschullat is currently a director of The Clorox Company, The Seagram Company Ltd. and USA Networks, Inc. Mr. Matschullat received a M.B.A. and a B.A. from Stanford University.

EDWARD G. SIM has been a director since January 1999, having been elected pursuant to the terms of the Stockholders' Agreement dated as of January 21, 1999. Since October 1999, Mr. Sim has been a Managing Director of Wit Capital Corporation's Venture Capital Fund Group. Since April 1998, Mr. Sim has been a Managing Director and Senior Vice President of DT Advisors LLC, which is the managing entity of Dawntreader Fund I LP, and whose members now manage Wit Capital's venture capital funds. From April 1996 to April 1998, Mr. Sim was an Associate with Prospect Street Ventures, a New York venture capital firm, and from May 1994 to April 1996, he was a member of the Structured Derivatives Group at J.P. Morgan Investment Management Inc. Mr. Sim is a director of expertcity.com, inc., Flashbase, Inc., GuruNet Corporation and MaterialNet, Inc. Mr. Sim received an A.B. from Harvard University.

COMPOSITION OF THE BOARD

Prior to the closing of this offering, we intend to file an amended and restated certificate of incorporation pursuant to which our board of directors will be divided into three classes, each of whose members will serve for a staggered three-year term. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms at the annual meeting of stockholders in the year in which their term expires. Our board of directors has resolved that Mr. Fields and Mr. Sim will be Class I Directors whose terms expire at the 2001 annual meeting of stockholders. Mr. Grousbeck and Mr. Bixby will be Class II Directors whose terms expire at the 2002 annual meeting of stockholders. Messrs. Lavan, Matschullat and LoCascio will be Class III Directors whose terms expire at the 2003 annual meeting of stockholders. With respect to each class, a director's term will be subject to the election and qualification of their successors, or their earlier death, resignation or removal.

BOARD COMMITTEES

The Audit Committee of our board of directors reviews, acts on and reports to our board of directors with respect to various auditing and accounting matters, including the recommendations of our independent auditors, the scope of the annual audits, the fees to be paid to the auditors, the performance of our auditors and our accounting practices. The members of the Audit Committee are Mr. Fields, Mr. Lavan and Mr. Sim.

For our common stock to be included in the Nasdaq National Market, each member of the Audit Committee of our board of directors must be considered independent under Nasdaq's rules. Among other things, a director is not independent under Nasdaq rules if he or she has been employed by us or our affiliates in the current year or past three years. One non-independent director may serve on the Audit Committee if our board determines it to be in the best interests of our company and our stockholders, but our current officers or other employees are not able to serve on the Audit Committee under this exception.

The Compensation Committee of the board of directors recommends, reviews and oversees the salaries, benefits and stock option plans for our employees, consultants, directors and other individuals whom we compensate. The Compensation Committee also administers our compensation plans. The members of the Compensation Committee are Mr. Fields, Mr. Grousbeck and Mr. Lavan.

DIRECTOR COMPENSATION

Directors who are also our employees receive no additional compensation for their services as directors. Directors who are not our employees will not receive a fee for attendance in person at meetings of the board of directors or committees of the board of directors, but they will be reimbursed for travel expenses and other out-of-pocket costs incurred in connection with attendance at meetings. Non-employee directors who are elected following the completion of this offering will be granted options to purchase 15,000 shares of our common stock upon their election. In addition, non-employee directors will be granted options to purchase 5,000 shares of our common stock on each anniversary of their election to the board of directors. Upon the completion of this offering, we will grant options to purchase 15,000 shares of our common stock to each of Messrs. Fields, Grousbeck, Lavan and Sim, at an exercise price equal to the price of our common stock in this offering, which options will vest one year from the date of the grant. In addition, upon the completion of this offering we will grant options to purchase 30,000 shares of our common stock to Mr. Matschullat at an exercise price equal to the price of our common stock in this offering, 15,000 of which will vest one year from the date of grant and 15,000 of which will vest in equal installments over the next three years.

EMPLOYMENT AGREEMENTS

Robert P. LoCascio, our President and Chief Executive Officer, is employed pursuant to an employment agreement entered into as of January 1, 1999. After its initial term, which expires on January 1, 2002, our agreement with Mr. LoCascio will extend automatically for one-year terms on each of January 1, 2002 and January 1, 2003, unless either we or Mr. LoCascio gives notice not to extend the term of the agreement. Mr. LoCascio is entitled to receive an annual base salary of $125,000, plus an annual discretionary bonus of up to $50,000, determined by our board based upon achievement of performance objectives. If Mr. LoCascio is terminated by us without cause or following a material change or diminution in his duties, a reduction in his salary or bonus, or if we are sold or following a change in control of our company, or if we relocate him to a location outside the New York metropolitan area, we must pay him an amount equal to the amount of his salary for the 12 months following the date of termination, and the pro rata portion of the bonus he would have been entitled to receive for the fiscal year in which the termination occurred. These amounts are payable in three monthly installments beginning 30 days after his termination. Pursuant to the agreement, for a period of one year from the date of termination of Mr. LoCascio's employment, he may not directly or indirectly compete with us, including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

On January 28, 2000, we entered into a three-year employment agreement with Dean Margolis, our Chief Operating Officer. We will pay Mr. Margolis a fixed annual base salary of $175,000, plus an annual discretionary bonus. Mr. Margolis is also eligible under the agreement to receive a long-term incentive award, determined by our board, consisting of options to purchase common stock, with the initial award of options to purchase up to 510,000 shares of common stock at a purchase price of $3.33 per share. These options will begin vesting on July 1, 2000 in four equal annual installments. If, within 24 months after a change in control of our company, we terminate Mr. Margolis without cause or if he terminates his employment with us because we have reduced his compensation or materially changed his duties or responsibilities, we will pay him a lump-sum amount equal to one-half of his annual base salary and any unvested options will vest immediately. In addition, if Mr. Margolis otherwise terminates his employment following a change in control of our company, any options which would have vested within 12 months after such termination will continue to vest under the original vesting schedule.

Pursuant to the agreement, for a period of one year from the date of termination of Mr. Margolis's employment, he may not directly or indirectly compete with us including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

Timothy E. Bixby, our Chief Financial Officer, is employed pursuant to an employment agreement entered into as of June 23, 1999, which shall continue until it is terminated by either party. Pursuant to the agreement, Mr. Bixby receives an annual base salary of $140,000 and an annual discretionary bonus. Mr. Bixby is also eligible to receive a long-term incentive award determined by our board consisting of options to purchase common stock, with the initial award of options to purchase up to 202,500 shares of common stock at a purchase price of $0.67 per share. Twenty-five percent of those options vested on January 1, 2000 and the remaining options will vest in three equal annual installments starting on January 1, 2001. In October 1999, Mr. Bixby was granted options to purchase up to an additional 97,500 shares of common stock at a purchase price of $2.00 per share. These options begin vesting on July 1, 2000 in four equal annual installments. In January 2000, Mr. Bixby was granted options to purchase up to an additional 75,000 shares of common stock at a purchase price of $3.33 per share. These options begin vesting on July 1, 2000 in four equal annual installments. If Mr. Bixby is terminated following a change in control of our company or if he terminates his employment with us following a reduction in his salary, a material change or diminution in his duties or if Robert LoCascio is no longer our President or Chief Executive Officer, all of his options will vest immediately, and we must pay him a lump-sum amount equal to his annual salary, and the pro rata portion of the bonus he would have been entitled to receive for the year in which the termination occurred. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Bixby's employment, he may not directly or indirectly compete with us, including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

Scott E. Cohen, our Executive Vice President, Sales/Client Services, is employed pursuant to an employment agreement entered into as of March 29, 1999. The agreement's initial term expires on March 31, 2000 and has been extended for one year. Mr. Cohen receives an annual base salary of $185,000 and an annual discretionary bonus. For the first year of the agreement's term, we have agreed to pay Mr. Cohen commissions on a quarterly basis in the amount of 10% of the portion of our gross sales (consisting of revenues from sales invoiced by us, net of tax and other surcharges payable by us and amounts rebated or refunded) in excess of $1,000,000 during the first year of his employment. For the second year of the agreement's term, we will pay him commissions on a quarterly basis in the amount of 10% of the first $1,000,000 of gross sales in excess of the amount of gross sales in the first year, plus 7.5% of all gross sales in excess of that amount. Additionally, we granted Mr. Cohen options to purchase up to 588,960 shares of common stock at a purchase price of $0.80 each. Fifty percent of those options will vest on March 31, 2000 with the remainder vesting on March 31, 2001. We also, in March 2000, granted Mr. Cohen options to purchase an additional 240,000 shares of common stock at a purchase price of $6.67 per share, which options vested upon grant. If (1) Mr. Cohen is terminated following a sale or a change in control of our company or (2) if Mr. Cohen chooses to terminate his employment because he is no longer serving in a senior executive capacity or because Robert LoCascio is no longer our President or Chief Executive Officer, we must pay him the salary and the amount of commissions that he would have earned for a period of four months after the date of termination had we not terminated him, reduced by any amount he earns as a result of his employment by any business in that four-month period. In addition, any options which would have vested on the first vesting date following the date of termination as a result of a change in control will vest

immediately upon such termination. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Cohen's employment, he may not directly or indirectly compete with us, including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

On January 3, 2000, we entered into a three-year employment agreement with James L. Reagan, our Chief Technology Officer. We will pay Mr. Reagan a fixed annual base salary of $165,000, plus an annual discretionary bonus, of which $20,000 was paid upon commencement of his employment. In addition, Mr. Reagan received a starting bonus of $20,000. Mr. Reagan is also eligible under the agreement to receive a long-term incentive award, determined by our board, consisting of options to purchase common stock, with the initial award of options to purchase up to 300,000 shares of common stock at a purchase price of $2.00 per share. These options will begin vesting on January 1, 2001 in four equal annual installments. If, within 24 months after a change in control of our company, we terminate Mr. Reagan without cause, we will pay him a lump sum amount equal to two-thirds of his annual base salary. In addition, any options which would have vested within 24 months after such termination will vest immediately. Pursuant to the agreement, for a period of one year from the date of termination of Mr. Reagan's employment, he may not directly or indirectly compete with us including, but not limited to, being employed by any business which competes with us, or otherwise acting in a manner intended to advance an interest of a competitor of ours in a way that will or may injure an interest of ours.

EXECUTIVE COMPENSATION

The following table sets forth the compensation earned for all services rendered to us in all capacities during 1999 by our Chief Executive Officer and our most highly compensated executive officers, other than our Chief Executive Officer, who earned more than $100,000 in 1999 and who served as executive officers at the end of 1999.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION		LONG-TERM COMPENSATION AWARDS
NAME AND PRINCIPAL POSITION	SALARY ($)	BONUS ($)	SECURITIES UNDERLYING OPTIONS (#)
Robert P. LoCascio..... Chief Executive Officer	125,000	50,000	--
Timothy E. Bixby(1)..... Chief Financial Officer	73,231	--	300,000
Scott E. Cohen(2)..... Executive Vice President, Sales/Client Services	138,250	--	588,960

(1) Mr. Bixby became our Chief Financial Officer in June 1999. His annualized salary for 1999 was $140,000.

(2) Mr. Cohen became our Executive Vice President in March 1999. His annualized salary for 1999 was $185,000.

OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth information regarding exercisable and unexercisable stock options granted to each of the named executive officers in the last fiscal year. No stock appreciation rights were granted to the named executive officers during the year ended December 31, 1999. Potential realizable values are computed by (1) multiplying the number of shares of common stock subject to a given option by the assumed market value on the date of grant, (2) assuming that the aggregate stock value derived from that calculation compounds annually for the entire term of the option and (3) subtracting from that result the aggregate option exercise price.

	INDIVIDUAL GRANTS (1)				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)		
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE	0% ($)	5% ($)	10% ($)
Robert P. LoCascio...	--	--	--	--	--	--	--
Timothy E. Bixby.....	202,500	6.7	0.67	June 23, 2009	35,100	142,075	306,196
	97,500	3.2	2.00	October 25, 2009	21,450	157,574	366,416
Scott E. Cohen.....	588,960	19.4	0.80	March 31, 2004	--	70,041	211,771

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(1) Each option represents the right to purchase one share of common stock. Mr. Bixby's 202,500 options which expire on June 23, 2009 vested 25% on January 1, 2000 and will vest an additional 25% on each anniversary thereof. Mr. Bixby's 97,500 options which expire on October 25, 2009 will vest 25% on July 1, 2000 and will vest an additional 25% on each anniversary thereof. Mr. Cohen's options will vest 50% on March 31, 2000 and 50% on March 31, 2001.

(2) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent our estimate or projection of our future common stock prices. These amounts represent assumed rates of appreciation in the value of our common stock from the assumed fair market value on the date of grant. The assumed fair market values on the dates of grant relevant to this table were $0.72 per share for options granted between January 21, 1999 and May 3, 1999, $0.84 per share for options granted between May 4, 1999 and July 18, 1999 and $2.22 per share for options granted between July 19, 1999 and October 25, 1999. Actual gains, if any, on stock option exercises are dependent on the future performance of our common stock. The amounts reflected in the table may not necessarily be achieved. See "Risk Factors."

AGGREGATED OPTION EXERCISES IN THE YEAR ENDED DECEMBER 31, 1999 AND YEAR-END OPTION VALUES

The following table provides certain summary information concerning stock options held as of December 31, 1999 by each of the named executive officers. No options were exercised during fiscal 1999 by any of the named executive officers. The value of the unexercised in-the-money options at December 31, 1999 is based on the assumed fair market value of our common stock at December 31, 1999, less the exercise price of the option, multiplied by the number of shares underlying the options.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999 ($) (1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Robert P. LoCascio.....	--	--	--	--
Timothy E. Bixby.....	--	202,500	--	2,700,000
	--	97,500	--	1,170,000
Scott E. Cohen.....	--	588,960	--	7,774,272

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(1) There was no public trading market for our common stock as of December 31, 1999. The value of unexercised in-the-money options has been calculated using an assumed value of $14.00 per share, the mid-point of the range set forth on the cover page of this prospectus.

2000 STOCK INCENTIVE PLAN

We adopted the 2000 Stock Incentive Plan (the "2000 Plan"), which will serve as the successor equity incentive program to our Stock Option and Restricted Stock Purchase Plan (the "1998 Plan"). The 2000 Plan became effective upon its adoption by our board of directors on March 21, 2000 and will be ratified by our stockholders prior to the date of this offering.

10,000,000 shares of common stock have been authorized for issuance under the 2000 Plan. This share reserve consists of the shares which were available for issuance under the 1998 Plan on the effective date of the 2000 Plan plus an additional increase of approximately 4,150,000 shares. The share reserve will automatically be increased on the first trading day of January each calendar year, beginning in January 2001, by a number of shares equal to 3% of the total number of shares of common stock outstanding on the last trading day of the immediately preceding calendar year, but no such annual increase will exceed 1,500,000 shares. However, in no event may any one participant in the 2000 Plan receive option grants or direct stock issuances for more than 500,000 shares in the aggregate per calendar year.

Outstanding options under the 1998 Plan will be incorporated into the 2000 Plan upon the date of this offering, and no further option grants will be made under that plan. The incorporated options will continue to be governed by their existing terms, unless the compensation committee extends one or more features of the 2000 Plan to those options. However, except as otherwise noted below, the outstanding options under the 1998 Plan contain substantially the same terms and conditions summarized below for the discretionary option grant program under the 2000 Plan.

The 2000 Plan has five separate programs:

- the discretionary option grant program under which eligible individuals in our employ or service (including officers, non-employee board members and consultants) may be granted options to purchase shares of our common stock;

- the stock issuance program under which such individuals may be issued shares of common stock directly, through the purchase of such shares or as a bonus tied to the performance of services;

- the salary investment option grant program under which executive officers and other highly compensated employees may elect to apply a portion of their base salary to the acquisition of special below-market stock option grants;

- the automatic option grant program under which option grants will automatically be made at periodic intervals to eligible non-employee board members; and

- the director fee option grant program under which non-employee board members may elect to apply a portion of their retainer fee to the acquisition of special below-market stock option grants.

The discretionary option grant and stock issuance programs will be administered by our Compensation Committee. This committee will determine which eligible individuals are to receive option grants or stock issuances, the time or times when such option grants or stock issuances are to be made, the number of shares subject to each such grant or issuance, the exercise or purchase price for each such grant or issuance (which may be less than, equal to or greater than the fair market value of the shares), the status of any granted option as either an incentive stock option or a non-statutory stock option under the federal tax laws, the vesting schedule to be in effect for the option grant or stock issuance and the maximum term for which any granted option is to remain outstanding. The committee will also select the executive officers and other highly compensated employees who may participate in the salary investment option grant program in

the event that program is activated for one or more calendar years. Neither the Compensation Committee nor the board will exercise any administrative discretion with respect to option grants made under the salary investment option grant program or under the automatic option grant program or director fee option grant program for the non-employee board members.

The exercise price for the options may be paid in cash or in shares of our common stock valued at fair market value on the exercise date. The option may also be exercised through a same-day sale program without any cash outlay by the optionee. In addition, the Compensation Committee may allow a participant to pay the option exercise price or direct issue price (and any associated withholding taxes incurred in connection with the acquisition of shares) with a full-recourse, interest-bearing promissory note.

In the event that we are acquired, whether by merger or asset sale or board-approved sale by our stockholders of more than 50% of our voting stock, each outstanding option under the discretionary option grant program which is not to be assumed by the successor corporation or otherwise continued will automatically accelerate in full, and all unvested shares under the discretionary option grant and stock issuance programs will immediately vest, except to the extent the repurchase rights with respect to those shares are to be assigned to the successor corporation or otherwise continued in effect. The Compensation Committee may grant options and issue shares which will accelerate (i) in the acquisition even if the options are assumed and repurchase rights assigned, (ii) in connection with a hostile change in control (effected through a successful tender offer for more than 50% of our outstanding voting stock or by proxy contest for the election of board members) or (iii) upon a termination of the individual's service following a change in control or hostile takeover.

In the event of an acquisition of our company (by merger or asset sale), options currently outstanding under the 1998 Plan will be assumed by the successor corporation. Such options are not by their terms subject to acceleration in connection with any other change in control or hostile takeover.

Stock appreciation rights may be issued under the discretionary option grant program which will provide the holders with the election to surrender their outstanding options for an appreciation distribution from us equal to the fair market value of the vested shares subject to the surrendered option less the aggregate exercise price payable for such shares. Such appreciation distribution may be made in cash or in shares of common stock. There are currently no outstanding stock appreciation rights under the 1998 Plan.

The Compensation Committee has the authority to cancel outstanding options under the discretionary option grant program (including options incorporated from the 1998 Plan), with the consent of the holder, in return for the grant of new options for the same or different number of option shares with an exercise price per share based upon the fair market value of our common stock on the new grant date.

In the event our Compensation Committee elects to activate the salary investment option grant program for one or more calendar years, each of our executive officers and other highly compensated employees selected for participation may elect to reduce his or her base salary for that calendar year by a specified dollar amount not less than $5,000 nor more than $50,000. In return, the individual will automatically be granted, on the first trading day in the calendar year for which the salary reduction is to be in effect, a non-statutory option to purchase that number of shares of common stock determined by dividing the salary reduction amount by two-thirds of the fair market value per share of our common stock on the grant date. The option exercise price will be equal to one-third of the fair market value of the option shares on the grant date. As a result, the fair market value of the option shares on the grant date less the exercise price payable for those shares will be equal to the salary reduction amount. The option will become exercisable

in a series of 12 equal monthly installments over the calendar year for which the salary reduction is to be in effect and will be subject to full and immediate vesting in the event of an acquisition or change in control of the company.

Under the automatic option grant program, each individual who first joins the board after the date of this offering as a non-employee board member will automatically be granted an option for 15,000 shares of our common stock at the time of his or her commencement of board service, provided such individual has not been in our prior employ. In addition, on the date of each of our annual stockholders' meeting held after the date of this offering, each individual who is to continue to serve as a non-employee board member after such meeting will receive an option grant to purchase 5,000 shares of common stock. Each automatic grant will have an exercise price equal to the fair market value per share of our common stock on the grant date and will have a maximum term of 10 years, subject to earlier termination following the optionee's cessation of board service. Each option will be immediately exercisable, subject to our right to repurchase any unvested shares, at the original exercise price, at the time of the board member's cessation of service. Each 15,000-share option grant will vest, and the repurchase right will lapse, in a series of three equal successive annual installments upon the optionee's completion of each year of board service over the three-year period measured from the grant date. Each 5,000-share option grant will vest, and the repurchase right will lapse, upon the optionee's completion of one year of board service measured from the grant date. However, each such outstanding option will immediately vest upon a change in control, a hostile takeover or the death or disability of the optionee while serving as a board member.

If the director fee option grant program is put into effect in the future, then each non-employee board member may elect to apply all or a portion of any cash retainer fee for the year to the acquisition of a below-market option grant. The option grant will automatically be made on the first trading day in January in the year for which the non-employee board member would otherwise be paid the cash retainer fee in the absence of his or her election. The option will have an exercise price per share equal to one-third of the fair market value of the option shares on the grant date, and the number of shares subject to the option will be determined by dividing the amount of the retainer fee applied to the program by two-thirds of the fair market value per share of common stock on the grant date. As a result, the fair market value of the option shares on the grant date less the exercise price payable for those shares will be equal to the portion of the retainer fee applied to that option. The option will become exercisable in a series of 12 equal monthly installments over the calendar year for which the election is in effect. However, the option will become immediately exercisable for all the option shares upon the death or disability of the optionee while serving as a board member.

Limited stock appreciation rights will automatically be included as part of each grant made under the automatic option grant and salary investment option grant programs and may be granted to one or more officers as part of their option grants under the discretionary option grant program. Options with such a limited stock appreciation right may be surrendered to the company upon the successful completion of a hostile tender offer for more than 50% of our outstanding voting stock. In return for the surrendered option, the optionee will be entitled to a cash distribution from us in an amount per surrendered option share equal to the highest price per share of common stock paid in connection with the tender offer less the exercise price payable for such share.

The board may amend or modify the 2000 Plan at any time, subject to any required stockholder approval. The 2000 Plan will terminate no later than March 21, 2010.

EMPLOYEE STOCK PURCHASE PLAN

We adopted the Employee Stock Purchase Plan (the "ESPP"), which is intended to serve (along with the 2000 Plan) as the successor program to the 1998 Plan. The ESPP was adopted by our board of directors on March 21, 2000 and will be ratified by our stockholders prior to the date of this offering. The ESPP will become effective immediately upon the execution of the underwriting agreement for this offering. The ESPP is designed to allow our eligible employees and eligible employees of our participating subsidiaries, if any, to purchase shares of common stock, at semi-annual intervals, through their periodic payroll deductions. Up to 450,000 shares of our common stock will initially be issued under the ESPP. The share reserve will automatically increase on the first trading day of January of each year beginning in January 2001, by 0.50% of the total shares of common stock outstanding on the last trading day of the immediately preceding calendar year, but no such annual increase will exceed 150,000 shares. In no event, however, may any participant purchase more than 1,000 shares, nor may all participants in the aggregate purchase more than 112,500 shares on any one semi-annual purchase date.

The ESPP will have a series of successive offering periods, each with a maximum duration of 24 months. However, the initial offering period will begin on the day the underwriting agreement is executed in connection with this offering and will end on the last business day in April 2002. The next offering period will begin on the first business day in May 2002, and subsequent offering periods will be set by the Compensation Committee. Shares will be purchased for the participants semi-annually (the last business day of October and April each year) during the offering period. The first purchase date will occur on October 31, 2000. Should the fair market value of the common stock on any semi-annual purchase date be less than the fair market value on the first day of the offering period, then the current offering period will automatically end and a new offering period will begin, based on the lower fair market value.

Individuals who are eligible employees on the start date of any offering period may enter the ESPP on that start date or on any subsequent semi-annual entry date (generally May 1 or November 1 of each year). Individuals who become eligible employees after the start date of the offering period may join the ESPP on any subsequent semi-annual entry date within that period.

A participant may contribute up to 15% of his or her cash compensation through payroll deductions and the accumulated payroll deductions will be applied to the purchase of shares on the participant's behalf on each semi-annual purchase date. The purchase price per share will be 85% of the lower of the fair market value of our common stock on the participant's entry date into the offering period or the fair market value on the semi-annual purchase date.

The board may at any time amend or modify the ESPP. The ESPP will terminate no later than March 21, 2010.

PREFERRED STOCK INVESTMENTS

We issued 2,541,667 shares of series A convertible preferred stock in January 1999; 1,142,857 shares of series B convertible preferred stock in May 1999; 5,132,433 shares of series C redeemable convertible preferred stock in July 1999 and 3,157,895 shares of series D redeemable convertible preferred stock in January 2000. Substantially all of our shares of convertible preferred stock have been sold to venture capital funds. The detailed description of the beneficial ownership within each venture capital fund, and cumulative ownership information for entities that hold a 5% or more beneficial interest, is contained in "Principal Stockholders," and the footnotes thereto, to the extent not described below. Each share of convertible preferred stock will automatically convert into common stock upon closing of this offering at a two-for-three ratio.

SERIES A CONVERTIBLE PREFERRED STOCK. We sold 2,500,000 shares of series A convertible preferred stock in January 1999 at a purchase price per share of $1.20 for gross proceeds of $3,000,000. In these transactions, we sold:

- 937,500 shares to Dawntreader Fund I LP;
- 937,500 shares to FG-LP, an entity affiliated with FGII;
- 416,667 shares to Sterling Payot Capital, LP; and
- 208,333 shares to an affiliate of Silicon Alley Venture Partners, LLC.

A portion of the series A convertible preferred stock issued to FG-LP was issued in satisfaction of a promissory note made by us in the amount of $100,000, plus interest. In addition, we issued 41,667 shares to Silicon Alley Venture Partners, LLC in exchange for consulting services related to the sale of the series A convertible preferred stock.

We also issued warrants to these investors at an exercise price of $1.60 per share. These warrants have a purchase price of $0.003 per warrant, expire in January 2004 and are exercisable at any time. The expiration date of the warrants may be accelerated in certain circumstances, if the managing underwriter of this offering determines that the failure to accelerate the expiration or exercise of the warrant could adversely affect this offering; however, we have been informed by Chase Securities Inc. that they do not intend to do so. These warrants are exercisable for:

- 175,781 shares by Dawntreader Fund I LP;
- 175,781 shares by FG-LP;
- 78,124 shares by Sterling Payot Capital, LP; and
- 39,063 shares by an affiliate of Silicon Alley Venture Partners, LLC.

SERIES B CONVERTIBLE PREFERRED STOCK. We sold 1,142,857 shares of series B convertible preferred stock in May 1999 at a purchase price per share of $1.40 for gross proceeds of $1,600,000. In these transactions, we sold:

- 892,857 shares to Allen & Company Incorporated;
- 35,714 shares to Alan Braverman; and
- 214,286 shares to Sculley Brothers LLC.

We also issued warrants to these investors at an exercise price of $1.60 per share. These warrants have a purchase price of $0.003 per warrant, expire in May 2004 and are exercisable at any time. The expiration date of the warrants may be accelerated in certain circumstances, if the managing underwriter of this offering determines that the failure to accelerate the warrant could

adversely affect this offering; however, we have been informed by Chase Securities Inc. that they do not intend to do so. These warrants are exercisable for:

- 195,313 shares by Allen & Company Incorporated;
- 7,812 shares by Alan Braverman; and
- 46,875 shares by Sculley Brothers LLC.

SERIES C REDEEMABLE CONVERTIBLE PREFERRED STOCK. We sold 5,132,433 shares of series C redeemable convertible preferred stock in July 1999 at a purchase price per share of $3.70 for gross proceeds of $18,990,000. In these transactions, we sold:

- 2,162,162 shares to Highland Capital Partners IV Limited Partnership and an affiliated entity;
- 608,108 shares to FG-LPC, an entity affiliated with FGII;
- 540,540 shares to Dawntreader Fund I LP;
- 67,568 shares to Allen & Company Incorporated;
- 810,811 shares to The Goldman Sachs Group, Inc. and an affiliated entity;
- 202,703 shares to Sterling Payot Capital, LP;
- 121,622 shares to entities affiliated with Silicon Alley Venture Partners, LLC;
- 108,108 shares to entities which are affiliates of Chase Securities Inc.;
- 432,432 shares to Access Technology Partners, L.P., a fund of outside investors that is managed by an affiliate of Chase Securities Inc.;
- 67,568 shares to Henry R. Kravis;
- 8,108 shares to Esther Dyson; and
- 2,703 shares to Mark Lipschultz.

SERIES D REDEEMABLE CONVERTIBLE PREFERRED STOCK. We sold 3,157,895 shares of series D redeemable convertible preferred stock in January 2000, at a purchase price per share of $5.70 for gross proceeds of $18,000,000. In these transactions, we sold:

- 1,754,386 shares to Dell USA, L.P.;
- 350,878 shares to entities affiliated with MSD Capital, L.P.; and
- 1,052,631 shares to NBC Interactive Media, Inc.

OPTION GRANTS

In April 1999, we granted options to purchase up to 16,065 shares of common stock, which vested on July 1, 1999, to Kevin Lavan, a director, for advisory services rendered prior to his appointment to our board of directors. In addition, upon the completion of this offering, we will grant options to our non-employee directors as described in "Management--Director Compensation."

SAN FRANCISCO LEASE

Since August 1999, we have leased our San Francisco office space pursuant to a month-to-month agreement with Sterling Payot Capital, LP, one of our investors. Our monthly payments for rent and shared services are approximately $11,000 and, to date, we have paid an aggregate of

approximately $82,500 under the lease. We believe that this lease is on terms no less favorable to us than could be obtained from unaffiliated third parties. We expect to terminate this agreement upon relocation into our new San Francisco offices, which is expected to occur in the second quarter of 2000.

CHIEF OPERATING OFFICER CONSULTING SERVICES

From April 1999 through January 2000, as we developed our management team, E. Kirk Shelton acted as our Chief Operating Officer on a consulting basis. For these services, we granted Mr. Shelton options to purchase our common stock. Prior to joining us as a consultant, Mr. Shelton was Vice Chairman and a director of Cendant Corporation from December 1997 through April 1998, and prior thereto, he was President and Chief Operating Officer of CUC International, Inc. from May 1991 through December 1997.

REGISTRATION RIGHTS

We have granted registration rights to certain holders of our convertible preferred stock. See "Description of Capital Stock--Registration Rights."

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our outstanding common stock as of March 8, 2000, as adjusted to reflect the sale of the shares of common stock offered hereby by:

- each person or group of affiliated persons whom we know to beneficially own 5% or more of the common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

Unless otherwise indicated, the address of each beneficial owner listed below is c/o LivePerson, Inc., 462 Seventh Avenue, 10th Floor, New York, New York 10018-7606.

The following table gives effect to the shares of common stock issuable within 60 days of March 8, 2000 upon the exercise of all options and other rights beneficially owned by the indicated stockholders on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting and investment power with respect to shares. Unless otherwise indicated, the persons named in the table have sole voting and sole investment control with respect to all shares beneficially owned.

	NUMBER OF SHARES BENEFICIALLY OWNED BEFORE THE OFFERING(1)	PERCENTAGE OF SHARES BENEFICIALLY OWNED(1)	
HOLDERS		BEFORE THE OFFERING	AFTER THE OFFERING
5% STOCKHOLDERS			
Highland Capital Partners IV Limited Partnership and an affiliated entity(2)..... 2 International Place Boston, Massachusetts 02110	3,243,243	12.8%	11.1%
Dell USA, L.P..... c/o Dell Computer Corporation One Dell Way Round Rock, Texas 78682	2,631,579	10.4%	9.0%
Entities affiliated with FGII(3)..... 20 Dayton Avenue Greenwich, Connecticut 06830	2,494,193	9.8%	8.5%
Dawntreader Fund I LP(4)..... 118 West 22nd Street, 11th Floor New York, New York 10011	2,392,841	9.4%	8.2%
Allen & Company Incorporated(5)..... 711 Fifth Avenue New York, New York 10022	1,635,950	6.4%	5.5%
NBC Interactive Media, Inc..... 30 Rockefeller Plaza New York, New York 10112	1,578,946	6.2%	5.4%

HOLDERS	NUMBER OF SHARES BENEFICIALLY OWNED BEFORE THE OFFERING(1)	PERCENTAGE OF SHARES BENEFICIALLY OWNED(1)	
		BEFORE THE OFFERING	AFTER THE OFFERING
DIRECTORS AND EXECUTIVE OFFICERS			
Robert P. LoCascio	6,835,713	27.0%	23.3%
Dean Margolis	--	*	*
Timothy E. Bixby(6)	50,625	*	*
Scott E. Cohen(7)	534,480	2.1%	1.8%
James L. Reagan	--	*	*
Wycliffe K. Grousbeck(2)	3,243,243	12.8%	11.1%
Edward G. Sim(4)	2,392,841	9.4%	8.2%
Richard L. Fields(5)	1,635,950	6.4%	5.5%
Kevin C. Lavan(8)	16,065	*	*
Robert W. Matschullat	--	*	*
Directors and Executive Officers as a Group (10 persons)(9)	14,708,917	56.3%	48.8%

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* Less than one percent.

(1) The table and related footnotes assume the automatic conversion of all of our outstanding shares of convertible preferred stock at a two-for-three ratio into common stock upon the closing of this offering and reflect a three-for-two stock split of shares of our common stock effected on March 8, 2000. Percentage of beneficial ownership prior to this offering is based on 25,323,804 shares of common stock outstanding at March 8, 2000. Percentage of beneficial ownership after this offering is based on 29,323,804 shares of common stock outstanding, which includes the foregoing plus 4,000,000 shares of common stock to be sold in this offering.

(2) Includes 3,113,513 shares of common stock owned by Highland Capital Partners IV Limited Partnership ("Highland Capital Partners IV") and 129,730 shares of common stock owned by Highland Entrepreneurs' Fund IV Limited Partnership ("Highland Entrepreneurs' Fund IV"). Mr. Grousbeck, a member of our board of directors, is a managing member of Highland Management Partners IV, LLC, the general partner of Highland Capital Partners IV and is a managing member of Highland Entrepreneurs' Fund IV LLC, the general partner of Highland Entrepreneurs' Fund IV. Mr. Grousbeck may be deemed to have beneficial ownership of the shares owned by Highland Capital Partners IV and Highland Entrepreneurs' Fund IV and disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest, if any.

(3) Includes 1,406,250 shares of common stock owned by FG-LP and 912,162 shares of common stock owned by FG-LPC. Also includes 175,781 shares of common stock issuable upon exercise of warrants owned by FG-LP. FGII is the general partner of both limited partnerships.

(4) Mr. Sim, a member of our board of directors, is a Managing Director of DT Advisors LLC, which is the general partner of Dawntreader Fund I LP. Mr. Sim may be deemed to have beneficial ownership of the shares owned by Dawntreader Fund I LP and disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest, if any.

(5) Includes 195,313 shares of common stock issuable upon exercise of warrants. Mr. Fields is a Managing Director of Allen & Company Incorporated ("Allen & Company"). Mr. Fields does not exercise voting or investment power over, and disclaims beneficial ownership of, 1,119,177 shares and 148,426 shares issuable upon exercise of warrants which are held by Allen & Company, other of its officers and related persons. Allen & Company disclaims

beneficial ownership of 503,137 shares and 58,594 shares issuable upon exercise of warrants which are beneficially owned by certain officers of Allen & Company and related persons.

(6) Consists of 50,625 shares of common stock issuable upon exercise of options exercisable within 60 days of March 8, 2000.

(7) Consists of 534,480 shares of common stock issuable upon exercise of options exercisable within 60 days of March 8, 2000.

(8) Consists of 16,065 shares of common stock issuable upon exercise of options exercisable within 60 days of March 8, 2000.

(9) Includes 601,170 shares of common stock issuable upon exercise of options exercisable within 60 days of March 8, 2000.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The following description of our common stock and preferred stock and the relevant provisions of our amended and restated certificate of incorporation and amended and restated bylaws to be in effect upon the closing of this offering are summaries thereof and are qualified by reference to our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been filed with the Securities and Exchange Commission as exhibits to our registration statement, of which this prospectus forms a part.

Upon the closing of our offering, our authorized capital stock will consist of 100,000,000 shares of common stock, par value $0.001 per share, and 5,000,000 shares of preferred stock, par value $0.001 per share.

COMMON STOCK

As of March 8, 2000, there were 7,361,531 shares of our common stock outstanding held of record by seven stockholders, without giving effect to the conversion of our convertible preferred stock. Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably those dividends, if any, as may be declared by our board of directors out of funds legally available therefor, subject to any preferential dividend rights of any outstanding preferred stock. Upon our liquidation, dissolution or winding up, our common stockholders are entitled to receive ratably our net assets available, if any, after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of our common stock are, and the shares offered in this offering will be, when issued in consideration for payment thereof, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

PREFERRED STOCK

Upon the closing of this offering, there will be no shares of preferred stock outstanding. Our board of directors will be authorized, without further stockholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series thereof, including the dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designation of series. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to holders of common stock or adversely affect the rights and powers, including voting rights, of the holders of common stock. Such issuance could also have the effect of delaying, deferring or preventing a change in control of our company. For more information, see "--Anti-Takeover Effects of Provisions of Delaware Law and Our Certificate of Incorporation and Bylaws."

OPTIONS

We have 10,000,000 shares of our common stock reserved for issuance, upon exercise of stock options, under our 2000 Stock Incentive Plan. As of March 8, 2000, there were outstanding

options to purchase a total of 5,528,970 shares of common stock, of which options to purchase approximately 1,467,853 will be exercisable upon the closing of this offering. Because we intend to file a registration statement on Form S-8 as soon as practicable following the closing of this offering, any shares issued upon exercise of these options will be immediately available for sale in the public market, subject to the terms of lock-up agreements entered into with the underwriters. For more information, see "Management--2000 Stock Incentive Plan" and "Shares Eligible for Future Sale." We also have 94,500 shares of our common stock reserved for issuance, upon exercise of an option granted to a client. For more information, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview."

REGISTRATION RIGHTS

Pursuant to the terms of a registration rights agreement, beginning 180 days after the effective date of the Registration Statement of which this prospectus is a part, the holders of 25,824,772 shares of common stock and warrants to acquire common stock have the right to demand registration of their shares of common stock under the Securities Act of 1933. We are not required to effect more than two registrations pursuant to these demand registration rights (unless we are eligible to file a registration statement on Form S-3, in which case we may be required to effect up to three registrations). In addition, these holders are entitled, subject to limitations, to require us to register the common stock held by them when we register common stock for our own account or for the account of other stockholders. This type of registration right is known as a "piggyback" registration right. These registration rights are subject to certain conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares of common stock held by stockholders with registration rights to be included in a registration. Generally, we are required to bear all of the expenses of all of these registrations, except underwriting discounts and selling commissions. Registration of any shares of common stock held by security holders with registration rights would result in shares becoming freely tradable without restriction under the Securities Act of 1933 immediately upon effectiveness of such registration.

LIMITATIONS ON LIABILITY

Our amended and restated certificate of incorporation limits or eliminates the liability of our directors to us or our stockholders for monetary damage to the fullest extent permitted by the Delaware General Corporation Law. As permitted by the Delaware General Corporation Law, our amended and restated certificate of incorporation provides that our directors shall not be personally liable to us or our stockholders for monetary damages for a breach of fiduciary duty as a director, except for liability:

- for any breach of such person's duty of loyalty to us or our stockholders;

- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;

- for payment of dividends or approval of stock repurchases or redemptions that are prohibited by Section 174 of the Delaware General Corporation Law; and

- for any transaction resulting in receipt by such person of an improper personal benefit.

Our amended and restated certificate of incorporation also contains provisions indemnifying our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. We currently have directors' and officers' liability insurance to provide our directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, errors and other wrongful acts.

We have also entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our amended and restated certificate of incorporation. We believe that these agreements are necessary to attract and retain qualified directors and executive officers.

ANTI-TAKEOVER EFFECTS OF PROVISIONS OF DELAWARE LAW AND OUR CERTIFICATE OF INCORPORATION AND BYLAWS

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. Subject to some exceptions, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding certain shares); or

- on or subsequent to such date, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders by the affirmative vote of a least 66.67% of the outstanding voting stock that is not owned by the interested stockholder.

A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Except as otherwise specified in Section 203 of the Delaware General Corporation Law, an interested stockholder is defined to include (x) any person that owns (or, within the prior three years, did own) 15% or more of the outstanding voting stock of the corporation, or is an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and (y) the affiliates and associates of any such person. This statute could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

In addition, various provisions of our amended and restated certificate of incorporation and our amended and restated bylaws, which provisions will be in effect upon the closing of the offering and are summarized in the following paragraphs, may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

STAGGERED BOARD. Our amended and restated certificate of incorporation provides for division of our board into three classes, with each class as nearly equal in number as possible. Each class must serve a three-year term. The terms of each class are staggered so that each term ends in a different year in the three-year period.

BOARD OF DIRECTORS VACANCIES. Our amended and restated certificate of incorporation authorizes our board of directors to fill vacant directorships or increase the size of the board of directors. This may deter a stockholder from removing incumbent directors and simultaneously

gaining control of our board of directors by filling the vacancies created by this removal with its own nominees.

STOCKHOLDER ACTION; SPECIAL MEETING OF STOCKHOLDERS. Our amended and restated certificate of incorporation provides that stockholders may not take action by written consent, but only at duly called annual or special meetings of stockholders. Our amended and restated bylaws further provide that special meetings of our stockholders may be called only by the chairman of the board of directors, our president or at the request of two-thirds of the board of directors.

ADVANCE NOTICE REQUIREMENTS FOR STOCKHOLDER PROPOSALS AND DIRECTORS' NOMINATIONS. Our amended and restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide us timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices, not less than 90 days nor more than 120 days prior to the first anniversary of the date of the preceding year's annual meeting provided with respect to the previous year's annual meeting of stockholders; provided, however, that if no annual meeting of stockholders was held in the previous year or the date of the annual meeting of stockholders has been changed to be more than 30 calendar days earlier than or 70 calendar days after this anniversary, notice by the stockholder, to be timely, must be so received not more than 120 days prior to the annual meeting of stockholders nor later than the later of:

- 90 days prior to the annual meeting of stockholders; and

- the close of business on the 10th day following the date on which notice of the date of the meeting is made public.

Our amended and restated bylaws also specify certain requirements as to the form and content of a stockholders' notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

AUTHORIZED BUT UNISSUED SHARES. The authorized but unissued shares of our common stock and preferred stock are available for future issuance without stockholder approval, subject to various limitations imposed by the Nasdaq National Market. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy context, tender offer, merger or otherwise.

Our amended and restated certificate of incorporation requires the affirmative vote of not less than 66.67% of the outstanding shares of our capital stock entitled to vote generally in the election of directors (considered for this purpose as a single class) cast at a meeting of our stockholders called for that purpose, to repeal, alter, amend or rescind the provisions in our amended and restated certificate of incorporation relating to:

- directors;

- stockholder meetings;

- limitations on director liability;

- indemnification;

- amendment of our bylaws; or

- business combinations.

Our amended and restated certificate of incorporation requires the affirmative vote as specified in the Delaware General Corporation Law to amend any other provision of our amended and restated certificate of incorporation.

To repeal, alter, amend or rescind our amended and restated bylaws, our amended and restated certificate incorporation and our amended and restated bylaws require the affirmative vote of not less than 66.67% of the outstanding shares of our capital stock entitled to vote generally in the election of directors (considered for this purpose as a single class) cast at a meeting of our stockholders called for that purpose, or the affirmative vote of at least 66.67% of our board of directors. This provision may have the effect of making it difficult for a third party to acquire us.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of our common stock in the public market could adversely affect prevailing market prices of our common stock. Furthermore, since substantially all outstanding shares of our common stock (other than those shares offered in this offering) will not be available for sale shortly after this offering because of certain contractual and legal restrictions on resale described below, sales of substantial amounts of common stock in the public market after these restrictions lapse could adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon the closing of this offering, we will have outstanding an aggregate of 29,323,804 shares of our common stock, assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options. Of these shares, all shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933 unless such shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act of 1933. Unless sold earlier pursuant to a registered public offering, the remaining 25,323,804 shares of common stock held by existing stockholders are "restricted securities" as defined in Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144, Rule 144(k) or 701 under the Securities Act of 1933, which rules are summarized below. The following table illustrates the shares eligible for sale in the public market:

NUMBER OF SHARES	DATE
4,000,000	After the date of this prospectus, freely tradable shares sold in this offering and shares saleable under Rule 144(k) that are not subject to the 180-day lock-up
0	After 90 days from the date of this prospectus, shares saleable under Rule 144 or Rule 701 that are not subject to the 180-day lock-up
20,586,962	After 180 days from the date of this prospectus, the 180-day lock-up is released and these shares are saleable under Rule 144 (subject, in some cases, to volume limitations), Rule 144(k) or Rule 701
4,736,842	After 180 days from the date of this prospectus, restricted securities that are held for less than one year are not yet saleable under Rule 144

LOCK-UP AGREEMENTS

Our directors, executive officers, and substantially all of our existing stockholders and optionholders have signed lock-up agreements under which they have agreed that, without the prior written consent of Chase Securities Inc. on behalf of the underwriters, they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in the preceding paragraph do not apply to:

- transfers to certain persons or entities of shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock, provided that the transferees agree in writing to be bound by the foregoing restrictions;

- non-derivative sales in open market transactions of shares of our common stock or other securities acquired in open market transactions after the completion of the offering of the shares; and

- non-derivative sales in open market transactions of shares of our common stock reserved by the underwriters for, and sold at the initial public offering price to, our directors, employees other than executive officers, business associates, and their family members.

Chase Securities Inc. may waive the restrictions imposed by the lock-up agreements at any time.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) 1% of the number of shares of common stock then outstanding, which will equal approximately 293,238 shares immediately after the offering, and (ii) the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner-of-sale provisions, notice requirements and the availability of current public information about us.

RULE 144(K)

Under Rule 144(k), a person who is not one of our affiliates at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise contractually restricted, "144(k)" shares may be sold immediately upon completion of this offering.

RULE 701

In general, under Rule 701 of the Securities Act of 1933 as currently in effect, each of our employees, consultants or advisors who purchases shares from us in connection with a compensatory stock plan or other written agreement is eligible to resell such shares 90 days after the date of this prospectus in reliance on Rule 144, but without compliance with certain restrictions, including the holding period, contained in Rule 144.

REGISTRATION RIGHTS

After this offering, the holders of 25,824,772 shares of our common stock and warrants to acquire common stock will be entitled to certain rights with respect to the registration of those shares under the Securities Act of 1933. For more information, see "Description of Capital Stock--Registration Rights." After such registration, these shares of our common stock become

freely tradable without restriction under the Securities Act. These sales could have a material adverse effect on the trading price of our common stock.

STOCK PLANS AND OTHER OPTIONS

Immediately after this offering, we intend to file a registration statement under the Securities Act covering 10,450,000 shares of common stock reserved for issuance under our 2000 Stock Incentive Plan and our Employee Stock Purchase Plan. We expect this registration statement to be filed and to become effective as soon as practicable after the effective date of this offering.

As of March 8, 2000, options to purchase 5,528,970 shares of common stock were issued and outstanding under our 2000 Plan, of which 1,472,753 are exercisable within 60 days of March 8, 2000. Upon exercise, the shares underlying these options will be eligible for sale in the public market from time to time, subject to vesting provisions, Rule 144 volume limitations applicable to our affiliates and, in the case of some options, the expiration of lock-up agreements. In addition, an option to purchase 94,500 shares of common stock was issued and outstanding outside of our 2000 Plan, which is currently fully vested and immediately exercisable; however the sale of the shares of common stock underlying this option is subject to restrictions described in "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview--Compensation."

UNDERWRITING

Chase Securities Inc., Thomas Weisel Partners LLC and PaineWebber Incorporated are the representatives of the underwriters. Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives, have severally agreed to purchase from LivePerson the following respective number of shares of common stock:

NAME	NUMBER OF SHARES
Chase Securities Inc.	
Thomas Weisel Partners LLC	
PaineWebber Incorporated	
Total	4,000,000

DISCOUNTS AND COMMISSIONS. The underwriting agreement provides that the obligations of the underwriters are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and the independent auditors. The underwriters are committed to purchase all of the shares of common stock offered by us if they purchase any shares.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters. The underwriting discounts and commissions were determined through negotiations with the underwriters, and equal the public offering price per share of common stock, less the amount paid by the underwriters to us per share of common stock. Such amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option to purchase additional shares.

UNDERWRITING DISCOUNTS AND COMMISSIONS

	WITHOUT OVER-ALLOTMENT EXERCISE	WITH OVER-ALLOTMENT EXERCISE
Per Share	$	$
Total	$	$

We estimate that the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $1,000,000.

The underwriters propose to offer the shares of common stock directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. The underwriters may allow and such dealers may reallow a concession not in excess of $ per share to certain other dealers. After the initial public offering of the shares, the offering price and other selling terms may be changed by the representatives of the underwriters. The representatives have advised us that the underwriters do not intend to confirm discretionary sales in excess of 5% of the shares of common stock offered by this prospectus.

OVER-ALLOTMENT OPTION. We have granted to the underwriters an option, exercisable no later than 30 days after the date of this prospectus, to purchase up to 600,000 additional shares of common stock at the initial public offering price, less the underwriting discount set forth on the cover page of this prospectus. To the extent that the underwriters exercise this option, each of

the underwriters will have a firm commitment to purchase approximately the same percentage thereof which the number of shares of common stock to be purchased by it shown in the above table bears to the total number of shares of common stock offered hereby. We will be obligated, pursuant to the option, to sell shares to the underwriters to the extent the option is exercised. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of shares of common stock offered by us.

DELIVERY OF SHARES. The offering of the shares is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

INDEMNIFICATION. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments the underwriters may be required to make in respect of these liabilities.

LOCK-UP AGREEMENTS. We and our directors, executive officers and substantially all of our existing stockholders and optionholders have agreed that, without the prior written consent of Chase Securities Inc. on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise.

The restrictions described in this paragraph do not apply to:

- the sale of shares to the underwriters;

- the issuance of shares of our common stock upon the exercise of an option or a warrant, or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;

- the grant of additional options under our 2000 Plan and our ESPP;

- transfers to certain persons or entities of shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock, provided that the transferees agree in writing to be bound by the foregoing restrictions;

- non-derivative sales in open market transactions by any person other than us relating to shares of our common stock or other securities acquired in open market transactions after the completion of the offering of the shares; and

- non-derivative sales in open market transactions of shares of our common stock reserved by the underwriters for, and sold at the initial public offering price to, our directors, employees other than executive officers, business associates, and their family members.

Without the prior written consent of Chase Securities Inc., any options granted outside of our 2000 Plan shall not be exercisable during this 180-day period. In addition, if Chase Securities Inc. agrees to release any of our stockholders (except any employee or consultant that is not one

of our officers or directors) from the foregoing restrictions prior to the expiration of the 180-day period referred to above, with respect to all or a percentage of the shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock subject to the foregoing restrictions, then all of our other stockholders subject to the foregoing restrictions shall be released from such restrictions to the same extent and on the same terms and conditions.

STABILIZATION. Certain persons participating in this offering may over-allot or effect transactions which stabilize, maintain or otherwise affect the market price of the common stock at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids. A stabilizing bid means the placing of any bid or effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of the common stock. A syndicate covering transaction means the placing of any bid on behalf of the underwriting syndicate or the effecting of any purchase to reduce a short position created in connection with the offering. A penalty bid means an arrangement that permits the underwriters to reclaim a selling concession from a syndicate member in connection with the offering when shares of common stock sold by the syndicate member are purchased in syndicate covering transactions. Such transactions may be effected on the Nasdaq National Market, in the over-the-counter market, or otherwise. Such stabilizing, if commenced, may be discontinued at any time.

DETERMINATION OF OFFERING PRICE. Prior to this offering, there has been no public market for our common stock. The initial public offering price for the common stock will be determined by negotiations among us and the representatives. Among the factors to be considered in determining the initial public offering price will be prevailing market and economic conditions, our revenue and earnings, market valuations of other companies engaged in activities similar to our business operations, and our management. The estimated initial public offering price range set forth on the cover of this preliminary prospectus is subject to change as a result of market conditions or other factors.

RESERVED SHARES. At our request, the underwriters have reserved up to 400,000 shares of common stock for sale at the initial public offering price to our directors, officers, employees, business associates, and their family members. The number of shares of common stock available for sale to the general public will be reduced if such persons purchase the reserved shares. Any reserved shares which are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby.

UNDERWRITER'S BENEFICIAL OWNERSHIP. Chase Securities Inc. may be deemed to have beneficial ownership of an aggregate of 108,108 shares of our series C redeemable convertible preferred stock. Additionally, Access Technology Partners, L.P., a fund of outside investors that is managed by an affiliate of Chase Securities Inc., owns 432,432 shares of our series C redeemable convertible preferred stock. All shares of convertible preferred stock issued by us, including the series C redeemable convertible preferred stock, will automatically convert into shares of common stock upon completion of this offering, at a two-for-three ratio. Upon such conversion, Chase Securities Inc. may be deemed to have beneficial ownership of 0.6% of the shares of common stock outstanding.

NEW UNDERWRITER. Thomas Weisel Partners LLC, one of the representatives of the underwriters, was organized and registered as a broker-dealer in December 1998. Since December 1998, Thomas Weisel Partners has been named as a lead or co-manager of 131 filed public offerings of equity securities, of which 99 have been completed, and has acted as a syndicate member in an additional 69 public offerings of equity securities. Thomas Weisel Partners does not have any material relationship with us or any of our officers, directors or controlling persons, except with respect to its contractual relationship with us under the underwriting agreement entered into in connection with this offering.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Brobeck, Phleger & Harrison LLP, New York, New York. A partner of Brobeck, Phleger & Harrison LLP is the brother of our Chief Operating Officer. Certain legal matters in connection with the offering will be passed upon for the underwriters by Davis Polk & Wardwell.

EXPERTS

The financial statements of LivePerson, Inc. as of December 31, 1998 and 1999 and for each of the years in the three-year period ended December 31, 1999 have been included in this prospectus and elsewhere in the registration statement in reliance upon the report of KPMG LLP, independent accountants, appearing elsewhere herein and upon the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 (including exhibits and schedules thereto) under the Securities Act of 1933 with respect to the common stock to be sold in this offering. This prospectus does not contain all of the information set forth in this registration statement. For further information about us and the shares of common stock to be sold in the offering, please refer to the registration statement and the exhibits and schedules thereto. Statements contained in this prospectus about the contents of any contract or other document filed as an exhibit to the registration statement are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement. To have a complete understanding of any such document, you should read the entire document filed as an exhibit.

You may read and copy all or any portion of the registration statement or any other document we file at the Securities and Exchange Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C., 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the Securities and Exchange Commission. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information about the public reference rooms. Our Securities and Exchange Commission filings, including the registration statement, are also available to you on the Securities and Exchange Commission's Web site at http://www.sec.gov.

As a result of this offering, we will become subject to the Securities Exchange Act of 1934, as amended, and, in accordance with the requirements of this Act, will file periodic reports, proxy statements and other information with the Securities and Exchange Commission.

We intend to furnish our stockholders with annual reports containing audited consolidated financial statements and make available quarterly reports for the first three quarters of each year containing unaudited consolidated financial information.

LIVEPERSON, INC.

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
LivePerson, Inc.:

We have audited the accompanying balance sheets of LivePerson, Inc. as of December 31, 1998 and 1999, and the related statements of operations, stockholders' deficit, and cash flows for each of the years in the three-year period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LivePerson, Inc. as of December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1999 in conformity with generally accepted accounting principles.

/s/KPMG LLP

New York, New York
March 27, 2000

LIVEPERSON, INC.

BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	DECEMBER 31,	
	1998	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$107	$14,944
Accounts receivable, less allowance for doubtful accounts of $15, and $85, as of December 31, 1998 and 1999 and $85 pro forma	10	465
Prepaid expenses and other current assets	--	597
Due from officer	25	--
Total current assets	142	16,006
Property and equipment, net	--	2,457
Security deposits	--	487
Deferred offering costs	--	140
Deferred costs, net	--	480
Total assets	$142	$19,570
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 17	$ 1,776
Accrued expenses	55	689
Note payable	100	--
Deferred revenue	--	161
Total current liabilities	172	2,626
Commitments and contingencies		
Series C redeemable convertible preferred stock, $.001 par value; 5,132,433 shares authorized, issued and outstanding; with an aggregate liquidation preference of $18,990	--	18,990
Series D redeemable convertible preferred stock, $.001 par value; no shares authorized, issued and outstanding	--	--
Stockholders' equity (deficit):		
Series A convertible preferred stock, $.001 par value; 2,541,667 shares authorized, issued and outstanding; with an aggregate liquidation preference of $3,000	--	3
Series B convertible preferred stock $.001 par value; 1,142,857 shares authorized, issued and outstanding; with an aggregate liquidation preference of $1,600	--	1
Common stock, $0.001 par value; 100,000,000 shares authorized; 7,092,000 shares issued and outstanding	7	7
Additional paid-in capital	19	12,420
Deferred compensation	--	(4,644)
Accumulated deficit	(56)	(9,833)
Total stockholders' equity (deficit)	(30)	(2,046)
Total liabilities and stockholders' equity (deficit)	$142	$19,570

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

LIVEPERSON, INC.

STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Revenue:			
Service revenue	$ --	$ 1	$ 600
Programming revenue	245	378	39
Total revenue	245	379	639
Operating expenses:			
Cost of revenue	121	70	856
Product development	--	93	1,637
Sales and marketing, exclusive of $0, $0 and $86 reported below as non-cash expenses	--	33	3,987
General and administrative, exclusive of $0, $25 and $2,617 reported below as non-cash expenses	130	178	1,706
Non-cash expenses	--	25	2,703
Total operating expenses	251	399	10,889
Loss from operations	(6)	(20)	(10,250)
Other income (expense):			
Interest income	--	--	474
Interest expense	--	--	(1)
Total other income (expense), net	--	--	473
Net loss	$ (6)	$ (20)	$ (9,777)
Basic and diluted net loss per share	$ 0.00	$ 0.00	$ (1.38)
Weighted average shares outstanding used in basic and diluted net loss per share calculation	7,092,000	7,092,000	7,092,000
Pro Forma:			
Net loss			(9,777)
Non-cash preferred stock dividend			(37,421)
Pro forma net loss attributable to common stockholders			$ (47,198)
Pro forma basic and diluted net loss per common share			$ (3.05)
Weighted average shares outstanding used in pro forma basic and diluted net loss per common share calculation			15,465,304

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

LIVEPERSON, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	SERIES A PREFERRED STOCK		SERIES B PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	
Balance at December 31, 1996	--	$ --	--	$ --	7,092,000	$ 7	$ (6)
Net loss	--	--	--	--	--	--	--
Balance at December 31, 1997	--	--	--	--	7,092,000	7	(6)
Issuance of stock options in lieu of payment for services	--	--	--	--	--	--	25
Net loss	--	--	--	--	--	--	--
Balance at December 31, 1998	--	--	--	--	7,092,000	7	19
Issuance of stock options in lieu of payment for services	--	--	--	--	--	--	978
Issuance of stock options to employees below fair market value	--	--	--	--	--	--	6,233
Amortization of deferred compensation	--	--	--	--	--	--	--
Issuance of stock options to a client	--	--	--	--	--	--	566
Issuance of Class A preferred stock and warrants	2,416,667	3	--	--	--	--	2,899
Issuance of Class A preferred stock in lieu of payment for services	41,667	--	--	--	--	--	50
Conversion of note payable into shares of Class A preferred stock	83,333	--	--	--	--	--	100
Issuance of Class B preferred stock and warrants, net of $15 issuance costs	--	--	1,142,857	1	--	--	1,585
Offering costs in connection with Series C redeemable preferred stock	--	--	--	--	--	--	(10)
Net loss	--	--	--	--	--	--	--
Balance at December 31, 1999	2,541,667	$ 3	1,142,857	$ 1	7,092,000	$ 7	$12,420

	DEFERRED COMPENSATION	ACCUMULATED DEFICIT	TOTAL
Balance at December 31, 1996	$ --	$ (30)	$ (29)
Net loss	--	(6)	(6)
Balance at December 31, 1997	--	(36)	(35)
Issuance of stock options in lieu of payment for services	--	--	25
Net loss	--	(20)	(20)
Balance at December 31, 1998	--	(56)	(30)
Issuance of stock options in lieu of payment for services		--	978
Issuance of stock options to employees below fair market value	(6,233)	--	--
Amortization of deferred compensation	1,589	--	1,589
Issuance of stock options to a client	--	--	566
Issuance of Class A preferred stock and warrants	--	--	2,902
Issuance of Class A preferred stock in lieu of payment for services	--	--	50
Conversion of note payable into shares of Class A preferred stock	--	--	100
Issuance of Class B preferred stock and warrants, net of $15 issuance costs	--	--	1,586
Offering costs in connection with Series C redeemable preferred stock	--	--	(10)
Net loss	--	(9,777)	(9,777)
Balance at December 31, 1999	$(4,644)	$(9,833)	$(2,046)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LIVEPERSON, INC.

STATEMENTS OF CASH FLOWS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Cash flows from operating activities:			
Net loss	$ (6)	$ (20)	$(9,777)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Non-cash expenses	--	25	2,703
Depreciation	--	--	98
Provision for doubtful accounts	--	15	85
Changes in operating assets and liabilities:			
Accounts receivable	(17)	(8)	(540)
Prepaid expenses and other current assets	--	--	(597)
Security deposits	--	--	(487)
Accounts payable	40	(23)	1,759
Accrued expenses	25	30	634
Deferred revenue	--	--	161
Net cash provided by (used in) operating activities	42	19	(5,961)
Cash flows from investing activities:			
Purchases of property and equipment	--	--	(2,555)
Net cash used in investing activities	--	--	(2,555)
Cash flows from financing activities:			
Net proceeds from issuance of Class A, B and C preferred stock and warrants	--	--	23,468
Proceeds from issuance of note payable	--	100	--
Due to (from) officer	(34)	(22)	25
Deferred offering costs	--	--	(140)
Net cash provided by (used in) financing activities	(34)	78	23,353
Net increase in cash and cash equivalents	8	97	14,837
Cash and cash equivalents at the beginning of the period	2	10	107
Cash and cash equivalents at the end of the period	$ 10	$ 107	$14,944

Supplemental disclosure of non-cash information:

The Company did not pay interest or income taxes for any period presented.

Non-cash financing activities:

During the year ended December 31, 1999, the Company issued 83,333 shares of its Series A preferred stock at $1.20 per share in settlement of a $100 note payable. This transaction resulted in a non-cash financing activity of $100.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

LIVEPERSON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1998 AND 1999

(ALL INFORMATION SUBSEQUENT TO DECEMBER 31, 1999 IS UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

(A) SUMMARY OF OPERATIONS

LivePerson, Inc. (the "Company" or "LivePerson"), was incorporated in the State of Delaware in 1995 under the name of Sybarite Interactive, Inc. The Company, which commenced operations in 1996, changed its name to Live Person, Inc. in January 1999 and to LivePerson, Inc. in March 2000. The Company offers the LivePerson service, which facilitates real-time sales and customer service for companies doing business on the Internet.

The Company generates revenues from the sale of the LivePerson service. Prior to November 1998, when the LivePerson service was introduced, the Company provided services primarily related to Web-based community programming and media design.

(B) USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(C) CASH AND CASH EQUIVALENTS

The Company considers all highly liquid securities, with original maturities of three months or less when acquired, to be cash equivalents.

(D) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets, generally ranging from three to seven years.

(E) IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net cash flows expected to be generated by the assets. If the assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. To date, no impairment has occurred.

(F) INCOME TAXES

Income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in results of operations in the period that the tax change occurs. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

(G) REVENUE RECOGNITION

Prior to November 1998, when the LivePerson service was introduced, the Company generated revenue from services primarily related to Web-based community programming and media design. Revenues from such services are recognized upon completion of the project provided that no significant Company obligations remain and collection of the resulting receivable is probable.

During 1998, the Company began offering the LivePerson service. The LivePerson service facilitates real-time sales and customer service for companies doing business on the Internet. The Company charges an initial non-refundable set-up fee as well as a monthly fee for each operator access account ("seat") using the LivePerson service.

The initial set-up fee principally represents customer service, training and other administrative costs related to the deployment of the LivePerson service. Such fees are recorded as deferred revenue and recognized over a period of 24 months, representing the Company's current estimate of the expected term of a client relationship. This estimate may change in the future.

The Company also records revenue based upon a monthly fee charged for each seat using the LivePerson service provided that no significant Company obligations remain and collection of the resulting receivable is probable. The Company recognizes monthly service revenue fees as services are provided. The Company's service agreements typically have no termination date and are terminable by either party upon 30 to 90 days' notice without penalty. The Company does not charge an additional set-up fee if an existing client adds more seats.

(H) PRODUCT DEVELOPMENT COSTS

The Company accounts for product development costs in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," under which certain software development costs incurred subsequent to the establishment of technological feasibility are capitalized and amortized over the estimated lives of the related products. Technological feasibility is established upon completion of a working model. To date, completion of a working model of the Company's products and general release have substantially coincided. As a result, the Company has not capitalized any software development costs since

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

such costs have not been significant. Through December 31, 1999, all development costs have been charged to product development expense in the accompanying statements of operations.

(I) ADVERTISING COSTS

The Company expenses the cost of advertising and promoting its services as incurred. Such costs totaled approximately $0, $1 and $1,935 for the years ending December 31, 1997, 1998 and 1999, respectively.

(J) FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash and cash equivalents, accounts receivable, accounts payable and note payable. At December 31, 1998 and 1999, the fair value of these instruments approximated their financial statement carrying amount because of the short-term maturity of these instruments. The Company has not experienced any significant credit loss to date. In 1997, two customers accounted for all of the Company's accounts receivable, and revenue from the Company's three largest customers accounted for 86% of the Company's revenue. Two customers accounted for 80% of the Company's accounts receivable in 1998. No single customer accounted for or exceeded 10% of either revenue or accounts receivable in 1999.

(K) STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation arrangements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of Accounting Principle Board ("APB") Opinion No. 25 and provide pro forma net earnings (loss) disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(L) BASIC AND DILUTED NET LOSS PER SHARE

The Company calculates earnings per share in accordance with the provisions of SFAS No. 128, "Earnings Per Share", and the Securities and Exchange Commission Staff Accounting Bulletin No. 98. Under SFAS No. 128, basic EPS excludes dilution for common stock equivalents and is computed by dividing income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS 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

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

share is equal to basic loss per share since all common stock equivalents are anti-dilutive for each of the periods presented.

Diluted net loss per common share for the year ended December 31, 1998 and 1999, does not include the effects of options to purchase 197,100 and 3,612,345 shares of common stock, respectively, 0 and 718,749 common stock warrants, respectively, and 0 and 13,225,431 shares of Series A, Series B and Series C convertible preferred stock on an "as if" converted basis, respectively, as the effect of their inclusion is anti-dilutive during each period. There were no dilutive securities outstanding in 1997.

The pro forma net loss per share for the year ended December 31, 1999, is computed by dividing the net loss by the sum of the weighted average number of shares of common stock outstanding and the shares resulting from the automatic conversion of all of our outstanding convertible preferred stock, totalling 13,225,431, as if such conversion occurred at the date of original issuance during 1999. The number of pro forma weighted average shares used in computing basic and diluted net loss per share is as follows:

Actual weighted average shares outstanding.....	7,092,000
Series A Convertible Preferred Stock.....	3,655,821
Series B Convertible Preferred Stock.....	1,089,628
Series C Convertible Preferred Stock.....	3,627,855
Weighted average shares outstanding used in pro forma basic and diluted net loss per share calculation.....	15,465,304

(M) STOCK SPLIT

Effective January 20, 1999, the Company authorized and implemented a 10-for-1 stock split in the form of a common stock dividend. Accordingly, all share and per share information in the accompanying financial statements have been retroactively restated to reflect the effect of the stock split.

Effective March 8, 2000, the Company authorized and implemented a 3-for-2 split of shares of the Company's common stock in the form of a common stock dividend. Accordingly, all common share and per common share information, warrants and options, in the accompanying financial statements has been retroactively restated to reflect the effect of the stock split.

(N) COMPREHENSIVE LOSS

The Company adopted the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" in 1998. SFAS No. 130 requires the Company to report in its financial statements, in addition to its net income (loss), comprehensive income (loss), which includes all changes in equity during a period from non-owner sources including, as

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

applicable, foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. There were no differences between the Company's comprehensive loss and its net loss for all periods presented.

(O) SEGMENT REPORTING

During 1998, the Company adopted the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 establishes annual and interim reporting standards for operating segments of a company. SFAS No. 131 requires disclosures of selected segment-related financial information about products, major customers, and geographic areas. The Company is organized in a single operating segment for purposes of making operating decisions and assessing performance. The chief operating decision maker evaluates performance, makes operating decisions, and allocates resources based on financial data consistent with the presentation in the accompanying financial statements.

The Company's revenues have been earned primarily from customers in the United States. In addition, all significant operations and assets are based in the United States. No customer accounted for or exceeded more than 10% of revenues for the years ended December 31, 1998 and 1999.

(P) RECENT ACCOUNTING PRONOUNCEMENTS

In April 1998, the AICPA issued SOP No. 98-5, "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs. SOP 98-5 requires costs of start-up activities and organization costs to be expensed as incurred. SOP 98-5 was adopted by the Company on January 1, 1999. As the Company had not capitalized such costs, the adoption of SOP 98-5 did not have an impact on the consolidated financial statements of the Company.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 provides guidance for determining whether computer software is internal-use software and on accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. It also provides guidance on capitalization of the costs incurred for computer software developed or obtained for internal use. The Company adopted SOP 98-1 in the first quarter of 1999, the effect of which did not have a material effect on the financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, and for hedging activities. Subsequently, the FASB issued SFAS No. 137 which deferred the effective date of SFAS No. 133. SFAS No. 137 is effective for all fiscal quarters of fiscal years beginning after June 15,

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2000. The Company has not yet analyzed the impact of this pronouncement on its financial statements.

(2) BALANCE SHEET COMPONENTS

Property and equipment is stated at cost and is summarized as follows:

	DECEMBER 31, 1999
Computer equipment and software	$2,367
Furniture and equipment	188
	2,555
Less accumulated depreciation	98
Total	$2,457

Accrued expenses consists of the following:

	DECEMBER 31,	
	1998	1999
Professional services and consulting fees	$ 55	$554
Sales commissions	--	68
Other	--	67
Total	$ 55	$689

Prepaid expenses and other current assets at December 31, 1999 principally included prepayments for various advertising and promotional activities.

(3) NOTE PAYABLE

On December 17, 1998, the Company received a $100 loan from a venture capital firm bearing interest at 8% due on February 1, 1999. Interest expense on the note payable amounted to less than $1 for the year ended December 31, 1998. The loan was converted into 83,333 shares of Series A convertible preferred stock as part of the issuance of Series A preferred stock in January 1999 (see note 4).

(4) CAPITALIZATION

The Company had 30,000,000 shares of common stock authorized and 9,000,000 shares of preferred stock authorized as of December 31, 1999. On January 27, 2000, the Company increased the number of its authorized shares of common stock to 35,000,000 and the number of its authorized shares of preferred stock to 12,274,852. On March 8, 2000, the Company increased the number of its authorized shares of common stock to 100,000,000.

(4) CAPITALIZATION (CONTINUED)

In January 1999, the Company completed a private placement of 2,500,000 shares of Series A Convertible Preferred Stock ("Series A") with 468,749 common stock warrants at an offering price of $1.20 per Series A share and $0.001 per warrant. Total proceeds amounted to $2,902. The warrants are exercisable at a price of $2.40 per common share and have a term of 5 years. None of these warrants have been exercised. As part of the Series A private placement, a $100 note payable was converted into 83,333 shares of Series A preferred stock.

In January 1999, the Company issued an additional 41,667 shares of Series A preferred stock to a financial advisor in exchange for services. The Company recorded compensation expense of $50 in connection with the issuance of the shares at $1.20 per share.

In May 1999, the Company completed a private placement of 1,142,857 shares of Series B Convertible Preferred Stock ("Series B") with 250,000 common stock warrants at an offering price of $1.40 per Series B share and $0.001 per warrant. The warrants are exercisable at a price of $1.60 per common share and have a term of 5 years. None of these warrants have been exercised. Total proceeds, net of offering costs of $15, amounted to $1,586.

The managing underwriter of the Company's IPO can request the Company to accelerate the expiration of the Series A and Series B warrants to the day immediately preceding the date on which the Company's registration statement is declared effective by the SEC. The Company has been informed by the managing underwriter that it does not intend to do so.

In July 1999, the Company completed a private placement of 5,132,433 shares of Series C Redeemable Convertible preferred stock ("Series C") at $3.70 per share. Total proceeds, net of offering costs of $10, amounted to $18,980. Such stock is redeemable at $3.70 per share at the option of the holder. 33% of such shares are subject to mandatory redemption beginning on July 19, 2004, an additional 17% on July 19, 2005 and the remaining 50% on July 19, 2006.

In January 2000, LivePerson issued an aggregate of 3,157,895 shares of Series D Redeemable Convertible preferred stock ("Series D") at $5.70 per share. Total proceeds, net of offering costs of $100, amounted to $17,900. The difference between the price of the Series D on an as if conversion basis of $3.80 and $11.70, or $7.90, multiplied by the number of shares of Series D on an as if conversion basis is treated as a beneficial conversion feature. The beneficial conversion feature is treated as a non-cash preferred stock dividend in the pro forma statement of operations.

Each share of common stock and Series A, Series B, Series C and Series D preferred stock has one vote per share. In the event of any liquidation or winding up of the Company, holders of the Series A, Series B, Series C, and Series D preferred stock will be entitled, (ranking in preference among preferred stockholders in the reverse order of issuance), in preference to the holders of the common stock, to an amount equal to the applicable purchase price per share plus any accrued but unpaid dividends.

If the IPO is consummated, upon the closing, 2,541,667, 1,142,857, 5,132,433 and 3,157,895 shares of Series A, Series B, Series C and Series D convertible preferred stock, respectively,

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(4) CAPITALIZATION (CONTINUED)

representing all of the outstanding shares of the convertible preferred stock, shall automatically convert at a ratio of two shares of preferred stock for three shares of common stock, into an aggregate of 17,962,273 shares of common stock.

(5) STOCK OPTIONS

During 1998, the Company established the Stock Option and Restricted Stock Purchase Plan (the "1998 Plan"). Under the 1998 Plan, the Board of Directors may issue incentive stock options or nonqualified stock options to purchase up to 5,850,000 shares of common stock.

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

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding at December 31, 1997	--	--
Options granted	197,100	$0.67
Options cancelled	--	--
Options outstanding at December 31, 1998	197,100	$0.67
Options granted	3,496,245	$1.37
Options cancelled	(81,000)	$0.94
Options outstanding at December 31, 1999	3,612,345	$1.33
Options exercisable at December 31, 1998	--	--
Options exercisable at December 31, 1999	479,960	$1.09

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

The Company applies APB No. 25 and related interpretations in accounting for its stock option grants to employees. Accordingly, except as mentioned below, no compensation expense has been recognized relating to these stock option grants. Had compensation cost for the Company's stock option grants been determined based on the fair value at the grant date for awards consistent with the method of SFAS No. 123, the Company's net loss for each year is presented below. The Company did not have any employee stock options outstanding prior to January 1, 1998.

	YEAR ENDED DECEMBER 31,	
	1998	1999
Net loss:		
As reported	$ (20)	$ (9,777)
Pro forma	$ (28)	$(12,259)
Basic and diluted net loss per share:		
As reported	$ 0.00	$ (1.38)
Pro forma	$ (0.01)	$ (1.73)

The resulting effect on the pro forma net loss disclosed for the years ended December 31, 1998 and 1999 is not likely to be representative of the effects on the net loss on a pro forma basis in future years, because the pro forma results include the impact of only one period of grants and related vesting, while subsequent years will include additional grants and vesting.

The per share weighted average fair value of stock options granted during 1998 and 1999, was $0.26 and $1.40, 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 used for grants in 1998 and 1999: dividend yield of zero percent for both years, risk-free interest rates of 5.4 and 6.0%, respectively and expected life of 5 years for both years. As permitted under the provisions of SFAS No. 123 and based on the historical lack of a public market for the Company's stock, no factor for volatility has been reflected in the option pricing calculation. No employee stock options were granted in 1997.

During December 1998, the Company granted options to purchase 93,750 shares of common stock at an exercise price of $0.67 per share, the then fair market value of the Company's common stock, to a consultant for services performed. These options are exercisable for a period of 5 years. The Company recorded an expense of $25 in connection with the issuance of the fully vested options using a Black-Scholes pricing model using a volatility factor of 40%.

During April 1999, the Company granted options to purchase an aggregate of 64,260 shares of common stock at an exercise price of $0.67 per share, to four consultants for services performed. These options are exercisable for a period of 10 years. The Company recorded an expense of $32 in connection with the issuance of the fully vested options using a Black-Scholes pricing model using a volatility factor of 50% and a deemed fair value of $1.08 per share.

(5) STOCK OPTIONS (CONTINUED)

During May 1999, the Company issued an option to purchase 94,500 shares of common stock at an exercise price of $1.60 per share to a client in connection with an agreement by the Company to provide services to the client for a two-year period. The Company is receiving subscription revenue from the client over the two-year period based on the number of seats the client is using. There is no minimum guarantee. This option originally provided that it would vest in or before May 2001 if the client met certain defined revenue targets and was exercisable for a period of 3 years from the date of grant. The Company accounted for this option in accordance with Emerging Issues Task Force Abstract No. 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." Pursuant to EITF 96-18, the Company valued the option at each balance sheet date using a Black-Scholes pricing model using a volatility factor of 50%, a $1.60 per share exercise price and the then fair value of the Company's common stock as of each balance sheet date. The $566 value ascribed to the option reflects the market value at December 31, 1999 and has been recorded as deferred cost. This cost is being ratably amortized over the two-year contract period, as the Company believed that the achievement of the revenue targets was probable. The value ascribed to this option was adjusted at each balance sheet date to bring the total charge recognized and amortized up to the then current fair value. The Company has amortized $86 of the deferred costs as of December 31, 1999. In February 2000, the Company amended the option agreement with the client whereby the option became fully vested and immediately exercisable. However, the client is precluded from selling the underlying common stock until the earlier of five years or, if certain revenue targets are met, by May 19, 2001. The value of the option at the time the agreement was amended was $1,100, which will be immediately expensed because the options are fully vested and because the client has no continuing performance obligations to complete in order to receive the options.

During June 1999, the Company granted options to purchase 150,000 shares of common stock to an advisor at an exercise price of $0.67 per share. These options are exercisable for a period of 10 years. The Company has recorded compensation expense of $91 using the Black-Scholes pricing model with a volatility factor of 50% and a deemed fair value of $0.84 per share.

In December 1999, the Company recorded compensation expense of approximately $855 in connection with the options granted to an advisor to purchase 150,000 shares of common stock at an exercise price of $2.00 for services performed. These options are exercisable for a period of 10 years. The fair value of the options was determined using a Black-Scholes pricing model with a volatility factor of 50% and a deemed fair value of $9.94 per share.

During 1999, the Company granted stock options to purchase 3,496,245 shares of common stock to employees at a weighted average exercise price of $1.37, certain of which were granted at less than the deemed fair value of the common stock at the date of grant. For the year ended December 31, 1999, the Company recorded deferred compensation of approximately $6,233 in connection with these options. This amount is presented as deferred compensation within the financial statements and will be amortized over the vesting period, typically three to four years, of the applicable options. The Company amortized $1,589 of deferred compensation for the year ended December 1999. The Company expects to amortize the following amounts of deferred

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(5) STOCK OPTIONS (CONTINUED)

compensation relating to options granted in 1999 as follows: 2000-$2,945; 2001-$1,094; 2002-$511; and 2003-$94.

The following table summarizes information about stock options outstanding and exercisable at December 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
$0.67	197,100	7.43	$0.67	--	--

The following table summarizes information about stock options outstanding and exercisable at December 31, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
$0.67	1,241,010	8.95	$0.67	329,960	$0.67
$0.80	588,960	4.24	$0.80	--	--
$1.60	94,500	2.38	$1.60	--	--
$2.00	1,687,875	9.79	$2.00	150,000	2.00
	3,612,345		$1.33	479,960	$1.09

(6) COMMITMENTS AND CONTINGENCIES

LEASES

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 years ending December 31, 1997, 1998 and 1999 were approximately $14, $26 and $311, respectively. One of the leases is with a related party and payments thereunder aggregated approximately $50 in 1999.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(6) COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments under operating leases (with initial or remaining lease terms in excess of one year) are as follows:

YEAR ENDING DECEMBER 31,	OPERATING LEASES
2000	$1,084
2001	1,014
2002	1,034
2003	1,054
2004	1,094
Thereafter	1,972
Total minimum lease payments	$7,252

In the first quarter of 2000, the Company entered into two additional leases for office space. The lease for the Company's San Francisco office space, entered into in February 2000, provides for annual aggregate payments of $275. The security deposit for this lease is approximately $300. In February 2000, the Company entered into a sublease for approximately 8,000 square feet in New York City expiring in September 2000, providing for annual aggregate payments of $238. In March 2000, the Company entered into a lease for an aggregate of approximately 83,500 square feet on two floors at a location in New York City. The lease with respect to one floor, consisting of approximately 40,500 square feet, commences in June 2000, at a rent of approximately $1,400 per year in the first three years, $1,500 per year in years four through seven and $1,600 per year in years eight through ten. The related security deposit is $2,000 for the first three years, $1,300 for years four through seven and $670 for years eight through ten. The other floor consists of approximately 43,000 square feet, and the lease term relating to that floor commences in August 2001, at a rent of approximately $1,500 per year in the first three years, $1,600 per year in years four through seven and $1,700 per year in years eight through ten. The related security deposit is $2,200 for the first three years, $1,500 for years four through seven and $747 for years eight through ten. At our option, we may provide the security deposit by a letter of credit.

EMPLOYMENT AGREEMENTS

The Company has employment agreements with 5 senior employees which provide for severance benefits among other items. In the event these agreements are terminated, the Company may be liable for severance payments of up to $703 of salary payable during the year following termination.

(7) INCOME TAXES

The Company has adopted the cash method of accounting for income tax purposes. There is no provision for federal, state or local income taxes for any periods presented, since the Company has incurred losses since inception. At December 31, 1999, the Company had approximately $5,600 of federal net operating loss carryforwards available to offset future taxable income. Such carryforwards expire in various years through 2019. The Company has recorded a full valuation

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(7) INCOME TAXES (CONTINUED)

allowance against its deferred tax assets since management believes that, after considering all the available objective evidence, it is not more likely than not that these assets will be realized. The tax effect of temporary differences that give rise to significant portions of federal deferred tax assets principally consists of the Company's net operating loss carryforwards.

Under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), the utilization of net operating loss carryforwards may be limited under the change in stock ownership rules of the Code. The Company has not yet determined whether the IPO will result in an ownership change.

The effects of temporary differences and tax loss carryforwards that give rise to significant portions of federal deferred tax assets and deferred tax liabilities at December 31, 1998 and 1999 are presented below.

	1998	1999
Deferred tax assets:		
Net operating loss carry forwards	$ --	$2,177
Accounts payable and accrued expenses	--	1,029
Deferred revenue	--	69
Non-cash compensation	--	290
Gross deferred tax assets	25	3,565
Less: valuation allowance	(20)	(3,132)
Net deferred tax assets	5	433
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	(5)	(9)
Accounts receivable	--	(188)
Prepaid expenses	--	(236)
Gross deferred tax liabilities	(5)	(433)
	$ --	$ --

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(8) VALUATION AND QUALIFYING ACCOUNTS

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS/ WRITE-OFFS	BALANCE AT END OF PERIOD
For the year ended December 31, 1997:				
Allowance for doubtful accounts.....	$ --	$ --	$ --	$ --
For the year ended December 31, 1998:				
Allowance for doubtful accounts.....	$ --	$ 15	$ --	$ 15
For the year ended December 31, 1999:				
Allowance for doubtful accounts.....	$ 15	$ 85	$(15)	$ 85

(9) INITIAL PUBLIC OFFERING AND PRO FORMA BALANCE SHEET--UNAUDITED

In January 2000, the Board of Directors authorized the filing of a registration statement with the Securities and Exchange Commission ("SEC") that would permit the Company to sell shares of its common stock in connection with a proposed initial public offering ("IPO").

If the IPO is consummated under the terms presently anticipated, upon the closing of the proposed IPO, each of the then outstanding shares of the Company's convertible preferred stock will automatically convert at a ratio of two shares of preferred stock for three shares of common stock, into an aggregate of 17,962,273 shares of common stock.

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

(9) INITIAL PUBLIC OFFERING AND PRO FORMA BALANCE SHEET--UNAUDITED (CONTINUED)

The accompanying pro forma balance sheet as of December 31, 1999 gives effect to the following transactions as if such transactions occurred on December 31, 1999:

- the issuance of 3,157,895 shares of Series D redeemable convertible preferred stock at $5.70 per share during January 2000 for net proceeds of approximately $17,900; and

- the automatic conversion of 2,541,667, 1,142,857, 5,132,443 and 3,157,895 shares of Series A, B, C and D convertible preferred stock, respectively, representing all outstanding shares of convertible preferred stock, into 17,962,273 shares of common stock upon the closing of this offering.

	HISTORICAL DECEMBER 31, 1999	PRO FORMA DECEMBER 31, 1999 (UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$14,944	$32,844
Accounts receivable	465	465
Prepaid expenses and other current assets	597	597
Total current assets	16,006	33,906
Property and equipment, net	2,457	2,457
Security deposits	487	487
Deferred offering costs	140	140
Deferred costs, net	480	480
Total assets	$19,570	37,470
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,776	$ 1,776
Accrued expenses	689	689
Deferred revenue	161	161
Total current liabilities	2,626	2,626
Commitments and contingencies		
Series C redeemable convertible preferred stock	18,990	--
Series D redeemable convertible preferred stock	--	--
Stockholders' equity (deficit):		
Series A convertible preferred stock	3	--
Series B convertible preferred stock	1	--
Common stock, $0.001 par value; 100,000,000 shares authorized; 7,092,000 shares issued and outstanding actual; 25,054,273 shares issued and outstanding pro forma	7	25
Additional paid-in capital	12,420	49,298
Deferred compensation	(4,644)	(4,644)
Accumulated deficit	(9,833)	(9,833)
Total stockholders' equity (deficit)	(2,046)	34,844
Total liabilities and stockholders' equity (deficit)	$19,570	37,470

(10) SUBSEQUENT EVENTS--UNAUDITED

Upon the closing of this offering, the Company intends to authorize the issuance of 5,000,000 shares of preferred stock.

The Company intends to establish a successor to the 1998 Plan, the 2000 Stock Incentive Plan (the "2000 Plan"). Under the 2000 Plan, the options which had been outstanding under the 1998 Plan will be incorporated into the 2000 Plan and the Company will increase the number of options available under the plan by approximately 4,150,000 options effectively authorizing 10,000,000 options in the aggregate. These options will have 10 year terms.

The Company intends to adopt the 2000 Employee Stock Purchase Plan with 450,000 shares of common stock initially reserved for issuance.

For the period from January 1, 2000 through March 8, 2000, the Company granted stock options to purchase 2,105,250 shares of common stock, respectively, to employees at a weighted average exercise price of $3.81. The deemed fair value of the Company's common stock ranged from $10.30 to $13.00 per share during such period. For the period from January 1, 2000 through March 8, 2000, the Company recorded deferred compensation of approximately $17,885, in connection with the grant of certain options to employees, representing the difference between the deemed fair value of its common stock as of the date of grant for accounting purposes and the exercise price of the related options. This amount will be presented as deferred compensation in the financial statements and will be amortized over the vesting period, typically three to four years, of the applicable options. The Company expects to amortize the following amounts of deferred compensation relating to options granted from January 1, 2000 through March 8, 2000 as follows: 2000-$11,464; 2001-$3,781; 2002-$1,945; and 2003-$695. During the period from January 1, 2000 through March 8, 2000, 93,750 stock options were exercised at an exercise price of $0.67 per share and 375 options were cancelled at an exercise price of $0.67 per share.

During the period from January 1, 2000 through March 8, 2000, 175,781 warrants to purchase common stock at an exercise price of $1.60 per share were exercised.

INSIDE BACK COVER

- -Centered on the upper third of the page is the following bold, large size text:
"These are some of the sites experiencing the impact of [LivePerson logo]"

- -The bottom half of the page contains the following client logos:

[ShopNow.com logo] [Miadora logo] [LookSmart logo]
[Intuit logo] [EarthLink logo] [ditech.com logo]
[nbd.com logo] [Playboy.com logo] [iQVC logo] [ScreamingMedia logo]

4,000,000 SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

CHASE H&Q
THOMAS WEISEL PARTNERS LLC
PAINEWEBBER INCORPORATED

, 2000

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

NO ACTION IS BEING TAKEN IN ANY JURISDICTION OUTSIDE THE UNITED STATES TO PERMIT A PUBLIC OFFERING OF THE COMMON STOCK OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS IN THAT JURISDICTION. PERSONS WHO COME INTO POSSESSION OF THIS PROSPECTUS IN JURISDICTIONS OUTSIDE THE UNITED STATES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY RESTRICTIONS AS TO THIS OFFERING AND THE DISTRIBUTION OF THIS PROSPECTUS APPLICABLE TO THAT JURISDICTION.

UNTIL , 2000 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the sale of the common stock being registered.

	AMOUNT TO BE PAID
SEC registration fee	$ 18,216
NASD filing fee	7,400
Nasdaq National Market listing fee	95,000
Legal fees and expenses	400,000
Accounting fees and expenses	200,000
Printing and engraving expenses	200,000
Blue Sky fees and expenses	5,000
Transfer agent and registrar fees and expenses	5,000
Miscellaneous	69,384
Total	$1,000,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The registrant's amended and restated certificate of incorporation in effect as of the date hereof, and the registrant's amended and restated certificate of incorporation to be in effect upon the closing of this offering (the "Certificate") provide that, except to the extent prohibited by the Delaware General Corporation Law, as amended (the "DGCL"), the registrant's directors shall not be personally liable to the registrant or its stockholders for monetary damages for any breach of fiduciary duty as directors of the registrant. Under the DGCL, the directors have a fiduciary duty to the registrant which is not eliminated by this provision of the Certificate and, in appropriate circumstances, equitable remedies such as injunctive or other forms of non-monetary relief will remain available. In addition, each director will continue to be subject to liability under the DGCL for any breach of the director's duty of loyalty to the registrant or its stockholders, for acts or omissions not in good faith or which involve intentional misconduct, for knowing violations of law, for actions leading to improper personal benefit to the director, and for payment of dividends or approval of stock repurchases or redemptions that are prohibited by the DGCL. This provision also does not affect the directors' responsibilities under any other laws, such as the Federal securities laws or state or Federal environmental laws. The registrant has obtained liability insurance for its officers and directors.

Section 145 of the DGCL empowers a corporation to indemnify its directors and officers and to purchase insurance with respect to liability arising out of their capacity or status as directors and officers, provided that this provision shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) arising under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. The DGCL provides further that the indemnification permitted thereunder shall not be deemed exclusive of any other rights to which the directors and officers may be entitled under the corporation's bylaws, any agreement, a vote of stockholders or otherwise. The Certificate eliminates the personal liability of directors to the fullest extent permitted by Section 102(b)(7) of the DGCL and provides that the registrant shall,

to the fullest extent permitted by the DGCL, fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that such person is or was, or has agreed to become, a director or officer of the registrant, or is or was serving at the request of the registrant as a director, officer or trustee of or, in a similar capacity with, another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by or on behalf of such person in connection with such action, suit or proceeding and any appeal therefrom.

We have also entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in the Certificate. We believe that these agreements are necessary to attract and retain qualified directors and executive officers.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent as to which indemnification will be required or permitted under the Certificate or the aforementioned indemnification agreements. The registrant is not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

All information in this section relating to warrants and options reflects a three-for-two stock split of shares of the registrant's common stock effected on March 8, 2000 in the form of a stock dividend. All information in this section relating to shares of convertible preferred stock reflects the actual shares issued, which will convert into common stock at a ratio of two preferred shares for three common shares upon the closing of this offering.

In the preceding three years, the registrant has issued the following securities that were not registered under the Securities Act of 1933, as amended (the "Act"):

COMMON STOCK. In January 1999, in order to effect a 10-for-1 stock split in the form of a stock dividend, the registrant issued an aggregate of 4,255,200 shares of common stock, par value $0.001 per share ("Common Stock") to Robert P. LoCascio and Robert Olender, then the holders of Common Stock. On January 28, 2000, the registrant issued 62,500 shares of Common Stock to Silicon Alley Venture Partners, LLC pursuant to an option to purchase shares of Common Stock, at an aggregate price of $62,500. On February 29, 2000, the registrant issued 117,187 shares of Common Stock to Dawntreader Fund I LP pursuant to an exercise of a warrant to purchase shares of Common Stock, at an aggregate price of $281,250. On March 8, 2000, in order to effect a three-for-two stock split in the form of a stock dividend, the registrant issued an aggregate of 2,453,844 shares of Common Stock to Robert P. LoCascio, Robert Olender, Henry R. Kravis, Mark Lipschultz, Esther Dyson, Dawntreader Fund I LP and Silicon Alley Venture Partners, LLC. All such issuances were made under the exemption from registration provided by Section 4(2) of the Act.

CONVERTIBLE PREFERRED STOCK. The registrant issued an aggregate of 17,962,273 shares of convertible preferred stock, par value $0.001 per share, consisting of (i) 2,500,000 shares of series A convertible preferred stock in January 1999 at a purchase price per share of $1.20 for gross proceeds of $3,000,000 to Dawntreader Fund I LP, FG-LP, Sterling Payot Capital, LP, and SAVP Sidecar I LLC; (ii) 41,667 shares of series A convertible preferred stock in January 1999 in exchange for consulting services provided to the Registrant by Silicon Alley Venture Partners, LLC in the amount of $50,000; (iii) 1,142,857 shares of series B convertible preferred stock in May 1999 at a purchase price per share of $1.40 for gross proceeds of $1,600,000 to Allen & Company Incorporated, Alan Braverman, and Sculley Brothers LLC; (iv) 5,132,433 shares of

series C redeemable convertible preferred stock in July 1999 at a purchase price per share of $3.70 for gross proceeds of $18,990,000 to Highland Capital Partners IV Limited Partnership, Highland Entrepreneurs' Fund IV Limited Partnership, FG-LPC, Dawntreader Fund I LP, Allen & Company Incorporated, The Goldman Sachs Group, Inc., Stone Street Fund 1999, L.P., Sterling Payot Capital, LP, SAVP Sidecar I-B, LLC, Silicon Alley Ventures, L.P., Hambrecht & Quist California, Hambrecht & Quist Employee Venture Fund, L.P. II, Access Technology Partners Brokers Fund, L.P., Access Technology Partners, L.P., Henry R. Kravis, Esther Dyson, and Mark Lipschultz; and (v) 3,157,895 shares of series D redeemable convertible preferred stock in January 2000 at a purchase price per share of $5.70 for gross proceeds of $18,000,000 to Dell USA, L.P., Austin I, LLC, Van Eyck Partners, LLC, Striped Marlin Investments, LLC, MSD EC I, LLC, and NBC Interactive Media, Inc. A portion of the series A convertible preferred stock issued to FG-LP was issued in satisfaction of a promissory note made by the registrant in the amount of $100,000, plus interest. All such issuances were made under the exemption from registration provided under Section 4(2) of the Act.

WARRANTS. Since its inception, the registrant issued warrants exercisable for an aggregate of 718,749 shares of Common Stock consisting of (i) warrants issued in January 1999 exercisable for 468,749 shares of Common Stock, at a purchase price per warrant of $0.003, for gross proceeds of $1,562.50, to Dawntreader Fund I LP, FG-LP, Sterling Payot Capital, LP, and SAVP Sidecar I LLC, which are presently exercisable at an exercise price per share of $1.60 and which expire in January 2004; and (ii) warrants issued in May 1999 exercisable for 250,000 shares of Common Stock, at a purchase price per warrant of $0.003, for gross proceeds of $833, to Allen & Company Incorporated, Alan Braverman, and Sculley Brothers LLC, which are presently exercisable at an exercise price per share of $1.60 and which expire in May 2004. The expiration date of the warrants listed in (i) and (ii) may be accelerated in certain circumstances, if the managing underwriter of the registrant's initial public offering determines that the failure to accelerate the expiration or exercise of the warrants could adversely affect the offering; however, the registrant has been informed by Chase Securities Inc. that they do not intend to do so. All such issuances were made under the exemption from registration provided under Section 4(2) of the Act.

OPTIONS. Of the options granted by the registrant pursuant to the registrant's 2000 Stock Incentive Plan and 2000 Employee Stock Purchase Plan, successors to the registrant's 1998 Plan, options to purchase 81,000 shares of Common Stock were cancelled in 1999 and options to purchase a total of 5,528,970 shares of Common Stock at a weighted average exercise price of $2.28 per share remain outstanding at March 8, 2000. For a more detailed description of the registrant's option plans, see "Management--2000 Stock Incentive Plan" and "Management--2000 Employee Stock Purchase Plan." All such grants were made under the exemptions from registration provided under Rule 701 and Section 4(2) of the Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

NUMBER	DESCRIPTION
1.1	Form of Underwriting Agreement
3.1**	Third Amended and Restated Certificate of Incorporation
3.2**	Form of Amended and Restated Certificate of Incorporation to be in effect upon the closing of this offering
3.3**	Bylaws
3.4**	Form of Amended and Restated Bylaws to be in effect upon the closing of this offering
3.5**	Certificate of Amendment to Third Amended and Restated Certificate of Incorporation
4.1	Specimen Common Stock certificate
4.2**	Second Amended and Restated Registration Rights Agreement
4.3**	See Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 for further provisions defining the rights of holders of common stock of the registrant
5.1	Opinion of Brobeck, Phleger & Harrison LLP
10.1**	Employment Agreement between LivePerson, Inc. and Robert P. LoCascio
10.2**	Employment Agreement between LivePerson, Inc. and Dean Margolis
10.3**	Employment Agreement between LivePerson, Inc. and Timothy E. Bixby
10.4**	Employment Agreement between LivePerson, Inc. and Scott E. Cohen
10.5**	Employment Agreement between LivePerson, Inc. and James L. Reagan
10.6	2000 Stock Incentive Plan
10.7	2000 Employee Stock Purchase Plan
10.8**	Agreement of Lease between Vornado 330 West 34th Street L.L.C. as Landlord and LivePerson, Inc. as Tenant
23.1	Consent of KPMG LLP
23.2	Consent of Brobeck, Phleger & Harrison LLP (included in Exhibit 5.1)
24.1**	Powers of Attorney (See Signature Page)
27.1**	Financial Data Schedule

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** Previously filed.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424 (b)(1) or (4), or 497(h) under the Act, shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 3 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in The City of New York, State of New York, on this 28th day of March, 2000.

LIVEPERSON, INC.

BY: /S/ ROBERT P. LOCASCIO

Robert P. LoCascio
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 3 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE(S)	DATE
/s/ ROBERT P. LOCASCIO Robert P. LoCascio	President, Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)	March 28, 2000
/s/ TIMOTHY E. BIXBY Timothy E. Bixby	Executive Vice President, Chief Financial Officer, Secretary and Director (principal financial and accounting officer)	March 28, 2000
* Richard L. Fields	Director	March 28, 2000
* Wycliffe K. Grousbeck	Director	March 28, 2000
* Kevin C. Lavan	Director	March 28, 2000
* Edward G. Sim	Director	March 28, 2000

*By: /s/ TIMOTHY E. BIXBY

Timothy E. Bixby
ATTORNEY-IN-FACT

POWER OF ATTORNEY

We, the undersigned directors and/or officers of LivePerson, Inc. (the "Company"), hereby severally constitute and appoint Robert P. LoCascio and Timothy E. Bixby, each of them individually, with full powers of substitution and resubstitution, our true and lawful attorneys, with full powers to them and each of them to sign for us, in our names and the capacities indicated below, the Registration Statement on Form S-1 filed with the Securities and Exchange Commission, and any and all amendments to said Registration Statement (including post-effective amendments), and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, in connection with the registration under the Securities Act of 1933, as amended, of equity securities of the Company, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorneys, and each of them, or their substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 3 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE(S)	DATE
/s/ ROBERT W. MATSCHULLAT Robert W. Matschullat	Director	March 28, 2000

INDEX TO EXHIBITS

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24.1**	Powers of Attorney (See Signature Page)
27.1**	Financial Data Schedule

** Previously filed.

Exhibit 1.1

LIVEPERSON, INC.

4,000,000 SHARES(1)

COMMON STOCK

UNDERWRITING AGREEMENT

_____ __, 2000

CHASE SECURITIES INC.
THOMAS WEISEL PARTNERS LLC
PAINEWEBBER INCORPORATED
  c/o Chase Securities Inc.
  One Bush Street
  San Francisco, CA 94104

Ladies and Gentlemen:

LivePerson, Inc., a Delaware corporation (herein called the COMPANY), proposes to issue and sell 4,000,000 shares of its authorized but unissued Common Stock, $0.001 par value per share (herein called the COMMON STOCK) (said 4,000,000 shares of Common Stock being herein called the UNDERWRITTEN STOCK). The Company proposes to grant to the Underwriters (as hereinafter defined) an option to purchase up to 600,000 additional shares of Common Stock (herein called the OPTION STOCK and, together with the Underwritten Stock, herein collectively called the STOCK). The Common Stock is more fully described in the Registration Statement and the Prospectus hereinafter mentioned. Chase Securities Inc. (herein called CHASE) has agreed to reserve a portion of the Underwritten Stock to be purchased by it under this Agreement for sale to the Company's directors, officers, employees, business associates and their family members (herein collectively called PARTICIPANTS), as set forth in the Prospectus under the caption "Underwriting" (such program herein called the DIRECTED SHARE PROGRAM). The Stock to be sold by Chase pursuant to the Directed Share Program are referred to hereinafter as the DIRECTED SHARES. Any Directed Shares not orally confirmed for purchase by any

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(1) Plus an option to purchase from the Company up to 600,000 additional shares to cover over-allotments.

Participants by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

The Company hereby confirms the agreements made with respect to the purchase of the Stock by the several underwriters, for whom you are acting, named in Schedule I hereto (herein collectively called the UNDERWRITERS, which term shall also include any underwriter purchasing Stock pursuant to Section 3(b) hereof). You represent and warrant that you have been authorized by each of the other Underwriters to enter into this Agreement on its behalf and to act for it in the manner herein provided.

1. REGISTRATION STATEMENT. The Company has filed with the Securities and Exchange Commission (herein called the COMMISSION) a registration statement on Form S-1 (No. 333-95689), including the related preliminary prospectus, for the registration under the Securities Act of 1933, as amended (herein called the SECURITIES ACT) of the Stock. Copies of such registration statement and of each amendment thereto, if any, including the related preliminary prospectus (meeting the requirements of Rule 430A of the rules and regulations of the Commission) heretofore filed by the Company with the Commission have been delivered to you.

The term REGISTRATION STATEMENT as used in this Agreement shall mean such registration statement, including all exhibits and financial statements (and the related notes), all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, in the form in which it became effective, and any registration statement filed pursuant to Rule 462(b) of the rules and regulations of the Commission with respect to the Stock (herein called a RULE 462(B) REGISTRATION STATEMENT), and, in the event of any amendment thereto after the effective date of such registration statement (herein called the EFFECTIVE DATE), shall also mean (from and after the effectiveness of such amendment) such registration statement as so amended (including any Rule 462(b) registration statement). The term PROSPECTUS as used in this Agreement shall mean the prospectus relating to the Stock first filed with the Commission pursuant to Rule 424(b) and Rule 430A (or if no such filing is required, as included in the Registration Statement) and, in the event of any supplement or amendment to such prospectus after the Effective Date, shall also mean (from and after the date of filing with the Commission of such supplement or the effectiveness of such amendment) such prospectus as so supplemented or amended. The term PRELIMINARY PROSPECTUS as used in this Agreement shall mean each preliminary prospectus included in such registration statement prior to the time it becomes effective.

The Registration Statement has been declared effective under the Securities Act, and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. The Company has caused to be delivered to you copies of each

Preliminary Prospectus and has consented to the use of such copies for the purposes permitted by the Securities Act.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

(a) The Company hereby represents and warrants as follows:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, has full corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement and the Prospectus and as being conducted, and is duly qualified as a foreign corporation and in good standing in all jurisdictions in which the character of the property owned or leased or the nature of the business transacted by it makes qualification necessary (except where the failure to be so qualified would not result in a Material Adverse Change (as hereinafter defined)).

(ii) The Company has no subsidiaries and does not otherwise own or control, directly or indirectly, any corporation, association or other entity.

(iii) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been a Material Adverse Change (as hereinafter defined), other than as set forth in the Registration Statement and the Prospectus, and since such dates, except in the ordinary course of business, the Company has not entered into any material transaction not referred to in the Registration Statement and the Prospectus. As used herein, MATERIAL ADVERSE CHANGE shall mean a materially adverse change in the business, properties, financial condition or results of operations of the Company, whether or not arising from transactions in the ordinary course of business.

(iv) The Registration Statement and the Prospectus comply, and on the Closing Date (as hereinafter defined) and any later date on which Option Stock is to be purchased, the Prospectus will comply, in all material respects, with the provisions of the Securities Act and the rules and regulations of the Commission thereunder; on the Effective Date, the Registration Statement did not contain any untrue statement of a material fact and did not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date the Prospectus did not and, on the Closing Date and any later date on which Option Stock is to be purchased, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances

under which they were made, not misleading; PROVIDED, HOWEVER, that none of the representations and warranties in this subparagraph (iv) shall apply to statements in, or omissions from, the Registration Statement or the Prospectus made in reliance upon and in conformity with information herein or otherwise furnished in writing to the Company by or on behalf of the Underwriters for use in the Registration Statement or the Prospectus.

(v) Each of the Registration Statement and any Rule 462(b) registration statement has become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) registration statement has been issued under the Securities Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

(vi) The shares of Common Stock outstanding prior to the issuance of the Stock have been duly authorized and are validly issued, fully paid and non-assessable.

(vii) The shares of Common Stock to be issued upon the conversion of the Series A Convertible Preferred Stock, par value $0.001 per share, the Series B Convertible Preferred Stock, par value $0.001 per share, the Series C Convertible Preferred Stock, par value $0.001 per share, and the Series D Convertible Preferred Stock, par value $0.001 per share (collectively, herein called the CONVERTIBLE PREFERRED STOCK), have been duly authorized and, when issued and delivered pursuant to the terms of the applicable certificates of designation, will be validly issued, fully paid and non-assessable. No additional approval or authority of the shareholders or the Board of Directors of the Company subsequent to the date hereof will be required for such conversion or the issuance of such shares of common stock upon such conversion.

(viii) The Stock, when issued and sold to the Underwriters as provided herein, will be duly and validly issued, fully paid and non-assessable and conforms to the description thereof in the Prospectus, and the issuance of the Stock will not be subject to any preemptive or similar rights which have not been waived. No additional approval or authority of the shareholders or the Board of Directors of the Company subsequent to the date hereof will be required for the issuance and sale of the Stock as contemplated herein.

(ix) Prior to the Closing Date, the Stock to be issued and sold by the Company will be approved for quotation on the Nasdaq National Market upon official notice of issuance.

(x) KPMG LLP, the accountants who certified the financial statements and supporting schedules included in the Registration Statement, are independent public or certified public accountants as required by the Securities Act and the rules and regulations promulgated thereunder.

(xi) The financial statements included in the Registration Statement and the Prospectus, together with the related schedules and notes thereto, present fairly the financial position of the Company as of and at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company for the periods specified. Such financial statements have been prepared in conformity with generally accepted accounting principles (herein called GAAP) applied on a consistent basis throughout the periods involved, except as may be indicated in the notes related thereto. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial data included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement.

(xii) The information set forth under the caption "Capitalization" in the Prospectus is true and correct in all material respects. All of the Stock conforms in all material respects to the description thereof contained in the Registration Statement. The form of certificates for the Stock conforms to the legal requirements of the State of Delaware.

(xiii) This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company, enforceable in accordance with its terms except insofar as rights to indemnification and contribution hereunder may be limited by applicable law or equitable principles and except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally or by general equitable principles.

(xiv) The Company is not in violation of its Certificate of Incorporation or By-laws (each as in effect as of the date hereof) or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit

agreement, note, lease or other agreement or instrument to which the Company is a party or by which it may be bound, or to which any of the property or assets of the Company is subject, except for such defaults that would not result in a Material Adverse Change; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated in this Agreement and in the Registration Statement (including the issuance and sale of the Stock and the use of the proceeds from the sale of the Stock as described in the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations under this Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any agreement or other instrument binding upon the Company that is material to the Company, nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its assets, properties or operations.

(xv) No material labor dispute with the employees of the Company exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers, customers or contractors, that, in either case, would result in a Material Adverse Change.

(xvi) There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending or, to the knowledge of the Company, threatened, against or affecting the Company, that is required to be disclosed in the Registration Statement (other than as disclosed therein), or that might reasonably be expected to result in a Material Adverse Change, or that might reasonably be expected to materially and adversely affect the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder.

(xvii) There are no contracts or documents which are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits thereto which have not been so described and filed as required.

(xviii) Except where the failure to do so would not result in a Material Adverse Change, and except as described in the Registration Statement or the

Prospectus, the Company owns and possesses all right, title and interest in and to, or has duly licensed from third parties a valid, enforceable right to use, all patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (herein called PATENT AND PROPRIETARY RIGHTS) currently or proposed to be employed by it in connection with its business. Except as described in the Registration Statement or the Prospectus, the Company has not received any notice of or has any knowledge of any infringement or misappropriation of or conflict with asserted rights of others with respect to any Patent and Proprietary Rights, or of any facts which would render any Patent and Proprietary Rights invalid or inadequate to protect the interest of the Company therein, and which infringement, misappropriation or conflict or invalidity or inadequacy, individually or in the aggregate, would result in a Material Adverse Change.

(xix) No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations under this Agreement, in connection with the offering, issuance or sale of the Stock hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required (A) under the Securities Act or the rules and regulations promulgated thereunder, (B) under the Blue Sky securities laws of any jurisdiction, (C) by the National Association of Securities Dealers, Inc. (herein called the NASD) and (D) by the federal and provincial laws of Canada.

(xx) The Company possesses all material permits, licenses, approvals, consents and other authorizations (herein called GOVERNMENTAL LICENSES) issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by it; the Company is in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, result in Material Adverse Change; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not, singly or in the aggregate, result in a Material Adverse Change; and the Company has not received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Change.

(xxi) The Company does not own any real property. The Company has good and marketable title to all other properties and assets owned by it and reflected in the financial statements, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except the irrevocable stand-by letter of credit No. T-298456 given by the Company in favor of Vornado 330 West 34th Street LLC, entered into in March 2000, and the irrevocable stand-by letter of credit No. T-298205, given by the Company in favor of SLK Associates, entered into in March 2000, and such as (a) are described in the Prospectus, (b) are reflected in the financial statements included in the Prospectus or (c) do not, singly or in the aggregate, materially and adversely affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company; and all of the leases and subleases material to the business of the Company, and under which the Company holds properties described in the Prospectus, are in full force and effect, and the Company does not have any notice of any claim, the adverse determination of which would result in a Material Adverse Change, that has been asserted by anyone adverse to the rights of the Company under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company to the continued possession of the leased or subleased premises under any such lease or sublease.

(xxii) There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement, except such rights as have been duly waived, or, except as disclosed in the Prospectus, otherwise registered by the Company under the Securities Act.

(xxiii) The Company has filed all necessary federal, state, local and foreign income, payroll, franchise and other tax returns (after giving effect to extensions) and has paid all taxes shown as due thereon or with respect to any of its properties, and there is no tax deficiency that has been, or to the knowledge of the Company is likely to be, asserted against the Company or any of its properties or assets that would result in a Material Adverse Change.

(xxiv) The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; the Company has not been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not result in a Material Adverse Change, except as described in the Prospectus.

(xxv) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (C) access to assets is permitted only in accordance with management's general or specific authorization; and (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxvi) To the best of the Company's knowledge, neither the Company nor any employee or agent of the Company has made any payment of funds of the Company or received or retained any funds in violation of any law, rule or regulation, including, without limitation, the Foreign Corrupt Practices Act.

(xxvii) The Company and each member of its Control Group (as defined below) is in compliance in all material respects with all presently applicable provisions of the U.S. Employee Retirement Income Security Act of 1974, as amended (herein called ERISA), and the regulations and published interpretations thereunder; no "reportable event" (as defined in ERISA and the regulations and published interpretations thereunder) has occurred with respect to any material "pension plan" (as defined in ERISA and the regulations and published interpretations thereunder) established or maintained by the Company or any member of its Control Group; neither the Company nor any member of its Control Group has incurred nor expects to incur any material liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Section 412 or 4971 of the U.S. Internal Revenue Code of 1986, as amended (hereinafter called the CODE); and each material "pension plan" established or maintained by the Company that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and has received a favorable determination letter as to its qualification and nothing has occurred, whether by action or failure to act, which would cause the loss of such qualification. For purposes of this subsection, "Control Group" is defined to include any entity which is part of a group which includes the Company and is treated as a single employer under Section 414 of the Code.

(xxviii) The Company has not incurred any liability for any finder's fees or similar payments in connection with the transactions contemplated hereby.

(xxix) The Registration Statement, the Prospectus and any Preliminary Prospectus comply, and any amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any Preliminary Prospectus, as amended or supplemented, if applicable, is distributed in connection with the Directed Share Program.

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

(xxxi) The Company has not offered, or caused Chase to offer, Stock to any person pursuant to the Directed Share Program with the intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

(xxxii) None of the options issued or to be issued pursuant to any of the Company's stock option plans are exercisable until 180 days after the offering, except for options issued to those persons who have signed lock-up agreements substantially in the forms attached as Annexes B-1, B-2 or B-3 hereto, as applicable.

(xxxiii) Except as described or referred to in the Registration Statement (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulations D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(xxxiv) Except as described or referred to in the Registration Statement, there are no outstanding obligations of the Company to repurchase, redeem or otherwise acquire any shares of Common Stock.

3. PURCHASE OF THE STOCK BY THE UNDERWRITERS.

(a) On the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Company agrees to issue and sell 4,000,000 shares

of the Underwritten Stock to the several Underwriters and each of the Underwriters agrees to purchase from the Company the respective number of shares of Underwritten Stock set forth opposite its name in Schedule I. The price at which such shares of Underwritten Stock shall be sold by the Company and purchased by the several Underwriters shall be $___ per share. In making this Agreement, each Underwriter is contracting severally and not jointly; except as provided in paragraphs (b) and (c) of this Section 3, the agreement of each Underwriter is to purchase only the respective number of shares of the Underwritten Stock specified in Schedule I.

(b) If for any reason one or more of the Underwriters shall fail or refuse (otherwise than for a reason sufficient to justify the termination of this Agreement under the provisions of Section 8 or 9 hereof) to purchase and pay for the number of shares of the Stock agreed to be purchased by such Underwriter or Underwriters, the Company shall immediately give notice thereof to you, and the non-defaulting Underwriters shall have the right within 24 hours after the receipt by you of such notice to purchase, or procure one or more other Underwriters to purchase, in such proportions as may be agreed upon between you and such purchasing Underwriter or Underwriters and upon the terms herein set forth, all or any part of the shares of the Stock which such defaulting Underwriter or Underwriters agreed to purchase. If the non-defaulting Underwriters fail so to make such arrangements with respect to all such shares and portion, the number of shares of the Stock which each non-defaulting Underwriter is otherwise obligated to purchase under this Agreement shall be automatically increased on a pro rata basis to absorb the remaining shares and portion which the defaulting Underwriter or Underwriters agreed to purchase; PROVIDED, HOWEVER, that the non-defaulting Underwriters shall not be obligated to purchase the shares and portion which the defaulting Underwriter or Underwriters agreed to purchase if the aggregate number of such shares of the Stock exceeds 10% of the total number of shares of the Stock which all Underwriters agreed to purchase hereunder. If the total number of shares of the Stock which the defaulting Underwriter or Underwriters agreed to purchase shall not be purchased or absorbed in accordance with the two preceding sentences, the Company shall have the right, within 24 hours next succeeding the 24-hour period above referred to, to make arrangements with other underwriters or purchasers satisfactory to you for purchase of such shares and portion on the terms herein set forth. In any such case, either you or the Company shall have the right to postpone the Closing Date determined as provided in Section 5 hereof for not more than seven business days after the date originally fixed as the Closing Date pursuant to said Section 5 in order that any necessary changes in the Registration Statement, the Prospectus or any other documents or arrangements may be made. If neither the non-defaulting Underwriters nor the Company shall make arrangements within the 24-hour periods stated above for the purchase of all the shares of the Stock which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall be terminated without further act or deed and without any liability on the part of the Company to any non-defaulting

Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company. Nothing in this paragraph (b), and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

(c) On the basis of the representations, warranties and covenants herein contained, and subject to the terms and conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, up to 600,000 shares in the aggregate of the Option Stock from the Company at the same price per share as the Underwriters shall pay for the Underwritten Stock. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Stock by the Underwriters and may be exercised in whole or in part at any time (but not more than once) on or before the thirtieth day after the date of this Agreement, upon written or facsimile notice by you to the Company setting forth the aggregate number of shares of the Option Stock as to which the several Underwriters are exercising the option. Delivery of certificates for the shares of Option Stock, and payment therefor, shall be made as provided in Section 5 hereof. The number of shares of the Option Stock to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Stock to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Stock, as adjusted by you in such manner as you deem advisable to avoid fractional shares.

4. OFFERING BY UNDERWRITERS.

(a) The terms of the initial public offering by the Underwriters of the Stock to be purchased by them shall be as set forth in the Prospectus. The Underwriters may from time to time change the public offering price after the closing of the initial public offering and increase or decrease the concessions and discounts to dealers as they may determine.

(b) The information set forth in the last paragraph on the front cover page and under "Underwriting" in the Registration Statement, any Preliminary Prospectus and the Prospectus relating to the Stock filed by the Company (insofar as such information relates to the Underwriters) constitutes the only information furnished by the Underwriters to the Company for inclusion in the Registration Statement, any Preliminary Prospectus, and the Prospectus, and you on behalf of the respective Underwriters represent and warrant to the Company that the statements made therein are correct.

5. DELIVERY OF AND PAYMENT FOR THE STOCK.

(a) Delivery of certificates for the shares of the Underwritten Stock and the Option Stock (if the option granted by Section 3(c) hereof shall have been exercised not

later than 7:00 a.m., San Francisco time, on the date two business days preceding the Closing Date), and payment therefor, shall be made at the office of Brobeck, Phleger & Harrison LLP, 1633 Broadway, 47th Floor, New York, New York 10019, at 7:00 a.m., San Francisco time, on the third business day after the date of this Agreement (the fourth business day after the day of this Agreement if this Agreement is executed and delivered after 1.30 p.m., San Francisco time), or at such time on such other day, not later than seven full business days after such third (or fourth, as the case may be) business day, as shall be agreed upon in writing by the Company and you. The date and hour of such delivery and payment (which may be postponed as provided in Section 3(b) hereof) are herein called the CLOSING DATE.

(b) If the option granted by Section 3(c) hereof shall be exercised after 7:00 a.m., San Francisco time, on the date two business days preceding the Closing Date, delivery of certificates for the shares of Option Stock, and payment therefor, shall be made at the office of Brobeck, Phleger & Harrison LLP, 1633 Broadway, 47th Floor, New York, New York 10019, at 7:00 a.m., San Francisco time, on the third business day after the exercise of such option.

(c) Payment for the Stock purchased from the Company shall be made to the Company or its order, at the Company's option, by wire transfer of immediately available funds to an account or accounts designated by the Company or by one or more certified or official bank check or checks in same day funds. Such payment shall be made upon delivery of certificates for the Stock to you for the respective accounts of the several Underwriters against receipt therefor signed by you. Certificates for the Stock to be delivered to you shall be registered in such name or names and shall be in such denominations as you may request at least one business day before the Closing Date, in the case of Underwritten Stock, and at least one business day prior to the purchase thereof, in the case of the Option Stock. Such certificates will be made available to the Underwriters for inspection, checking and packaging at the offices of Lewco Securities Corporation, 2 Broadway, New York, New York 10004 on the business day prior to the Closing Date or, in the case of the Option Stock, by 3:00 p.m., New York time, on the business day preceding the date of purchase.

It is understood that you, individually and not on behalf of the Underwriters, may (but shall not be obligated to) make payment to the Company for shares to be purchased by any Underwriter whose wire transfer or check shall not have been received by you on the Closing Date or any later date on which Option Stock is purchased for the account of such Underwriter. Any such payment by you shall not relieve such Underwriter from any of its obligations hereunder.

6. FURTHER AGREEMENTS OF THE COMPANY. The Company covenants and agrees as follows:

(a) The Company will (i) prepare and timely file with the Commission under Rule 424(b) a Prospectus containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A and (ii) not file any amendment to the Registration Statement or supplement to the Prospectus of which you shall not previously have been advised and furnished with a copy or to which you shall have reasonably objected in writing or which is not in compliance with the Securities Act or the rules and regulations of the Commission thereunder.

(b) The Company will promptly notify each Underwriter in the event of (i) the request by the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, (ii) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, (iii) the institution or notice of intended institution of any action or proceeding for that purpose, (iv) the receipt by the Company of any notification with respect to the suspension of the qualification of the Stock for sale in any jurisdiction, or (v) the receipt by it of notice of the initiation or threatening of any proceeding for such purpose. The Company will make every reasonable effort to prevent the issuance of such a stop order and, if such an order shall at any time be issued, to obtain the withdrawal thereof at the earliest possible moment.

(c) The Company will (i) on or before the Closing Date, deliver to you a signed copy of the Registration Statement as originally filed and of each amendment thereto filed prior to the time the Registration Statement becomes effective and, promptly upon the filing thereof, a signed copy of each post-effective amendment, if any, to the Registration Statement (together with, in each case, all exhibits thereto unless previously furnished to you) and will also deliver to you, for distribution to the Underwriters, a sufficient number of additional conformed copies of each of the foregoing (but without exhibits) so that one copy of each may be distributed to each Underwriter, (ii) as promptly as possible deliver to you and send to the several Underwriters, at such office or offices as you may designate, as many copies of the Prospectus as you may reasonably request and (iii) thereafter from time to time during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, likewise send to the Underwriters as many additional copies of the Prospectus and as many copies of any supplement to the Prospectus and of any amended prospectus, filed by the Company with the Commission, as you may reasonably request for the purposes contemplated by the Securities Act.

(d) If at any time during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer any event relating to or affecting the Company, or of which the Company shall be advised in writing by you, shall occur as a result of which

it is necessary, in the opinion of counsel for the Company or of counsel for the Underwriters, to supplement or amend the Prospectus in order to make the Prospectus not misleading in the light of the circumstances existing at the time it is delivered to a purchaser of the Stock, the Company will forthwith prepare and file with the Commission a supplement to the Prospectus or an amended prospectus so that the Prospectus as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time such Prospectus is delivered to such purchaser, not misleading. If, after the initial public offering of the Stock by the Underwriters and during such period, the Underwriters shall propose to vary the terms of offering thereof by reason of changes in general market conditions or otherwise, you will advise the Company in writing of the proposed variation, and, if in the opinion either of counsel for the Company or of counsel for the Underwriters such proposed variation requires that the Prospectus be supplemented or amended, the Company will forthwith prepare and file with the Commission a supplement to the Prospectus or an amended prospectus setting forth such variation. The Company authorizes the Underwriters and all dealers to whom any of the Stock may be sold by the several Underwriters to use the Prospectus, as from time to time amended or supplemented, in connection with the sale of the Stock in accordance with the applicable provisions of the Securities Act and the applicable rules and regulations thereunder for such period.

(e) Prior to the filing thereof with the Commission, the Company will submit to you, for your information, a copy of any post-effective amendment to the Registration Statement and any supplement to the Prospectus or any amended prospectus proposed to be filed.

(f) The Company will cooperate, when and as requested by you, in the qualification of the Stock for offer and sale under the securities or Blue Sky laws of such jurisdictions as you may designate and, during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, in keeping such qualifications in good standing under said securities or Blue Sky laws; PROVIDED, HOWEVER, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Company will, from time to time, prepare and file such statements, reports, and other documents as are or may be required to continue such qualifications in effect for so long a period as you may reasonably request for distribution of the Stock.

(g) During a period of five years commencing with the date hereof, the Company will furnish or make available to you, and to each Underwriter who may so request in writing, copies of all reports furnished to shareholders of the Company and of all information, documents and reports filed with the Commission.

(h) Not later than the 45th day following the end of the fiscal quarter first occurring after the first anniversary of the Effective Date, the Company will make generally available to its security holders an earnings statement in accordance with Section 11(a) of the Securities Act and Rule 158 thereunder.

(i) The Company agrees to pay all costs and expenses incident to the performance of its obligations under this Agreement, including all costs and expenses incident to (i) the preparation, printing and filing with the Commission and the National Association of Securities Dealers, Inc. of the Registration Statement, any Preliminary Prospectus and the Prospectus, (ii) the furnishing to the Underwriters of copies of any Preliminary Prospectus and of the several documents required by paragraph (c) of this Section 6 to be so furnished, (iii) the printing of this Agreement and related documents delivered to the Underwriters, (iv) the preparation, printing and filing of all supplements and amendments to the Prospectus referred to in paragraph (d) of this Section 6, (v) the furnishing to you and the Underwriters of the reports and information referred to in paragraph (g) of this Section 6 and (vi) the printing and issuance of stock certificates, including the transfer agent's fees.

(j) The Company agrees to reimburse you, for the account of the several Underwriters, for Blue Sky fees and related disbursements (including counsel fees and disbursements and cost of printing memoranda for the Underwriters) paid by or for the account of the Underwriters or their counsel in qualifying the Stock under state securities or blue sky laws and in the review of the offering by the NASD.

(k) The Company agrees to pay all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties and other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program.

(l) The Company hereby agrees that, without the prior written consent of Chase on behalf of the Underwriters, the Company will not, for a period of 180 days following the commencement of the public offering of the Stock by the Underwriters, directly or indirectly, (i) sell, offer, contract to sell, make any short sale, pledge, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exchangeable or exercisable for or any rights to purchase or acquire Common Stock or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences or ownership of Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing

sentence shall not apply to (A) the sale of the Stock to the Underwriters pursuant to this Agreement, (B) the issuance of shares of Common Stock by the Company upon the exercise of options granted under the 2000 Stock Incentive Plan or under the Employee Stock Purchase Plan of the Company or upon the exercise of warrants outstanding as of the date hereof, all as described under the caption "Capitalization" in the Preliminary Prospectus, and (C) the grant of options to purchase Common Stock under the 2000 Stock Incentive Plan.

(m) If at any time during the 25-day period after the Registration Statement becomes effective any rumor, publication or event relating to or affecting the Company shall occur as a result of which in your opinion the market price for the Stock has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus), the Company will, after written notice from you advising the Company to the effect set forth above, forthwith consult with its legal counsel and should the Company, in its reasonable discretion, determine that a response to such rumor, publication or event is appropriate, the Company will prepare, consult with you concerning the substance of, and disseminate a press release or other public statement, reasonably satisfactory to you, responding to or commenting on such rumor, publication or event.

(n) The Company is familiar with the Investment Company Act of 1940, as amended, and has in the past conducted its affairs, and will in the future conduct its affairs, in such a manner to ensure that the Company was not and will not be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

(o) The Company will place stop transfer orders on any Directed Shares that have been sold to Participants that are subject to the three-month restriction on sale, transfer, assignment, pledge or hypothecation imposed by the NASD under its Interpretative Material 2110-1 on free-riding and withholding to the extent necessary to ensure compliance with the three-month restrictions.

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

7. INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless each Underwriter and each person (including each partner or officer thereof) who controls any Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934 (herein called the EXCHANGE ACT) from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Exchange Act, or the common law or otherwise, and the Company agrees to reimburse each such Underwriter and controlling person for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (including the Prospectus as part thereof and any Rule 462(b) registration statement) or any post-effective amendment thereto (including any Rule 462(b) registration statement), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus or the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that (i) the indemnity agreements of the Company contained in this paragraph (a) shall not apply to any such losses, claims, damages, liabilities or expenses if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by such Underwriter through you expressly for use in any Preliminary Prospectus or the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto and (2) the indemnity agreement contained in this paragraph (a) with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter from whom the person asserting any such losses, claims, damages, liabilities or expenses purchased the Stock which is the subject thereof (or to the benefit of any person controlling such Underwriter) if at or prior to the written confirmation of the sale of such Stock a copy of the Prospectus (or the Prospectus as amended or supplemented) was not sent or delivered to such person and the untrue statement or omission of a material fact contained in such Preliminary Prospectus was corrected in the Prospectus (or as the Prospectus as amended or supplemented) unless the failure is the result of noncompliance by the Company with paragraph (c) of Section 6 hereof. The indemnity agreements of the Company contained in this paragraph (a) and the representations and warranties of the

Company contained in Section 2 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(b) Each Underwriter severally agrees to indemnify and hold harmless the Company, each of its officers who signs the Registration Statement on his own behalf or pursuant to a power of attorney, each of its directors, each other Underwriter and each person (including each partner or officer thereof) who controls the Company or any such other Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified parties or any of them may become subject under the Securities Act, the Exchange Act, or the common law or otherwise and to reimburse each of them for any legal or other expenses (including, except as otherwise hereinafter provided, reasonable fees and disbursements of counsel) incurred by the respective indemnified parties in connection with defending against any such losses, claims, damages or liabilities or in connection with any investigation or inquiry of, or other proceeding which may be brought against, the respective indemnified parties, in each case arising out of or based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (including the Prospectus as part thereof and any Rule 462(b) registration statement) or any post-effective amendment thereto (including any Rule 462(b) registration statement), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (as amended or as supplemented if the Company shall have filed with the Commission any amendment thereof or supplement thereto) or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, if such statement or omission was made in reliance upon and in conformity with information furnished as herein stated or otherwise furnished in writing to the Company by such indemnifying Underwriter through you expressly for use in the Registration Statement or the Prospectus or any such amendment thereof or supplement thereto. The indemnity agreement of each Underwriter contained in this paragraph (b) shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any indemnified party and shall survive the delivery of and payment for the Stock.

(c) Each party indemnified under the provision of paragraphs (a) and (b) of this Section 7 agrees that, upon the service of a summons or other initial legal process upon it in any action or suit instituted against it or upon its receipt of written notification of the commencement of any investigation or inquiry of, or proceeding against, it in respect of which indemnity may be sought on account of any indemnity agreement contained in such paragraphs, it will promptly give written notice (herein called the NOTICE) of such service

or notification to the party or parties from whom indemnification may be sought hereunder. No indemnification provided for in such paragraphs shall be available to any party who shall fail so to give the Notice if the party to whom such Notice was not given was unaware of the action, suit, investigation, inquiry or proceeding to which the Notice would have related and was prejudiced by the failure to give the Notice, but the omission so to notify such indemnifying party or parties of any such service or notification shall not relieve such indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of such indemnity agreement. Any indemnifying party shall be entitled at its own expense to participate in the defense of any action, suit or proceeding against, or investigation or inquiry of, an indemnified party. Any indemnifying party shall be entitled, if it so elects within a reasonable time after receipt of the Notice by giving written notice (herein called the NOTICE OF DEFENSE) to the indemnified party, to assume (alone or in conjunction with any other indemnifying party or parties) the entire defense of such action, suit, investigation, inquiry or proceeding, in which event such defense shall be conducted, at the expense of the indemnifying party or parties, by counsel chosen by such indemnifying party or parties and reasonably satisfactory to the indemnified party or parties; PROVIDED, HOWEVER, that (i) if the indemnified party or parties reasonably determine that there may be a conflict between the positions of the indemnifying party or parties and of the indemnified party or parties in conducting the defense of such action, suit, investigation, inquiry or proceeding or that there may be legal defenses available to such indemnified party or parties different from or in addition to those available to the indemnifying party or parties, then counsel for the indemnified party or parties shall be entitled to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interests of the indemnified party or parties and (ii) in any event, the indemnified party or parties shall be entitled to have counsel chosen by such indemnified party or parties participate in, but not conduct, the defense. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Chase, in the case of parties indemnified pursuant to paragraph (a) of this Section 7, and by the Company, in the case of parties indemnified pursuant to paragraph (b) of this Section 7. If, within a reasonable time after receipt of the Notice, an indemnifying party gives a Notice of Defense and the counsel chosen by the indemnifying party or parties is reasonably satisfactory to the indemnified party or parties, the indemnifying party or parties will not be liable under paragraphs (a) through (c) of this Section 7 for any legal or other expenses subsequently incurred by the indemnified party or parties in connection with the defense of the action, suit, investigation, inquiry or proceeding, except that (A) the indemnifying party or parties shall bear the legal and other expenses incurred in connection with the conduct of the defense as referred to in clause (i) of the proviso to the preceding sentence

and (B) the indemnifying party or parties shall bear such other expenses as it or they have authorized to be incurred by the indemnified party or parties. If, within a reasonable time after receipt of the Notice, no Notice of Defense has been given, the indemnifying party or parties shall be responsible for any legal or other expenses incurred by the indemnified party or parties in connection with the defense of the action, suit, investigation, inquiry or proceeding.

(d) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under paragraph (a) or (b) of this Section 7, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in paragraph (a) or (b) of this Section 7, (i) in such proportion as is appropriate to reflect the relative benefits received by each indemnifying party from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of each indemnifying party in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, or actions in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Underwriters shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Stock received by the Company and the total underwriting discount received by the Underwriters, as set forth in the table on the cover page of the Prospectus, bear to the aggregate public offering price of the Stock. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by each indemnifying party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission.

The parties agree that it would not be just and equitable if contributions pursuant to this paragraph (d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to in the first sentence of this paragraph (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities, or actions in respect thereof, referred to in the first sentence of this paragraph (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigation, preparing to defend or defending against any action or claim which is the subject of this paragraph (d). Notwithstanding the provisions of this paragraph (d), no Underwriter shall be required to contribute any amount in excess of the underwriting discount applicable to the Stock purchased by such Underwriter. No person guilty of fraudulent misrepresentation (within

the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this paragraph (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

Each party entitled to contribution agrees that upon the service of a summons or other initial legal process upon it in any action instituted against it in respect of which contribution may be sought, it will promptly give written notice of such service to the party or parties from whom contribution may be sought, but the omission so to notify such party or parties of any such service shall not relieve the party from whom contribution may be sought from any obligation it may have hereunder or otherwise (except as specifically provided in paragraph (c) of this Section 7).

(e) The Company will not, without the prior written consent of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Underwriter or any person who controls such Underwriter within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of such Underwriter and each such controlling person from all liability arising out of such claim, action, suit or proceeding.

8. DIRECTED SHARE PROGRAM INDEMNIFICATION AND CONTRIBUTION.

(a) The Company agrees to indemnify and hold harmless Chase and each person, if any, who controls Chase within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (herein called the CHASE ENTITIES), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant has agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, including those arising out of any violation or alleged violation of the Act or out of any rescission right of any person in respect thereof, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Chase Entities.

(b) Upon the service of a summons or other initial legal process upon any Chase Entity in any action or suit instituted against it or upon its receipt of written notification of the commencement of any investigation or inquiry of, or proceeding against, it in respect of which indemnity may be sought pursuant to Section 8(a), the Chase Entity seeking indemnity will promptly give Notice of such service or notification to the Company. No indemnification provided for in Section 8(a) shall be available to any Chase Entity who shall fail so to give the Notice to the Company if the Company was unaware of the action, suit, investigation, inquiry or proceeding to which the Notice would have related and was prejudiced by the failure to give the Notice, but the omission so to notify the Company of any such service or notification shall not relieve the Company from any liability which it may have to any such Chase Entity for contribution or otherwise than on account of such indemnity agreement in Section 8(a). Any Chase Entity shall be entitled at its own expense to participate in the defense of any action, suit or proceeding against, or investigation or inquiry of, such Chase Entity. The Company shall be entitled, if it so elects within a reasonable time after receipt of the Notice by giving a Notice of Defense to any such Chase Entity, to assume the entire defense of such action, suit, investigation, inquiry or proceeding, in which event such defense shall be conducted, at the expense of the Company, by counsel chosen by the Company and reasonably satisfactory to such Chase Entity; PROVIDED, HOWEVER, that (i) if any such Chase Entity reasonably determines that there may be a conflict between the positions of the Company and of any such Chase Entity in conducting the defense of such action, suit, investigation, inquiry or proceeding or that there may be legal defenses available to such Chase Entity different from or in addition to those available to the Company, then counsel for such Chase Entity shall be entitled to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interests of such Chase Entity and (ii) in any event, the Chase Entity shall be entitled to have counsel chosen by such Chase Entity participate in, but not conduct, the defense. It is understood that the Company shall not, in respect of the legal expenses of any such Chase Entity in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such Chase Entities and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by Chase. If, within a reasonable time after receipt of the Notice, the Company gives a Notice of Defense in connection with this Section 8 and the counsel chosen by the Company is reasonably satisfactory to the Chase Entity, the Company will not be liable under Section 8(a) for any legal or other expenses subsequently incurred by any such Chase Entity in connection with the defense of the action, suit, investigation, inquiry or proceeding, except that (A) the Company shall bear the legal and other expenses incurred in connection with the conduct of the defense as referred to in clause (i) of the proviso to the preceding sentence and (B) the Company shall bear such other expenses as it or they have authorized to be incurred by any such Chase Entity. If, within a reasonable time after

receipt of the Notice, no Notice of Defense has been given, the Company shall be responsible for any legal or other expenses incurred by any such Chase Entity in connection with the defense of the action, suit, investigation, inquiry or proceeding.

(c) If the indemnification provided for in Section 8(a) is unavailable or insufficient to hold harmless a Chase Entity under Section 8(a), then the Company, in lieu of indemnifying the Chase Entity, shall contribute to the amount paid or payable by the Chase Entity as a result of the losses, claims, damages or liabilities referred to in Section 8(a), (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Chase Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 8(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(c)(i) above but also the relative fault of the Company on the one hand and of the Chase Entities on the other hand in connection with the statements, acts or omissions that resulted in such losses, claims, damages or liabilities, or actions in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Chase Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Chase Entities for the Directed Shares, bear to the aggregate public offering price of the Stock. Relative fault of the Company on the one hand and the Chase Entities on the other hand shall be determined by reference to, among other things, whether the statement, act or omission that resulted in losses, claims, damages or liabilities relates to statements, acts or omissions by the Company or by the Chase Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statements, acts or omissions.

(d) The Company and the Chase Entities agree that it would not be just and equitable if contributions pursuant to this Section 8 were to be determined by PRO RATA allocation (even if the Chase Entities were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to in Section 8(c). The amount paid by the Chase Entities as a result of the losses, claims, damages or liabilities, or actions in respect thereof, referred to in the immediately preceding paragraph shall be deemed to include any legal or other expenses reasonably incurred by the Chase Entities in connection with investigation, preparing to defend or defending against any action or claim which is the subject of Section 8(c). Notwithstanding the provisions of this Section 8, no Chase Entity shall be required to contribute any amount in excess of the underwriting discount applicable to the Directed Shares distributed to the public by such Chase Entity. No person guilty of fraudulent misrepresentation (within the

meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

Each party entitled to contribution agrees that upon the service of a summons or other initial legal process upon it in any action instituted against it in respect of which contribution may be sought, it will promptly give written notice of such service to the party or parties from whom contribution may be sought, but the omission so to notify such party or parties of any such service shall not relieve the party from whom contribution may be sought from any obligation it may have hereunder or otherwise (except as specifically provided in Section 8(b)).

9. TERMINATION. This Agreement may be terminated by you at any time prior to the Closing Date by giving written notice to the Company if after the date of this Agreement trading in the Common Stock shall have been suspended, or if there shall have occurred (i) the engagement in hostilities or an escalation of major hostilities by the United States or the declaration of war or a national emergency by the United States on or after the date hereof, (ii) any outbreak of hostilities or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, calamity, crisis or change in economic or political conditions in the financial markets of the United States would, in the Underwriters' reasonable judgment, make the offering or delivery of the Stock impracticable, (iii) suspension of trading in securities generally or a material adverse change in value of securities generally on the New York Stock Exchange, the American Stock Exchange, The Nasdaq Stock Market, or limitations on prices (other than limitations on hours or numbers of days of trading) for securities on either such exchange or system, (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of, or commencement of any proceeding or investigation by, any court, legislative body, agency or other governmental authority which in the Underwriters' reasonable opinion materially and adversely affects or will materially or adversely affect the business or operations of the Company, (v) declaration of a banking moratorium by either federal or New York State authorities or (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs, which in the Underwriters' reasonable opinion has a material adverse effect on the securities markets in the United States. If this Agreement shall be terminated pursuant to this Section 9, there shall be no liability of the Company to the Underwriters (or their respective control persons) and no liability of the Underwriters to the Company (or its control persons); PROVIDED, HOWEVER, that in the event of any such termination the Company agrees to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company under this Agreement, including all costs and expenses referred to in paragraphs (i), (j) and (k) of Section 6 hereof.

10. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the several Underwriters to purchase and pay for the Stock shall be subject to the performance by the Company of all its obligations to be performed hereunder at or prior to the Closing Date or any later date on which Option Stock is to be purchased, as the case may be, and to the following further conditions:

(a) The Registration Statement shall have become effective; and no stop order suspending the effectiveness thereof shall have been issued and no proceedings therefor shall be pending or threatened by the Commission.

(b) The legality and sufficiency of the sale of the Stock hereunder and the validity and form of the certificates representing the Stock, all corporate proceedings and other legal matters incident to the foregoing, and the form of the Registration Statement and of the Prospectus (except as to the financial statements contained therein), shall have been presented, in a reasonably satisfactory form, at or prior to the Closing Date, to Davis Polk & Wardwell, counsel for the Underwriters.

(c) You shall have received from Brobeck, Phleger & Harrison LLP, counsel for the Company, an opinion addressed to the Underwriters and dated the Closing Date, covering the matters set forth in Annex A hereto, and if Option Stock is purchased at any date after the Closing Date, additional opinions from each such counsel, addressed to the Underwriters and dated such later date, confirming that the statements expressed as of the Closing Date in such opinions remain valid as of such later date.

(d) You shall be satisfied that (i) as of the Effective Date, the statements made in the Registration Statement and the Prospectus were true and correct and neither the Registration Statement nor the Prospectus omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, respectively, not misleading, (ii) since the Effective Date, no event has occurred which should have been set forth in a supplement or amendment to the Prospectus which has not been set forth in such a supplement or amendment, (iii) since the respective dates as of which information is given in the Registration Statement in the form in which it originally became effective and the Prospectus contained therein, there has not been any Material Adverse Change or, to the knowledge of the Company, any development involving a prospective Material Adverse Change and, since such dates, except in the ordinary course of business, the Company has not entered into any material transaction not referred to in the Registration Statement in the form in which it originally became effective and the Prospectus contained therein,

(iv) the Company does not have any material contingent obligations which are not disclosed in the Registration Statement and the Prospectus, (v) there are not any pending or, to the knowledge of the Company, threatened, legal proceedings to which the Company is a party or of which property of the Company is the subject which are material and which are not disclosed in the Registration Statement and the Prospectus, (vi) there are not any franchises, contracts, leases or other documents which are required to be filed as exhibits to the Registration Statement which have not been filed as required, (vii) the representations and warranties of the Company herein are true and correct in all material respects as of the Closing Date or any later date on which Option Stock is to be purchased, as the case may be, and (viii) there has not been any material change in the market for securities in general or in political, financial or economic conditions from those reasonably foreseeable as to render it impracticable in your reasonable judgment to make a public offering of the Stock, or a material adverse change in market levels for securities in general (or those of companies in particular) or financial or economic conditions which render it inadvisable to proceed.

(e) You shall have received on the Closing Date and on any later date on which Option Stock is purchased a certificate, dated the Closing Date or such later date, as the case may be, and signed by the President and the Chief Financial Officer of the Company, stating that the respective signers of said certificate have carefully examined the Registration Statement in the form in which it originally became effective and the Prospectus contained therein and any supplements or amendments thereto, and that the statements included in clauses (i) through (vii) of paragraph (d) of this Section 10 are true and correct.

(f) You shall have received from KPMG LLP, a letter or letters, addressed to the Underwriters and dated the Closing Date and any later date on which Option Stock is purchased, confirming that they are independent public or certified public accountants with respect to the Company within the meaning of the Securities Act and the rules of the Commission thereunder and based upon the procedures described in their letter delivered to you concurrently with the execution of this Agreement (herein called the ORIGINAL LETTER), but carried out to a date not more than three business days prior to the Closing Date or such later date on which Option Stock is purchased (i) confirming, to the extent true, that the statements and conclusions set forth in the Original Letter are accurate as of the Closing Date or such later date, as the case may be, and (ii) setting forth any revisions and additions to the statements and conclusions set forth in the Original Letter which are necessary to reflect any changes in the facts described in the Original Letter since the date of the Original Letter or to reflect the availability of more recent financial statements, data or information. The letters shall not disclose

any change, or any development involving a prospective change, in or affecting the business or properties of the Company which, in your sole judgment, makes it impractical or inadvisable to proceed with the public offering of the Stock or the purchase of the Option Stock as contemplated by the Prospectus.

(g) You shall have been furnished evidence in usual written or telegraphic form from the appropriate authorities of the several jurisdictions, or other evidence satisfactory to you, of the qualification referred to in paragraph (f) of Section 6 hereof.

(h) Prior to the Closing Date, the Stock to be issued and sold by the Company shall have been duly approved for quotation on the Nasdaq National Market upon official notice of issuance.

(i) On or prior to the Closing Date, you shall have received from all employees and directors of the Company, and beneficial holders of any securities issued by the Company (other than Participants who (i) are not employees of the Company and (ii) do not otherwise hold securities issued by the Company) agreements, substantially in the forms attached hereto as Annexes B-1, B-2 or B-3, as applicable, each of which shall be in full force and effect on the Closing Date.

All the agreements, opinions, certificates and letters mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if Davis Polk & Wardwell, counsel for the Underwriters, shall be satisfied that they comply in form and scope.

In case any of the conditions specified in this Section 10 shall not be fulfilled, this Agreement may be terminated by you by giving notice to the Company. Any such termination shall be without liability of the Company to the Underwriters (or their respective control persons) and without liability of the Underwriters to the Company (or its control persons); PROVIDED, HOWEVER, that (i) in the event of such termination, the Company agrees to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company under this Agreement, including all costs and expenses referred to in paragraphs (i), (j) and (k) of Section 6 hereof, and (ii) if this Agreement is terminated by you because of any refusal, inability or failure on the part of the Company to perform any agreement herein, to fulfill any of the conditions herein, or to comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally upon demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the transactions contemplated hereby.

11. CONDITIONS OF THE OBLIGATION OF THE COMPANY. The obligation of the Company to deliver the Stock shall be subject to the conditions that (a) the Registration Statement shall have become effective and (b) no stop order suspending the effectiveness thereof shall be in effect and no proceedings therefor shall be pending or threatened by the Commission.

In case either of the conditions specified in this Section 11 shall not be fulfilled, this Agreement may be terminated by the Company by giving notice to you. Any such termination shall be without liability of the Company to the Underwriters (or their respective control persons) and without liability of the Underwriters to the Company (or its control persons); PROVIDED, HOWEVER, that in the event of any such termination the Company agrees to indemnify and hold harmless the Underwriters from all costs or expenses incident to the performance of the obligations of the Company under this Agreement, including all costs and expenses referred to in paragraphs (i), (j) and (k) of Section 6 hereof.

12. REIMBURSEMENT OF CERTAIN EXPENSES. In addition to its other obligations under Sections 7 and 8 of this Agreement, the Company hereby agrees to reimburse on a quarterly basis the Underwriters for all reasonable legal and other expenses incurred in connection with investigating or defending any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in paragraph (a) of Sections 7 and 8 of this Agreement, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligations under this Section 11 and the possibility that such payments might later be held to be improper; PROVIDED, HOWEVER, that (i) to the extent any such payment is ultimately held to be improper, the persons receiving such payments shall promptly refund them and (ii) such persons shall provide to the Company, upon request, reasonable assurances of their ability to effect any refund, when and if due.

13. PERSONS ENTITLED TO BENEFIT OF AGREEMENT. This Agreement shall inure to the benefit of the Company and the several Underwriters and, with respect to the provisions of Sections 7 and 8 hereof, the several parties (in addition to the Company and the several Underwriters) indemnified under the provisions of said Sections 7 and 8, and their respective personal representatives, successors and assigns. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Stock from any of the several Underwriters.

14. NOTICES. Except as otherwise provided herein, all communications hereunder shall be in writing or by facsimile and, if to the Underwriters, shall be mailed, sent by facsimile or delivered to Chase Securities Inc., One Bush Street, San Francisco, California 94104; and if to the Company, shall be mailed, sent by facsimile or delivered to it at its office, 462 Seventh Avenue, 10th Floor, New York, New York 10018-7606, Attention: President (facsimile number: 212-277-8960); with a copy to Brobeck, Phleger & Harrison LLP, 1633 Broadway, 47th Floor, New York, NY 10019, Attention: Brian B. Margolis, Esq. (facsimile number: 212-586-7878). All notices given by facsimile shall be promptly confirmed by letter.

15. MISCELLANEOUS. The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or their respective directors or officers or controlling persons, and (c) delivery and payment for the Stock under this Agreement; PROVIDED, HOWEVER, that if this Agreement is terminated prior to the Closing Date, the provisions of paragraphs (l) and (m) of Section 6 hereof shall be of no further force or effect.

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

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Please sign and return to the Company the enclosed duplicates of this letter, whereupon this letter will become a binding agreement between the Company and the several Underwriters in accordance with its terms.

Very truly yours,

LIVEPERSON, INC.

By

Name: Robert P. LoCascio
President and Chief Executive Officer

The foregoing Agreement is hereby confirmed
and accepted as of the date first above written.

CHASE SECURITIES INC.
THOMAS WEISEL PARTNERS LLC
PAINEWEBBER INCORPORATED
  By Chase Securities Inc.

By

   Name: Mark Zanoli
         Managing Director

Acting on behalf of the several Underwriters,
including themselves, named in Schedule I hereto.

SCHEDULE I

UNDERWRITERS

	NUMBER OF SHARES TO BE PURCHASED
Chase Securities Inc.	
THOMAS WEISEL PARTNERS LLC.....	
PAINEWEBBER INCORPORATED.....	
TOTAL.....	

EXHIBIT 4.1

Number Shares

[LivePerson Logo]

COMMON STOCK LivePerson, Inc. SEE REVERSE FOR CERTAIN DEFINITIONS

Common Stock CUSIP 538146 10 1

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

is the holder of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, PAR VALUE $.001 PER SHARE, OF

LivePerson, Inc.

(hereinafter called the "Corporation"), transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed.

This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

/s/ Timothy E. Bixby		/s/ Robert P. LoCascio
EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND SECRETARY	[SEAL]	PRESIDENT, CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD OF DIRECTORS

COUNTERSIGNED AND REGISTERED:
American Stock Transfer & Trust Company
(New York)

Transfer Agent and Registrar

- --------------------------

The Corporation will furnish to any shareholder upon request and without charge a full statement of the designation, relative rights, preferences and limitations of the shares of each class authorized to be issued and the designation, relative rights, preferences and limitations of each series of preferred shares which the Company is authorized to issue so far as the same have been fixed, and the authority of the Board of Directors of the Company to designate and fix the relative rights, preferences and limitations of other series.

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

TEN COM - as tenants in common	UNIF GIFT MIN ACT - ____ Custodian ____
TEN ENT - as tenants by the entireties	(Cust) (Minor)
JT TEN - as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act_____ (State)

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

For Value Received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

- --

- --

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

- --

- --

_____ Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____Attorney to transfer

the said stock on the books of the within-named Corporation with full power of substitution in the premises. Dated _____

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

Signature(s) Guaranteed:

- ----------

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATION AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad 15.

KEEP THIS CERTIFICATE IN A SAFE PLACE. IF IT IS LOST, STOLEN, MUTILATED OR DESTROYED, THE CORPORATION WILL REQUIRE A BOND OF INDEMNITY AS A CONDITION TO THE ISSUANCE OF A REPLACEMENT CERTIFICATE.

Exhibit 5.1

[Brobeck, Phleger & Harrison LLP letterhead]

March 10, 2000

LivePerson, Inc.
462 Seventh Avenue
10th Floor

New York, NY 10018-7606

Re: LivePerson, Inc. Registration Statement on Form S-1
for 4,600,000 Shares of Common Stock

Ladies and Gentlemen:

We have acted as counsel to LivePerson, Inc., a Delaware corporation (the "Company"), in connection with the proposed issuance and sale by the Company of up to 4,600,000 shares of the Company's Common Stock (the "Shares") pursuant to the Company's Registration Statement on Form S-1 (the "Registration Statement") filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act").

This opinion is being furnished in accordance with the requirements of Item 16(a) of Form S-1 and Item 601(b)(5)(i) of Regulation S-K.

We have reviewed the Company's charter documents and the corporate proceedings taken by the Company in connection with the issuance and sale of the Shares. Based on such review, we are of the opinion that the Shares have been duly authorized, and if, as and when issued in accordance with the Registration Statement and the related prospectus (as amended and supplemented through the date of issuance) will be legally issued, fully paid and non-assessable.

We consent to the filing of this opinion letter as Exhibit 5.1 to the Registration Statement and to the reference to this firm under the caption "Legal Matters" in the prospectus which is part of the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act, the rules and regulations of the Securities and Exchange Commission promulgated thereunder, or Item 509 of Regulation S-K.

Our opinion is expressly limited to the matters set forth above and we render no opinion,

whether by implication or otherwise, as to any other matters relating to the Company or the Shares.

Very truly yours,

/s/ Brobeck, Phleger & Harrison LLP

BROBECK, PHLEGER & HARRISON LLP

LIVEPERSON, INC.
2000 STOCK INCENTIVE PLAN

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 2000 Stock Incentive Plan is intended to promote the interests of LivePerson, Inc., a Delaware corporation, by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in the service of the Corporation.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

All share numbers reflect the 3-for-2 stock split of the Common Stock which was effected on March 8, 2000.

II. STRUCTURE OF THE PLAN

A. The Plan shall be divided into five separate equity incentive programs:

(i) the Discretionary Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock,

(ii) the Salary Investment Option Grant Program under which eligible employees may elect to have a portion of their base salary invested each year in special options,

(iii) the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Corporation (or any Parent or Subsidiary),

(iv) the Automatic Option Grant Program under which eligible non-employee Board members shall automatically receive options at periodic intervals to purchase shares of Common Stock, and

(v) the Director Fee Option Grant Program under which non-employee Board members may elect to have all or any portion of their annual retainer fee otherwise payable in cash applied to a special option grant.

B. The provisions of Articles One and Seven shall apply to all equity programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. Prior to the Section 12 Registration Date, the Discretionary Option Grant and Stock Issuance Programs shall be administered by the Board unless otherwise determined by the Board. Beginning with the Section 12 Registration Date, the following provisions shall govern the administration of the Plan:

(i) The Board shall have the authority to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders but may delegate such authority in whole or in part to the Primary Committee.

(ii) Administration of the Discretionary Option Grant and Stock Issuance Programs with respect to all other persons eligible to participate in those programs may, at the Board's discretion, be vested in the Primary Committee or a Secondary Committee, or the Board may retain the power to administer those programs with respect to all such persons.

(iii) The Board (or Primary Committee) shall select the Section 16 Insiders and other highly compensated Employees eligible to participate in the Salary Investment Option Grant Program. However, all option grants under the Salary Investment Option Grant Program shall be made in accordance with the terms of that program and the Primary Committee shall not exercise any administrative discretion with respect to option grants made under the program.

(iv) Administration of the Automatic Option Grant and Director Fee Option Grant Programs shall be self-executing in accordance with the terms of those programs.

B. Each Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full power and authority subject to the provisions of the Plan:

(i) to establish such rules as it may deem appropriate for proper administration of the Plan, to make all factual determinations, to construe and interpret the provisions of the Plan and the awards thereunder and to resolve any and all ambiguities thereunder;

(ii) to determine, with respect to awards made under the Discretionary Option Grant and Stock Issuance Programs, which eligible persons are to receive such awards, the time or times when such awards are to be made, the number of shares to be covered by each such award, the vesting schedule (if any) applicable to the award, the status of a granted option as either an Incentive Option or a Non-Statutory Option and the maximum term for which the option is to remain outstanding;

(iii) to amend, modify or cancel any outstanding award with the consent of the holder or accelerate the vesting of such award; and

(iv) to take such other discretionary actions as permitted pursuant to the terms of the applicable program.

Decisions of each Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties.

C. Members of the Primary Committee or any Secondary Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Committee and reassume all powers and authority previously delegated to such committee.

D. Service on the Primary Committee or the Secondary Committee shall constitute service as a Board member, and members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Primary Committee or the Secondary Committee shall be liable for any act or omission made in good faith with respect to the Plan or any options or stock issuances under the Plan.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Option Grant and Stock Issuance Programs are as follows:

(i) Employees,

(ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and

(iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Only Employees who are Section 16 Insiders or other highly compensated individuals shall be eligible to participate in the Salary Investment Option Grant Program.

C. Only non-employee Board members shall be eligible to participate in the Automatic Option Grant and Director Fee Option Grant Programs.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The maximum number of shares of Common Stock initially reserved for issuance over the term of the Plan shall not exceed Ten Million (10,000,000) shares. Such reserve shall consist of (i) the number of shares estimated to remain available for issuance, as of the Section 12 Registration Date, under the Predecessor Plan, including the shares subject to the outstanding options to be incorporated into the Plan and the additional shares which would otherwise be available for future grant, plus (ii) an increase of _____

(_____) shares authorized by the Board subject to stockholder approval prior to the Section 12 Registration Date.

B. The number of shares of Common Stock available for issuance under the Plan shall automatically increase on the first trading day of January each calendar year during the term of the Plan, beginning with the calendar year 2001, by an amount equal to three percent (3%) of the total number of shares of Common Stock outstanding on the last trading day in December of the immediately preceding calendar year, but in no event shall such annual increase exceed One Million Five Hundred Thousand (1,500,000) shares.

C. No one person participating in the Plan may receive options, separately exercisable stock appreciation rights and direct stock issuances for more than Five Hundred Thousand (500,000) shares of Common Stock in the aggregate per calendar year.

D. Shares of Common Stock subject to outstanding options (including options incorporated into this Plan from the Predecessor Plan) shall be available for subsequent issuance under the Plan to the extent those options expire, terminate or are cancelled for any reason prior to exercise in full. Unvested shares issued under the Plan and subsequently repurchased by the Corporation, at the original exercise or issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent options or direct stock issuances under the Plan. However, should the exercise price of an option under the Plan be paid with shares of Common Stock or should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an option or the vesting of a stock issuance under the Plan, then the number of shares of Common Stock available for issuance under the Plan shall be reduced by the gross number of shares for which the option is exercised or which vest under the stock issuance, and not by the net number of shares of Common Stock issued to the holder of such option or stock issuance. Shares of Common Stock underlying one or more stock appreciation rights exercised under the Plan shall NOT be available for subsequent issuance.

E. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the number and/or class of securities by which the share reserve is to increase each calendar year pursuant to the automatic share increase provisions of the Plan, (iii) the number and/or class of securities for which any one person may be granted options, separately exercisable stock appreciation rights and direct stock issuances under the Plan per calendar year, (iv) the number and/or class of securities for which grants are subsequently to be made under the Automatic Option Grant Program to new and continuing non-employee Board members, (v) the number and/or class of securities and the exercise price per share in effect under each outstanding option under the Plan and (vi) the number and/or class of securities and price per share in effect under each outstanding option incorporated into this Plan from the Predecessor Plan. Such adjustments to the outstanding options are to be effected in a manner

which shall preclude the enlargement or dilution of rights and benefits under such options. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

ARTICLE TWO

DISCRETIONARY OPTION GRANT PROGRAM

I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; PROVIDED, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. EXERCISE PRICE.

1. The exercise price per share shall be fixed by the Plan Administrator at the time of the option grant and may be less than, equal to or greater than the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of Section II of Article Seven and the documents evidencing the option, be payable in one or more of the following forms:

(i) in cash or check made payable to the Corporation;

(ii) shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions to (a) a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. EXERCISE AND TERM OF OPTIONS. Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. CESSATION OF SERVICE.

1. The following provisions shall govern the exercise of any options outstanding at the time of the Optionee's cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option exercisable in whole or in part by the Optionee at the time of death may be subsequently exercised by his or her Beneficiary.

(iii) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

(iv) Should the Optionee's Service be terminated for Misconduct or should the Optionee engage in Misconduct while his or her options are outstanding, then all such options shall terminate immediately and cease to be outstanding.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding:

(i) to extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service to such period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) to permit the option to be exercised, during the applicable post-Service exercise period, for one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. STOCKHOLDER RIGHTS. The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

E. REPURCHASE RIGHTS. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to

repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. LIMITED TRANSFERABILITY OF OPTIONS. During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of inheritance following the Optionee's death. Non-Statutory Options shall be subject to the same restrictions, except that a Non-Statutory Option may, to the extent permitted by the Plan Administrator, be assigned in whole or in part during the Optionee's lifetime (i) as a gift to one or more members of the Optionee's immediate family, to a trust in which Optionee and/or one or more such family members hold more than fifty percent (50%) of the beneficial interest or to an entity in which more than fifty percent (50%) of the voting interests are owned by one or more such family members or (ii) pursuant to a domestic relations order. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

Notwithstanding the foregoing, the Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Six shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall NOT be subject to the terms of this Section II.

A. ELIGIBILITY. Incentive Options may only be granted to Employees.

B. EXERCISE PRICE. The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

C. DOLLAR LIMITATION. The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000). To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.

D. 10% STOCKHOLDER. If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. Each option outstanding at the time of a Change in Control but not otherwise fully-vested shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all of the shares of Common Stock at the time subject to that option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding option shall not so accelerate if and to the extent: (i) such option is, in connection with the Change in Control, assumed or otherwise continued in full force and effect by the successor corporation (or parent thereof) pursuant to the terms of the Change in Control, (ii) such option is replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Change in Control on the shares of Common Stock for which the option is not otherwise at that time exercisable and provides for subsequent payout in accordance with the same vesting schedule applicable to those option shares or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant. Each option outstanding at the time of the Change in Control shall terminate as provided in Section III.C. of this Article Two.

B. All outstanding repurchase rights shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent: (i) those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continue in full force and effect pursuant to the terms of the Change in Control or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued.

C. Immediately following the consummation of the Change in Control, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control.

D. Each option which is assumed in connection with a Change in Control shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise price payable per share under each outstanding option, PROVIDED the aggregate exercise price payable for such securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan and (iii) the maximum number and/or class of securities for which any one person may be granted options, separately exercisable stock appreciation rights and direct stock issuances under the Plan per calendar year. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor

corporation may, in connection with the assumption of the outstanding options, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

E. The Plan Administrator may at any time provide that one or more options will automatically accelerate in connection with a Change in Control, whether or not those options are assumed or otherwise continued in full force and effect pursuant to the terms of the Change in Control. Any such option shall accordingly become exercisable, immediately prior to the effective date of such Change in Control, for all of the shares of Common Stock at the time subject to that option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. In addition, the Plan Administrator may at any time provide that one or more of the Corporation's repurchase rights shall not be assignable in connection with such Change in Control and shall terminate upon the consummation of such Change in Control.

F. The Plan Administrator may at any time provide that one or more options will automatically accelerate upon an Involuntary Termination of the Optionee's Service within a designated period (not to exceed eighteen (18) months) following the effective date of any Change in Control in which those options do not otherwise accelerate. Any options so accelerated shall remain exercisable for fully-vested shares until the EARLIER of (i) the expiration of the option term or (ii) the expiration of the one (1) year period measured from the effective date of the Involuntary Termination. In addition, the Plan Administrator may at any time provide that one or more of the Corporation's repurchase rights shall immediately terminate upon such Involuntary Termination.

G. The Plan Administrator may at any time provide that one or more options will automatically accelerate in connection with a Hostile Take-Over. Any such option shall become exercisable, immediately prior to the effective date of such Hostile Take-Over, for all of the shares of Common Stock at the time subject to that option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. In addition, the Plan Administrator may at any time provide that one or more of the Corporation's repurchase rights shall terminate automatically upon the consummation of such Hostile Take-Over. Alternatively, the Plan Administrator may condition such automatic acceleration and termination upon an Involuntary Termination of the Optionee's Service within a designated period (not to exceed eighteen (18) months) following the effective date of such Hostile Take-Over. Each option so accelerated shall remain exercisable for fully-vested shares until the expiration or sooner termination of the option term.

H. The portion of any Incentive Option accelerated in connection with a Change in Control or Hostile Take Over shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar ($100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

IV. STOCK APPRECIATION RIGHTS

The Plan Administrator may, subject to such conditions as it may determine, grant to selected Optionees stock appreciation rights which will allow the holders of those rights to

elect between the exercise of the underlying option for shares of Common Stock and the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (a) the Option Surrender Value of the number of shares for which the option is surrendered over (b) the aggregate exercise price payable for such shares. The distribution may be made in shares of Common Stock valued at Fair Market Value on the option surrender date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

ARTICLE THREE

SALARY INVESTMENT OPTION GRANT PROGRAM

I. OPTION GRANTS

The Primary Committee may implement the Salary Investment Option Grant Program for one or more calendar years beginning after the Underwriting Date and select the Section 16 Insiders and other highly compensated Employees eligible to participate in the Salary Investment Option Grant Program for each such calendar year. Each selected individual who elects to participate in the Salary Investment Option Grant Program must, prior to the start of each calendar year of participation, file with the Plan Administrator (or its designate) an irrevocable authorization directing the Corporation to reduce his or her base salary for that calendar year by an amount not less than Five Thousand Dollars ($5,000) nor more than Fifty Thousand Dollars ($50,000). Each individual who files such a timely election shall be granted an option under the Salary Investment Grant Program on the first trading day in January for the calendar year for which the salary reduction is to be in effect.

II. OPTION TERMS

Each option shall be a Non-Statutory Option evidenced by one or more documents in the form approved by the Plan Administrator; PROVIDED, however, that each such document shall comply with the terms specified below.

A. EXERCISE PRICE.

1. The exercise price per share shall be thirty-three and one-third percent (33-1/3%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the alternative forms authorized under the Discretionary Option Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. NUMBER OF OPTION SHARES. The number of shares of Common Stock subject to the option shall be determined pursuant to the following formula (rounded down to the nearest whole number):

X = A / (B x 66-2/3%), where

X is the number of option shares,

A is the dollar amount of the approved reduction in the Optionee's base salary for the calendar year, and

B is the Fair Market Value per share of Common Stock on the option grant date.

C. EXERCISE AND TERM OF OPTIONS. The option shall become exercisable in a series of twelve (12) successive equal monthly installments upon the Optionee's completion of each calendar month of Service in the calendar year for which the salary reduction is in effect. Each option shall have a maximum term of ten (10) years measured from the option grant date.

D. CESSATION OF SERVICE. Each option outstanding at the time of the Optionee's cessation of Service shall remain exercisable, for any or all of the shares for which the option is exercisable at the time of such cessation of Service, until the EARLIER of (i) the expiration of the option term or (ii) the expiration of the three (3)-year period following the Optionee's cessation of Service. To the extent the option is held by the Optionee at the time of his or her death, the option may be exercised by his or her Beneficiary. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to remain outstanding with respect to any and all shares of Common Stock for which the option is not otherwise at that time exercisable.

III. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. In the event of any Change in Control or Hostile Take-Over while the Optionee remains in Service, each outstanding option shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control or Hostile Take-Over, become fully exercisable with respect to the total number of shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. Each such option accelerated in connection with a Change in Control shall terminate upon the Change in Control, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control. Each such option accelerated in connection with a Hostile Take-Over shall remain exercisable until the expiration or sooner termination of the option term.

B. Each option which is assumed in connection with a Change in Control shall be appropriately adjusted to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, PROVIDED the aggregate exercise price payable for such securities shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of the outstanding options, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

C. Upon the occurrence of a Hostile Take-Over, the Optionee shall have a thirty (30)-day period in which to surrender to the Corporation each of his or her outstanding options. The Optionee shall in return be entitled to a cash distribution from the Corporation in an

amount equal to the excess of (i) the Option Surrender Value of the shares of Common Stock at the time subject to each surrendered option (whether or not the Optionee is otherwise at the time vested in those shares) over (ii) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the surrender of the option to the Corporation.

IV. REMAINING TERMS

The remaining terms of each option granted under the Salary Investment Option Grant Program shall be the same as the terms in effect for options made under the Discretionary Option Grant Program.

ARTICLE FOUR

STOCK ISSUANCE PROGRAM

I. STOCK ISSUANCE TERMS

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening options. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards which entitle the recipients to receive those shares upon the attainment of designated performance goals or Service requirements. Each such award shall be evidenced by one or more documents which comply with the terms specified below.

A. PURCHASE PRICE.

1. The purchase price per share of Common Stock subject to direct issuance shall be fixed by the Plan Administrator and may be less than, equal to or greater than the Fair Market Value per share of Common Stock on the issue date.

2. Subject to the provisions of Section II of Article Seven, shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

(i) cash or check made payable to the Corporation, or

(ii) past services rendered to the Corporation (or any Parent or Subsidiary).

B. VESTING/ISSUANCE PROVISIONS.

1. The Plan Administrator may issue shares of Common Stock which are fully and immediately vested upon issuance or which are to vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives. Alternatively, the Plan Administrator may issue share right awards which shall entitle the recipient to receive a specified number of vested shares of Common Stock upon the attainment of one or more performance goals or Service requirements established by the Plan Administrator.

2. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to his or her unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

3. The Participant shall have full stockholder rights with respect to the issued shares of Common Stock, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

4. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock, or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to the surrendered shares.

5. The Plan Administrator may waive the surrender and cancellation of one or more unvested shares of Common Stock (or other assets attributable thereto) which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

6. Outstanding share right awards shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards, if the performance goals or Service requirements established for such awards are not attained. The Plan Administrator, however, shall have the authority to issue shares of Common Stock in satisfaction of one or more outstanding share right awards as to which the designated performance goals or Service requirements are not attained.

II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. All of the Corporation's outstanding repurchase rights shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent (i) those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continue in full force and effect pursuant to the terms of the Change in Control or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued.

B. The Plan Administrator may at any time provide for the automatic termination of one or more of those outstanding repurchase rights and the immediate vesting of the shares of Common Stock subject to those terminated rights upon (i) a Change in Control or Hostile Take-Over or (ii) an Involuntary Termination of the Participant's Service within a designated period (not to exceed eighteen (18) months) following the effective date of any

Change in Control or Hostile Take-Over in which those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continue in full force and effect.

III. SHARE ESCROW/LEGENDS

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

ARTICLE FIVE

AUTOMATIC OPTION GRANT PROGRAM

I. OPTION TERMS

A. GRANT DATES. Options shall be made on the dates specified below:

1. Each individual who is first elected or appointed as a non-employee Board member at any time after the Underwriting Date shall automatically be granted, on the date of such initial election or appointment, a Non-Statutory Option to purchase Fifteen Thousand (15,000) shares of Common Stock, provided that individual has not previously been in the employ of the Corporation (or any Parent or Subsidiary).

2. On the date of each Annual Stockholders Meeting beginning with the 2001 Annual Stockholder Meeting, each individual who is to continue to serve as a non-employee Board member shall automatically be granted a Non-Statutory Option to purchase Five Thousand (5,000) shares of Common Stock, provided that individual has served as a non-employee Board member for at least six (6) months.

B. EXERCISE PRICE.

1. The exercise price per share shall be equal to one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall be payable in one or more of the alternative forms authorized under the Discretionary Option Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

C. OPTION TERM. Each option shall have a term of ten (10) years measured from the option grant date.

D. EXERCISE AND VESTING OF OPTIONS. Each option shall be immediately exercisable for any or all of the option shares. However, any unvested shares purchased under the option shall be subject to repurchase by the Corporation, at the exercise price paid per share, upon the Optionee's cessation of Board service prior to vesting in those shares. Each initial 15,000-share option shall vest, and the Corporation's repurchase right shall lapse, in a series of three (3) successive equal annual installments over the Optionee's period of continued service as a Board member, with the first such installment to vest upon the Optionee's completion of one (1) year of Board service measured from the option grant date. Each annual 5,000-share option shall vest, and the Corporation's repurchase right shall lapse, upon the Optionee's completion of one (1) year of Board service measured from the option grant date.

E. CESSATION OF BOARD SERVICE. The following provisions shall govern the exercise of any options outstanding at the time of the Optionee's cessation of Board service:

(i) Any option outstanding at the time of the Optionee's cessation of Board service for any reason shall remain exercisable for a twelve (12)-month period following the date of such cessation of Board service, but in no event shall such option be exercisable after the expiration of the option term.

(ii) Any option exercisable in whole or in part by the Optionee at the time of death may be subsequently exercised by his or her Beneficiary.

(iii) Following the Optionee's cessation of Board service, the option may not be exercised in the aggregate for more than the number of shares for which the option was exercisable on the date of such cessation of Board service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Board service, terminate and cease to be outstanding for any and all shares for which the option is not otherwise at that time exercisable.

(iv) However, should the Optionee cease to serve as a Board member by reason of death or Permanent Disability, then all shares at the time subject to the option shall immediately vest so that such option may, during the twelve (12)-month exercise period following such cessation of Board service, be exercised for all or any portion of those shares as fully-vested shares of Common Stock.

II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. In the event of any Change in Control or Hostile Take-Over, the shares of Common Stock at the time subject to each outstanding option but not otherwise vested shall automatically vest in full so that each such option may, immediately prior to the effective date of such Change in Control or Hostile Take-Over, became fully exercisable for all of the shares of Common Stock at the time subject to such option and maybe exercised for all or any of those shares as fully-vested shares of Common Stock. Each such option accelerated in connection with a Change in Control shall terminate upon the Change in Control, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control. Each such option accelerated in connection with a Hostile Take-Over shall remain exercisable until the expiration or sooner termination of the option term.

B. All outstanding repurchase rights shall automatically terminate and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control or Hostile Take-Over.

C. Upon the occurrence of a Hostile Take-Over, the Optionee shall have a thirty (30)-day period in which to surrender to the Corporation each of his or her outstanding options. The Optionee shall in return be entitled to a cash distribution from the Corporation in an amount equal to the excess of (i) the Option Surrender Value of the shares of Common Stock at

the time subject to each surrendered option (whether or not the option is otherwise at the time exercisable for those shares) over (ii) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the surrender of the option to the Corporation.

D. Each option which is assumed in connection with a Change in Control shall be appropriately adjusted to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, PROVIDED the aggregate exercise price payable for such securities shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of the outstanding options, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

III. REMAINING TERMS

The remaining terms of each option granted under the Automatic Option Grant Program shall be the same as the terms in effect for options made under the Discretionary Option Grant Program.

ARTICLE SIX

DIRECTOR FEE OPTION GRANT PROGRAM

I. OPTION GRANTS

The Board may implement the Director Fee Option Grant Program as of the first day of any calendar year beginning after the Underwriting Date. Upon such implementation of the Program, each non-employee Board member may elect to apply all or any portion of the annual retainer fee otherwise payable in cash for his or her service on the Board to the acquisition of a special option grant under this Director Fee Option Grant Program. Such election must be filed with the Corporation's Chief Financial Officer prior to the first day of the calendar year for which the election is to be in effect. Each non-employee Board member who files such a timely election with respect to the annul retainer fee shall automatically be granted an option under this Director Fee Option Grant Program on the first trading day in January in the calendar year for which that fee would otherwise be payable.

II. OPTION TERMS

Each option shall be a Non-Statutory Option governed by the terms and conditions specified below.

A. EXERCISE PRICE.

1. The exercise price per share shall be thirty-three and one-third percent (33-1/3%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the alternative forms authorized under the Discretionary Option Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. NUMBER OF OPTION SHARES. The number of shares of Common Stock subject to the option shall be determined pursuant to the following formula (rounded down to the nearest whole number):

X = A / (B x 66-2/3%), where

X is the number of option shares,

A is the portion of the annual retainer fee subject to the non-employee Board member's election, and

B is the Fair Market Value per share of Common Stock on the option grant date.

C. EXERCISE AND TERM OF OPTIONS. The option shall become exercisable in a series of twelve (12) successive equal monthly installments upon the Optionee's completion of each month of Board service during the calendar year in which the option is granted. Each option shall have a maximum term of ten (10) years measured from the option grant date.

D. CESSATION OF BOARD SERVICE. Should the Optionee cease Board service for any reason (other than death or Permanent Disability) while holding one or more options, then each such option shall remain exercisable, for any or all of the shares for which the option is exercisable at the time of such cessation of Board service, until the EARLIER of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from the date of such cessation of Board service. However, each option held by the Optionee at the time of such cessation of Board service shall immediately terminate and cease to remain outstanding with respect to any and all shares of Common Stock for which the option is not otherwise at that time exercisable.

E. DEATH OR PERMANENT DISABILITY. Should the Optionee's service as a Board member cease by reason of death or Permanent Disability, then each option held by such Optionee shall immediately become exercisable for all the shares of Common Stock at the time subject to that option, and the option may be exercised for any or all of those shares as fully-vested shares until the EARLIER of (i) the expiration of the ten (10)-year option term or (ii) the expiration of the three (3)-year period measured from the date of such cessation of Board service.

Should the Optionee die after cessation of Board service but while holding one or more options, then each such option may be exercised, for any or all of the shares for which the option is exercisable at the time of the Optionee's cessation of Board service (less any shares subsequently purchased by Optionee prior to death), by the Optionee's Beneficiary. Such right of exercise shall lapse, and the option shall terminate, upon the EARLIER of (i) the expiration of the ten (10)-year option term or (ii) the three (3)-year period measured from the date of the Optionee's cessation of Board service.

III. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. In the event of any Change in Control or Hostile Take-Over while the Optionee remains in Board service, each outstanding option held by such Optionee shall automatically accelerate so that each such option shall, immediately prior to the effective date of the Change in Control or Hostile Take-Over, become fully exercisable with respect to the total number of shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. Each such option accelerated in connection with a Change in Control shall terminate upon the Change in Control, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control. Each such option accelerated in connection with a Hostile Take-Over shall remain exercisable until the expiration or sooner termination of the option term.

B. Upon the occurrence of a Hostile Take-Over, the Optionee shall have a thirty (30)-day period in which to surrender to the Corporation each of his or her outstanding options. The Optionee shall in return be entitled to a cash distribution from the Corporation in an

amount equal to the excess of (i) the Option Surrender Value of the shares of Common Stock at the time subject to each surrendered option (whether or not the Optionee is otherwise at the time vested in those shares) over (ii) the aggregate exercise price payable for such shares. Such cash distribution shall be paid within five (5) days following the surrender of the option to the Corporation.

C. Each option which is assumed in connection with a Change in Control shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, PROVIDED the aggregate exercise price payable for such securities shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption of the outstanding options under the Director Fee Option Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

IV. REMAINING TERMS

The remaining terms of each option granted under this Director Fee Option Grant Program shall be the same as the terms in effect for options made under the Discretionary Option Grant Program.

ARTICLE SEVEN

MISCELLANEOUS

I. NO IMPAIRMENT OF AUTHORITY

Outstanding awards shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

II. FINANCING

The Plan Administrator may permit any Optionee or Participant to pay the option exercise price under the Discretionary Option Grant Program or the purchase price of shares issued under the Stock Issuance Program by delivering a full-recourse, interest bearing promissory note payable in one or more installments. The terms of any such promissory note (including the interest rate and the terms of repayment) shall be established by the Plan Administrator in its sole discretion. In no event may the maximum credit available to the Optionee or Participant exceed the sum of (i) the aggregate option exercise price or purchase price payable for the purchased shares (less the par value of such shares) plus (ii) any Federal, state and local income and employment tax liability incurred by the Optionee or the Participant in connection with the option exercise or share purchase.

III. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise of options or the issuance or vesting of such shares under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide any or all holders of Non-Statutory Options or unvested shares of Common Stock under the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Withholding Taxes incurred by such holders in connection with the exercise of their options or the vesting of their shares. Such right may be provided to any such holder in either or both of the following formats:

STOCK WITHHOLDING: The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the exercise of such Non-Statutory Option or the vesting of such shares, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the holder.

STOCK DELIVERY: The election to deliver to the Corporation, at the time the Non-Statutory Option is exercised or the shares vest, one or more shares of Common Stock previously acquired by such holder (other than in connection with the option exercise or share vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Taxes (not to exceed one hundred percent (100%)) designated by the holder.

IV. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective immediately upon the Plan Effective Date. However, the Salary Investment Option Grant and Director Fee Option Grant Programs shall not be implemented until such time as the Primary Committee or the Board may deem appropriate. Options may be granted under the Discretionary Option Grant Program at any time on or after the Plan Effective Date. However, no options granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months after the Plan Effective Date, then all options previously granted under this Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan.

B. The Plan shall serve as the successor to the Predecessor Plan, and no further options or direct stock issuances shall be made under the Predecessor Plan after the Section 12 Registration Date. All options outstanding under the Predecessor Plan on the Section 12 Registration Date shall be incorporated into the Plan at that time and shall be treated as outstanding options under the Plan. However, each outstanding option so incorporated shall continue to be governed solely by the terms of the documents evidencing such option, and no provision of the Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of such incorporated options with respect to their acquisition of shares of Common Stock.

C. One or more provisions of the Plan, including (without limitation) the option/vesting acceleration provisions of Article Two relating to Changes in Control, may, in the Plan Administrator's discretion, be extended to one or more options incorporated from the Predecessor Plan which do not otherwise contain such provisions.

D. The Plan shall terminate upon the EARLIEST of (i) March 21, 2010, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (iii) the termination of all outstanding options in connection with a Change in Control. Upon such plan termination, all outstanding options and unvested stock issuances shall thereafter continue to have force and effect in accordance with the provisions of the documents evidencing such grants or issuances.

V. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to stock options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws or regulations.

B. Options to purchase shares of Common Stock may be granted under the Discretionary Option Grant and Salary Investment Option Grant Programs and shares of Common Stock may be issued under the Stock Issuance Program that are in each instance in

excess of the number of shares then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled and cease to be outstanding.

VI. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VII. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any stock option under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any granted option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the stock options granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which Common Stock is then listed for trading.

VIII. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

A. AUTOMATIC OPTION GRANT PROGRAM shall mean the automatic option grant program in effect under the Plan.

B. BENEFICIARY shall mean, in the event the Plan Administrator implements a beneficiary designation procedure, the person designated by an Optionee or Participant, pursuant to such procedure, to succeed to such person's rights under any outstanding awards held by him or her at the time of death. In the absence of such designation or procedure, the Beneficiary shall be the personal representative of the estate of the Optionee or Participant or the person or persons to whom the award is transferred by will or the laws of inheritance.

C. BOARD shall mean the Corporation's Board of Directors.

D. CHANGE IN CONTROL shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or reorganization approved by the Corporation's stockholders, UNLESS securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction,

(ii) any stockholder-approved transfer or other disposition of all or substantially all of the Corporation's assets, or

(iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board recommends such stockholders accept.

E. CODE shall mean the Internal Revenue Code of 1986, as amended.

F. COMMON STOCK shall mean the Corporation's common stock.

G. CORPORATION shall mean LivePerson, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of LivePerson, Inc. which shall by appropriate action adopt the Plan.

H. DIRECTOR FEE OPTION GRANT PROGRAM shall mean the director fee option grant program in effect under the Plan.

I. DISCRETIONARY OPTION GRANT PROGRAM shall mean the discretionary option grant program in effect under the Plan.

J. EMPLOYEE shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

K. EXERCISE DATE shall mean the date on which the Corporation shall have received written notice of the option exercise.

L. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported on the Nasdaq National Market or any successor system and in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and reported in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) For purposes of any option grants made on the Underwriting Date, the Fair Market Value shall be deemed to be equal to the price per share at which the Common Stock is to be sold in the initial public offering pursuant to the Underwriting Agreement.

(iv) For purposes of any options made prior to the Underwriting Date, the Fair Market Value shall be determined by the Plan Administrator, after taking into account such factors as it deems appropriate.

M. HOSTILE TAKE-OVER shall mean:

(i) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing

more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders which the Board does not recommend such stockholders to accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

N. INCENTIVE OPTION shall mean an option which satisfies the requirements of Code Section 422.

O. INVOLUNTARY TERMINATION shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation or Parent or Subsidiary employing the individual which materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

P. MISCONDUCT shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any intentional wrongdoing by such person, whether by omission or commission, which adversely affects the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. This shall not limit the grounds for the dismissal or discharge of any person in the Service of the Corporation (or any Parent or Subsidiary).

Q. 1934 ACT shall mean the Securities Exchange Act of 1934, as amended.

R. NON-STATUTORY OPTION shall mean an option not intended to satisfy the requirements of Code Section 422.

S. OPTION SURRENDER VALUE shall mean the Fair Market Value per share of Common Stock on the date the option is surrendered to the Corporation or, in the event of a Hostile Take-Over, effected through a tender offer, the highest reported price per share of Common Stock paid by the tender offeror in effecting such

Hostile Take-Over, if greater. However, if the surrendered option is an Incentive Option, the Option Surrender Value shall not exceed the Fair Market Value per share.

T. OPTIONEE shall mean any person to whom an option is granted under the Discretionary Option Grant, Salary Investment Option Grant, Automatic Option Grant or Director Fee Option Grant Program.

U. PARENT shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

V. PARTICIPANT shall mean any person who is issued shares of Common Stock under the Stock Issuance Program.

W. PERMANENT DISABILITY OR PERMANENTLY DISABLED shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more. However, solely for purposes of the Automatic Option Grant and Director Fee Option Grant Programs, Permanent Disability or Permanently Disabled shall mean the inability of the non-employee Board member to perform his or her usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

X. PLAN shall mean the Corporation's 2000 Stock Incentive Plan, as set forth in this document.

Y. PLAN ADMINISTRATOR shall mean the particular entity, whether the Primary Committee, the Board or the Secondary Committee, which is authorized to administer the Discretionary Option Grant, Salary Investment Option Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons under its jurisdiction. However, the Primary Committee shall have the plenary authority to make all factual determinations and to construe and interpret any and all ambiguities under the Plan to the extent such authority is not otherwise expressly delegated to any other Plan Administrator.

Z. PLAN EFFECTIVE DATE shall mean March 21, 2000, the date on which the Plan was adopted by the Board.

AA. PREDECESSOR PLAN shall mean the Corporation's pre-existing Stock Option and Restricted Stock Purchase Plan in effect immediately prior to the Plan Effective Date hereunder.

BB. PRIMARY COMMITTEE shall mean the committee of two (2) or more non-employee Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to Section 16 Insiders and to administer the Salary Investment Option Grant Program with respect to all eligible individuals.

CC. SALARY INVESTMENT OPTION GRANT PROGRAM shall mean the salary
F investment grant program in effect under the Plan.

DD. SECONDARY COMMITTEE shall mean a committee of one (1) or more Board members appointed by the Board to administer the Discretionary Option Grant and Stock Issuance Programs with respect to eligible persons other than Section 16 Insiders.

EE. SECTION 12 REGISTRATION DATE shall mean the date on which the Common Stock is first registered under Section 12(g) of the 1934 Act.

FF. SECTION 16 INSIDER shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

GG. SERVICE shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance.

HH. STOCK EXCHANGE shall mean either the American Stock Exchange or the New York Stock Exchange.

II. STOCK ISSUANCE PROGRAM shall mean the stock issuance program in effect under the Plan.

JJ. SUBSIDIARY shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

KK. 10% STOCKHOLDER shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

LL. UNDERWRITING AGREEMENT shall mean the agreement between the Corporation and the underwriter or underwriters managing the initial public offering of the Common Stock.

MM. UNDERWRITING DATE shall mean the date on which the Underwriting Agreement is executed and priced in connection with an initial public offering of the Common Stock.

NN. WITHHOLDING TAXES shall mean the Federal, state and local income and employment withholding tax liabilities to which the holder of Non-Statutory Options or unvested shares of Common Stock may become subject in connection with the exercise of those options or the vesting of those shares.

Exhibit 10.7

LIVEPERSON, INC.
EMPLOYEE STOCK PURCHASE PLAN

I. PURPOSE OF THE PLAN

This Employee Stock Purchase Plan is intended to promote the interests of LivePerson, Inc., a Delaware corporation, by providing eligible employees with the opportunity to acquire a proprietary interest in the Corporation through participation in a payroll-deduction based employee stock purchase plan designed to qualify under Section 423 of the Code.

Capitalized terms herein shall have the meanings assigned to such terms in the attached Appendix.

All share numbers reflect the 3-for-2 stock split of the Common Stock which was effected on March 8, 2000.

II. ADMINISTRATION OF THE PLAN

The Plan Administrator shall have full authority to interpret and construe any provision of the Plan and to adopt such rules and regulations for administering the Plan as it may deem necessary in order to comply with the requirements of Section 423 of the Code. Decisions of the Plan Administrator shall be final and binding on all parties having an interest in the Plan.

III. STOCK SUBJECT TO PLAN

A. The stock purchasable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares of Common Stock purchased on the open market. The maximum number of shares of Common Stock which may be issued in the aggregate under the Plan shall not exceed Four Hundred Fifty Thousand (450,000) shares.

B. The number of shares of Common Stock available for issuance under the Plan shall automatically increase on the first trading day of January each calendar year during the term of the Plan, beginning with calendar year 2001, by an amount equal to one-half percent (0.5%) of the total number of shares of Common Stock outstanding on the last trading day in December of the immediately preceding calendar year, but in no event shall any such annual increase exceed One Hundred Fifty Thousand (150,000) shares.

C. Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to the maximum number and class of securities issuable in the aggregate under the Plan, (ii) the maximum number and class of securities by which the share reserve is to increase automatically each calendar year, (iii) the maximum number and class of securities purchasable per Participant and in the aggregate on any one Purchase Date and (iv) the number and class of securities and the price per share in effect

under each outstanding purchase right in order to prevent the dilution or enlargement of benefits thereunder.

IV. OFFERING PERIODS

A. Shares of Common Stock shall be offered for purchase under the Plan through a series of successive offering periods until such time as (i) the maximum number of shares of Common Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated.

B. Each offering period shall be of such duration (not to exceed twenty-four (24) months) as determined by the Plan Administrator prior to the start date of such offering period. However, the initial offering period shall commence at the Effective Time and terminate on the last business day in April 2002. Subsequent offering periods shall commence as designated by the Plan Administrator.

C. Each offering period shall be comprised of a series of one or more successive Purchase Intervals. Purchase Intervals shall run from the first business day in May each year to the last business day in October of the same year and from the first business day in November each year to the last business day in April of the following year. However, the first Purchase Interval in effect under the initial offering period shall commence at the Effective Time and terminate on the last business day in October 2000.

D. Should the Fair Market Value per share of Common Stock on any Purchase Date within an offering period be less than the Fair Market Value per share of Common Stock on the start date of that offering period, then that offering period shall automatically terminate immediately after the purchase of shares of Common Stock on such Purchase Date, and a new offering period shall commence on the next business day following such Purchase Date. The new offering period shall have a duration of twenty (24) months, unless a shorter duration is established by the Plan Administrator within five (5) business days following the start date of that offering period.

V. ELIGIBILITY

A. Each individual who is an Eligible Employee on the start date of an offering period under the Plan may enter that offering period on such start date or on any subsequent Semi-Annual Entry Date within that offering period, provided he or she remains an Eligible Employee.

B. Each individual who first becomes an Eligible Employee after the start date of an offering period may enter that offering period on any subsequent Semi-Annual Entry Date within that offering period on which he or she is an Eligible Employee.

C. The date an individual enters an offering period shall be designated his or her Entry Date for purposes of that offering period.

D. To participate in the Plan for a particular offering period, the Eligible Employee must complete the enrollment forms prescribed by the Plan Administrator (including a

stock purchase agreement and a payroll deduction authorization) and file such forms with the Plan Administrator (or its designate) on or before his or her scheduled Entry Date.

VI. PAYROLL DEDUCTIONS

A. The payroll deduction authorized by the Participant for purposes of acquiring shares of Common Stock during an offering period may be any multiple of one percent (1%) of the Cash Earnings paid to the Participant during each Purchase Interval within that offering period, up to a maximum of fifteen percent (15%). The deduction rate so authorized shall continue in effect throughout the offering period, except to the extent such rate is changed in accordance with the following guidelines:

(i) The Participant may, at any time during the offering period, reduce his or her rate of payroll deduction to become effective as soon as possible after filing the appropriate form with the Plan Administrator. The Participant may not, however, effect more than one (1) such reduction per Purchase Interval.

(ii) The Participant may, prior to the commencement of any new Purchase Interval within the offering period, increase the rate of his or her payroll deduction by filing the appropriate form with the Plan Administrator. The new rate (which may not exceed the fifteen percent (15%) maximum) shall become effective on the start date of the first Purchase Interval following the filing of such form.

B. Payroll deductions shall begin on the first pay day administratively feasible following the Participant's Entry Date into the offering period and shall (unless sooner terminated by the Participant) continue through the pay day ending with or immediately prior to the last day of that offering period. The amounts so collected shall be credited to the Participant's book account under the Plan, but no interest shall be paid on the balance from time to time outstanding in such account. The amounts collected from the Participant shall not be required to be held in any segregated account or trust fund and may be commingled with the general assets of the Corporation and used for general corporate purposes.

C. Payroll deductions shall automatically cease upon the termination of the Participant's purchase right in accordance with the provisions of the Plan.

D. The Participant's acquisition of Common Stock under the Plan on any Purchase Date shall neither limit nor require the Participant's acquisition of Common Stock on any subsequent Purchase Date, whether within the same or a different offering period.

VII. PURCHASE RIGHTS

A. GRANT OF PURCHASE RIGHT. A Participant shall be granted a separate purchase right for each offering period in which he or she participates. The purchase right shall be granted on the Participant's Entry Date into the offering period and shall provide the Participant with the right to purchase shares of Common Stock, in a series of successive installments over the remainder of such offering period, upon the terms set forth below. The

Participant shall execute a stock purchase agreement embodying such terms and such other provisions (not inconsistent with the Plan) as the Plan Administrator may deem advisable.

Under no circumstances shall purchase rights be granted under the Plan to any Eligible Employee if such individual would, immediately after the grant, own (within the meaning of Code Section 424(d)) or hold outstanding options or other rights to purchase, stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Corporation or any Corporate Affiliate.

B. EXERCISE OF THE PURCHASE RIGHT. Each purchase right shall be automatically exercised in installments on each successive Purchase Date within the offering period, and shares of Common Stock shall accordingly be purchased on behalf of each Participant (other than Participants whose payroll deductions have previously been refunded pursuant to the Termination of Purchase Right provisions below) on each such Purchase Date. The purchase shall be effected by applying the Participant's payroll deductions for the Purchase Interval ending on such Purchase Date to the purchase of whole shares of Common Stock at the purchase price in effect for the Participant for that Purchase Date.

C. PURCHASE PRICE. The purchase price per share at which Common Stock will be purchased on the Participant's behalf on each Purchase Date within the offering period shall be equal to eighty-five percent (85%) of the lower of (i) the Fair Market Value per share of Common Stock on the Participant's Entry Date into that offering period or (ii) the Fair Market Value per share of Common Stock on that Purchase Date.

D. NUMBER OF PURCHASABLE SHARES. The number of shares of Common Stock purchasable by a Participant on each Purchase Date during the offering period shall be the number of whole shares obtained by dividing the amount collected from the Participant through payroll deductions during the Purchase Interval ending with that Purchase Date by the purchase price in effect for the Participant for that Purchase Date. However, the maximum number of shares of Common Stock purchasable per Participant on any one Purchase Date shall not exceed One Thousand (1,000) shares, subject to periodic adjustments in the event of certain changes in the Corporation's capitalization. In addition, the maximum number of shares of Common Stock purchasable in the aggregate by all Participants on any one Purchase Date shall not exceed One Hundred Twelve Thousand Five Hundred (112,500) shares, subject to periodic adjustments in the event of certain changes in the corporation's capitalization.

E. EXCESS PAYROLL DEDUCTIONS. Any payroll deductions not applied to the purchase of shares of Common Stock on any Purchase Date because they are not sufficient to purchase a whole share of Common Stock shall be held for the purchase of Common Stock on the next Purchase Date. However, any payroll deductions not applied to the purchase of Common Stock by reason of the limitation on the maximum number of shares purchasable on the Purchase Date shall be promptly refunded.

F. TERMINATION OF PURCHASE RIGHT. The following provisions shall govern the termination of outstanding purchase rights:

(i) A Participant may, at any time prior to the next scheduled Purchase Date in the offering period, terminate his or her outstanding purchase right by filing the appropriate form with the Plan Administrator (or its designate), and no further payroll deductions shall be collected from the Participant with respect to the terminated purchase right. Any payroll deductions collected during the Purchase Interval in which such termination occurs shall, at the Participant's election, be immediately refunded or held for the purchase of shares on the next Purchase Date. If no such election is made at the time such purchase right is terminated, then the payroll deductions collected with respect to the terminated right shall be refunded as soon as possible.

(ii) The termination of such purchase right shall be irrevocable, and the Participant may not subsequently rejoin the offering period for which the terminated purchase right was granted. In order to resume participation in any subsequent offering period, such individual must re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before his or her scheduled Entry Date into that offering period.

(iii) Should the Participant cease to remain an Eligible Employee for any reason (including death, disability or change in status) while his or her purchase right remains outstanding, then that purchase right shall immediately terminate, and all of the Participant's payroll deductions for the Purchase Interval in which the purchase right so terminates shall be immediately refunded. However, should the Participant cease to remain in active service by reason of an approved unpaid leave of absence, then the Participant shall have the right, exercisable up until the last business day of the Purchase Interval in which such leave commences, to (a) withdraw all the payroll deductions collected to date on his or her behalf for that Purchase Interval or (b) have such funds held for the purchase of shares on his or her behalf on the next scheduled Purchase Date. In no event, however, shall any further payroll deductions be collected on the Participant's behalf during such leave. Upon the Participant's return to active service (i) within ninety (90) days following the commencement of such leave or, (ii) prior to the expiration of any longer period for which such Participant's right to reemployment with the Corporation is guaranteed by either statute or contract, his or her payroll deductions under the Plan shall automatically resume at the rate in effect at the time the leave began. However, should the Participant's leave of absence exceed ninety (90) days and his or her re-employment rights not be guaranteed by either statute or contract, then the Participant shall be treated as a new Employee for purposes of the Plan and must, in order to resume participation in the Plan, re-enroll in the Plan (by making a timely filing of the prescribed enrollment forms) on or before his or her scheduled Entry Date into the offering period.

G. CHANGE IN CONTROL. Each outstanding purchase right shall automatically be exercised, immediately prior to the effective date of any Change in Control, by applying the payroll deductions of each Participant for the Purchase Interval in which such Change in Control occurs to the purchase of whole shares of Common Stock at a purchase price per share equal to

eighty-five percent (85%) of the LOWER of (i) the Fair Market Value per share of Common Stock on the Participant's Entry Date into the offering period in which such Change in Control occurs or (ii) the Fair Market Value per share of Common Stock immediately prior to the effective date of such Change in Control. However, the applicable limitation on the number of shares of Common Stock purchasable by all Participants in the aggregate shall not apply to any such purchase.

The Corporation shall use its best efforts to provide at least ten (10)-days prior written notice of the occurrence of any Change in Control, and Participants shall, following the receipt of such notice, have the right to terminate their outstanding purchase rights prior to the effective date of the Change in Control.

H. PRORATION OF PURCHASE RIGHTS. Should the total number of shares of Common Stock to be purchased pursuant to outstanding purchase rights on any particular date exceed the number of shares then available for issuance under the Plan, the Plan Administrator shall make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis, and the payroll deductions of each Participant, to the extent in excess of the aggregate purchase price payable for the Common Stock pro-rated to such individual, shall be refunded.

I. ASSIGNABILITY. The purchase right shall be exercisable only by the Participant and shall not be assignable or transferable by the Participant.

J. STOCKHOLDER RIGHTS. A Participant shall have no stockholder rights with respect to the shares subject to his or her outstanding purchase right until the shares are purchased on the Participant's behalf in accordance with the provisions of the Plan and the Participant has become a holder of record of the purchased shares.

VIII. ACCRUAL LIMITATIONS

A. No Participant shall be entitled to accrue rights to acquire Common Stock pursuant to any purchase right outstanding under this Plan if and to the extent such accrual, when aggregated with (i) rights to purchase Common Stock accrued under any other purchase right granted under this Plan and (ii) similar rights accrued under other employee stock purchase plans (within the meaning of Code Section 423) of the Corporation or any Corporate Affiliate, would otherwise permit such Participant to purchase more than Fifty Thousand Dollars ($50,000) worth of stock of the Corporation or any Corporate Affiliate (determined on the basis of the Fair Market Value per share on the date or dates such rights are granted) for each calendar year such rights are at any time outstanding.

B. For purposes of applying such accrual limitations to the purchase rights granted under the Plan, the following provisions shall be in effect:

(i) The right to acquire Common Stock under each outstanding purchase right shall accrue in a series of installments on each successive Purchase Date during the offering period on which such right remains outstanding.

(ii) No right to acquire Common Stock under any outstanding purchase right shall accrue to the extent the Participant has already accrued in the

same calendar year the right to acquire Common Stock under one (1) or more other purchase rights at a rate equal to Twenty-Five Thousand Dollars ($25,000) worth of Common Stock (determined on the basis of the Fair Market Value per share on the date or dates of grant) for each calendar year such rights were at any time outstanding.

C. If by reason of such accrual limitations, any purchase right of a Participant does not accrue for a particular Purchase Interval, then the payroll deductions which the Participant made during that Purchase Interval with respect to such purchase right shall be promptly refunded.

D. In the event there is any conflict between the provisions of this Article and one or more provisions of the Plan or any instrument issued thereunder, the provisions of this Article shall be controlling.

IX. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan was adopted by the Board on March 21, 2000 and shall become effective at the Effective Time, PROVIDED no purchase rights granted under the Plan shall be exercised, and no shares of Common Stock shall be issued hereunder, until (i) the Plan shall have been approved by the stockholders of the Corporation and (ii) the Corporation shall have complied with all applicable requirements of the 1933 Act (including the registration of the shares of Common Stock issuable under the Plan on a Form S-8 registration statement filed with the Securities and Exchange Commission), all applicable listing requirements of any stock exchange (or the Nasdaq National Market, if applicable) on which the Common Stock is listed for trading and all other applicable requirements established by law or regulation. In the event such stockholder approval is not obtained, or such compliance is not effected, within twelve (12) months after the date on which the Plan is adopted by the Board, the Plan shall terminate and have no further force or effect, and all sums collected from Participants during the initial offering period hereunder shall be refunded.

B. Unless sooner terminated by the Board, the Plan shall terminate upon the EARLIEST of (i) March 21, 2010, (ii) the date on which all shares available for issuance under the Plan shall have been sold pursuant to purchase rights exercised under the Plan or (iii) the date on which all purchase rights are exercised in connection with a Corporate Transaction. No further purchase rights shall be granted or exercised, and no further payroll deductions shall be collected, under the Plan following such termination.

X. AMENDMENT/TERMINATION OF THE PLAN

A. The Board may alter, amend, suspend or terminate the Plan at any time to become effective immediately following the close of any Purchase Interval. However, the Plan may be amended or terminated immediately upon Board action, if and to the extent necessary to assure that the Corporation will not recognize, for financial reporting purposes, any compensation expense in connection with the shares of Common Stock offered for purchase under the Plan, should the financial accounting rules applicable to the Plan at the Effective Time

be subsequently revised so as to require the recognition of compensation expense in the absence of such amendment or termination.

B. In no event may the Board effect any of the following amendments or revisions to the Plan without the approval of the Corporation's stockholders: (i) increase the number of shares of Common Stock issuable under the Plan, except for permissible adjustments in the event of certain changes in the Corporation's capitalization, (ii) alter the purchase price formula so as to reduce the purchase price payable for the shares of Common Stock purchasable under the Plan or (iii) modify eligibility requirements for participation in the Plan.

XI. GENERAL PROVISIONS

A. Nothing in the Plan shall confer upon the Participant any right to continue in the employ of the Corporation or any Corporate Affiliate for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Corporate Affiliate employing such person) or of the Participant, which rights are hereby expressly reserved by each, to terminate such person's employment at any time for any reason, with or without cause.

B. All costs and expenses incurred in the administration of the Plan shall be paid by the Corporation; however, each Plan Participant shall bear all costs and expenses incurred by such individual in the sale or other disposition of any shares purchased under the Plan.

C. The provisions of the Plan shall be governed by the laws of the State of New York without regard to that State's conflict-of-laws rules.

SCHEDULE A

CORPORATIONS PARTICIPATING IN
EMPLOYEE STOCK PURCHASE PLAN
AS OF THE EFFECTIVE TIME

LivePerson, Inc.

APPENDIX

The following definitions shall be in effect under the Plan:

A. BOARD shall mean the Corporation's Board of Directors.

B. CASH EARNINGS shall mean the (i) base salary payable to a Participant by one or more Participating Corporations during such individual's period of participation in one or more offering periods under the Plan plus (ii) all overtime payments, bonuses, commissions, current profit-sharing distributions and other incentive-type payments. Such Cash Earnings shall be calculated before deduction of (A) any income or employment tax withholdings or (B) any pre-tax contributions made by the Participant to any Code Section 401(k) salary deferral plan or any Code Section 125 cafeteria benefit program now or hereafter established by the Corporation or any Corporate Affiliate. However, Cash Earnings shall not include any contributions (other than Code Section 401(k) or Code Section 125 contributions) made on the Participant's behalf by the Corporation or any Corporate Affiliate to any employee benefit or welfare plan now or hereafter established.

C. CHANGE IN CONTROL shall mean a change in ownership of the Corporation pursuant to any of the following transactions:

(i) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Corporation in complete liquidation or dissolution of the Corporation, or

(iii) the acquisition, directly or indirectly, by a person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by or is under common control with the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders.

D. CODE shall mean the Internal Revenue Code of 1986, as amended.

E. COMMON STOCK shall mean the Corporation's common stock.

F. CORPORATE AFFILIATE shall mean any parent or subsidiary corporation of the Corporation (as determined in accordance with Code Section 424), whether now existing or subsequently established.

G. CORPORATION shall mean LivePerson, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of LivePerson, Inc. which shall by appropriate action adopt the Plan.

H. EFFECTIVE TIME shall mean the time at which the Underwriting Agreement is executed. Any Corporate Affiliate which becomes a Participating Corporation after such Effective Time shall designate a subsequent Effective Time with respect to its employee-Participants.

I. ELIGIBLE EMPLOYEE shall mean any person who is employed by a Participating Corporation on a basis under which he or she is regularly expected to render more than twenty (20) hours of service per week for more than five (5) months per calendar year for earnings considered wages under Code Section 3401(a).

J. ENTRY DATE shall mean the date an Eligible Employee first commences participation in the offering period in effect under the Plan. The EARLIEST Entry Date under the Plan shall be the Effective Time.

K. FAIR MARKET VALUE per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market or any successor system. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) For purposes of the initial offering period which begins at the Effective Time, the Fair Market Value shall be deemed to be equal to the price per share at which the Common Stock is sold in the initial public offering pursuant to the Underwriting Agreement.

L. 1933 ACT shall mean the Securities Act of 1933, as amended.

M. PARTICIPANT shall mean any Eligible Employee of a Participating Corporation who is actively participating in the Plan.

N. PARTICIPATING CORPORATION shall mean the Corporation and such Corporate Affiliate or Affiliates as may be authorized from time to time by the Board to extend the benefits of the Plan to their Eligible Employees. The Participating Corporations in the Plan are listed in attached Schedule A.

O. PLAN shall mean the Corporation's Employee Stock Purchase Plan, as set forth in this document.

P. PLAN ADMINISTRATOR shall mean the committee of two (2) or more Board members appointed by the Board to administer the Plan.

Q. PURCHASE DATE shall mean the last business day of each Purchase Interval. The initial Purchase Date shall be October 31, 2000.

R. PURCHASE INTERVAL shall mean each successive six (6)-month period within the offering period at the end of which there shall be purchased shares of Common Stock on behalf of each Participant.

S. SEMI-ANNUAL ENTRY DATE shall mean the first business day in May and November each year on which an Eligible Employee may first enter an offering period.

T. STOCK EXCHANGE shall mean either the American Stock Exchange or the New York Stock Exchange.

U. UNDERWRITING AGREEMENT shall mean the agreement between the Corporation and the underwriter or underwriters managing the Corporation's initial public offering of its Common Stock.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
LivePerson, Inc.:

We consent to the use of our report included herein and to the reference to our firm under the heading "Experts" in the Prospectus.

KPMG LLP

New York, New York
March 28, 2000